

SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT is made and entered into as of May ~~29th~~, 2008 and is by and between **A Bruce Johnson**, whose address is 801 8th Avenue Suite 220, Greeley, Colorado 80631, ("Surface Owner"), on the one hand, and **Mineral Resources, Inc.**, a Colorado corporation with an address of P.O. Box 328, Greeley, Colorado 80632 ("Mineral Resources/Lessee").

RECITALS

A. Surface Owner is the sole owner in and to the parcels of land located in Section 32, Township 6 North, Range 65 West and Section 5, Township 5 North, Range 65 West, 6th P.M., Weld County, Colorado that are within the area described in Exhibit A attached hereto and made a part hereof (the "Property"). Surface Owner and Mineral Resources agree that the Property contains 97.63 acres, more or less.

B. Surface Owner's ownership includes the surface estate in and to the Property. The mineral estate in and to the Property, specifically including the oil, gas and associated hydrocarbons is owned by OLE, LLC ("Lessor").

C. As an inducement to Mineral Resources entering into this Surface Use Agreement (the "Agreement"), Surface Owner represents and warrants to Mineral Resources that the Surface Owner owns the Property in fee simple, there are no other owners of the Property, and that the Property is free and clear of liens and claims that are or could be senior and prior to this Agreement.

D. Mineral Resources and Surface Owner have agreed upon the terms of this Agreement pursuant to which Mineral Resources may utilize the surface of the property to drill, explore for and produce oil and gas from legal GWA locations as prescribed by Rule 318a of the Colorado Oil and Gas Conservation Commission ("GWA Sites") for all wells and drilling/spacing units inclusive of the Property. It is further agreed that Mineral Resources shall have the right to use the surface of the Property to drill, explore and produce oil and gas wells that have bottom hole locations within 4,000 feet from the outer boundaries of the Property ("Directional Sites"). Wells and drilling/spacing units included in the Directional Sites do not include any portion of the Property. GWA Sites and Directional Sites and other areas necessary for the production and processing of oil and gas are referred to collectively as "Oil and Gas Operations Area".

E. The mineral estate of the Property owned by Surface Owner is subject to the rights of the oil and gas created pursuant to that certain stand alone Oil and Gas Lease by and between OLE, LLC and Lessee of dated May 29, 2008, (the "Lease"). Surface Owner hereby acknowledges that Lessor has leased the mineral estate to Lessee pursuant to the Oil and Gas Lease attached as Exhibit B and acknowledges the payment of _____ per net mineral acre) as consideration for the leasing of such mineral estate pursuant to Exhibit B.

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NOW, THEREFORE, in consideration of the premises, the payments made and to be made hereunder and under the Lease, the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Surface Owner and Mineral Resources agree as follows:

1. The Recitals set forth above are incorporated in this Agreement as though fully restated in this Paragraph 1.

2. For the consideration recited herein, Mineral Resources shall have the right to use the surface of a mutually agreeable location within the Property to drill, complete, operate, and maintain the GWA Sites. It is further agreed that Mineral Resources shall have the right to use the surface for Directional Sites for oil and gas wells that have bottom hole locations within 4,000 feet from the outer boundaries of the Property and to locate said GWA Sites and Directional Sites and Oil and Gas Operations Areas on the Property. The parties specifically agree that the wells drilled on the Property pursuant to this Agreement may have bottom hole locations under lands other than the Property. Lessee shall have discretion to drill as many wells as it chooses up to 30 wells.

3. Lessor, as the surface owner, shall have a continuing obligation to provide Lessee all necessary easements for access to all GWA Sites and Directional Sites provided for under this Agreement. As of the date of this Agreement, such access shall be from those roads currently used by or to be built by Lessee but subsequently may be relocated as otherwise agreed upon by the Parties. Lessee is assured of uninterrupted access to all of the Oil and Gas Operations Areas, and no access road may be closed to Lessee until an acceptable replacement or alternate route is available for use. All access roads to the Oil and Gas Operations Areas shall be constructed and maintained by Lessee.

