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OIL AND GAS LEASE

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BOOK 401

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THIS AGREEMENT, made and entered into this 1st day of May 1988, by and between FLORA MOORE, formerly Flora Raley, a married woman dealing in her separate property; JAMES H. NOENNIG, PERSONAL REPRESENTATIVE OF THE ESTATE OF ROBERT L. RALEY, DECEASED; of 2429 County Road 39, Meeker, Colorado 81641, hereinafter called lessor (whether one or more), and ROBERT A. SHRYOCK, 526 Midland Savings Bldg., Denver, Colo. 80202, hereinafter called lessee;

WITNESSETH: that lessor, for and in consideration of Ten and more DOLLARS (\$ 10.00) in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto said lessee the lands hereinafter described for the purpose of prospecting, exploring by geophysical and other methods, drilling, mining, operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead gasoline, gas-condensate (distillate) and any substance, whether similar or dissimilar, produced in a gaseous state, together with the right to construct and maintain pipe lines, telephone and electric lines, tanks, powers, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County of Rio Blanco, State of Colorado, and being described as follows, to-wit:

For description of land see Exhibit "A" attached hereto and by this reference made a part hereof.

of Section XXX, Township XXX, Range XXX, it being the purpose and intent of lessor to lease, and lessor does hereby lease, all of the lands or interests in lands owned by lessor which adjoin the lands above described or which lie in the section or sections herein specified. For all purposes of this lease, said lands shall be deemed to contain 2,949.76 acres.

Subject to the other provisions herein contained, this lease shall remain in force for a term of five (5) years from this date (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced from the above described land or drilling operations are continuously prosecuted as hereinafter provided. "Drilling operations" includes operations for the drilling of a new well, the reworking, deepening or plugging back of a well or hole or other operations conducted in an effort to obtain or re-establish production of oil or gas; and drilling operations shall be considered to be "continuously prosecuted" if not more than 60 days shall elapse between the completion or abandonment of one well or hole and the commencement of drilling operations on another well or hole. If, at the expiration of the primary term of this lease, oil or gas is not being produced from the above described land but lessee is then engaged in drilling operations, this lease shall continue in force so long as drilling operations are continuously prosecuted; and if production of oil or gas results from any such drilling operations, this lease shall continue in force so long as oil or gas shall be produced. If, after the expiration of the primary term of this lease, production from the above described land should cease, this lease shall not terminate if lessee is then prosecuting drilling operations, or within 60 days after each such cessation of production commences drilling operations, and this lease shall remain in force so long as such operations are continuously prosecuted, and if production results therefrom, then as long thereafter as oil or gas is produced from the above described land.

In consideration of the premises, lessee covenants and agrees:

- 1st. To deliver, free of cost, to lessor at the wells, or to the credit of lessor in the pipeline to which the wells may be connected, the equal one-eighth ($\frac{1}{8}$) part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or, at lessee's option, to pay to lessor for such one-eighth ($\frac{1}{8}$) royalty the market price at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.
- 2nd. To pay lessor one-eighth ($\frac{1}{8}$) of the proceeds received by lessee at the well for all gas (including all substances contained in such gas) produced from the leased premises and sold by lessee; if such gas is used by lessee off the leased premises or used by lessee for the manufacture of casinghead gasoline or other products, to pay to lessor one-eighth ($\frac{1}{8}$) of the prevailing market price at the well for the gas so used.

