

Form
88—(Producers)
Kan., Okla. & Colo. 1957
C-Rev. 1974

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MONIKA TOBE (CLEARED MESA COUNTY CO
REC FEE \$15.00

OIL AND GAS LEASE

THIS AGREEMENT, Entered into this the 12th day of February, 2001, between R. E. Whiting & Sons, a partnership; John L. Whiting a married man dealing in his sole and separate property, 100 Whiting Road, Whitewater, CO. 81527 hereinafter called lessor, and Sunnyside Production Company LLC, P. O. Box 426, Collbran, CO. 81624 hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten & More Dollars in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased, and let and by these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, and with the right to unitize this lease or any part thereof with other oil and gas leases as to all or any part of the lands covered thereby as hereinafter provided, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing and saving all of the oil, gas, casinghead gas, casinghead gasoline and all other gases and their respective constituent vapors, and for constructing roads, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of Mesa State of Colorado and described as follows:

REFER TO ATTACHED EXHIBIT "A" FOR DESCRIPTION OF LANDS AND ADDITIONAL PROVISIONS

and containing 1648.33 acres, more or less. This lease shall specifically include coalbed gas and occluded gas from coal seams.

2. It is agreed that this lease shall remain in full force for a term of 7 years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land (or from lands with which said land is consolidated) or the premises are being developed or operated.
 3. In consideration of the premises the said lessee covenants and agrees:
 - 1st To deliver to the credit of lessor, free of cost, in the pipeline to which lessee may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.
 - 2nd To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the net proceeds derived from such sale or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, on one-eighth of such gas and casinghead gas, lessor's interest, in either case, to bear one-eighth of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and one-eighth of the cost of gathering and transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.
 - 3rd To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoling or any other product a royalty on one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.
 4. Where gas from a well or wells, capable of producing gas only, is not sold or used 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 a producing property under paragraph numbered two hereof.
 5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 12th day of February, 2002, this lease shall terminate as to both parties, unless the lessee shall on or before said date pay or tender to the lessor or for the lessor's credit in the Palisades National Bank at 305 South Main, Palisade, CO. 81526, or its successors, which Bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said land or in the oil and gas or in the rentals to accrue hereunder, the sum of One Thousand Six Hundred Forty Eight & 33/100 Dollars, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date, either direct to lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid and any and all other rights conferred. Lessee may at any time execute and deliver to Lessor, or place of record, a release or releases covering any portion or portions of the above 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 hereon is reduced by said release or releases.
 6. Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof shall continue in force just as though there had been no interruption in the rental payments.
 7. If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.
 8. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.
 9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.
 10. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described land and the holder or owner of any such part or parts shall make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part of said land upon which the lessee or any assignee hereof shall make due payment of said rentals.
 11. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.
 12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence operations for drilling at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.
- If within the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for re-working or drilling a well within ninety (90) days from such cessation and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. 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 reformations, which declaration shall describe the unit. Any unit may include land upon which a well has therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations for 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 for 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 above 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 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 Lessee.

14. This lease and all its terms, conditions and stipulations shall extend to, and be binding on each of the parties who signs this lease, regardless of whether such lessor is named above and regardless of whether it is signed by any of the other parties herein named as lessors. This lease may be signed in counterparts, each to have the same effect as the original.

IN WITNESS WHEREOF, we sign the day and year first above written.

Witness: R. E. Whiting & Sons a Partnership

John L. Whiting
John L. Whiting, Partner

John L. Whiting
John L. Whiting, Individually

SS# _____ SS# 527-34-3579

STATE OF Colorado)
) ss.
COUNTY OF Mesa)

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT - INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 12th day of February, 2001, personally appeared John L. Whiting a partner of R. E. Whiting & Sons

and John L. Whiting Individually

_____ to me known to be the identical person _____, described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____ he _____ duly executed the same as _____ his _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.



Notary Public: [Signature]
Address: P.O. Box 426
Collbran, Co. 81624

STATE OF _____)
) §
COUNTY OF _____)

ACKNOWLEDGMENT - INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 2001, personally appeared _____, to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____ duly executed the same as _____ free and voluntary act and deed for purposes therein set forth.

IN WITNESS, WHEREOF, I have hereunto set my hand and affirmed my notarial seal the day and year last above written.

My Commission Expires _____

Notary Public
Address: _____

EXHIBIT "A"

Attached to and made a part of Oil & Gas Lease dated February 12, 2001 by and between R. E. Whiting and Sons, a Partnership; John L. Whiting a married man dealing in his sole and separate property, as Lessors and Sunnyside Production Company LLC, as Lessee.

DESCRIPTION OF LANDS

Township 12 South, Range 97 West, 6th P. M.

Section 33: Lots 11, 12, 14 and 15 in Tract 47 of the re-survey of Section 33, Except a tract or parcel of land located in Lots 11 and 15 of Tract 47 conveyed to the Grand Junction Girl Scout Council, a Colorado Corporation, by deed recorded in Book 585, Page 526 of the public records of Mesa County, Colorado.

Township 13 South, Range 97 West, 6th P. M.

Section 18: Lots 3 and 4

Section 19: Lot 1

Township 13 South, Range 98 West, 6th P. M.

Section 1: SW1/4SW1/4, Lot 1

Section 13: E1/2SE1/4

Section 24: N1/2NE1/4, NE1/4NW1/4

Township 2 South, Range 2 East, Ute Meridian

Section 23: SE1/4SW1/4, S1/2SE1/4

Section 24: SW1/4SW1/4

Section 25: W1/2NW1/4, that part of the N1/2SW1/4, SW1/4SW1/4 lying North and West of Lands End Road.

Section 26: E1/2NE1/4, E1/2SW1/4, that part of the SE1/4 lying North and West of Lands End Road.

Section 27: SW1/4NE1/4, W1/2SE1/4, SE1/4SW1/4

Section 35: NE1/4NW1/4, that part of the N1/2NE1/4 lying North and West of Lands End Road.

Section 35: That part of the NW1/4SE1/4 lying North of Purdy Mesa Road as described in Warranty Deed Dated December 20, 1994 recorded in Book 2118, Page 170.

Section 35: That part of S1/2SE1/4 lying South of Kannah Creek Road and that part of Lots 1 & 2 Section 2, Township 3 South, Range 2 East lying North of Kannah Creek as described in Warranty Deed dated June 28, 1993, recorded in Book 1988, Page 300.

Section 35: That part of the SE1/4 Section 35 and the NW1/4SW1/4 Section 36 as described in Quit Claim Deed dated December 20, 2000 recorded in Book 2783, Page 505.

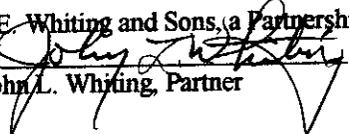
Section 35: That part of the SE1/4NW1/4 as described in Warranty Deeds dated March 25, 1999, recorded in Book 2575, Pages 991 and 995.

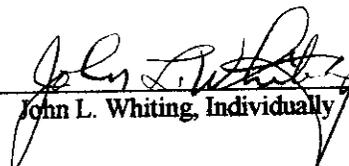
Section 35: That part of the SE1/4SE1/4 Section 35 and NE1/4NE1/4 Section 2, Township 3 South, Range 2 East as described in Deed dated September 9, 1981, recorded in Book 1332, Page 655.

ADDITIONAL PROVISIONS

1. It is understood and agreed that the location of all wells, roads, pipelines and surface facilities shall be mutually agreed to by Lessor and Lessee.

SIGNED FOR IDENTIFICATION

R. E. Whiting and Sons, a Partnership
BY 
John L. Whiting, Partner


John L. Whiting, Individually