4. Lessee shall have the right to place, maintain, repair or replace all flowlines and pipelines currently being utilized or to be constructed or installed by Lessee in connection with the Oil and Gas Operations Area on the Property. In addition, Lessor shall provide to Lessee all necessary easements to lay additional flowlines or pipelines to service the GWA Sites and Directional Sites or Oil and Gas Operations Area on the Property and Lessee shall have similar continuing rights to maintain, repair or replace flowlines and pipelines connecting the GWA Sites and Directional Sites or Oil and Gas Operations Area. Lessee shall have the right to grant easements to utility companies to provided services to the GWA Sites and Directional Sites or Oil and Gas Operations Area

5. Lessor shall not oppose Lessee in any agency or governmental proceedings, including but not limited to the COGCC, the county, local jurisdiction or other governing body proceedings, related to Lessees' operations on the Property, including but not limited to drilling, workovers, well deepenings and recompletions, provided that Lessee's position in such proceedings is consistent with this Agreement.

6. The wellheads, production facilities, tanks, compressors, dehydrators, water vaults, separators and other equipment reasonably appropriate or convenient for the operation and production of any Wells, to be utilized by Mineral Resources in connection with the oil and

gas wells (collectively "Equipment") that it may drill on the Property pursuant to this Agreement will be located generally as depicted on Exhibit C attached hereto and made a part hereof.

7. Surface Owner and Mineral Resources recognize and agree that in order to construct the Equipment at the general location set forth on Exhibit C, Mineral Resources must comply with the following rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC") and the City of Greeley or obtain waivers and/or releases from the rules and regulation where waivers and/or releases are available:

Rule 603 a. (2) stating, "A well shall be a minimum of one hundred fifty (150) feet from a surface property line. An exception may be granted by the Director if it is not feasible for the operator to meet this minimum distance requirement and a waiver is obtained from the offset surface owner(s). An exception request letter stating the reasons for the exception shall be submitted to the Director and accompanied by a signed waiver(s) from the offset surface owner(s). Such waiver shall be written and filed in the county clerk and recorder's office and with the Director.

Rule 604 a. (2) stating "Tanks shall be located at least two (2) diameters or three hundred fifty (350) feet, whichever is smaller, from the boundary of the property on which it is built. Where the property line is a public way the tanks shall be two thirds (2/3) of the diameter from the nearest side of the public way or easement."

Rule 603 a. (3) stating, "At the time of installation, tanks shall be a minimum of two hundred (200) feet from residences, normally occupied buildings, or well defined normally occupied outside areas."

Rule 603 a. (5) stating "Tanks shall be a minimum of seventy-five (75) feet from a fired vessel or heater-treater."

Rule 603 a. (8) stating "Tanks shall be seventy-five (75) feet from a wellhead.

Other rules that are applicable to the operations contemplated by this Agreement.

If Mineral Resources is not able to locate the Equipment at the locations depicted on Exhibit C in compliance with the COGCC rules described above and such other rules as may be applicable, Mineral Resources may utilize the surface of the Property as may be reasonably necessary to accomplish the purposes of this Agreement; being the drilling, completion, operation, and maintenance of up to 30 oil and gas wells that have bottom hole locations under the Property or within 4,000 feet from the outer boundaries of the Property.

8. Surface Owner and Mineral Resources agree that the Property may be used by Mineral Resources for the drilling, completion, operation and maintenance of up to 30 oil and gas wells that have bottom hole locations under the Property and within 4,000 feet from the outer boundaries of the Property and that those terms mean all operations that may be reasonably necessary, useful or convenient for the production of oil and gas from the surface of the Property including and not being limited to fracing and refracing the wells, working and reworking the

wells and the redrilling of the wells, the recompletion of the wells and the deepening of the wells.

9. In consideration of this Surface Use Agreement, Mineral Resources agrees to pay Surface Owner the following payments:

- a. It is agreed that Lessee shall be obligated to pay to Surface Owner _____ per each vertical well drilled with a surface and bottom hole have locations within the legal GWA window as prescribed by Rule 318a of the COGCC.
- b. It is also agreed that Lessee shall be obligated to pay to Surface Owner _____ per each directionally drilled well with a surface location lying outside of the GWA window for production of oil and gas as prescribed by Rule 318a of the COGCC.
- c. For boundary wells drilled directionally with a surface location lying outside of the GWA window for production of oil and gas from well bore spacing units as prescribed by Rule 318A-c of the COGCC, Mineral Resources shall be obligated to pay to Surface Owner _____ per each well drilled. For boundary wells drilled vertically in lieu of being drilled directionally as prescribed by Rule 318A-c of COGCC Mineral Resources shall be obligated to pay Surface Owner _____ per each well drilled.
- d. For all Directional Sites, Lessee shall pay to Surface Owner an overriding royalty of $8/8^{\text{ths}}$ of the net proceeds realized from the sale of oil, gas and associated hydrocarbons produced from those wells that are completed on the Property and that have bottom hole locations outside of the boundaries of the lands above described or any drilling or spacing unit which includes the Property or any other lands pooled and unitized with any portion of the Property for purposes of production of oil and gas.
- e. The payments provided for in this paragraph 9 are separate and in addition to the payments provided to Surface Owner in the Lease.