If no well be commenced on said land on or before one year from the date hereof, this lease shall (except as otherwise provided in this paragraph) terminate, unless lessee (or someone in his behalf), on or before such date, shall pay or tender to lessor, or to lessor's credit in the

First National Bank of Meeker Bank at Meeker, Colorado 81641

(which bank and its successors shall continue as the depository regardless of changes in the ownership of said land or of the right to receive rentals), the

sum of Two thousand nine hundred forty nine and 76/100 DOLLARS (\$ 2,949.76), which shall operate as a rental and cover the privilege of deferring the commencement of a well for 12 months from said date. In like manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of months successively during the primary term hereof. All payments or tenders may be made by cash, check or draft, mailed or delivered on or before the rental date, and the depositing of such cash, check or draft in any post office, addressed to the depository bank or lessor (at his last known address as shown by lessee's records) on or before the rental date, shall be deemed payment or tender as herein provided. Notwithstanding the death of lessor, payment or tender of rentals to such deceased or to his credit in the manner provided herein shall be binding on the heirs, devisees, executors, administrators and personal representatives of lessor and his successors in interest. If lessee shall, on or before any rental date, make a bona fide attempt to pay or deposit rental to a lessor entitled thereto under this lease according to lessee's records or to a lessor who, prior to such attempted payment or deposit, has given lessee notice, in accordance with the terms of this lease hereinafter set forth, of his right to receive rental, and if such payment or deposit shall be erroneous in any regard (whether deposited in the wrong depository, paid to persons other than the parties entitled thereto as shown by lessee's records, in an incorrect amount, or otherwise), lessee shall be unconditionally obligated to pay to such lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment or deposit had been properly made, provided that the erroneous rental payment or deposit be corrected within 30 days after receipt by lessee of written notice from such lessor of such error accompanied by any documents and other evidence necessary to enable lessee to make proper payment. 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 lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land be completed as a dry hole, then, and in that event, if a second well is not commenced on said land within 12 months from the expiration of the last rental period for which rental has been paid (it being understood that for the purpose of this paragraph the period of time extending from the date of this lease to the first rental date shall be considered as a rental period for which rental has been paid), this lease shall terminate as to both parties, unless lessee on or before the expiration of said 12 months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. Upon resumption of the payment of rentals, as above provided, 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 rental payments.

If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease will continue in force during all of the time or times while such well is so shut in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas and gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to lessor within 45 days after the expiration of each period of one year in length (annual period) during which such well is so shut in, as royalty, an amount equal to the annual delay rental herein provided applicable to the interest of lessor in acreage embraced in this lease as of the end of such annual period, or, if this lease does not provide for any delay rental, then the sum of \$50.00; provided that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if at the end of any such annual period, this lease is being maintained in force and effect otherwise than by reason of such shut-in well, lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered to lessor or to lessor's credit in the depository bank above designated. Royalty ownership as of the last day of each such annual period as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment.

If lessor owns a less interest in the land covered by this lease than the entire and undivided fee simple mineral estate therein, then whether or not such less interest is referred to or described herein, all rentals and royalties herein provided shall be paid lessor only in the proportion which his interest bears to the whole and undivided mineral fee.

If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sublessees, successors and assigns of the parties; and in the event of an assignment or subletting by lessee, lessee shall be relieved and discharged as to the leasehold rights so assigned or sublet from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, either express or implied. No change in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee or require separate measuring or installation of separate tanks by lessee. Notwithstanding any actual or constructive knowledge of or notice to lessee, no change in the ownership of said land or of the right to receive rentals or royalties hereunder, or of any interest therein, whether by reason of death, conveyance or any other matter, shall be binding on lessee (except at lessee's option in any particular case) until 90 days after lessee has been furnished written notice thereof, and the supporting information hereinafter referred to, by the party claiming as a result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all documents and other instruments or proceedings necessary in lessee's opinion to establish the ownership of the claiming party. If this lease is assigned or sublet insofar as it covers only a part of the acreage embraced in the leased premises, the delay rentals hereinabove provided for shall be apportioned to the separate parts, ratably according to the surface acreage of each, and failure of the leasehold owner or sublessee of any separate part of the above described lands to make a rental payment with respect to such part shall in no event operate to terminate or affect this lease insofar as it covers any other part thereof.

Lessee may, at any time, execute and deliver to lessor or place of record a release covering all or any part of such acreage, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release. In event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the delay rentals hereinabove provided for shall be reduced proportionately on an acreage basis.

