

PRODUCERS 88-PAID UP
REV. 5-00, No. 2

OIL AND GAS LEASE

AR2038503

AGREEMENT, Made and entered into the 9th day of February, 1987, by and between
Harold Long & Son, Inc.

whose post office address is 31482 Weld County Road 23, Greeley, Colorado, hereinafter called Lessor (whether one or more) and
Mautilus Equipment, Inc. whose post office address is 14848 Venture Dr., Dallas, Texas 75234 Ten and more hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of the sum of 1000.00 DOLLARS, 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, 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 Weld

State of Colorado described as follows, to-wit:

Township 6 North, Range 67 West, 6th P.M.

Section 25: SW $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$; W $\frac{1}{2}$ SE $\frac{1}{4}$

RECORDERS MEMORANDUM
AT THE TIME OF RECORDATION, THIS INSTRUMENT WAS FOUND TO BE INADEQUATE FOR THE EIT PUBLIC NAMED HEREIN BECAUSE OF IT BEING A COPY OF AN INSTRUMENT WHICH HAD BEEN RECORDED IN THE PUBLIC RECORDS OF THE STATE OF COLORADO.



and containing 200.00 acres, more or less.

1. This lease shall remain in full force for a term of Three years from the date hereof 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 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 one hundred and fifty (150) days from the 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 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 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.

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 300000 part of all oil produced and saved from the leased premises.

2nd. To pay Lessor 3000000000 of the gross proceeds each year, payable quarterly, 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 3000000000 payable monthly at the prevailing market rate for gas.

3rd. 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 3000000000 of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar 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 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate thereon, then the royalties (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.

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. When requested by Lessor, Lessee shall bury Lessee's pipe line 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 have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

10. 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 thereafter 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.

11. 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 include 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 re-working 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 production, drilling or re-working operations or 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 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 Lessee.

12. 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 in 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.

13. Lessor hereby, by this instrument, agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all rights of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

14. 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 or all of the parties who execute this lease. Lessor: All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

15. This instrument is executed as of the date first above written.

ATTESTATION:

(SEAL)

HAROLD LONG & SON, INC.

By: Harold Long & Son, Inc.

STATE OF Colorado }
COUNTY OF Weld } 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 ninth
day of February, 1987, personally appeared Harold L. Long
and Harold L. Long
to me known to be the identical person as described in and who executed
the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as they 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: 11/22/87 Lawrence M. Brown Notary Public.
Address: 617 Blue Mtn. Ct., Windsor

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.
Address: _____

STATE OF COLORADO }
COUNTY OF WELD } ss. ACKNOWLEDGMENT (For use by Corporation)
On this ninth day of February, A.D. 1987, before me personally
appeared Harold Long and Harold L. to me personally known, who, being by
me duly sworn, did say that he is the President of Harold Long & Son, Inc.
and that the seal affixed to said instrument is the corporate seal of
said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
Harold Long acknowledged said instrument to be free act and deed of said corporation.
Witness my hand and seal this 9th day of February, A.D. 1987.
Lawrence M. Brown Notary Public.
Address: 617 Blue Mtn. Ct., Windsor Co
My Commission Expires 11/22/87



B 1146 REC 02088503 02/13/87 12:43 \$15.00 2/005
F 0904 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

FROM	TO	Dated	No. Acres	Term	This instrument was filed for record on the	day of	at	o'clock	M., and duly recorded in	Volume	Page	of the records of this office.	County Clerk.	Deputy.	W/ n recorded return to

Berthoud, CO 80513

B 1146 REC 02088503 02/13/87 12:43 \$15.00 3/005
F 0905 MARY ANN FEUERSTEIN CLERK & REORDER WELD CO, CO

ADDENDUM

Attached to and made a part of that certain Oil and Gas Lease dated February 9, 1987, between Harold Long & Son, Inc. and Nautilus Equipment, Inc.

Notwithstanding any printed provisions to the contrary, Lessor and Lessee agree as follows:

16. On or before May 9, 1987 (ninety days from the date of this lease), Lessee shall commence or cause to be commenced re-working operations on the Long #1 Well presently located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ and completed to the Sussex Formation. The failure to commence, and prosecute with reasonable diligence, re-working operations on the Long #1 Well on or before May 9, 1987 shall cause this lease to terminate as to all lands covered thereby. The conduct of re-working operations sufficient to produce oil and gas from the Sussex Formation, or which meet the prudent operator standard, shall hold the 40-acre drillsite spacing unit for the Long #1 Well for the remainder of the primary term and as long thereafter as oil or gas of whatever nature or kind is produced from such 40-acre tract, or drilling operations are continued as provided in the printed portion of this lease on such 40-acre tract.