10. This Agreement shall remain in full force and effect for a term of two (2) years from the date of execution hereof and so long as any of the wells drilled on the Property is producing oil and/or gas and associated hydrocarbons in "paying quantities." For the purposes of this Agreement, "paying quantities" means on a well-by-well basis, proceeds from production exceed the lease operating expenses on a month to month basis and that no well shall be considered not to be producing in paying quantities unless and until lease operating expenses exceed revenues for a period of six consecutive months of actual production. The parties recognize and agree that the term of this Agreement is separate and distinct from the term of the Lease.

11. Mineral Resources covenants and agrees to pay all of the costs and expenses attributable to the oil and gas wells that are drilled on the Property pursuant to the terms of this Agreement to include and not being limited to the design, construction, surveying, leveling, demolition and construction, topsoil removal storage and restoration, road construction and maintenance, fencing, weed control and any other costs and expenses related or incurred in

connection with the development, construction, operation and maintenance of the Property for the purposes of this Agreement and the wells to be drilled pursuant to this Agreement.

a. All topsoil removed during drill site preparation and construction of reserve and water pits shall be segregated and kept separate from subsoil. A reasonable attempt shall be made to replace all subsoil to its original order and depth. Bentonite, drilling mud and fluids remaining in pits as a result of the drilling operations must be removed and may not be mixed with subsoil or topsoil. After subsoil has been replaced, topsoil shall be restored to its original location and condition as near possible in the course of restoration activities.

b. With respect to fencing, Mineral Resources agrees at its expense to segregate those portions of the Property that are actually used in the oil and gas operations contemplated by this Agreement from the remainder of the Property and the neighboring properties. Mineral Resources will comply with the reasonable fencing requirements of the COGCC, Weld County and the Surface Owner regarding the oil and gas operations on the Property.

c. Mineral Resources covenants and agrees to keep the Property free and clear of mechanics liens and other liens in the favor of vendors to Mineral Resources except for statutory liens that are customary in the oil and gas industry and that Mineral Resources deems necessary or convenient for its oil and gas operations at the Property.

12 Mineral Resources may assign all or any portion of this Agreement at any time and from time to time provided that no such assignment shall enlarge, amend or modify the obligations or duties of the parties to this Agreement. If Mineral Resources makes any such partial or complete assignment of this Agreement, it shall notify Surface Owner in writing of the name and address of the assignee whereupon, Mineral Resources will be relieved of any further obligation(s) under this Agreement as to that portion of this Agreement and the Property covered by the assignment.

13. Mineral Resources will conduct its operations on the Property, including the plugging and abandonment of the wells drilled on the Property pursuant to this Agreement in compliance with the applicable rules and regulations of the COGCC and the Weld County, provided however this covenant of Mineral Resources shall not create a private right of action in Surface Owner or Surface Owner's successors and assigns to enforce privately the rules and regulations of the COGCC and the Weld County.

14. With the prior written consent of Mineral Resources, which consent may be withheld by Mineral Resources in the exercise of its reasonable discretion, Surface Owner may install and maintain, at its own expense and expense, ground cover, landscaping and watering systems ("Landscaping") within the Property provided that the Landscaping will not interfere with Mineral Resource's operations. Surface Owner acknowledges that Mineral Resource's normal operations may from time to time disturb or destroy any installed Landscaping. Surface Owner's hereby agrees to install and maintain said Landscaping in such a way as not to violate COGCC regulations or impede Surface Owner's access and/or its operations on the Property. Surface Owner hereby accepts all responsibility for cost of installation, repair and/or replacement of said Landscaping within the Property, and Mineral Resources shall not be responsible for

damage to said Landscaping resulting from its future access or operations. Prior to commencing installation of the Landscaping, Surface Owner shall consult with and obtain written approval from Mineral Resources to ensure that there are no adverse impacts upon Mineral Resource's ability to perform future operations. Mineral Resource's approval to the installation of such Landscaping shall not constitute nor be construed as a waiver of Mineral Resource's rights pursuant to this paragraph 10.

