

January

..... Colorado

1. Lessors, for a good and valuable consideration, receipt of which is hereby acknowledged and in consideration of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, mining for and producing oil and gas (gas for all purposes being defined without limitation, to include dry gas, casinghead gas, distillate, condensate, helium and other gaseous substances), and associated liquid hydrocarbons, and, subject to the provisions of Sections 14, 15 and 16 hereof, laying pipe lines, building power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products and housing its employees, the following described land in _____ **Weld** _____ County, _____ **Colorado** _____

See description on attached Exhibit "A"

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all oil, gas and associated liquid hydrocarbons underlying lakes, rivers, streams, roads, easements and rights-of-way (other than railroad rights-of-way) which traverse or adjoin any of said lands. For rental payment purposes, the land included within this lease shall be deemed to contain 5,738.56 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of 5 years from its date (called "primary term") and as long thereafter as oil, gas or associated liquid hydrocarbons or any of them are produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. Lessee, within three months from the date of this lease, shall commence the actual drilling of a first well on the leased premises; and thereafter shall prosecute the drilling of said well diligently, without unnecessary delay and in a workmanlike manner. If the actual drilling of said well is not commenced within the time prescribed, this lease will automatically terminate.

4. The royalties to be paid by Lessee are: (a) on oil and on associated liquid hydrocarbons, 16% of that produced and saved from said land, the same to be delivered free of cost at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; (b) on gas produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of 16% of the gas so sold or used; and provided that on gas sold at the wells the royalty shall be 15% of the amount realized from such sale. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

While there is a well on the leased premises or on acreage pooled therewith capable of producing any gas, but from which well production is not being sold or used, and in the absence of all or other production from said premises, this lease shall be extended for a period of 90 days from the date such well is shut-in, and Lessee may tender or pay annually as royalty a sum equal to the amount of annual rentals which would be payable during the primary term to defer operations on the leased premises then subject to this lease; payment or tender of such royalty to be made as provided in Section 8 hereof, with the first payment to be made on or before 90 days from and after the date on which such well is shut-in and a similar payment to be made annually thereafter on or before the anniversary date on which such well is shut-in. If such payments are so made, it shall be considered that gas is being produced in paying quantities from the leased premises under all the terms and provisions of this lease.

If any portion of the leased premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be reduced in the proportion that the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated bears to the total acreage comprised in such pooled unit as provided in Section 7 hereof.

to market game under terms, conditions or circumstances which, in Lessee's good faith judgment, are unreasonable or unsatisfactory.

Lessee may from time to time purchase any royalty portion of oil or associated liquid hydrocarbons in its possession, paying the market price therefore prevailing in the field where produced on the date of purchase; provided, however, that if Lessee shall so elect, Lessee shall deliver to Lessor in kind its royalty share of oil and associated liquid hydrocarbons. In the event of such election, Lessor shall give to Lessee not less than 60 days' notice of its election and shall take said royalty share to kind for a period of not less than 18 months following the termination of said sixty (60) day period. Any such deliveries are to be made from the facilities of Lessee, which shall have been installed for its own convenience at times and in amounts which equitably adjust deliveries of both parties.

5. If the well provided for in Section 3 hereof is drilled and completed as a dry hole and if operations for drilling are not commenced on said land on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay to Lessor, Att'n: Assistant Treasurer, Mineral Resources Division-Petroleum, P. O. Box 3427, Tulsa, Oklahoma, 74201, the sum of \$250.00.

herein called rentals), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental herein referred to may be made in cash, by check, draft or check at the option of the lessor and the depositing of such currency, draft or check in any post office, properly addressed to the lessor, or in any depository of the United States, at the option of the lessor, shall constitute payment of the rental herein provided. Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described premises, furnishing a copy thereof to Lessor, and thereby surrender this lease as to such portion or portions and he or she shall be relieved of all obligations as to the acreage so surrendered, and thereupon the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

If Lessee shall, on or before any rental date, make a bona fide attempt to pay rental to Lessor and if such payment shall be in an incorrect amount, Lessee shall be unconditionally obligated to pay to 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 had been properly made, provided that the erroneous rental payment be corrected within thirty (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.

8. Should any well drilled on the above described land during the primary term before production is obtained be a dry hole, or should production be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued or are not completed before the expiration of the primary term, the date next occurring the cessation of production or drilling or reworking on said well or wells, then this lease shall terminate unless Lease, on or before said date, the lessee has caused to be filed in the public records of the county of Bernalillo, New Mexico, a written instrument, duly executed by the lessee, which shall contain the following provisions: That, in the event of the expiration of the primary term, Section 8 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the year of the primary term and prior to the discovery of oil, gas or associated liquid hydrocarbons on said land Lessee should drill a dry hole thereon, or if after the expiration of the primary term and prior to the discovery of oil, gas or associated liquid hydrocarbons before or during the last year of the primary term the production thereof should cease during the last year of said term, then and in either event, no rentals, payments or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, Lessee is conducting operations for drilling a new well or reworking an old well, then and in either event, nevertheless shall continue in force as long as such drilling or reworking operations continue, or if, after the expiration of the primary term, production on this lease shall cease, nevertheless shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; If production is not obtained on a new well or on a well being reworked within sixty (60) days after such cessation of production, then and in either event, nevertheless shall continue in force as long as such drilling or reworking operations, conducted without cessation of more than sixty (60) days, this lease shall continue as long thereafter as oil, gas or associated liquid hydrocarbons are produced in paying quantities. If, after the expiration of the primary term, no drilling or reworking operations are had without cessation of such drilling or reworking operations for more than sixty (60) consecutive days.