Lessee shall have the right to unitize all or any part of the above described lands with other lands in the same general area by entering into a unit agreement setting forth a plan of development or operation approved by the Secretary of the Interior, or other officer or representative of the United States having authority to approve such unit agreements, and, from time to time, with like approval, to modify, change or terminate any such agreement. In any of such events, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions and provisions of such approved unit agreement, and all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such agreement, and this lease shall not terminate or expire during the life of such agreement except as may be otherwise provided in said agreement. In the event that said above described lands, or any part thereof, shall hereafter be operated under any such unit agreement whereby the production thereunder is allocated to different portions of the land covered by said agreement, then the production allocated to any particular tract of land pursuant to such agreement shall, for the purpose of computing royalties, be regarded as having been produced from the particular tract of land to which it is allocated and not from any other tract of land and any royalty payments on such production to be made hereunder to lessor shall be based solely upon the production so allocated. Nothing herein contained shall authorize or effect any transfer of any title to any leasehold, royalty or other interest unitized pursuant hereto. Lessee's execution of such unit agreement shall be binding as to both lessor and lessee and their respective

interests. Lessee, following such execution, shall furnish lessor with a copy of such unit agreement by mail to last known address as shown by lessee's records and shall give lessor written notice of approval of the same in the same manner within a reasonable time after lessee is notified of such approval.

Lessee shall have the right to use, free of cost, oil, gas and water produced on said land for its operations thereon except water from wells of lessor. 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. No part of the surface of the leased premises shall, without the written consent of lessee, be let, granted or licensed by lessor to any other party for the location, construction or maintenance of structures, tanks, pits, reservoirs, equipment, or machinery to be used for the purpose of exploring, developing or operating adjacent lands for oil, gas or other minerals.

Lessee shall bury below plow depth its pipe lines on the leased premises when requested by a lessor owning an interest in the surface. No well shall be drilled nearer than 200 feet to any house or barn now on said premises without the written consent of the owner of the surface on which such house or barn is located. Lessee shall pay for damages to growing crops caused by its operations on said lands.

Lessor hereby warrants and agrees to defend the title to the lands herein described, but if the interest of lessor covered by this lease is expressly stated to be less than the entire fee or mineral estate, lessor's warranty shall be limited to the interest so stated. Lessee may purchase or lease the rights of any party claiming any interest in said land and exercise such rights as may be obtained thereby but lessee shall not suffer any forfeiture nor incur any liability to lessor by reason thereof. Lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other lien on said lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and any such payments made by lessee for lessor may be deducted from any amounts of money which may become due lessor under this lease.

All express provisions and implied covenants of this lease shall be subject to all applicable laws, governmental orders, rules and regulations. This lease shall not be terminated in whole or in part, nor lessee held liable in damages, because of a temporary cessation of production or of drilling operations due to breakdown of equipment or due to the repairing of a well or wells, or because of failure to comply with any of the express provisions or implied covenants of this lease if such failure is the result of the exercise of governmental authority, war, armed hostilities, lack of market, act of God, strike, civil disturbance, fire, explosion, flood or any other cause reasonably beyond the control of lessee.

This lease and all provisions thereof shall be applicable to and binding upon the parties and their respective successors and assigns. Reference herein to lessor and lessee shall include reference to their respective successors and assigns. Should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

IN WITNESS WHEREOF, this lease is executed as of the day and year first above written.

Flora Moore
Flora Moore, formerly Flora Raley
Social Security No. 521-56-9593

James H. Noennig
James H. Noennig, Personal Representative
of the Estate of Robert L. Raley, Deceased
Taxpayer I. D. No.:

STATE OF COLORADO
COUNTY OF RIO BLANCO } SS.

(Individual—Colorado - Utah)

On the 19th day of June, A. D. 1980, personally appeared before me *Flora Moore*, formerly Flora Raley, a married woman, the signer of the above instrument, who duly acknowledged to me that she executed the same. WITNESS my hand and official seal.