15. This Agreement constitutes written consent of Surface Owner for Mineral Resources to conduct the oil and gas operations contemplated by this Agreement on the Property, as it deems necessary or convenient to the development of the oil and gas wells contemplated by this Agreement pursuant to the terms and conditions contained herein. This Agreement also constitutes Surface Owner's written acknowledgment that Mineral Resources has provided an appropriate Notice of Drilling in accordance with Rules 305.b (1) and 305.c of the COGCC and has properly engaged in Drilling Consultation with Surface Owner in accordance with COGCC Rule 306.a (1). This Agreement also constitutes Surface Owner's acknowledgment that Mineral Resources has complied with the well location requirements of COGCC Rule 318 A or that Surface Owner has waived any provisions of such rule that is inconsistent with or conflicts with the well locations selected by Mineral Resources pursuant to this Agreement.

16. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been fully given, made and received only when personally delivered, received via facsimile that has been confirmed electronically, delivered by Federal Express or other nationally recognized courier service, or three (3) days after having been deposited in the United States mail, postage prepaid, return receipt requested. All notices requests, demands and other communications required or permitted hereunder shall be addressed as set forth below:

IF TO SURFACE OWNER:

A Bruce Johnson
801 8th Avenue Suite 220
Greeley, CO 80631
TELEPHONE: 970-356-6110
FAX:
EMAIL:

IF TO MINERAL RESOURCES/LESSEE:

Mineral Resources, Inc.
P.O. Box 328
Greeley, CO 80632
ATTN: Logan Richardson
TELEPHONE: 970-352-9446
FAX: 800-850-9334
EMAIL: Logan@mineralresourcesinc.com

17. This Agreement and all of the covenants herein shall be covenants running with the land and shall be recorded in the Weld County Clerk and Recorder's office.

18. Surface Owner and Mineral Resources agree that Mineral Resources may record an original of this Agreement or a Memorandum thereof in the real property records of Weld County, Colorado.

19. This Agreement and the Oil and Gas Lease contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

20. This Agreement will be binding upon and inure to the benefit of the parties hereto and their heirs, personal representatives, successors and assigns.

21. If any provision of this Agreement or the application hereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement nor the application of such provision to any other person or circumstances shall be affected thereby, but rather the same shall be enforced to the greatest extent permitted by applicable law.

22. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Colorado, excluding any conflict of laws, rule or principle that might refer the governance or the construction hereof to another jurisdiction.

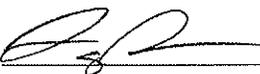
23. Lessor hereby waives any and all rights to receive or claim surface damage payments pursuant to any COGCC or local regulation, state statute, common law or prior agreement for each and every well and related wellsite that is drilled in an Oil and Gas Operations Area and for each production facility, access road or flowline easement. Lessee may provide a copy of this Agreement to the COGCC or to any local jurisdiction, person or entity or any court of law as evidence of this waiver.

24. Nothing in this Agreement shall be construed to be a waiver of Lessee's rights pursuant to its Lease to explore for, drill and produce the oil and gas on the Property or for ingress and egress to any Oil and Gas Operations Areas, except as specifically provided in this Agreement.

LESSEE:

LESSOR/LANDOWNER

MINERAL RESOURCES, INC:

By:  _____

By:  _____

Logan Richardson
VP / Land Manager

A Bruce Johnson



My Commission Expires July 9, 2011

STATE OF COLORADO)
) ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 29th day of May 2008, by Logan Richardson as Vice President of Mineral Resources, Inc., a Colorado corporation, on behalf of said corporation.

My commission expires: July 9, 2011

Shauna Phillips
Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 29th day of May 2008, by A Bruce Johnson of his free and voluntary act.

