

GARFIELD COUNTY, COLORADO

COLORADO OIL AND GAS LEASE

THIS LEASE, made and entered into this 17th day of October, AD, 1994, by and between THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY, a Delaware corporation, 2400 Anaconda Tower, 555 Seventeenth Street, Denver, Colorado 80202-3987, hereinafter called "Railroad Company", party of the first part, and Barrett Resources Corporation, a Delaware corporation, 1125 Seventeenth Street, Suite 2400, Denver, Colorado 80202, hereinafter called the "Lessee", party of the second part;

WITNESSETH: **BOOK 2123 PAGE 127**  
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MONIKA TODD CLK&REC MESA COUNTY CO

RECITALS:

The Railroad Company is the owner and in possession of certain tracts or parcels of land containing 246.96 acres, more or less, situate, lying and being in Garfield and Mesa Counties, State of Colorado, being more fully described in Exhibit "A" attached hereto and hereby made a part hereof by this reference.

For convenience, said hereinabove described tracts or parcels of land are hereinafter referred to as "Railroad Lands".

The Lessee is the present owner of a certain block of oil and gas mining leases located in Township 6 South, Range 93 West; Township 6 South, Range 94 West; Township 6 South, Range 95 West; Township 7 South, Range 95 West; Township 7 South, Range 96 West; Township 8 South, Range 96 West; Township 8 South, Range 97 West; Township 9 South, Range 97 West.

As the leases in these sections have direct bearing on the Railroad Lands as hereinbefore described and, inasmuch as such lease holdings in such sections surround and/or abut the Railroad Lands, said Lessee desires to purchase from the Railroad Company an oil and gas mining lease covering said Railroad Lands, so as to consolidate said Railroad Lands with the leased lands adjacent to the extent hereinafter set out, for the purpose of oil and gas development and operation.

The Railroad Company is agreeable thereto, subject to the limitations and conditions hereinafter set forth.

AGREEMENT:

The parties hereto, for the considerations hereinafter expressed, agree as follows:

1. The Railroad Company for and in consideration of the sum of \$9,878.40 the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be performed, kept and paid, does hereby lease and let the Railroad Lands as hereinbefore described exclusively unto the Lessee with the right and permission granted the Lessee to pool or combine all or any portion of the Railroad Lands with adjacent lands into drilling units in order to properly develop and operate the premises for the sole and only purpose of obtaining the oil and gas therefrom. Lessee shall execute in writing an instrument identifying and describing any drilling unit or units created hereunder and shall mail same, together with map showing such drilling unit or units, to the Railroad Company; provided, however, that no drilling unit so created shall exceed 160.00 acres for oil or 640.00 acres for gas, but provided further that if the spacing regulations of any governmental agency, state or federal, shall prescribe a spacing pattern or shall allocate a producing allowable based in whole or in part on acreage per well, then the unit or units herein contemplated may have the maximum surface acreage content so prescribed or allocated. The proposed drilling units have not, as yet, been definitely established or determined; therefore, it is not possible to identify such units by defined locations on the attached map in their relation to the Railroad Lands; however, royalty due the Railroad Company as a result of its participation in this Lease shall be determined in the manner hereinafter provided.
2. The Railroad Company reserves to itself all rights at any and all times to operate and maintain its existing tracks and other facilities; to lay additional tracks, or erect buildings or other structures on the Railroad Lands, or to make such other uses thereof, by lease or otherwise, as may be required by it in rendering transportation service to the public.
3. While it is hereby agreed that the Railroad Lands herein and hereby leased to the Lessee may be operated and developed as part or parts of a drilling unit or units composed in part of other land, the Lessee agrees not to drill any well or place any slush pond, pipe line, tank or other structure upon any part of the Railroad Lands without the written consent of the Chief Engineer of the Railroad Company first had and obtained by the Lessee in each instance, the only purpose of this Lease being to permit the Lessee to drain oil or gas lying beneath the surface of the Railroad Lands.
4. The Lessee agrees to use reasonable and due diligence to protect from drainage, all and every part of the Railroad Lands and any drilling unit or units, of which the Railroad Lands, or any part thereof, constitute a part.
5. The Lessee agrees that the Railroad Company shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of its acreage placed in the drilling unit or its royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular drilling unit involved.