NOTARY
My commission expires: *January 13, 1982*

Dorrie L. Wilson
Notary Public
Residing at: *Neuber, Colo 81641*

STATE OF COLORADO
COUNTY OF GARFIELD } SS.

(Individual—Colorado - Utah)

On the 19th day of June, A. D. 1980, personally appeared before me *James H. Noennig*, as Personal Representative of the Estate of *Robert L. Raley, Deceased*, the signer of the above instrument, who duly acknowledged to me that he executed the same. WITNESS my hand and official seal.

My commission expires: *My Commission Expires March 14, 1981*

Sally Jo Gub
Notary Public
Residing at: *Glennwood Springs, Co*

STATE OF COLORADO
COUNTY OF PUBLIC } SS.

(Corporation—Colorado - Utah)

On the _____ day of _____, A. D. 19____, personally appeared before me _____, who being by me duly sworn, did say that he is the _____ President of _____, a corporation, and that said instrument was signed in behalf of said corporation by authority of a resolution of its Board of Directors and said _____ acknowledged to me that said corporation executed the same.

WITNESS my hand and official seal.

My commission expires: _____ Notary Public
Residing at: _____

STATE OF _____
COUNTY OF _____ } SS.

(Certificate of Recording)

This instrument was filed for record on the _____ day of _____, 19____ at _____ o'clock _____ M and recorded in Book _____ at Page _____ of the records of this office.

County Recorder By Deputy

AFTER RECORDING, RETURN TO: *ROBERT A. SHRYOCK*
526 MIDLAND SAVINGS BLDG.
DENVER, COLORADO 80202

Exhibit "A"

Attached to and made a part of that certain oil and gas lease dated May 1, 1980, by and between Flora Moore, formerly Flora Raley, a married woman dealing in her separate property; James H. Noennig, Personal Representative of the Estate of Robert L. Raley, Deceased, as lessor, and Robert A. Shryock, as lessee.

Township 1 North, Range 92 West of the 6th P. M.

- Section 7: Lots 2 and 3, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$;
- Sections 7 and 18: Beginning at the Southwest corner of said Section 7, thence North to the Northwest corner of Lot 4 in said section, thence East, 1950.6 feet; thence South 23° 46' West, 2891.1 feet to the South line of Lot 1, Section 18; thence West along the South line of said Lot, 575.1 feet; thence North 45° 18' West, 298 feet to the West line of Section 18; thence North along the West line of said Section 18 to the point of beginning.

Township 1 North, Range 93 West of the 6th P. M.

- Section 1: Lots 13 and 15
- Section 2: S $\frac{1}{2}$ SE $\frac{1}{4}$;
- Section 10: Lots 3, 5, 7, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$;

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- Section 11: Lots 1, 3, 9 and 11, NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$;
- Section 12: Lots 6, 8, 9, 11, 15, 16, 27, 29, E $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$;
- Section 13: Lots 1, 4, NW $\frac{1}{4}$ NE $\frac{1}{4}$, and a parcel described as beginning at the Northeast corner of said section, thence West to the Northwest corner of NE $\frac{1}{4}$ NE $\frac{1}{4}$ of said section; thence South along the West side of said NE $\frac{1}{4}$ NE $\frac{1}{4}$, 694.6 feet; thence South 53°47' East, 647 feet; thence South 87°20' East, 800 feet, more or less, to the East line of said section; thence North 1117 feet to the place of beginning;
- Section 15: Lots 7 and 9.

Tracts 44, 45, 46, 47, 37;

Tract 48: All the N $\frac{1}{2}$ and that part described as follows:
Beginning at Corner No. 7 of said Tract 48;
Thence South 0°12' East 280.8 feet to the Northeast corner of Lot 5, Section 13;
Thence West along the North line of said Lot 5 for 136.0 feet;
Thence West along the North line of Lot 22, Section 14, for 1189.1 feet to a line running Northerly from Corner No. 1 of Tract 49 to Corner No. 3 of Tract 48;
Thence Northerly along a line from Corner No. 1 of Tract 49 to Corner No. 3 of Tract 48, a distance of 284.7 feet, more or less, to Corner No. 3 of Tract 48;
Thence Easterly 1325.6 feet, more or less, to Corner No. 7 of Tract 48, the place of beginning.

