

CHARLOTTE HOUSTON  
CLERK & RECORDER  
OIL AND GAS LEASE

COUNTY OF BOULDER  
STATE OF COLORADO 3-1



AGREEMENT, Made and entered into the 23rd day of May, 19 84, by and between

TANAKA BROS., A Partnership

whose post office address is c/o Norma Huffaker, 1625 Juniper Street, Longmont, Colorado 80501

Martin J. Harrington, Jr. and hereinafter called Lessor (whether one or more) and  
Vessels Oil & Gas Company, a Colorado Corp., 600 S. Cherry Street #1220, Denver, Colorado 80222 hereinafter called Lessee;

WITNESSETH, That the Lessor, for and in consideration of Ten & more DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, exclusive right for the purpose of mining, exploring, and let exclusively unto the said Lessee, the land hereinafter described, with the whatsoever nature or kind, 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 Boulder State of Colorado described as follows, to-wit:

All lands now owned, claimed, or hereafter acquired by Lessor in the SE 1/4 of Section 2, Township 1 North, Range 69 West including all easements and rights-of-way which traverse or adjoin any of said lands. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land in the principal dwelling on the leased premises by making his own connections thereto. Lessor's consent, not to be unreasonably withheld, shall be required prior to the placement of roads, culverts, well sites, and production facilities in conformity with governmental well spacing rules and regulations.

1. It is agreed that this lease shall remain in force for a term of 18 months\* from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on 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 leased premises or on acreage pooled therewith, the Lessee is then engaged in drilling, reworking operations thereon, or operations shall continue in force so long as operations are being conducted on the leased premises or on acreage pooled therewith, and operations shall be considered to be continuous production if or subsequent well, if after discovery of oil or gas on said land or on acreage pooled therewith, the beginning of operations for the drilling or after the primary term, 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 a well. 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.

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 water 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. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal 18% part of all oil produced and saved from the leased premises. 18% monthly for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of 18% of the net proceeds payable monthly at the prevailing market rate for gas.

2nd. 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 18% of the net proceeds, at the mouth of the well, payable monthly at the prevailing market rate. \$135.00 per year per net royalty 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 the term of this lease, and thereafter on or before the anniversary date of this lease during the term of this lease. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease, (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.

3rd. 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 well of Lessor.~~ not to exceed 3 yrs.

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

5. Lessee shall pay for damages caused by Lessee's operations in ~~growing crops or such land,~~ including reasonable attorneys' fees remove casing. to

6. The rights of Lessor and Lessee hereunder may be assigned in whole or part. any documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments or 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, the leasehold owner shall be liable for 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, 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 reformation of any unit shall be accomplished by Lessee executing and filing 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 or 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 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 pool, or combine 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 and drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the development of operation, whereby the production therefrom is allocated to different portions of the land covered by said plan, or unit plan of operation 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 by 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.

7. 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 by the failure to comply therewith, if compliance is prevented by or if such failure is the result of any such Law, Order, Rule or Regulation. \* reasonable

8. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, in any way that affects the purposes for which this lease is made, as recited herein.

9. 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.

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

\*16. At Lessor's request, Lessee shall furnish Lessor with Operator's Monthly Production reports (88CC-FORM 7), ST

TANAKA BROS., A Partnership  
By: Sam Tanaka  
Sam Tanaka, General Partner



\* 18%

\* 18%

\* 18%

See Rider

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STATE OF Colorado  
COUNTY OF Boulder ss.

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 23rd  
day of May, 19 84, personally appeared Sam Tanaka, General Partner of  
TANAKA BROS., A Partnership

and \_\_\_\_\_  
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.

My Commission Expires April 28th, 1985

Joyce Justice  
401 Main St., Longmont, CO 80501 Notary Public.

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_ ss.

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 \_\_\_\_\_  
day of \_\_\_\_\_, 19 \_\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_  
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 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.

My Commission Expires \_\_\_\_\_

Notary Public.

State of \_\_\_\_\_  
County of \_\_\_\_\_ ss.

ACKNOWLEDGMENT (For use by Corporation)

On this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 19 \_\_\_\_\_, before me personally  
appeared \_\_\_\_\_ to me personally known, who, being by  
me duly sworn, did say that he is the \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corpora-  
tion and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 19 \_\_\_\_\_

(SEAL)

Notary Public.

My Commission expires \_\_\_\_\_

No. _____	FROM	TO	Dated _____ 19 _____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____ 19 _____ at _____ o'clock _____ M., and duly recorded in Volume _____ Page _____ of the records of this office.	By _____ County Clerk.	Deputy _____	When recorded return to _____	After recording, please return to: ELANDERS, WOOD, SONNESYN & SCHUETZ, 401 Main St., Longmont, CO 80501. DNS:jj 2593.16
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- 12. Production from any well drilled or any pooling hereunder shall not serve to extend the primary term of this lease except as to such lands as are contained in a 40-acre drillsite unit in the case of oil production, 80-acre drillsite unit in the case of Codell oil production, or a 160-acre drillsite unit in the case of gas production, unless lesser spacing to the contrary is permissible by governmental authority.
  
- 17. All sums due hereunder, including royalties, shut-in payments, bonuses, damages, and attorneys' fees shall bear interest at the rate of 18% per annum if not paid within 60 days after the same shall become due.