Hunt Walker  
600 17th St #2620-S  
Denver, Co 80202

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It is agreed that if title to any of the Railroad Lands in a particular drilling unit is not owned exclusively by the Railroad Company either in fee simple absolute or by base or terminable fee, the royalties to be paid the Railroad Company from production from that unit shall be reduced proportionately. Subject to the terms hereof, the Lessee agrees to pay to the Railroad company the following royalties, to-wit:

- (a) The Lessee shall deliver to the credit of the Railroad Company as royalty, in the pipe line to which the Lessee may connect its well or wells, its proportionate part of the one-fourth part of all oil produced and saved, or at the Railroad Company's option the Lessee shall pay the Railroad Company for such proportionate part of the one-fourth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, railroad tank cars, truck tankers, or into storage tanks.
  - (b) The Lessee shall pay the Railroad Company for gas, including casinghead gas or other gaseous substances, produced and sold or used off the premises or in the manufacture of gasoline or other products therefrom the market value at the well of its proportionate part of one-fourth of the gas so sold or used, provided that on gas, including casinghead gas sold at the wells, the royalty shall be its proportionate part of the one-fourth of the amount realized from said sale.
  - (c) The Lessee shall have free use of oil, gas and casinghead gas produced from any drilling unit of which any part of Railroad Lands is a part, for all operations on said unit, and the royalties on oil, gas and casinghead gas herein provided shall be computed after deducting any so used; all royalties to be retroactive to date of first production.
6. That, subject to any governmental regulations, each well drilled under the provision of this Lease shall be operated by the Lessee as a reasonably prudent operator in the same or similar circumstances would operate such well, as long as such well is capable of producing oil or gas in paying quantities.
  7. The Lessee agrees to, at all times, conduct its operations hereunder as such may have bearing on the hereinbefore described tracts of Railroad Lands in a careful and workmanlike manner and in conformity with the requirements of any Federal, State or Municipal authority, and so as not in any way to interfere with the safe and convenient operation by the Railroad Company of its railroad and under appurtenant facilities.
  8. The Lessee agrees that it will indemnify and save harmless the Railroad Company from and against all claims, demands, actions or causes of action, of whatsoever character, in behalf of any person, natural or corporate, which are the results of the negligence of the lessee in the exercise of the privileges granted hereby.
  9. The Railroad Company at all reasonable times, during office hours, shall have access to the Lessee's records and books of account relating to the production of oil and gas or casinghead gas as the result of drilling on any of the drilling units in which any of the Railroad Lands may be involved or be a part. However, only such representatives of the Railroad Company as are duly authorized by it in writing to examine such records and books of account shall be given access thereto by the Lessee.
  10. That all moneys to be paid by the Lessee to the Railroad Company hereunder shall be paid at P. O. Box 209711, Houston, Texas 77212 (or at such other address as Railroad Company may hereafter from time to time designated by written notice to Lessee). Settlement for and payment of all royalties shall be made on or before the 20th day of each calendar month for all oil, gas or casinghead gas produced and sold during the preceding calendar month. If the rights of the Railroad Company to the Railroad Lands shall come into litigation, the Lessee may withhold payment of royalties until final adjudication or other settlement of such litigation.
  11. That the Lessee will pay, before the same become delinquent, all taxes, charges, rates and assessments which may, during the term of this Lease, be levied upon or assessed in any respect to the benefits of this Lease which accrue to the Lessee, as follows:
    - (a) All taxes, charges, rates and assessments upon this Lease and upon the minerals covered thereby, except taxes on minerals owned by the Railroad Company.
    - (b) All taxes, charges, rates and assessments pertaining to oil or gas which may be produced from the Railroad Lands, except taxes on royalty on oil or gas produced from the Railroad Lands.
    - (c) All taxes, charges, rates and assessments which under sub-paragraphs (a) and (b) of this Section 11 are to be borne by the Lessee and which may be embraced in the general amount of taxes charged upon the Railroad Lands, separately or in conjunction with other property of the Railroad Company, and are paid by the Railroad Company shall be promptly repaid or refunded to the Railroad Company by the Lessee. All taxes paid by the Railroad Company on account of the Lessee shall bear interest at the rate of six percent (6%) per annum until paid, unless such taxes are paid within thirty (30) days after receipt of billing from the Railroad Company.

