



PRODUCERS 88-PAID UP

# OIL AND GAS LEASE

Rev. 5-60, No.-2 - 10pt.-Amended

(Paid-Up)

THIS AGREEMENT is made and entered into the 11 day of July, 2013, by and between Weld 152 LLC, whose address is 8020 South County Road 5, Suite 200, Windsor, Colorado, 80528, hereinafter called Lessor (whether one or more); and Synergy Resources Corporation, a Colorado corporation, 20203 Highway 60, Platteville, CO 80651, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of **Ten and more (\$10.00+)** DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying flow lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

**TOWNSHIP 6 NORTH, RANGE 67 WEST, of the 6<sup>th</sup> P.M. Weld County, Colorado**  
**Section 10: Lot A of Recorded Exemption No. 0807-10-02 RE723, according to that certain map or plat thereof recorded in Book 1051 under reception No. 1991399; and Lot B of Amended Recorded Exemption No. 0807-10-02-AMRE-723, according to that certain map or plat thereof recorded under Rec. No. 3444989 (also described as Lot B of Recorded Exemption No. 0807-10-2-RE 723, less and except that tract of land more particularly described in that certain Quit Claim Deed recorded under Reception No. 2700860), being a part of the NW 1/4**

And containing 156.428 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of **three (3) years** from this date ("primary term") and as long thereafter as oil or gas of whatsoever nature or kind is produced in paying quantities from said leased premises or on acreage pooled therewith, or drilling operations are being continuously prosecuted as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as drilling operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and drilling operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the commencement and continuous prosecution of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences and continuously prosecutes additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced in paying quantities from the leased premises or on acreage pooled therewith.

2. **This is a PAID-UP LEASE.** In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbon's separated at Lessee's separator facilities, the royalty shall be twenty percent (20%), for the term of such production, to be delivered at Lessor's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price, then prevailing in the same field, then in the nearest field in which there is



such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substance covered hereby, the royalty shall be twenty percent (20%) of the net proceeds realized by Lessee (after deducting the taxes and costs set forth in subsection 3(c) hereof) from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per net mineral acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease. This option extends for two (2) years beyond term of this lease or from the completion date of the well(s).

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil produced on said land for Lessee's operation thereon. Lessor shall retain all ownership of both surface and sub-surface water rights including undesignated groundwater.

7. Lessee shall bury all pipeline a minimum of thirty-six (36") below depth.

8. No well shall be drilled nearer than 600 feet to the house or barn now on said premises at 34896 WCR 19, Windsor, CO 80550 without the written consent of Lessor. Prior to drilling a Surface Use Agreement shall be put into place and agreed to by all parties covering among other things, location of roads, wells, flow line(s), tank battery(s), separator(s) and any other surface equipment. Surface damages will be paid 30 days prior to commencement of drilling at an agreed amount.

9. Lessee shall pay for all damages caused by Lessee's operations. No surface access or damage will be created by said operations. The number of wells to be drilled will be limited to those currently authorized by the rules and regulations of the Colorado Oil and Gas Conservation Commission.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. The parties shall provide notice of assignment to the other party. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously



formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor agrees that the Lessee shall have the right upon no less than 30 days prior notice to Lessor to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof Lessor agrees to execute such further assurances as may be reasonably required for the full and complete enjoyment of Lessee's rights herein granted.

15. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

16. Anything to the contrary herein notwithstanding, if Lessor owns a greater interest in the lands described than is purported to be leased hereby or hereafter acquires any additional interest or title in the lands described, then this lease shall cover such greater or additional after-acquired interest or title, and Lessor agrees to give Lessee written notice of any such acquisition as soon as the same is made, in which event the royalties payable to Lessor shall be increased proportionately.

17. Lessee and Lessor agree that all Oil and Gas Drilling and associated equipment will be located within the extreme South line of said acreage herein pursuant to the Surface Use Agreement between the parties.

18. All Oil and Gas Exploration will adhere to the rules and regulations of the Colorado Oil and Gas Conservation Commission.

19. Notwithstanding any provision of this lease to the contrary, a producing well drilled on the leased premises, or lands pooled or unitized therewith, will only maintain this lease in force beyond its primary term as to that portion of the leased premises which is included within the drilling and spacing unit permitted for such well by the Colorado Oil and Gas Conservation Commission. If at the end of the primary term or after the expiration of the primary term, Lessee is then engaged in drilling or reworking operations on that portion of the leased premises or on acreage pooled therewith which is not within a producing well unit, or if Lessee has completed a well as a producer or a dry hole anywhere on the leased premises or lands pooled therewith within 90 days prior to the expiration of the primary term, this Lease shall remain in full force and effect as to all acreage so long as Lessee commences drilling on the non-unitized portion of the leased premises or on acreage pooled therewith within 90 days of the completion of such well as a producer or a dry hole and conducts continuous operations thereon with no cessation of longer than 90 days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well. In the event that more than 90 days expires between the completion of one well and the commencement of operations on the next well as aforesaid, this Lease shall terminate as to all acreage which is not located within the well unit assigned to a producing well or to a well on which operations are being conducted pursuant to the applicable terms of this Lease. In the event any of the acreage covered by this Lease is released from this Lease by operation of the terms of this paragraph, Lessee shall have the right of ingress and egress for production purposes across the released acreage retained hereunder if such right is necessary for Lessee to have access to the retained acreage identified in this Lease. Notwithstanding any provision of this Lease to the contrary, without the consent of Lessor, a well unit shall be no greater than six hundred forty (640) acres for any horizontal well and