My commission expires: July 9, 2011

Shauna Phillips
Notary Public



My Commission Expires July 9, 2011

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Exhibit "A"
Legal Description

All that part of Section 32, Township 6 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, and all that part of the Northeast Quarter of Section 5, Township 5 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, described as follows:

Parcel A

A parcel of land located in parts of the East Half and of the Southwest Quarter of Section 32, Township 6 North, Range 65 West and in part of the Northeast Quarter of Section 5, Township 5 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, being more particularly described as follows:

Beginning at the Southeast Corner of said Section 32 and considering the South line of said Section 32 as bearing North 84°56'31" West, with all other bearings contained herein relative thereto;
thence North 84°56'31" West, along said South line, 1,122.98 feet to the True Point of Beginning;
thence North 84°56'31" West, 234.53 feet to a point on said South line of said Section 32;
thence South 02°42'08" West, 823.80 feet; thence North 86°02'22" West 849.06 feet; thence North 00°50'22" East, 80.00 feet; thence South 86°02'22" East, 195.00 feet; thence North 00°50'22" East, 757.90 feet to a point on the South line of said Section 32;
thence North 84°56'31" West, 57.15 feet; thence North 00°00'44" West, 884.50 feet; thence South 88°28'33" West, 478.29 feet to a point on the East ROW line of 6th Avenue;
thence North 01°21'27" East, 427.99 feet; thence North 01°26'58" West, 276.71 feet; thence along the arc of a curve to the left whose radius is 396.00 feet and whose long chord bears North 24°29'54" West for a distance of 310.08 feet;
thence North 06°38'01" East, 199.97 feet; thence North 04°14'47" East, 203.22 feet; thence North 02°35'02" East, 458.74 feet; thence South 83°17'02" East, 19.50 feet to the Center Corner of said Section 32;
thence North 00°04'46" West, 344.22 feet;
thence South 83°27'36" East, 908.31 feet to a point on the West ROW line of U.S. Highway 85 Bypass;
thence along said ROW line by the following six courses and distances:
South 23°42'43" East, 6.37 feet;
South 22°14'34" East, 1,350.41 feet;
South 21°35'05" East, 194.74 feet along the arc of a curve to the right whose radius is 2,714.61 feet and whose long chord bears South 14°40'19" East, for a distance of 527.05 feet;
South 07°45'33" East, 194.74 feet;
South 07°04'33" East, 557.28 feet to a point on said ROW line;
thence South 32°14'47" West, 413.37 feet to the True Point of Beginning.

EXCEPT that portion conveyed to Public Service Company of Colorado in Warranty Deed recorded July 15, 1993 in Book 1392 at Reception No. 2341249 and that portion conveyed to Thermo Greeley, L.L.C. in Warranty Deed recorded September 5, 1997 in Book 1624 at Reception No. 2567552.

Parcel B

A parcel of land located in part of the East 1/2 of Section 32, Township 6 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, being more particularly described as follows:

Beginning at the East Quarter Corner of said Section 32 and considering the North line of the Southeast Quarter of said Section 32 as bearing North 83°17'02" West, with all other bearings contained herein relative thereto;
thence North 83°17'02" West, 1,215.69 feet to a point on the East ROW line of U.S. Highway 85 Bypass;
thence North 22°14'34" West, 78.37 feet to the True Point of Beginning;
thence North 89°39'44" East, 479.84 feet; thence South 00°11'51" East, 822.51 feet; thence South 01°00'30" West, 358.55 feet to a point on the East ROW line of U.S. Highway 85 Bypass;

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thence along the arc of a curve to the left whose radius is 3,024.61 feet and whose chord bears North 18°26'18" West, for a distance of 190.49 feet;
thence North 21°34'00" West, 205.56 feet; thence South 67°45'26" West, 10.00 feet; thence North 22°14'34" West, 875.21 feet to the True Point of Beginning,
County of Weld, State of Colorado.

Parcel C

A parcel of land located in part of the Northeast Quarter of Section 32, Township 6 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, being more particularly described as follows:

Beginning at the East Quarter Corner of said Section 32 and considering the South line of the Northeast Quarter of said Section 32 as bearing North 83°17'02" West, with all other bearings contained herein relative thereto;
thence North 83°17'02" West, 1,215.69 feet to a point on the East ROW line of U.S. Highway 85 Bypass;
thence North 22°14'34" West, 188.37 feet to the True Point of Beginning; thence North 22°14'34" West, 72.76 feet;
thence North 00°06'28" East, 428.81 feet;
thence North 73°27'09" East, 475.00 feet;
thence South 31°10'47" East, 124.06 feet;
thence South 79°35'04" West, 354.00 feet;
thence South 36°10'21" West, 218.36 feet;
thence South 02°40'52" West, 339.40 feet to the True Point of Beginning, County of Weld,
State of Colorado.