12. This Lease shall remain in force for a term of five (5) years from its date, and as to each separate unit designated hereunder as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of the products covered by this Lease are produced therefrom in paying quantities; provided, however, this Lease shall terminate on or before October 17, 1995, as to that part of Railroad Lands, if any, not included in a drilling unit on which a well has been commenced, unless Lessee shall on or before said date pay or tender to the Railroad Company the sum of \$1 per acre for said part of Railroad Lands, which shall operate as rental and cover the privilege of deferring the commencement of drilling operations on said part of Railroad Lands for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively for said term of five (5) years.

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- (a) While there is a well on the leased premises or on land pooled therewith which is capable of producing gas in paying quantities but the production thereof is shut-in for lack of a suitable market, Lessee shall pay to Railroad Company as shut-in gas royalty the sum of Two Hundred Dollars (\$200) per well for each such gas well, the first payment due on or before the expiration of one (1) year after each such gas well is shut-in, and if such first payment by Lessee to Railroad Company is made or tendered in a timely manner, it will be considered that gas is being produced in paying quantities from such well for a period of one (1) year from the date such well was shut-in, and a like payment of Two Hundred Dollars (\$200) shall be made on or before the expiration of such one (1) year period from the date of shut-in of each such well and successive payments shall be made thereafter on or before the expiration of each successive one (1) year period while each such well is shut-in, and if such payments are made in a timely manner, it shall be considered that each such well is producing in paying quantities for each such succeeding one (1) year period. In the event that a shut-in royalty payment shall fail to be made in a timely manner for a shut-in well as provided herein, it will be considered that there is no production of gas from such well from and after the date such payment was due.
13. Lessee shall have the preferential right to extend the lease for one additional five (5) year term as to that part of the Railroad Lands not included in a drilling unit at the end of the primary term. Lessee agrees to exercise said preferential right within thirty (30) days following expiration of the primary term for the same lease terms as the terms provided for in the original lease.
14. Any waiver by the Railroad Company of any right to terminate this Lease shall not be held to be a waiver of any subsequent right to terminate; neither shall any termination of this Lease release or relieve the Lessee from any liability or obligation accrued prior to the date of termination, or thereafter, in case by terms of this Lease it is expressly provided that anything shall be done after termination hereof.
15. Lessee may, at any time, execute and deliver to Railroad company or place of record a release covering any portion or portions of the hereinbefore described premises and thereby surrender this Lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases; provided, however, that Lessee may not release any part of the Railroad Lands pooled in a drilling unit, as provided for in Section 1 hereof, so long as same is producing oil and/or gas in paying quantities, without the written consent of the Railroad Company.
16. The Lessee shall, at the time of abandonment, plug any abandoned well in any tract or tracts of land herein covered, in accordance with the rules and regulations of any governmental body having jurisdiction.
17. All the covenants and agreements herein contained shall inure to and bind the successors and assigns of the parties hereto; provided, however, no right of the Lessee hereunder shall be transferred or assigned, except with the written consent of the Railroad company first had and obtained by the Lessee in each instance, which consent shall not be unreasonably withheld, and in event of any involuntary assignments or transfers of the Lessee's interest, then the Railroad Company shall have the right to terminate this Lease at its election.
18. This Lease is executed without any warranty by or on the part of the Railroad Company of any kind, character or description whatsoever, expressed or implied, and no covenant or warranty or guaranty shall be implied by the use of any word or words herein contained.

