

OIL AND GAS LEASE

THIS AGREEMENT made this 23rd day of January, 19 75, between
James A. Fults and Christine E. Fults, his wife

Lessor (whether one or more), whose address is: Rt. #1, Cortez, Colorado 81321, Lessee, WITNESSETH:
E. A. Wetlington, 1178 Three Park Central, Denver, Colorado 80202

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas, including casinghead gas, casinghead gasoline, condensate and all related hydrocarbons, and including all other products produced therefrom, hereinafter referred to collectively as "said minerals", together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby, or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Montezuma State of Colorado and is described as follows:

Township 37 North - Range 17 West, N.M.P.M.
Section 27: NE 1/4, E 1/2 NE 1/4
Section 33: SW 1/4, E 1/2 NE 1/4
Section 34: NE 1/4 NE 1/4

* Carbon Dioxide Gas

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (a) owned or claimed by Lessor by limitation, prescription, possession, reversion or unrecorded instrument, or (b) as to which Lessor has a preferential right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 4800 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ten (10) years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, Lessee covenants and agrees: (a) To deliver to the credit of Lessor in the pipe line to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessee the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, less a 5% interest, in either case, to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance; if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensates) which are not liquids in the substance reservoir, (3) minerals produced from wells situated as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise its option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which the land is located. Each well shall be conducted by Lessee at any time and from time to time while this lease is in force and effect, and the weight of oil and gas after production has been established either by the use of a flow meter or by the use of a scale. Royalty of Lessee's old interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments under the terms of this lease. The owner of the preconservation estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of extinguishing or transferring any interest under this lease between parties. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect. If at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit, once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all of said minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance; if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensates) which are not liquids in the substance reservoir, (3) minerals produced from wells situated as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise its option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which the land is located. Each well shall be conducted by Lessee at any time and from time to time while this lease is in force and effect, and the weight of oil and gas after production has been established either by the use of a flow meter or by the use of a scale. Royalty of Lessee's old interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered for all purposes except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments under the terms of this lease. The owner of the preconservation estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of extinguishing or transferring any interest under this lease between parties. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect. If at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit, once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless Lessee on or before said date shall, subject to the further provisions hereof, pay or tender to Lessor or to Lessor's credit in the

Dolores State Bank at Dolores, Colorado

which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$ 480.00, or its successors,

and shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that Lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in cash in the mail or delivered to Lessor or to the depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease, and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, Lessee shall correct such error within thirty (30) days after Lessee has received written notice thereof from Lessor. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and Lessee shall have no obligation to make any further tender or payment in connection therewith until after Lessor shall have furnished Lessee with an instrument satisfactory to Lessee naming another bank as agent to receive such payment. Lessee may at any time and from time to time execute and deliver to Lessor or his for record a release or assignment of its interest in this lease, or any part or interest of said land or any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all or any part of said land, the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

