







3587658 11/03/2008 03:00P Weld County, CO  
1 of 10 R 51.00 D 0.00 Steve Moreno Clerk & Recorder

# OIL AND GAS LEASE

THIS LEASE made as of **August 15, 2008**, between Farmers National Company, Agent for **UNION PACIFIC RAILROAD COMPANY** (Lessor), a Delaware corporation, to be addressed at 1400 Douglas Street, Mail Stop 1690, Omaha, Nebraska 68179, and **MINERAL RESOURCES, INC.**, a Colorado corporation (Lessee), whose address P.O. Box 328, Greeley, CO 80632.

## WITNESSETH:

(1) Lessor, in consideration of the royalties herein provided and of the agreement of Lessee herein contained, grants, leases and lets unto Lessee, for the purposes of investigating, exploring, prospecting, drilling and mining for and producing oil and gas (including, without limitation, nitrogen, carbon dioxide, hydrogen sulphide, helium, and other gaseous substances, and products associated therewith, except steam) and associated liquid hydrocarbons, and laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, refine, process, store, transport, own, sell and dispose of said oil, gas and associated liquid hydrocarbons, one hundred percent (100%) of Lessor's right, title and interest in and to the oil and gas in and under the leased premises acres in **Weld County, Colorado** (Premises) described as follows:

## SEE ATTACHED EXHIBIT "A"

The above legal description was prepared by Lessee. Lessor does not warrant the accuracy of the legal description.

For shut-in royalty payment purposes, the Premises shall be conclusively deemed to contain **44.795** acres.

(2) This is a paid-up lease and there shall be no requirement for Lessee to pay delay rentals.

(3) Subject to the other provisions herein contained, this Lease shall be for a primary term which expires at twelve o'clock (12:00) noon, Central Time, on **August 15, 2011** (Primary Term), and as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from the Premises in paying quantities, or drilling or reworking operations are conducted thereon. Upon sixty (60) days written notice to Lessee, Lessor may terminate this Lease as to any portion of the surface of the Premises and above a plane one hundred feet (100') below the surface, if required by Lessor for transportation operations.

(4) Subject to the right of election reserved to Lessor below to take its share of production in kind, the royalties to be paid by Lessee are **eighteen percent (18%)** of eight-eighths of (a) the greater of the market value at the well or the amount realized from the sale of oil and liquid petroleum products recovered at the well, and (b) the market value at the well of gas sold, used off the Premises or delivered to Lessee at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on gas sold at the well by Lessee in an arm's length transaction, the royalty shall be the same percentage of the amount realized from such sale. Royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to, reservation charges and, subject to credit to Lessee when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken. Lessee shall have reasonable use of oil and gas for operations on the Premises, and the royalty on oil and gas shall be computed after deducting any production so used.

Regardless of whether the oil, liquid petroleum products and gas produced from the Premises or land pooled therewith is sold or valued at the well, on the Premises or off the Premises, and regardless of whether or not said oil, liquid petroleum products and gas is marketable at the wellhead, and despite the holding in *Heritage Resources, Inc. v. NationsBank*, 939 S.W.2d 118 (Tex. 1996), Lessor and Lessee specifically agree that the royalties payable under this Lease shall be free and clear of costs or deductions for exploration, drilling, development, and production, including, but not limited to, costs of lifting, gathering, transportation, treating, processing, marketing, dehydration, storage, compression, separation by mechanical means, and stabilization of the hydrocarbons. If Lessee treats and/or processes its gas in a natural gas plant (either on or off the



3587658 11/03/2008 03:00P Weld County, CO  
2 of 10 R 51.00 D 0.00 Steve Moreno Clerk & Recorder