Tract 54: all, except a parcel of land described as follows:
Beginning at a point on the East line of Tract 54 whence Corner No. 4 of Tract 54 bears Southerly 530.0 feet;
Thence Southerly 530.0 feet to Corner No. 4;
Thence South 89°45' West 187.5 feet;
Thence North 19°18' East 562.0 feet, to the point of beginning.

A parcel of land in Tracts 70, 69, 51, 52, 50, 48 and 49 described as follows:

Beginning at Corner No. 1 of Tract 80;
Thence Westerly along the South boundary of Tract 70 for 1356.3 feet more or less to Corner No. 5 of Tract 70;
Thence Westerly along the South boundary of Tract 68 for 333.2 feet;
Thence North 2°44' East, 39.7 feet;
Thence North 31°10' East, 300.9 feet;
Thence North 30°42' East, 319.9 feet;
Thence North 43°07' East, 1076.1 feet;
Thence North 40°04' East, 1430.1 feet;
Thence North 30°52' East 282 feet, more or less, to Corner No. 1 of Tract 69;
Thence North 0°39' West along the East boundary of Tract 68 for 1073.1 feet;

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Thence North 27°05' East, 1331.7 feet;
 Thence North 57°29' East, 644.2 feet;
 Thence North 34°09' East, 250.5 feet;
 Thence North 13°32' East, 193.2 feet;
 Thence North 35°06' West, 202.7 feet;
 Thence North 49°33' West, 395.8 feet;
 Thence North 35°16' West, 1252.7 feet;
 Thence North 34°43' West, 174.1 feet;
 Thence North 50°36' West, 1079.6 feet;
 Thence North 0°14' West, 36 feet, more or less, to the North boundary of Tract 52;
 Thence Easterly along the North boundary of Tract 52 for 738.7 feet more or less, to Corner No. 1 of Tract 52;
 Thence Easterly along the North boundary of Tract 50 for 2535.7 feet, more or less, to Corner No. 1 of Tract 50;
 Thence South 77°20' East, 174.6 feet;
 Thence South 88°36' East, 1176.8 feet;
 Thence Southerly 1307.4 feet, more or less to Corner No. 1 of Tract 49;
 Thence Southerly along the East boundary of Tract 49 for 310.2 feet to a point from whence Corner No. 6 of Tract 48 bears North 77°28' East, 1325.5 feet;
 Thence South 63°30' West, 1262.7 feet;
 Thence South 35°17' West, 629.2 feet;
 Thence South 18°42' West, 1152.4 feet;
 Thence South 36°58' West, 380.9 feet;
 Thence South 59°47' West, 343.5 feet;
 Thence North 27°11' West, 210.9 feet;
 Thence South 81°22' West, 107.3 feet to a point from whence Corner No. 1 of Tract 69 bears South 47°21' West, 1798.2 feet;
 Thence South 8°25' East, 320.5 feet;
 Thence South 0°02' East, 1843.3 feet;
 Thence South 38°02' West, 291.4 feet;
 Thence South 19°44' West, 387.7 feet;
 Thence South 71°42' West, 250.3 feet;
 Thence South 31°37' West, 217.5 feet;
 Thence South 6°10' West, 373.4 feet;
 Thence South 34°20' West, 650 feet more or less, to the South boundary of Tract 70;
 Thence Westerly along the South boundary of Tract 70 for 174.0 feet to Corner No. 1 of Tract 80, the place of beginning.

EXCEPT Lots 6, 8, 10 and 11 Section 1, Township 1 North, Range 93 West of the 6th P. M.

Signed for identification:

Flora Moore
 Flora Moore, formerly Flora Raley

James H. Noennig, Personal Representative
 of the Estate of Robert L. Raley, Deceased