IN WITNESS WHEREOF, This Lease has been duly executed, in duplicate, by the parties hereto as of the day and year first hereinbefore written.



Attached to and made a part of that certain Oil and Gas Lease dated October 17, 1994, from The Denver and Rio Grande Western Railroad Company, as Lessor, to Barrett Resources Corporation, as Lessee, covering the following described land to wit:

**TOWNSHIP 6 SOUTH, RANGE 93 WEST**

- Section 18: NE/4 (All of Lessor's right of way across said quarter section and containing 6.42 acres, more or less)  
 Section 18: NW/4 (All of Lessor's right of way across said quarter section and containing 5.90 acres, more or less)

**TOWNSHIP 6 SOUTH, RANGE 94 WEST**

- Section 13: NE/4 (All of Lessor's right of way across said quarter section and containing 0.94 acres, more or less)  
 Section 13: SW/4 (All of Lessor's right of way across said quarter section and containing 3.69 acres, more or less)  
 Section 13: SE/4 (All of Lessor's right of way across said quarter section and containing 7.09 acres, more or less)  
 Section 23: NE/4 (All of Lessor's right of way across said quarter section and containing 6.60 acres, more or less)

**TOWNSHIP 6 SOUTH, RANGE 95 WEST**

- Section 32: SE/4 (All of Lessor's right of way across said quarter section and containing 3.39 acres, more or less)

**TOWNSHIP 7 SOUTH, RANGE 95 WEST**

- Section 6: SE/4 (All of Lessor's right of way across said quarter section and containing 8.92 acres, more or less)  
 Section 6: SW/4 (All of Lessor's right of way across said quarter section and containing 1.81 acres, more or less)  
 Section 6: NE/4 (All of Lessor's right of way across said quarter section and containing 0.68 acres, more or less)  
 Section 7: NW/4 (All of Lessor's right of way across said quarter section and containing 7.37 acres, more or less)

**TOWNSHIP 7 SOUTH, RANGE 96 WEST**

- Section 12: NE/4 (All of Lessor's right of way across said quarter section and containing 2.09 acres, more or less)  
 Section 12: SE/4 (All of Lessor's right of way across said quarter section and containing 20.15 acres, more or less)  
 Section 13: NE/4 (All of Lessor's right of way across said quarter section and containing 0.21 acres, more or less)  
 Section 13: NW/4 (All of Lessor's right of way across said quarter section and containing 7.60 acres, more or less)  
 Section 13: SW/4 (All of Lessor's right of way across said quarter section and containing 3.65 acres, more or less)  
 Section 23: NE/4 (All of Lessor's right of way across said quarter section and containing 7.92 acres, more or less)  
 Section 23: SW/4 (All of Lessor's right of way across said quarter section and containing 21.53 acres, more or less)  
 Section 23: SE/4 (All of Lessor's right of way across said quarter section and containing 1.31 acres, more or less)  
 Section 26: NW/4 (All of Lessor's right of way across said quarter section and containing 3.53 acres, more or less)  
 Section 27: NE/4 (All of Lessor's right of way across said quarter section and containing 4.00 acres, more or less)  
 Section 27: SW/4 (All of Lessor's right of way across said quarter section and containing 0.03 acres, more or less)  
 Section 32: SE/4 (All of Lessor's right of way across said quarter section and containing 3.30 acres, more or less)  
 Section 33: NE/4 (All of Lessor's right of way across said quarter section and containing 6.93 acres, more or less)  
 Section 33: SW/4 (All of Lessor's right of way across said quarter section and containing 2.74 acres, more or less)