Premises), whether in Lessee's plant or in the plant of a third party, Lessee shall treat and/or process or cause Lessor's gas to be treated and/or processed. In the event of any such treating and/or processing, then notwithstanding the foregoing, Lessee shall be entitled to deduct from the value of the products recovered by the treating and/or processing of the gas, or if Lessor is taking its production in kind to charge Lessor for, the actual costs incurred by Lessee for such treating and/or processing, which costs shall include gathering or transportation costs required to transport the gas to the plant. If Lessor elects, Lessee shall deliver to Lessor in kind its royalty share of oil and other liquid hydrocarbons saved at the well, into storage tanks on the Premises; products recovered in a processing plant, into storage tanks or onto storage sites at the plant; and gas, at the tailgate of the plant, if processed, or at the well if the gas is sold at the well. Lessor shall give Lessee not less than sixty (60) days' notice of such election, and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any deliveries of production are to be made from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties. With respect to gas, Lessee shall give Lessor notice if it intends to enter into a gas contract on its share of the gas, and Lessor shall have a period of thirty (30) days from receipt of a copy of the gas sales agreement to notify Lessee in writing that Lessor elects to take in kind and separately dispose of its share of such gas.

If there is a gas well on the Premises or on land pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from the Premises or on land pooled therewith sufficient to maintain this Lease in full force and effect, this Lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon this Lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to **Twenty Dollars (\$20)** per gross acre of the Premises. Such payment shall be made on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made on or before the anniversary date on which such well was shut-in. If such payment, or payments are timely made, it shall be considered that gas is being produced in paying quantities from the Premises under all the terms and provisions of this Lease (but only for so long as the well continues to be capable of producing in paying quantities); however, this Lease may not be maintained by shut-in payments for more than three (3) years during any five (5) year period.

Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which are unreasonable.

Lessor shall at all times have, possess and hold a lien upon all production from the Premises which has not been sold to a bona fide purchaser, and upon all improvements placed upon and within the Premises by or on behalf of Lessee, as security for any unpaid balance of money due hereunder and as security for the performance by Lessee of Lessee's covenants under this Lease. This lien may be enforced against any such property in like manner as liens conferred by chattel mortgages, or as any other lien security may be enforced under the laws of the state in which the Premises are located. Nothing herein contained, however, is intended or shall be construed to prevent the sale, shipment and removal of any production from the Premises in the usual course of business, nor to prevent the removal of tools, machinery, equipment or other property at any time when Lessee is not in default. This lien shall not apply to production sold to third parties when payment to Lessor has or is being made pursuant to the provisions of this Lease.

(5) 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 be relieved as to the acreage surrendered of all obligations not arising from activities of Lessee prior to said release. Upon the expiration of any portion of this Lease, Lessee shall promptly record an appropriate, legally effective release or releases thereof and provide to Lessor a copy of the recorded instrument within thirty (30) days of expiration or termination.

(6) If Lessee is drilling a new well or reworking an old well at the expiration of the Primary Term, this Lease shall continue in force as long as such drilling or reworking operations are prosecuted with no cessation for more than ninety (90) days, and if such drilling or reworking operations result in production of oil or gas or associated liquid hydrocarbons in paying quantities, then for so long thereafter as such production in paying quantities continues. If production on this Lease ceases after the expiration of the Primary Term, this Lease

shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; and if production is restored or new production is discovered as a result of any such drilling or reworking operations conducted without cessation for more than ninety (90) days, this Lease shall continue so long thereafter as production in paying quantities, or additional drilling or reworking operations are had without cessation of such production, drilling or reworking operations for more than ninety (90) days. Lessee shall give Lessor written notice in the event production, once obtained, ceases for a period of thirty (30) days or longer, from any well on the Premises or land pooled therewith. Lessor shall make such written notice to Lessor within five (5) days after any thirty (30) day period of cessation (i.e., within 35 days of cessation of production).

