

THIS AGREEMENT is made and entered into this 1st day of May, 19 87
between Jacqueline Jean Bruce, a married woman dealing in her sole and separate property, and
Tonya Rae Schneider, a married woman dealing in her sole and separate property,
1055 Ash St., Gilcrest, Colorado 80643 hereinafter called lessor,
and H & C Colton Company, 900 N. E. Loop 410, #D-204, San Antonio, TX 78209 hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten & no/100 Dollars in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased and let and by these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, and with the right to unitize this lease or any part thereof with other oil and gas leases as to all or any part of the lands covered thereby as hereinafter provided, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, mining, and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline and all other gases and their respective constituent vapors, and other liquid or liquefiable hydrocarbons and for constructing roads, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of

Weld State of Colorado, and described as follows:

Township 4 North, Range 66 West, 6th P. M.

Section 10: E/2 SW/4 (East 1/2 of Southwest 1/4)

B 1154 REC 02097243 04/27/87 12:54 \$6.00 1/002
F 1143 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

* It is agreed by Lessor and Lessee that where the words one-eighth(1/8th) appear, they are hereby changed to read fifteen percent(15%).

and containing 80 acres, more or less.

2. It is agreed that this lease shall remain in force for a term of one years from this date, and as long thereafter as oil, gas, or other hydrocarbons or either of them, is produced from said land (or from lands with which said land is consolidated) or the premises are being developed or operated.

* 3. In consideration of the premises the said lessee covenants and agrees:
The lessee shall monthly pay lessor as royalty on oil and on gas marketed from each well, and as to gas, (whether that well produces gas only or casinghead gas), one-eighth (1/8th) of the net proceeds received by Lessee at the wellhead; or, if the gas is used by Lessee off the leased premises for any purpose or used on the leased premises for purposes other than the development and operation thereof, one-eighth (1/8th) of the net proceeds Lessee would have received at the wellhead for that gas had it been marketed by Lessee. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto, up to a quantity of gas equal to one-eighth (1/8) of the gas produced therefrom, and no royalty shall be paid on that gas.

4. Where gas from a well or wells, cannot be lawfully vented or flared and is not sold or used for a period of one year, whether before or after the primary term hereof, lessee shall pay or tender as royalty, to the lessor 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.

5. 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 accruing as to the acreage surrendered.

~~6. Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessor on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as above provided, that 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 the rental payments.~~

7. If said lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

8. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of, this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

10. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described land and the holder or owner of any such part or parts shall make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part of said land upon which the lessee or any assignee hereof shall make due payment of said rentals.

11. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands, and in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence operations for drilling at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues. If within the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for re-working or drilling a well within one hundred twenty (120) days from such cessation and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof whether or not contiguous with the above described lands, such pooling to be into units not exceeding 320 acres, unless larger drilling and spacing units are established by the regulatory body having jurisdiction; provided however, that such units may exceed such size if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

14. If Lessor considers that Lessee has failed to perform or comply with any of the express or implied obligations herein, Lessor shall provide written notice of Lessee's failure to Lessee and Lessee shall have ninety (90) days in which to remedy the failure prior to Lessor bringing any action against Lessee hereunder.

15. This lease and all its terms, conditions and stipulations shall extend to, and be binding on each of the parties who signs this lease, regardless of whether such lessor is named above and regardless of whether it is signed by any of the other parties herein named as lessor. This lease may be signed in counterparts, each to have the same effect as the original.

IN WITNESS WHEREOF, we sign the day and year first above written.

Witness:
* Jacqueline Jean Bruce
Jacqueline Jean Bruce

* Tonya Rae Schneider
Tonya Rae Schneider

Printed

RECORDER WELD CO, CO

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 31st
day of April, 19 87, personally appeared Jacqueline Jean Bruce

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 she duly executed the same as her 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 12-8-90

W. J. Strickland Notary Public
Address: 207 1st Ave. N. Salt Lake City

STATE OF Tennessee }
COUNTY OF Shelby } 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 13th
day of April, 19 87, personally appeared Tonya Rae Schneider

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 she duly executed the same as her 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 MY COMMISSION EXPIRES JAN. 29, 1989

J. J. [Signature] Notary Public
Address: 500 [Signature] [Signature] [Signature] [Signature] [Signature]

STATE OF _____ }
COUNTY OF _____ } ss.

ACKNOWLEDGMENT (For use by Corporation)

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

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

Witness my hand and seal this _____ day of _____, A.D. 19____.

Notary Public.

Address: _____

(SEAL)
My Commission expires _____

77-2092
6.02
#4215

No. _____	FROM	TO	Dated _____, 19____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in _____ Volume _____ Page _____ of the records of this office.	County Clerk _____	Deputy _____
When recorded return to <u>Caltion & Caltion</u> <u>900 N.E. Loop 410</u> <u>Salt Lake City, UT 84143</u>									