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# OIL AND GAS LEASE

PAID UP

B 1394 REC 02343730 07/30/93 10:46 \$10.00 1/002  
F 1650 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

THIS AGREEMENT is made and entered into as of the 13th day of July, 1993, by and between the following parties:

"LESSOR": McCulliss Resources Co., Inc., a Colorado corporation  
(whether one or more) 621 17th Street, Suite 2155  
Denver, CO 80293

and

"LESSEE": Freedom Energy, Inc.  
1433 17th Street, Suite 300  
Denver, CO 80202

The said land included in this lease is situated in the County of Weld, State of Colorado, and, is described as follows, to-wit:

Township 4 North, Range 67 West, 6th P.M.

Section 7: Lot B of Recorded Exemption No. 1059-7-1-RE307 according to the map thereof recorded in Book 832 under Reception No. 1754243, being a part of the NE $\frac{1}{4}$ .

The said land contains 146.162 acres of land, more or less, and includes all oil and gas underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said land; and includes all lands owned or claimed by Lessor as a part of any tract above described. This lease shall cover all the interest in said land now owned by or hereafter vested in Lessor. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

Subject to the other provisions herein contained, this lease shall remain in force for a period of One years from the date hereof, called "primary term", and so long thereafter as oil or gas is produced from said land hereunder or Lessee is engaged in drilling or reworking operations on said land hereunder as herein provided.

**Each of the covenants, terms and provisions contained on the reverse side of this page is incorporated herein by this reference.**

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

Soc. Sec No. \_\_\_\_\_  
or Tax I.D. No. 84-1075057

ATTEST:

by:

George G. Vaught, Jr.  
Assistant Secretary

McCulliss Resources Co., Inc.

by:

Paul L. McCulliss, President

STATE OF COLORADO )  
COUNTY OF DENVER ) ss.

The foregoing instrument was acknowledged before me this 21 day of July, 1993, by Paul L. McCulliss, as President of McCulliss Resources Co., Inc., a Colorado corporation, on behalf of said corporation.

Witness my hand and official seal.

My commission expires:

6/5/97

Notary Public

**The following covenants, terms and provisions are an integral part of this lease.**

1. Lessor, for and in consideration of the sum of Ten Dollars, in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, demises, leases and lets exclusively unto Lessee the land herein described, for the purpose of investigating, exploring and drilling for, producing, saving, taking, owning, transporting, storing, handling and treating oil and gas, together with all rights, privileges and easements useful for Lessee's operations hereunder on said land and on lands in the same field, including but not limited to the following rights: to lay pipe lines; to build roads; and to construct tanks, pump and power stations, power and communications lines, and other structures and facilities. The phrase "oil and gas", as used in this lease, shall embrace all hydrocarbons, as well as other substances produced therewith.

2. Royalties to be paid Lessor are: (a) on oil, one-eighth (1/8) of that produced and saved from said land, to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected. Lessee may from time to time purchase any royalty oil, paying therefor the market value in the field where produced on the day it is run to the pipe line or storage tanks; (b) on gas, including casinghead gas or other gaseous substances, produced from said land and sold or used off the premises, the market value at the well of one-eighth (1/8) of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth (1/8) of the amount realized from such sales; (c) on other substances produced with oil or gas, and covered by this lease, one-eighth (1/8) of their value at the well. If at any time oil and/or gas from a well capable of producing oil and/or gas is not being sold or used off the premises, and this lease is not being otherwise maintained in full force and effect, Lessee shall pay or tender to Lessor, as royalty, the sum of One Dollar (\$1.00) per acre per year on the acreage then held by Lessee hereunder, the first such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days after the date such well is shut in and subsequent payments or tenders to be made on or before the anniversary date of this lease; provided, however, that if oil or gas from any such well is sold or used off the premises before the applicable anniversary date of this lease (even if such well is again shut in before such date), or if on such date this lease is being maintained in force and effect other than by reason of such shut in well, Lessee shall not be obligated to pay or tender, on or before that particular anniversary date, said sum as shut in royalty. If such payment or tender is made, it will be considered that oil and/or gas, as applicable, is being produced within the meaning of this lease. During such time, Lessee may remove the pumping unit, rods, tubing and other equipment from the well or wells for use elsewhere in Lessee's business, consistent with all applicable laws, rules and regulations. Lessee may use, free of royalty, oil, gas and water produced from said land by Lessee for all operations hereunder.