(7) At the expiration of the Primary Term, this Lease shall automatically terminate as to: (a) all land which is not located in a drill site spacing unit (as hereinafter defined) in which there is a well on the Premises or on land pooled therewith, producing oil or gas in paying quantities, or a shut-in gas well; and (b) those depths lying below the stratigraphic equivalent of the deepest horizon producing oil or gas in paying quantities in each drill site spacing unit of land. For purposes hereof, a drill site spacing unit is defined as the land included in the proration or production unit established for the well or attributed to the well by the state or federal regulatory authority having jurisdiction. If no unit or spacing rule exists, then drill site spacing unit shall be defined as the forty (40) acre tract surrounding an oil well or the six hundred forty (640) acre tract surrounding a gas well. If Lessee is engaged in actual drilling or reworking operations on the Premises or land pooled therewith at the expiration of the Primary Term, this provision shall be suspended for so long as Lessee continues such drilling or reworking operations on the Premises or land pooled therewith with no cessation of more than ninety (90) consecutive days between the completion or abandonment of such drilling or reworking operations on one well, and the commencement of actual drilling or reworking operations on the next well; provided, further, that irrespective of any such continuous drilling or reworking operations, the termination of this Lease as to non-producing land and depths described above shall not be suspended for more than five (5) years from the expiration of the Primary Term hereof. If the Premises are included in a federal unit, then for the purposes of this provision the references to land pooled with the Premises shall include only that land which is included in an approved participating area.

(8) Anything in this Lease to the contrary notwithstanding, Lessee agrees that if it owns an interest in any pooled unit that includes land that is adjacent to any part of the Premises, Lessee shall pool the portion or portions of the Premises that are adjacent to such unit into the unit, effective on the effective date of this Lease, the effective date of the pooling designation, or the first date when Lessee owns an interest in the unit, whichever is later. If any such adjacent unit was formed prior to the effective date of this Lease or has been formed for any well for which a drilling permit was issued prior to the effective date of this Lease, then, unless Lessee disclosed the existence of such unit or such well to Lessor, Lessor's share of production from the unit will be based on a royalty share of eight eighths (8/8) commencing with the first production from said unit or well and not the royalty share specified in Section 4 above. Lessee, at its option, may pool or combine the Premises or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the Premises. Any pooling shall be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%), for oil, and not exceeding six hundred forty (640) acres, plus an acreage tolerance of ten percent (10%), for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by state governmental authorities. Lessee may pool or combine acreage covered by this Lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the right of Lessee to pool this Lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. In order for the pooling of the Premises to be effective, Lessee shall furnish to Lessor a recorded copy of the document pooling the acreage within thirty (30) days of Lessee's execution of the pooling instrument. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties and except that production from any well on the unit drilled prior to the date of this Lease shall not be considered production for purposes of Section 3 above, as if it were included in this Lease, and drilling and reworking operations thereon, and production of oil and gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, and except that production from any well on the unit drilled prior to the date of this Lease shall not



3587658 11/03/2008 03:00P Weld County, CO  
4 of 10 R 51.00 D 0.00 Steve Moreno Clerk & Recorder

be considered production for purposes of Section 3 above, as if such operations were on, or such production were from, or such completion were on the Premises, whether or not the well or wells are located on the Premises. In lieu of the royalties elsewhere herein provided, Lessor shall receive from a unit so formed only such portion of the royalty stipulated herein as the amount of its mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of pooling identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of pooling is not filed until after production is obtained on the unit as originally created, then the supplemental declaration of pooling shall not become effective until the first day of the calendar month next following the filing thereof and the furnishing to Lessor of a copy of such supplemental declaration within thirty (30) days of Lessee's execution of such supplemental declaration. In the absence of production, Lessee may terminate the unitized area by filing with Lessor and of record a notice of termination.

(9) Within thirty (30) days after expiration or termination of this Lease, in whole or in part, Lessee shall remove all fixtures, structures, buried lines, facilities, machinery and other personal property placed by or on behalf of Lessee on the Premises or the terminated portion of the Premises, as applicable, and restore the Premises or terminated portion of the Premises, as applicable, to its original condition, including, without limitation, removal of roadways, leveling of embankments and reseeding of disturbed areas. If Lessee fails to do so, Lessor may, at its election to be exercised by Lessor at any time after the end of such thirty (30) day period, restore the Premises or terminated portion of the Premises, as applicable, at Lessee's cost, and take and have title to all or any of such personal property of Lessee, or remove all or any of the same from the Premises at Lessee's cost.