-timely done?

17. On or before May 9, 1988 (one year and ninety days from the date of this lease) Lessee shall commence or cause to be commenced the drilling of a well for oil and gas to a depth sufficient to test the Codell Formation. The failure to commence, and prosecute with reasonable diligence, the drilling of a test well to a depth sufficient to test the Codell Formation on or before May 9, 1988 shall cause this lease to terminate as to all lands covered thereby except the 40-acre drillsite spacing unit for the Long #1 Well referred to in Paragraph 16 hereof. The drilling of a well sufficient to test the Codell Formation on or before May 9, 1988 shall hold the 80-acre drillsite spacing unit for said Codell test well for the remainder of the primary term and as long thereafter as oil or gas of whatsoever nature or kind is produced from such 80-acre tract, or drilling operations are continued as provided in the printed portion of this lease on such 80-acre tract.

timely done?

18. On or before May 9, 1989 (two years and ninety days from the date of this lease) Lessee shall commence or cause to be commenced the drilling of a second well for oil and gas to a depth sufficient to test the Codell Formation. The failure to commence, and prosecute with reasonable diligence, the drilling of the second test well to a depth sufficient to test the Codell Formation shall cause this lease to terminate as to all lands covered thereby except the 40-acre drillsite spacing unit for the Long #1 Well and the 80-acre drillsite spacing unit for the first Codell test well. Satisfaction of the drilling obligations set

and production?

← what is the 80-acre spacing unit?

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F 0906 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

forth in this Paragraph shall cause this lease to remain in force as to all lands covered thereby for the remainder of the primary term and as long thereafter as oil or gas of whatsoever nature or kind is produced on such 80-acre tract, or drilling operations are continued as provided in the printed portion of this lease on such 80-acre tract.

19. Paragraphs 16, 17, and 18 are intended to fully state the duties of Lessee to develop and explore the lease, and Lessor and Lessee agree that no covenant for further development or exploration of the lease will be implied.

20. Lessor ^{Lessee?} shall conduct ^{Lessor?} all operations on the subject lands in such manner as will minimize surface disturbance and interference with Lessee's farming operations without placing an unreasonable burden or expense on Lessee's operations. Lessor shall utilize existing roads for access to the drillsite and tank batteries to the extent that such usage will not unreasonably interfere with or burden Lessee's operations on the leased premises. ^{Lessee?}

^{Lessee?} 21. During drilling, re-working, and other operations, Lessor shall maintain the premises in accordance with industry standards prevalent in the area. Upon plugging and abandonment of any well drilled on the leased premises, Lessor shall fill all open pits and remove all machinery, equipment and debris from the leased premises. ^{Lessee?}

22. Lessor shall install a one-wire fence around the drillsite. ^{Lessee?}

23. Lessor agrees to accept \$2,000.00 for each drillsite and \$1,000.00 for each tank battery site as payment for surface damages normally incidental to drilling operations and installation of tank batteries by a prudent operator. The specified payment for surface damages does not include damages which may be caused to improvements or personal property located on or under the subject lands, including, but not limited to, fences, barns, irrigation pumps or wells, ground water aquifers or livestock. The specified payment for surface damages does include damages caused by Lessee's operations to growing crops on the subject lands.

24. The royalty payable to Lessor is 17% on the basis set forth in the printed portion of this lease.

25. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on the leased premises for stove and inside lights in the principle dwelling located on the leased premises by making his own connections thereto.

26. 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

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terminate if Lessee commences additional drilling or re-working operations within one hundred fifty (150) days from date of cessation of production or from date of completion of dry hole.

ATTESTATION:

HAROLD LONG & SON, INC.



[Signature] Sec. Treas. Harold Long Pres

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FOUNTAINHEAD RESOURCES, LTD.

7860 East Berry Place, Suite 202
Englewood, CO 80111
Telephone (303) 488-9983

FAX (303) 773-3042

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DATE:

4-17-96

NUMBER OF PAGES

(including this page): 6

TO:

LARRY ROBBINS

FIRM:

WLO. O&G Cons. Comm'n

FAX NO.:

894-2109

FROM:

David A. Gottenborg

MESSAGE:

Per our discussion -

Call us if you need anything else.

Regards,

DAG