

Producers 88

## OIL AND GAS LEASE

11

AGREEMENT, Made and entered into the 17<sup>th</sup> day of December, 2012 by and between Van Craig & Charles L. Craig, hereinafter called Lessor, whose address is 45541 Park Avenue, Cope, CO 80812, and Connors Oil & Gas, LLC whose address is 8539 Gold Peak Dr. Unit #B, Highlands Ranch, CO 80130 hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more Dollars (\$10,000+) 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, specifically including coalbed methane and any and all substances produced in association therewith from coal-bearing formations, with rights of way and easements for laying pipe 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 Washington, State of Colorado, described as follows, to-wit:

Township 4 South, Range 49 West, 6<sup>th</sup> E.M.  
Section 17; N/2  
Section 18; E/2  
Section 19; N/2  
Section 20; W/2

Containing 1280 acres, more or less

including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise. Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease, and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, including all lands and rights acquired or retained by Lessor by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above, as well as all riparian lands and rights which may be incident, appurtenant, related or attributed to Lessor in any lake, reservoir, stream or river traversing or adjoining the lands described above, and further, all lands included in any road, easement or right-of-way traversing or adjoining the lands described above, which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above. For the purpose of determining the bonus or any other payments hereinafter provided for, said land is estimated to comprise 1280 acres, whether it actually comprises more or less.

1. It is agreed that this lease shall remain in force for a period of five (5) years from this date and as long hereafter as oil or gas of whatsoever nature or kind, specifically including coalbed methane and any and all substances produced in association therewith from coal-bearing formations, is produced from said leased premises or on acreage pooled therewith, or drilling or operations are continued 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 operations are being continuously prosecuted if not more than ninety (90) days after the primary term, and operations shall be considered to be continuously prosecuted if not more than ninety (90) days thereafter, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith, and operations or abandonment of one well and the beginning of operations thereof should cease from any well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any well, then this lease shall not terminate if Lessee commences additional drilling or reworking 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 from the leased premises or on acreage pooled therewith. Lessee may at any time 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 its option 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.

1<sup>st</sup>. To pay, as royalty, or deliver to the credit of Lessor, five (5) cents, except for severance and other applicable federal, state, or local taxes, in the pipeline to which Lessee may connect wells on said land, the equal 15.0% part of all oil produced and saved from the leased premises.

2<sup>nd</sup>. To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, 15.0% of the gross proceeds derived from such sale, or when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the month of the well, of 15.0% of such gas and casinghead gas. Gross proceeds shall be the amount received by Lessee, without deduction of compressing, dehydrating, processing, transportation or other costs.

3<sup>rd</sup>. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of 15.0% of the gross proceeds, at the month of the well, payable monthly at the prevailing market rate.

4. During any period (whether before or after expiration of the primary term hereto) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of Five Dollars (\$5.00) per year per net acre covered hereby, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made, it will be considered that gas is being produced within the meaning of the entire lease. Notwithstanding anything to the contrary herein, the shut-in royalty payments shall not exceed a single five (5) year period beyond the original lease term. At the end of such five (5) year period, then this lease shall terminate.

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 to 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, and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations for reasonable full and agreed consideration for all damages caused by its operations on said land. The compensation amount shall be deemed full and agreed consideration for all damages

NO. 95

Filed  
Reception  
NO. 856182

Conti

caused or created by reason of the reasonable and customary ingress, egress, rights-of-way, drilling, completion, production and maintenance operations associated with the well and facilities. Such damages will include, without limitation, damage to growing crops and crop land, the removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the wellsite areas. Before commencing any drilling operations upon the above described leased premises, the Lessee shall pay the sum of \$2500.00 to the Lessor for each wellsite located on said lands, together with any funds used for road purposes, production facilities, pipeline or other necessary facilities in connection with the wellsites. If, by reason directly resulting from the operations of Lessee, there is damage to real or personal property upon the Lands which is not associated with the usual and customary operations, such as (but not limited to) damage to livestock, structures, buildings, fences, culverts, cement ditches, irrigation systems, and natural water ways, such damage will be repaired or replaced by Lessee, or Lessee will pay reasonable compensation to Lessor for such additional damage. An additional damage payment of \$5.00 per acre shall be paid for any seismography that is conducted on said land. This payment is in addition to, and not part of the above described \$2500.00 damage payment.

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 part. 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 hereafter 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. Production, drilling, or reworking operations on a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling, or reworking operations on a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, 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. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change, or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessor.

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 for 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 hereby warrants title to the leased premises against person who lawfully claim title to the leased premises or any part thereof, by through or under Lessor, but not otherwise.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more of 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. Extension of Primary Term. For the consideration herein recited, Lessor hereby grants to Lessee the Exclusive right and option to extend the primary term of this lease for three (3) additional years by mailing to Lessor at the address listed on the lease, on or before the end of the primary term, a bonus consideration equal to one hundred fifty percent (150%) of the bonus consideration originally paid for this lease, which payment shall represent payment in full of consideration for this extension.

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

  
By: Van Craig

  
By: Cheryl L. Craig