(10) The rights of Lessor may be assigned in whole or in part. This Lease may not be assigned by Lessee in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably refused. Refusal shall be deemed reasonably denied, if, in Lessor's judgment, the number of assignees is excessive, an assignee's technical competence or financial ability may be inadequate, or Lessee refuses to accept responsibility for the performance of any of its successors in interest. Any attempted assignment by Lessee of the rights arising under this Lease without such consent shall be void and of no effect. The assignment of this Lease, in whole or in part, shall not be valid as to Lessor until Lessor shall have been furnished a true and correct certified copy of such recorded assignment within thirty (30) days of the execution of said assignment. Unless provided otherwise in Lessor's approval of an assignment to be made by Lessee, Lessee shall continue to be responsible to Lessor for all of Lessee's obligations under the Lease, including obligations accruing after the assignment.

If Lessor transfers or assigns all or any part of its oil and gas ownership in the Premises, the provisions of this Lease relating to surface use, indemnification (hold harmless agreements) and insurance, shall nevertheless continue to run in favor of the original Lessor and the term Lessor, for such purposes, shall include the original Lessor, its successors and assigns (whether by merger, consolidation, or otherwise), so long as any thereof shall own, use or occupy the surface of any portion of the Premises.

(11) Lessee shall pay all wages, expenses and other obligations incurred by it in the conduct of its operations on the Premises. Lessee shall keep the title to all oil and gas, and all other minerals, and the Premises free and clear from any and all liens and other encumbrances arising in any manner from Lessee's operations. Lessee agrees not to suffer or permit any lien of any nature to be placed upon the Premises, or any part thereof, and in case of any such lien attaching, to immediately pay off and remove the same, failing in which Lessor may do so at the expense of Lessee. It is agreed by the parties hereto that Lessee has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Lessee, operation of law or otherwise, to attach to or be placed upon Lessor's title or interest in the Premises, and any and all liens and encumbrances created or suffered by, through or under Lessee, shall attach to Lessee's interest only.



3587658 11/03/2008 03:00P Weld County, CO  
5 of 10 R 51.00 D 0.00 Steve Moreno Clerk & Recorder

(12) Lessee shall not acquire or attempt to acquire, directly or indirectly, from any person other than Lessor, any rights or interests in the oil and gas estate in the Premises or take any action inconsistent with or adverse to the ownership and quiet enjoyment by Lessor of its oil and gas estate in the Premises.

(13) The rights granted by Lessor under this Lease are granted **WITHOUT WARRANTY, EXPRESS OR IMPLIED**, and without covenants of title, including, without limitation, covenants to give possession or for quiet enjoyment. Without limitation of the foregoing, Lessee acknowledges that persons other than Lessor (such as, but not limited to, surface owners or lessees or licensees of Lessor) may have or be granted by Lessor rights to occupy, use or possess the surface of the Premises, that this Lease is subject to such rights of such persons, and that Lessee shall obtain the necessary permission from such persons prior to making any entry on the Premises. Lessor reserves the right to hereafter lease or license to third parties all or any portion of the surface of the Premises. The rights of such lessees and licensees shall be superior to the rights of Lessee hereunder to use the surface of the Premises except for those portions of the Premises where, prior to the date of such lease or license, Lessee has placed access roads or fenced facilities used in the connection with exploration, drilling, development, production or storage of hydrocarbons.

(14) Lessee shall not make any entry upon or under any railroad right of way or station grounds or other property used for railroad operating purposes, and shall not drill any well or maintain any structures or facilities within two hundred feet (200') (by surface or subsurface measurement) of: (a) any railroad tracks or buildings now or hereafter on such right-of-way, or station grounds, or other property used for railroad operating purposes, or (b) any buildings now or hereafter upon the Premises.