Parcel D

Lot 3 and the South 80 feet of Lot 4 of the NW/4NE/4 of Section 5, Township 5 North, Range 65 West, 6th P.M.



OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 29th day of May, 2008, by and between OLE, LLC, A COLORADO LIMITED LIABILITY COMPANY, whose address is 801 8TH AVENUE SUITE 220, GREELEY, COLORADO 80631, ("Lessor", whether one or more) and MINERAL RESOURCES, INC., A COLORADO CORPORATION, whose address is P.O. BOX 328, GREELEY, COLORADO 80632 ("Lessee").

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, Colorado, described to wit:

TOWNSHIP 6 NORTH, RANGE 65 WEST, 6TH P.M.

SECTION 32: ALL THAT PART BEING MORE PARTICULARLY DESCRIBED IN THE ATTACHED EXHIBIT "A" CONTAINING 76.46 ACRES, MORE OR LESS (the "Premises")

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1. It is agreed that this Lease shall remain in full force for a term of ~~five (5)~~ ^{two (2)} years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. 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 the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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 obligations thereafter accruing as to the acreage surrendered.

3. The royalties to be paid by Lessee are: (a) on oil, 20% of that produced and saved from said Leased Premises, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected or at the oil purchaser's transportation facilities; Lessee may from time to time purchase any royalty oil in its possession directly or through an affiliate, paying the market price therefor prevailing for the field where produced on the date of purchase, and Lessee may sell any royalty oil in its possession and pay Lessor the price received by Lessee for such oil computed at the well (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) on gas produced from said Leased Premises and sold or used of the Leased Premises, or for the extraction of gasoline or other product therefrom, the market value at the well of 20% of the gas so sold or used, provided that on gas sold by Lessee the market value shall not exceed the amount received by Lessee for such gas computed at the mouth of the well, and on gas sold at the well the royalty shall be 20% of the amount realized by Lessee from such sale, and further provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) in calculating the market price or market value of gas at the well for the purpose of determining the royalties due on gas hereunder, the mouth of the well shall be deemed as the location at which the gas is produced, and (d) Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and (e) if the price of any oil or gas or substance upon which royalty is payable hereunder is regulated by any governmental agency, the market value or market price at the sell of such oil, gas or other substance, for the purpose of computing royalty hereunder shall not be in excess of the price which Lessee may receive and retain. Lessee shall have free from royalty or other payment the use of water, other than water from Lessor's wells or tanks, and of oil and gas produced from said land in all operations which Lessee may conduct hereunder, including water injection and primary, secondary, tertiary recovery programs, cycling, pressure maintenance methods of recovery, and all other methods of production and enhanced production, whether now known or unknown and the conducting of dewatering operations, and the royalty on oil and gas shall be computed after deducting any so used. If at the end of the primary term or anytime thereafter one or more wells on the Leased Premises or lands pooled or unitized therewith are capable of producing oil or gas or other substances covered hereby in paying quantities but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of five dollars (\$5.00) per mineral acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below on or before the anniversary date of this lease next ensuing after the end of said 90-day period and thereafter on or before each subsequent anniversary date while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the Leased Premises or lands pooled or unitized therewith, no shut-in royalty shall be due until the anniversary date next ensuing after the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid 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 the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

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

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the 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 the Premises 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.

12. 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 Premises and as to any one or more of the formations thereunder, 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

Exhibit "A"
Legal Description

All that part of Section 32, Township 6 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, described as follows:

Parcel A

A parcel of land located in parts of the East Half and of the Southwest Quarter of Section 32, Township 6 North, Range 65 West, being more particularly described as follows:

Beginning at the Southeast Corner of said Section 32 and considering the South line of said Section 32 as bearing North 84°56'31" West, with all other bearings contained herein relative thereto;
thence North 84°56'31" West, along said South line, 1,122.98 feet to the True Point of Beginning;
thence North 84°56'31" West, 234.53 feet to a point on said South line of said Section 32;
thence South 02°42'08" West, 823.80 feet; thence North 86°02'22" West 849.06 feet; thence North 00°50'22" East, 80.00 feet; thence South 86°02'22" East, 195.00 feet; thence North 00°50'22" East, 757.90 feet to a point on the South line of said Section 32;
thence North 84°56'31" West, 57.15 feet; thence North 00°00'44" West, 884.50 feet; thence South 88°28'33" West, 478.29 feet to a point on the East ROW line of 6th Avenue;
thence North 01°21'27" East, 427.99 feet; thence North 01°26'58" West, 276.71 feet; thence along the arc of a curve to the left whose radius is 396.00 feet and whose long chord bears North 24°29'54" West for a distance of 310.08 feet;
thence North 06°38'01" East, 199.97 feet; thence North 04°14'47" East, 203.22 feet; thence North 02°35'02" East, 458.74 feet; thence South 83°17'02" East, 19.50 feet to the Center Corner of said Section 32;
thence North 00°04'46" West, 344.22 feet;
thence South 83°27'36" East, 908.31 feet to a point on the West ROW line of U.S. Highway 85 Bypass;
thence along said ROW line by the following six courses and distances:
South 23°42'43" East, 6.37 feet;
South 22°14'34" East, 1,350.41 feet;
South 21°35'05" East, 194.74 feet along the arc of a curve to the right whose radius is 2,714.61 feet and whose long chord bears South 14°40'19" East, for a distance of 527.05 feet;
South 07°45'33" East, 194.74 feet;
South 07°04'33" East, 557.28 feet to a point on said ROW line;
thence South 32°14'47" West, 413.37 feet to the True Point of Beginning.

EXCEPT that portion conveyed to Public Service Company of Colorado in Warranty Deed recorded July 15, 1993 in Book 1392 at Reception No. 2341249 and that portion conveyed to Thermo Greeley, L.L.C. in Warranty Deed recorded September 5, 1997 in Book 1624 at Reception No. 2567552.

Parcel B

A parcel of land located in part of the East 1/2 of Section 32, Township 6 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, being more particularly described as follows:

Beginning at the East Quarter Corner of said Section 32 and considering the North line of the Southeast Quarter of said Section 32 as bearing North 83°17'02" West, with all other bearings contained herein relative thereto;
thence North 83°17'02" West, 1,215.69 feet to a point on the East ROW line of U.S. Highway 85 Bypass;
thence North 22°14'34" West, 78.37 feet to the True Point of Beginning;
thence North 89°39'44" East, 479.84 feet; thence South 00°11'51" East, 822.51 feet; thence South 01°00'30" West, 358.55 feet to a point on the East ROW line of U.S. Highway 85 Bypass;
thence along the arc of a curve to the left whose radius is 3,024.61 feet and whose chord bears North 18°26'18" West, for a distance of 190.49 feet;
thence North 21°34'00" West, 205.56 feet; thence South 67°45'26" West, 10.00 feet; thence North 22°14'34" West, 875.21 feet to the True Point of Beginning,
County of Weld,
State of Colorado.

Parcel C

A parcel of land located in part of the Northeast Quarter of Section 32, Township 6 North, Range 65 West of the 6th P.M., County of Weld, State of Colorado, being more particularly described as follows:

Beginning at the East Quarter Corner of said Section 32 and considering the South line of the Northeast Quarter of said Section 32 as bearing North 83°17'02" West, with all other bearings contained herein relative thereto;
thence North 83°17'02" West, 1,215.69 feet to a point on the East ROW line of U.S. Highway 85 Bypass;
thence North 22°14'34" West, 188.37 feet to the True Point of Beginning; thence North 22°14'34" West, 72.76 feet;
thence North 00°06'28" East, 428.81 feet;
thence North 73°27'09" East, 475.00 feet;
thence South 31°10'47" East, 124.06 feet;
thence South 79°35'04" West, 354.00 feet;
thence South 36°10'21" West, 218.36 feet;
thence South 02°40'52" West, 339.40 feet to the True

Point of Beginning, County of Weld,
State of Colorado.

Any other streets, roads, alleys, easements, rights of way, lots, out lots, parcels or strips of land owned or claimed to be owned by Lessor in Section 32, Township 6 North, Range 65 West, 6th P.M.