[illegible]

This Section 7 shall not affect the provisions of Section 3.

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligations as to the acreage surrendered arising subsequent to the date of surrender. Lessee shall have the right at any time during or within one year after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to dig and remove all casing.

8. The rights of either party hereto may be assigned, in whole or in part, and the provisions hereof shall extend to the successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties hereunder shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on the lessor until the same is reflected on a true and correct copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance, or sale of said rights. In event of the death

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600061

DWE-320

1700 1800 1900

ment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners ratably according to the surface area of each, in rental payment by one shall not affect the rights of other leasehold owners hereunder. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. 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 to 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, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee other than financial.

11. If, during the term of this lease, oil or gas or associated liquid hydrocarbons are discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the causes set out in this Section, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas or associated liquid hydrocarbons, and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

12. Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties according hereunder toward satisfying same. If Lessee owns an interest in said land less than the entire fee simple estate in and to oil, gas and associated liquid hydrocarbons, then the royalties and rentals to be paid Lessee shall be reduced proportionately.

13. This lease does not cover oil shale.

14. The rights granted under this lease are granted without covenants of title or to give possession or for quiet enjoyment.

15. Lessor reserves the right to use such portions of the leased premises as may not be required by Lessee in the conduct of its operations hereunder, for all purposes not inconsistent with the rights granted hereby, and Lessee shall so conduct its operations as not to interfere unreasonably with such use; provide nevertheless, that the use of the leased premises by the Lessor shall not unreasonably interfere with the operations of the Lessee.

16. Lessee shall not make any entry upon or under any portion of the right of way or station grounds of Lessor for any of the purposes of this lease, nor shall not drill any well or maintain any structures within two hundred feet (200') (a) of any railroad tracks or buildings on said right of way or station grounds, or (b) of any buildings upon the leased premises.

17. Notwithstanding anything to the contrary in this lease contained, no well shall be drilled upon or into and no facilities shall be installed upon any lands in which Lessor owns the mineral rights only, until the contents of the surface owners have been obtained under written instruments satisfactory to Lessor. Lessor will endeavor to obtain such consents and the Lessee agrees to cooperate. Any payments which the Lessor elects to pay to the surface owner shall be paid by Lessor out of its royalty.

18. Lessee shall pay for all damage to surface owners' lands, buildings and growing crops caused by construction, operations or maintenance of facilities, shall bury all pipe lines below plow depth where they cross cultivated lands, shall construct gates where necessary for crossing fenced lands and keep the gates in repair and closed, and shall indemnify Lessor with respect to such obligations.

19. Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action for injury to or loss or destruction of property, and for injury to or death of any person, arising out of or in connection with operations hereunder.

20. Lessee shall not permit or suffer any lien or other encumbrance to be filed or to remain against the leased premises as a result of its operations hereunder, and Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action which may result from the filing of any such lien or encumbrance.

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

UNION PACIFIC RAILROAD COMPANY

By

J. A. Redeker
His Attorney in Fact

STATE OF COLORADO

COUNTY OF ARAPAHOE

ss.

Colorado-Wyoming
Acknowledgment

The foregoing instrument was acknowledged before me by J. A. Redeker

Attorney in Fact of UNION PACIFIC RAILROAD COMPANY, this 8th day of January

WITNESS my hand and official seal.

Albert M. Wahl
Notary Public

My Commission expires October 23, 1971

STATE OF

COUNTY OF

ss.

Utah-Nebraska
Acknowledgment

On the day of 19, personally appeared before me, a Notary

Public in and for said County, personally known to me, who, being by me duly sworn did say that he is the Attorney in Fact of UNION PACIFIC RAILROAD COMPANY and that said instrument was signed as his voluntary act as Attorney in Fact for and in behalf of said corporation by authority and said acknowledged to me that he, as such Attorney in Fact, executed the same.

WITNESS my hand and notarial seal the date last aforesaid.

Notary Public

My Commission expires

OIL AND GAS LEASE

FROM

UNION PACIFIC RAILROAD COMPANY

TO

PAN AMERICAN PETROLEUM CORPORATION

Dated 19

Section Township Range

No. of Acres

County

STATE OF

COUNTY OF

ss.

This instrument was filed for record on the

day of

19

at o'clock M. and duly

recorded in book page of

the records of this office.

By

When Recorded Return to

1561890

3-3

LEASE DESCRIPTION - EXHIBIT "A"

Weld County, ColoradoTownship 2 North - Range 65 West

NW Section 13: NW/4, S/2

Section 15: NW/4, S/2

Section 23: NW/4, S/2

NW Section 25: NW/4, S/2

NW Section 27: NW/4, S/2

Township 2 North - Range 64 West

SE Section 9: NW/4, S/2

Section 11: NW/4, S/2

Section 15: NW/4, S/2

SE Section 17: NW/4, S/2

Section 19: Lots 1 and 2 (W/2 W/2) (138.56), E/2 W/2, SE/4

SE Section 21: NW/4, S/2

Section 23: NW/4, S/2

Containing 5738.56 acres, more or less.

SWNE UPRR 62 Pan Am J1 } N/2 27-2N-65W
 CNW UPRR 62 Pan Am J2 }

SWNE UPRR 62 Pan Am N1 - E/2
 Sec 17-2N-64W

SWNW UPRR 62 Pan Am M1 - N/2 25-2N-65W

SWNE UPRR 62 Pan Am G1 } N/2 13-2N-65W
 PNWNW UPRR 62 Pan Am G2 }

NENE UPRR 62 Pan Am O1 - E/2 21-2N-64W

CSE UPRR 62 Pan Am P1 - E/2 9-2N-64W

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