

OIL AND GAS LEASE

This Agreement, made and entered into this 15th day of September, 1987, by and between Atlantic Richfield Company, a Delaware corporation, 555 Seventeenth Street, Suite 2100 Denver, Colorado 80202, Lessor, and Barrett Energy Company, a Colorado corporation, 1125 17th Street, Suite 2100, Denver, Colorado 80202, Lessee.

W I T N E S S E T H

1. Lessor, in consideration of Ten Dollars (\$10.00) in hand paid, of the royalties hereinafter provided and the agreements of Lessee herein contained, and subject to the further provisions hereof, hereby grants, leases and lets exclusively unto the Lessee the right of ingress and egress for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, the following described land, referred to as the leased premises, in Garfield County, Colorado to wit:

Township 6 South, Range 96 West, 6th P.M.  
Section 28: S/2NW/4; NE/4SW/4 except a tract  
of land containing 6.32 acres;  
Lot 9 except a tract of land  
containing 7.71 acres  
Section 29: Lots 1, 5 & 6

and containing 271.67 acres, more or less

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of two (2) years from this date and as long thereafter as oil and/or gas of whatsoever nature or kind is produced from said leased premises or acreage pooled therewith or drilling 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 lease or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, 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 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 beginning 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 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 from the leased premises or on acreage pooled therewith.

3. In consideration of the premises the Lessee covenants and agrees:

To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect his wells, the equal one-fifth (1/5) part of all oil produced and saved from the leased premises.

4. The Lessee shall monthly pay Lessor as royalty on gas marketed from each well where gas only is found, one-fifth (1/5) of the proceeds if sold at the well, or if marketed by Lessee off the leased premises, then one-fifth (1/5) of its market value at the well. The Lessee shall pay the Lessor:

- (a) one-fifth (1/5) of the proceeds received by the Lessee from the sale of casinghead gas produced from any oil well;
- (b) one-fifth (1/5) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by Lessee off the leased premises for any purpose or used on the leased premises by the Lessee for purposes other than the development and operation thereof. Where gas from a well or wells, capable of producing (Shut-In) gas only, is not sold for a period of one year, Lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually on the anniversary date of this lease following the end of each such year during which such gas is not sold or used, and while said royalty is so paid or tendered, this lease shall be held as producing property under paragraph number (2) hereof; however, if after oil and gas shall be discovered and produced at or after the expiration date of this lease and where gas from a well or wells capable of producing gas only, is not sold for an uninterrupted term of three (3) years, then Lessor shall have the option to terminate this lease, and the applicable terms and conditions of Article 10 shall apply.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 15th day of September 1988, this lease shall terminate as to both parties, unless the Lessee shall, on or before said date, pay or tender to the Lessor, or its successors, the sum of \$1,358.35, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. All payments or tenders may be made by check or draft of Lessee or any assignee thereof, mailed directly to Lessor at the above address.

6. If, with regard to any particular portion or portions of the leased premises, Lessor owns and hereby leases a less interest than the entire and undivided fee in the minerals purported to be leased hereunder, then as to such portion or portions the royalties and payments provided for herein shall be paid or delivered to Lessor only in the proportion that the interest of said Lessor bears to the whole thereof.

7. The rights of Lessor hereunder may be assigned in whole or in part; however, the rights of Lessee shall not be assigned without the written consent of Lessor. No change or division of ownership of the minerals covered hereby or royalties, however accomplished, shall increase the obligation nor diminish the rights of Lessee, nor shall any such change or division be binding on Lessee until thirty (30) days after Lessee shall have been furnished with a copy of recorded instrument or instruments evidencing same.

8. Notwithstanding anything contained herein to the contrary, it is distinctly understood and agreed that Lessor does not warrant the title, either express or implied, as to all or any portion or portions of the leased premises.

9. Lessee will not lease from any person claiming adversely to Lessor without Lessor's written consent, nor undertake title curative work without first consulting Lessor, and any such work undertaken shall be such as to inure to the benefit of

Lessor's title. Lessee may at any time redeem for Lessor by payment of any mortgage, taxes or other liens upon the leased premises in the event of default in the payment or discharge thereof by Lessor and be subrogated to the rights of the holder thereof.

10. Lessee shall have the right at any time during or within six (6) months after the expiration of this lease to remove all property and fixtures owned by Lessee on the leased premises, including the right to draw and remove casing; provided, however, that Lessor shall have the right and opportunity to purchase all or any part of such equipment in place at the reasonable salvage market value then prevailing. When required by Lessor, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within two hundred feet (200') of any residence or barn now on said land without Lessor's consent. Lessee shall pay for damages caused to growing crops or livestock on said land.