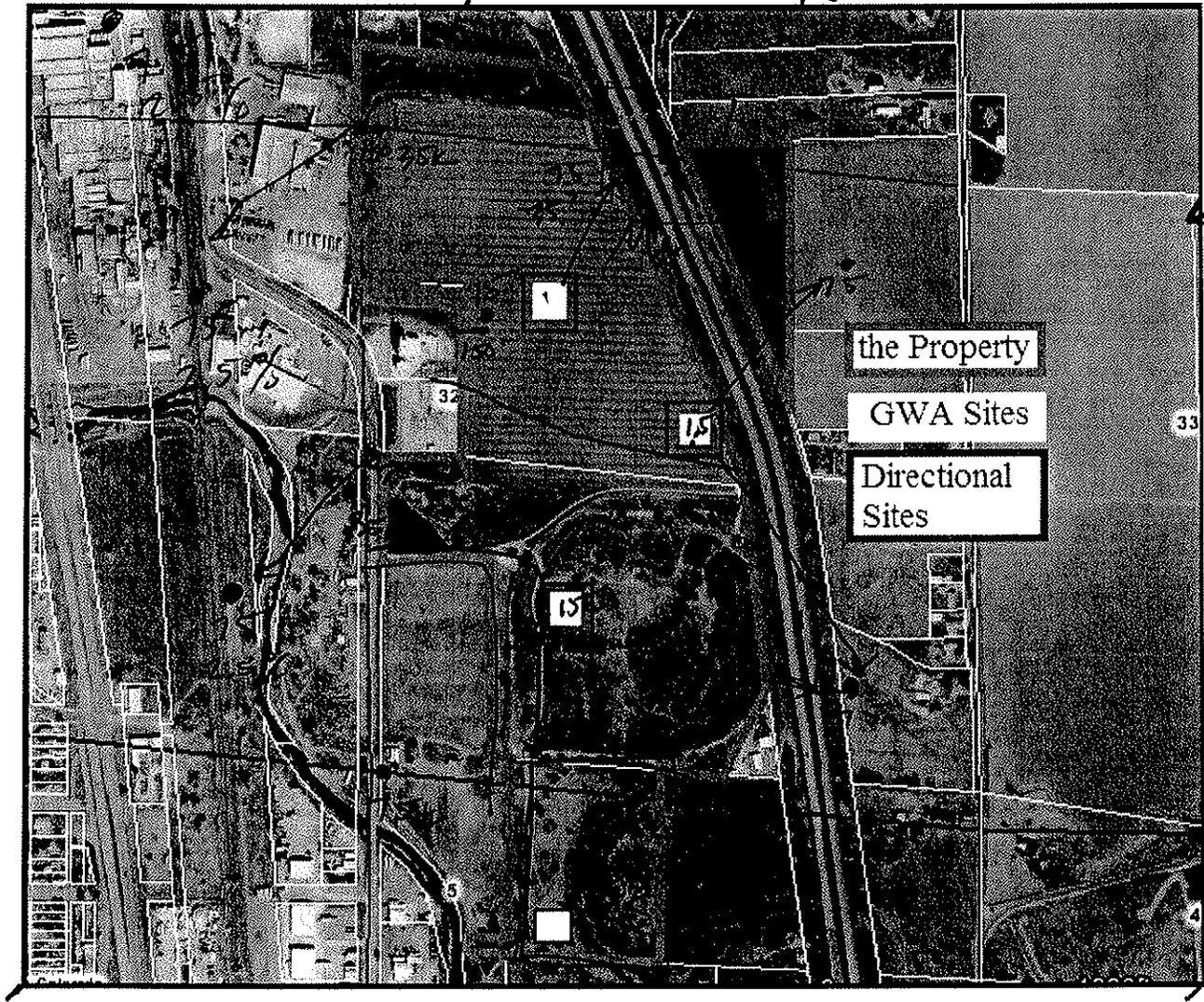


When recorded return to:
Mineral Resources, Inc.
P.O. Box 328
Greeley, Colorado 80632

Exhibit "C"

N/2 farm ground No earlier than Oct 1. Latest Dec

M N



35
 7.5
 15
 2.5/2.5%

3
 4
 3
 3
 13

10.5
~~1830~~ 30
 45
 22.5
 197.5
 Land 100 K
 297.5