Lessee shall ensure the Premises are properly protected. Any above-ground facilities shall be properly fenced with a two-lock gate access. One lock shall be provided for Lessor. Lessee shall keep the fenced area clear of weeds, debris and shall be maintained in an acceptable condition. The fence shall be secure and not sag nor have openings other than those at the gate. Any access roads required on the Premises shall be maintained by Lessee. Lessor shall have the right to use any such roads for railroad maintenance purposes. No Lessee access roads may be within twenty-five feet (25') of the centerline of railroad tracks. Roads will be maintained in an acceptable manner and shall be dust free and shall be graveled in order to maintain a well kept surface. Access will be protected by a locked gate. The lock shall be a two-lock system with one lock provided for Lessor. If Lessee fails to properly maintain such roads, Lessor may do so at the expenses of Lessee.

Lessee will not be allowed any closer than fifty feet (50') of the centerline of railroad tracks with men or equipment.

Lessee shall not construct any structure, or stack or store equipment or materials that could impair the sight clearances at any private or public road crossing of railroad tracks. The minimum required sight clearance is a clear view of the tracks in both directions for a distance of 1500 feet when a vehicle first enters the line of the railroad right-of-way.

Lessee shall not construct any structure within twenty feet (20') of railroad signal power or communication lines, or the distance specified in the National Electrical Safety Code, whichever is greater. Any power supply to Lessee shall be in compliance with Lessor's standards for power line encroachments.

Lessor has granted the use of certain of its property for the installation of fiber optics lines. Lessee shall call 1-800-336-9193 prior to any excavation to ensure fiber optics are properly marked and protected. Any interruption of the fiber optics service or damage to the fiber optic line shall be the responsibility of Lessee.

(15) Lessee agrees to and shall assume all obligations and responsibility with respect to being in, establishing, achieving, documenting, or reporting full compliance with any and all applicable laws, orders, rules, regulations, and standards with respect to pollution, the continued operation and eventual plugging, replugging, and abandonment obligations of any unplugged or improperly plugged wells on the Premises or any land pooled therewith. Lessee shall at all times conduct its operations hereunder in full compliance with all federal, state or municipal laws, orders, rules, regulations or ordinances now or hereafter in effect, including, without limitation, laws, rules, regulations or ordinances regarding mining operations, drilling operations, environmental control and



3587658 11/03/2008 03:00P Weld County, CO  
6 of 10 R 51.00 D 0.00 Steve Moreno Clerk & Recorder

air and water pollution. Lessee and its contractors shall use environmentally sound materials and practices in their operations on the Premises to minimize or eliminate wastes, hazards and impacts on the environment. These practices shall include, without limitation, the following:

- a. Lessee shall assess the materials available for a given purpose and shall select the least toxic option available.
- b. Lessee shall perform a Phase II Environmental Assessment upon expiration or termination of the Lease and provide Lessor with a copy of the report on such Assessment. Lessee shall be responsible for correction of environmental contamination or violations.
- c. Lessee shall notify Lessor of any reportable releases, citations, or violations.
- d. Lessee shall remove any unused product from the Premises. No waste materials may be put in any reserve pit.
- e. All trash shall be removed from the Premises and all pits on the drilling location shall be properly closed immediately following the drilling of any well.
- f. Lessee shall provide dikes, ditches, or other methods of containment for all fuel and oil containers. Any leakage or spillage shall be properly reported by Lessee to the appropriate authorities as required by statute, rule, or regulation, and to Lessor. Lessee shall have a Spill Prevention Control and Countermeasure Plan in effect as required by the Code of Federal Regulations (CFR) Title 40, Part 112.
- g. Lessee shall handle and dispose of all solid waste, including, without limitation, hazardous waste, as defined in CFR Title 40, Parts 261.2 and 261.3, resulting from the performance of its operations on the Premises according to all applicable federal, state and local statutes, regulations, ordinances and requirements. Lessee shall own all waste generated in connection with Lessee's operations on the Premises. Upon request, Lessee shall furnish proof to Lessor of proper handling and disposal of waste generated by Lessee.