11. Lessee agrees to comply with all valid laws, rules and regulations in the conduct of its operations on the leased premises and, without limitation, expressly agrees to plug properly all abandoned wells in accordance with such rules and regulations. Further, Lessee expressly agrees to save and hold harmless Lessor from all claims, charges, costs or expenses arising out of or because of Lessee's operations on the leased premises.

12. At all times during the drilling, testing and completion of any well on the leased premises, Lessor's representatives shall have full and complete access to the derrick floor, all well reports, and shall be entitled to current information concerning the progress of drilling, coring, testing and logging. Lessee agrees to keep Lessor informed as to daily drilling progress of all such wells, and to notify Lessor in advance of any coring, testing and logging in order that Lessor will have sufficient time to have an observer present during such operations. Lessee agrees to perform the following:

FDC-CNL-Gamma Ray from ground surface to total depth drilled.

Lessee agrees to furnish Lessor with three field prints and three final prints of all logs as soon as they become available. In addition, Lessee agrees to furnish Lessor the same number copies of all other logs which Lessee runs and any and all geological, engineering and other information of any nature whatsoever obtained as a result of drilling any wells on the leased premises. Samples of cuttings and cores will be delivered by Lessee to a commercial cutting service with instructions to furnish Lessor a free cut on demand.

All such notices reports, log prints, and other correspondence shall be delivered or addressed to:

John Hardin  
Atlantic Richfield Company  
555 17th Street, Suite 2100  
Denver, Colorado 80202  
Telephone: (303) 293-7527

Daily drilling reports should be sent to the above address.

In the event any well drilled on the leased premises is completed as a dry hole, Lessor shall, at its expense, have the opportunity to run a velocity survey to the bottom of the hole before the well is plugged and abandoned.

13. The parties hereto recognize that the leased premises contain undeveloped oil shale or other minerals and that Lessor may at some future time mine the oil shale or other minerals in the leased premises. The parties hereto also acknowledge that a

conflict between the development of oil shale or other mineral reserves by Lessor and the production of oil and gas by Lessee could arise if there is a producing well on the premises at the time Lessor desires to recover the oil shale or other minerals.

Therefore, in order to resolve said potential conflict, the parties agree that upon at least sixty (60) days written notice by Lessor to Lessee of Lessor's desire to mine through the leased premises, any producing well on the leased premises will be plugged below the oil shale seam until further written notice from the Lessor to the Lessee that mining operations in the area have been completed. (The term "mining operations" as used herein shall include all relevant reclamation work.) The date of completion of mining operations shall be determined solely by Lessor. Either the Lessor or Lessee may undertake the work of plugging the well. Prior to April 1, 1997, said costs, expense and risk shall be borne by Lessee.

Notwithstanding anything to the contrary contained herein, this lease shall be suspended in its entirety as to all terms and conditions for so long as mining operations are being conducted upon said lands. Thirty (30) days after written notification by Lessor of completion of said mining operations, this lease shall be reinstated in full force and effect, as if it had not been interrupted, for the balance of its term. However, during the period of suspension, if any, this lease, for all other intents and purposes shall remain a valid and subsisting oil and gas lease.

It is further understood and agreed that if, at any time during the term of this lease, ongoing oil and gas operations or development are interrupted, suspended and/or shut-in as a result of any mining operations, the royalty and shut-in provisions contained herein shall be suspended for so long as said mining operations are conducted on said lands, and until such time as Lessee has written notification of completion of mining operations. Lessee shall then have sixty (60) days from date of said written notification, to recommence oil and gas operations, including, but not limited to, royalty and/or shut-in royalty payments provided for herein.

14. All obligations imposed hereunder on Lessee shall be suspended while compliance is prevented by force majeure. The term "force majeure" as employed herein, shall include, but not be limited to, acts of God, strikes, labor disputes, fire, war, civil disturbance, any federal, state, county or municipal laws, regulations, legal actions or other matters beyond the reasonable control of the Lessee provided, further, that Lessee shall not be required against its will to adjust any labor dispute or to question the validity of any federal, state, county, municipal or other political subdivision order, regulation or law. However, it is further provided that Lessee may not invoke the protection of this section on the basis of an act of government unless the Lessee made a bona fide and reasonable effort, considering the interest of both parties to this Lease, to avoid such delay or failure by meeting all lawful demands and requirements of the government.

Lessee shall diligently attempt to remedy the cause of any such suspension as quickly as possible, but Lessee shall not be required against its will to adjust or settle any labor dispute.

15. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease,