no greater than eighty (80) acres for any vertical or directional well, which 80-acre unit shall be comprised of the E½, W½, N ½ or S½ of a governmental quarter section

20. Intentionally deleted.

21. Any communication required or permitted to be given under this Lease shall be in writing and directed as follows:

To Lessor: Weld 152, LLC  
Attn: Jon Turner  
8020 South County Road 5  
Suite 200  
Windsor CO 80528

With a copy to: Vivian Supinka  
983 Philadelphia Street  
Indiana PA 15701

To Lessee: Synergy Resource Corporation  
20203 Highway 60  
Platteville CO 80651

Any party may change its address for notice hereunder by giving the other party notice of such change as provided for notice herein.

22. All payments made by Lessee to Lessor pursuant to this Lease, including lease bonus and royalties of any kind, are hereby assigned by Lessor and shall be payable to the following persons, their successors or assigns:

To Jon Turner: twenty five percent (25%) at 8020 South CR 5 Suite 200, Windsor CO 80528

To Chris Frye: thirty five point four one percent (35.41%) at 16 Timor Sea, Newport Coast, CA 92657

To Ingeborg Frye: twenty nine point one eight percent (29.18%) at 34896 Weld County Road 19 Windsor CO 80550

To Vivian Frye Supinka: ten point four one percent (10.41%) at 983 Philadelphia Street Indiana PA 15701

23. All royalty payments shall be made in accordance with the Colorado Royalty Payment Act.

24. Lessee agrees to defend, indemnify and save and hold harmless Lessor, its members and managers from and against all losses, costs, expenses, liabilities, and damages of every kind and character (including reasonable fees and expenses of attorneys, technical experts and expert witnesses reasonably incident to matters indemnified against), which arise from or in connection with (i) any activities, operations, acts or omissions of Lessee or its agents, representatives, contractors and subcontractors on the leased premises, including, without limitation, any spill, release or discharge of any substance (including any pollutant or hazardous or toxic substance) or any violation of any environmental or other laws, and (ii) the breach by Lessee of this Lease.

25. In the lease and operation of the leased premises, Lessee and Lessor shall comply with all applicable local, state and federal laws, rules and regulations.

26. All vehicles traveling upon the leased premises and owned or operated by Lessee, its contractors, agents, or employees shall be covered by automobile liability insurance covering owned, non-owned, and

hired automobiles with limits of at least One Million Dollars (\$1,000,000) for injury to or death of any one person for any one occurrence, and Five Hundred Thousand Dollars (\$500,000) property damage per occurrence. In addition, at all times during the term of this Lease Lessee shall carry comprehensive general liability insurance with minimum coverage limits of One Million Dollars (\$1,000,000) for injury or death for any one occurrence, and One Million Dollars (\$1,000,000) for property damage per occurrence. Lessee and its contractors, agents, and employees shall provide Lessor with certificates evidencing such insurance at the time of entering into this Lease and any time afterward at Lessor's request. All insurance will be placed with companies which have a Best Company Financial Rating of "A" or better and a size class rating of "XIV" or larger, and which are fully licensed in the jurisdiction of the leased premises. The obligation to maintain insurance shall not affect or otherwise satisfy Lessee's other obligations hereunder to Lessor. Lessee will give Lessor prompt notice of any injury or damage on the leased premises.

27. Owner makes no representation or warranty as to any matter of title, condition, suitability for Operator's purposes or regulatory status of the premises leased hereunder. Operator acknowledges that it is aware of all natural and manmade hazards and conditions on, in or under the leased premises. Operator takes this lease and the leased premises as is and where is, and subject to all such hazards and conditions.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

**WELD 152, LLC, a Colorado limited liability company**

Jon Turner  
Jon Turner, Authorized Member

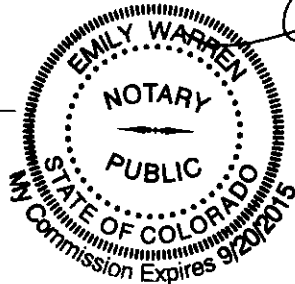
STATE OF Colorado  
COUNTY OF Larimer ) ss.

**ACKNOWLEDGMENT**

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of July, 2013, by Jon Turner to me known to be the identical person described herein, and who executed the within and foregoing instrument of writing and acknowledgment to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

My commission expires:  
9/20/2015



Emily Warren  
Notary Public