**LESSEE SHALL BE RESPONSIBLE FOR INJURY TO OR LOSS OR DESTRUCTION OF PROPERTY, AND FOR INJURY TO OR DEATH OR ILLNESS OF ANY PERSON, ARISING OUT OF OR IN CONNECTION WITH OPERATIONS HEREUNDER. LESSEE SHALL INDEMNIFY, DEFEND AND SAVE HARMLESS LESSOR, ITS AFFILIATES, AND ITS AND THEIR OFFICERS, AGENTS, EMPLOYEES, SUCCESSORS AND ASSIGNS, FROM AND AGAINST ANY AND ALL LIABILITIES, CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, AND COST AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEY'S FEES, EXPERT WITNESS FEES AND COURT COSTS) INCIDENT THERETO, FOR INJURY TO, OR DEATH OF, ANY PERSON WHOMSOEVER (INCLUDING, WITHOUT LIMITATION, THE EMPLOYEES OF LESSEE OR LESSOR), AND DAMAGE TO OR LOSS OR DESTRUCTION OF PROPERTY, INCLUDING, WITHOUT LIMITATION, THE PERSON OR PROPERTY OF LESSOR, ITS AFFILIATES, AND THEIR OFFICERS, AGENTS AND EMPLOYEES, OWNERS OR OCCUPANTS OF THE SURFACE OF THE PREMISES AND THIRD PARTIES, OR FOR DAMAGE TO THE ENVIRONMENT, IN ANY MANNER RESULTING FROM LESSEE'S USE, OCCUPANCY OR OPERATIONS HEREUNDER, OR THE FAILURE OF LESSEE TO STRICTLY COMPLY AT ALL TIMES WITH THE TERMS OF THIS LEASE. THE FOREGOING SHALL APPLY REGARDLESS OF ANY NEGLIGENCE (SOLE OR PARTIAL) OR STRICT LIABILITY OF LESSOR, ITS AFFILIATES, OR ITS OR THEIR OFFICERS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS.**

The obligations of Lessee under this Section 15 shall not end at the termination of this Lease but shall continue for such time as may be required to enable Lessee to fulfill such obligations as shall have accrued prior to termination, including, without limitation, obligations relative to the condition of the Premises upon cessation of oil and gas operations.

(16) Without limiting the generality of Section 15, Lessee shall pay either the tenant or the surface owner (whichever is appropriate) for any and all damages to land, structures, roads, fences, gates, cattle guards, trees, growing crops, irrigation facilities, equipment, livestock, personal property, and improvements caused by construction, operations, or maintenance of facilities, and shall bury all pipelines below plow depth where they cross cultivated land.

Irrespective of whether Lessor has consented to an assignment, farmout or other arrangement whereby Lessee consents to drilling or other operations on the Premises by a third party, Lessee shall be responsible for any and all claims, demands, actions and causes of action or liens arising out of such operations, whether arising in law, at equity or administratively.

(17) In the event of Lessee's breach of this Lease, Lessor shall notify Lessee by certified mail of such breach, and Lessee shall have thirty (30) days from the receipt thereof to comply with this Lease. If Lessee fails to remedy a breach within such period, Lessor may, at its option, terminate this Lease and be relieved from any obligation hereunder. Irrespective of whether Lessor elects to terminate this Lease or exercise any other right or remedy under this Lease or at law, Lessor shall be entitled to other available remedies, including specific performance to require Lessee to (a) abandon any well and/or restore the surface of the Premises to its condition existing prior to entry thereon by Lessee, (b) furnish any reports required hereunder or information required hereunder from operations on the Premises or land pooled therewith, and/or (c) make any payment due hereunder.