3. This is a PAID-UP LEASE. In consideration of the cash payment 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 said land and as to any strata or stratum by delivering to Lessor or by filing of record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

4. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling, completing or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or acreage pooled therewith.

5. Lessee shall pay for or repair damages caused by Lessee's operations to growing crops, buildings, irrigation ditches, culverts and fences. If requested by Lessor, Lessee will bury pipe lines below ordinary plow depth when crossing cultivated land. No well shall be drilled within two hundred (200) feet of any residence or barn now on said land without the consent of Lessor. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing. No default of Lessee hereunder with respect to any well or portion of said land shall impair Lessee's rights with respect to any other well or portion of said land. Lessee may inject water, gas or other substances into any zone or stratum underlying said land and not productive of fresh water.

6. The rights of Lessor and Lessee hereunder may be assigned in whole or in 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, and Lessee may continue to make payments precisely as if no change had occurred. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and Lessee's operations may be conducted without regard to any such division. If all or any part of the Lessee's interest hereunder shall be assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

7. Whenever, as a result of any cause beyond Lessee's control (such as fire, flood, adverse field or weather conditions, windstorm or other Act of God; law, order or regulation of any governmental agency; or inability to secure men, material or transportation), Lessee is prevented from complying with any provision of this lease, Lessee shall not be liable for damages or forfeiture of this lease, in whole or in part, and Lessee's obligations hereunder shall be suspended so long as such cause persists.

8. Lessee may at any time or times pool or unitize this lease and the lands covered hereby, in whole or in part, or as to any stratum or strata, with other lands and leases in the same field, so as to constitute a unit or units, whenever, in Lessee's judgement, required to promote or encourage the conservation of natural resources by facilitating an orderly or uniform well spacing pattern; a cycling, pressure-maintenance, re-pressuring or secondary recovery program; or any cooperative or unit plan of development or operation approved by the Secretary of the Interior of the United States. The size of any such unit may be increased by including acreage believed to be productive, and decreased by excluding acreage believed to be unproductive, or the owners of which fail or refuse to join the unit, but any increase or decrease in Lessor's royalties resulting from any such change in any such unit shall not be retroactive. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be abolished and dissolved, by filing for record a declaration of pooling or unitization describing the lands and formations so pooled or unitized. Drilling or reworking operations upon or production of oil or gas from any part of such unit shall be treated and considered, for all purposes of this lease, as such operations upon or such production from this lease. Lessee shall allocate to the portion of this lease included in any such unit a fractional part of all production from any part of such unit, on one of the following bases: (a) the ratio between the participating acreage in this lease included in such unit and the total of all participating acreage included in such unit; or (b) the ratio between the quantity of recoverable production underlying the portion of this lease included in such unit and the total of all recoverable production underlying such unit; or (c) any other basis approved by State or Federal authorities having jurisdiction thereof. Upon production from any part of such unit, Lessor herein shall be entitled to the royalties provided in this lease on the fractional part of the unit production so allocated to that portion of this lease included in such unit, and no more.

9. Lessor warrants and agrees to defend the title to said land. The royalties herein above provided are determined with respect to the entire mineral estate in oil and gas and if Lessor owns a lesser interest, the royalties to be paid Lessor shall be reduced proportionately. Lessee at its option may purchase or discharge in whole or in part any tax, mortgage or other lien upon said land, or may redeem the same from any purchaser at any tax sale or adjudication, and shall be subrogated to the rights of the holder thereof.

10. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

11. Lessor hereby waives and releases all rights under and by virtue of the homestead laws of this state.

12. Notwithstanding anything to the contrary herein contained, all reference made to royalty shall be deemed to be changed to read one-sixth (1/6th) instead of one-eighth (1/8th).

B 1394 ENC 02343730 07/30/93 10:46 \$10.00 2/002  
F 1651 MARY ANN FEUERSTEIN CLIFF & RECORDER WELD CO, CO

Recorded  
10-1-93  
County of Weld