**TOWNSHIP 8 SOUTH, RANGE 96 WEST**

- Section 5: NE/4 (All of Lessor's right of way across said quarter section and containing 1.15 acres, more or less)  
Section 5: NW/4 (All of Lessor's right of way across said quarter section and containing 1.75 acres, more or less)  
Section 7: NE/4 (All of Lessor's right of way across said quarter section and containing 4.66 acres, more or less)  
Section 7: NW/4 (All of Lessor's right of way across said quarter section and containing 5.89 acres, more or less)

**TOWNSHIP 8 SOUTH, RANGE 97 WEST**

- Section 13: SW/4 (All of Lessor's right of way across said quarter section and containing 3.06 acres, more or less)  
Section 23: NE/4 (All of Lessor's right of way across said quarter section and containing 3.60 acres, more or less)  
Section 27: NW/4 (All of Lessor's right of way across said quarter section and containing 14.04 acres, more or less)  
Section 27: NE/4 (All of Lessor's right of way across said quarter section and containing 3.29 acres, more or less)  
Section 28: SE/4 (All of Lessor's right of way across said quarter section and containing 15.60 acres, more or less)  
Section 32: SE/4 (All of Lessor's right of way across said quarter section and containing 6.29 acres, more or less)  
Section 32: SW/4 (All of Lessor's right of way across said quarter section and containing 4.29 acres, more or less)  
Section 33: NE/4 (All of Lessor's right of way across said quarter section and containing 13.45 acres, more or less)  
Section 33: NW/4 (All of Lessor's right of way across said quarter section and containing 4.64 acres, more or less)  
Section 33: SW/4 (All of Lessor's right of way across said quarter section and containing 2.13 acres, more or less)

**TOWNSHIP 9 SOUTH, RANGE 97 WEST**

- Section 5: NW/4 (All of Lessor's right of way across said quarter section and containing 3.05 acres, more or less)  
Section 5: SW/4 (All of Lessor's right of way across said quarter section and containing 4.86 acres, more or less)  
Section 7: SE/4 (All of Lessor's right of way across said quarter section and containing 7.57 acres, more or less)  
Section 8: NW/4 (All of Lessor's right of way across said quarter section and containing 6.95 acres, more or less)  
Section 8: SW/4 (All of Lessor's right of way across said quarter section and containing 2.89 acres, more or less)

TOTAL LANDS COVERED HEREBY CONTAIN 246.96 ACRES, MORE OR LESS

EXHIBIT "A"

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Section 18: NW/4 (All of Lessor's right of way across said quarter section and containing 5.90 acres, more or less)

TOWNSHIP 6 SOUTH, RANGE 94 WEST

- Section 13: NE/4 (All of Lessor's right of way across said quarter section and containing 0.94 acres, more or less)  
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Section 13: SE/4 (All of Lessor's right of way across said quarter section and containing 7.09 acres, more or less)  
Section 23: NE/4 (All of Lessor's right of way across said quarter section and containing 6.60 acres, more or less)

TOWNSHIP 6 SOUTH, RANGE 95 WEST

- Section 32: SE/4 (All of Lessor's right of way across said quarter section and containing 3.39 acres, more or less)

TOWNSHIP 7 SOUTH, RANGE 95 WEST

- Section 6: SE/4 (All of Lessor's right of way across said quarter section and containing 8.92 acres, more or less)  
Section 6: SW/4 (All of Lessor's right of way across said quarter section and containing 1.81 acres, more or less)  
Section 6: NE/4 (All of Lessor's right of way across said quarter section and containing 0.68 acres, more or less)  
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TOWNSHIP 7 SOUTH, RANGE 96 WEST

- Section 12: NE/4 (All of Lessor's right of way across said quarter section and containing 2.09 acres, more or less)  
Section 12: SE/4 (All of Lessor's right of way across said quarter section and containing 20.15 acres, more or less)  
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**TOWNSHIP 8 SOUTH, RANGE 96 WEST**

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TOTAL LANDS COVERED HEREBY CONTAIN 246.96 ACRES, MORE OR LESS

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Please return to:  
**HUNT WALKER**  
600 17TH STREET, # 2620-S  
DENVER, CO 80202