Except as otherwise expressly provided in this Lease, any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the party to whom the same is directed at the address shown on the top of page 1 of this Lease or to such other address as is provided to the other party with proper notice.

(18) Lessee shall promptly furnish Lessor with not less than one copy of all applications and reports pertaining to the Premises, of each daily drilling report, and of each well log, core analysis or other data taken from wells located on the Premises and land pooled therewith. Lessee agrees, at Lessor's request, to furnish Lessor true and correct information pertaining to each well, the production therefrom (including true and complete copies of all contracts or agreements, and all amendments and modifications thereof for sale, processing or other disposition of any product produced from the Premises) and such technical information as Lessee may acquire with respect to sands and formations encountered. Lessor and/or its representatives shall have the right to be present when wells are tested and/or tanks are gauged and shall have the right to examine all run tickets and to have full information as to production and runs, including copies of all run tickets upon request.

(19) If Lessee conducts any geophysical activities upon the Premises, Lessee shall promptly furnish Lessor for the entirety of each survey, shot point plats and elevations, observer's notices, surveyor's notes, copies of all field tapes, reproducible copy and one print of each final stacked section for each line and copies of any other processed or unprocessed data made available to Lessee.

(20) Lessee shall carry the following insurance:

1. Comprehensive General Liability Insurance, including contractual liability, with a combined single limit per occurrence of not less than \$2,000,000.00 for bodily injury and property damage.
2. Comprehensive Automobile Insurance, including hired and non-owned vehicles, with a combined single limit per occurrence of not less than \$2,000,000.00 for bodily injury and property damage.
3. Liability Umbrella (excess of underlying insurance coverage mentioned above) with a combined limit per occurrence coverage of not less than \$10,000,000.00



4. Well Control Insurance including underground blowout, seepage and pollution, with a minimum limit of \$10,000,000.00

Lessee shall require each independent contractor and subcontractor to carry and maintain insurance at its own expense in amounts deemed necessary to cover the risks inherent to the work or services to be performed by the contractor or subcontractor. Every such insurance policy shall contain a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against Lessor. Lessor shall also be named as additional insured in each such policy.

(21) None of the provisions of this Lease may be altered, amended, or ratified by any division order, transfer order or any other instrument, unless such instrument expressly states its purpose as an alteration, amendment or ratification of this Lease and specifically identifies the particular Lease provisions affected. Any division and transfer orders executed by Lessor shall be solely for the purpose of confirming the extent of Lessor's interest in production from the Premises.

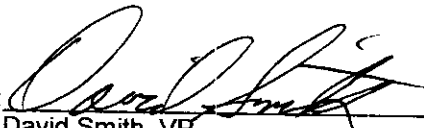
(22) Lessee represents that the Premises are not currently producing oil, gas, casinghead gas or other gaseous substances; and that no portion of said Premises is currently held by an active oil and gas lease or is in a producing unit. Also, Lessee represents that production revenue from the Premises is not being held in suspense for the benefit of the Lessor or its predecessors in title.

(23) Lessee affirms to Lessor that Lessee or his agents have reviewed title to the Premises and that Lessor appears to be the record owner of the oil and gas rights under the Premises. Lessee agrees to indemnify, defend and hold harmless Lessor from and against all claims against Lessor related to the Lessor's title of lack thereof.

(24) Notwithstanding anything herein to the contrary, if Lessee has agreed to pay or later does agree to pay a higher royalty or bonus or shut-in well payment to another landowner within one mile of the Premises, then Lessee shall pay Lessor based on the higher royalty, bonus and/or shut-in well payment, retroactive to the effective date of this Lease.

IN WITNESS WHEREOF, this Lease is executed on the date of the respective acknowledgments hereinbelow, but shall be effective from the date first hereinabove written.

**UNION PACIFIC RAILROAD COMPANY (Lessor)**

By:   
David Smith, VP  
Farmers National Company, Agent

**MINERAL RESOURCES, INC. (Lessee)**

By:   
Collin M. Richardson, VP

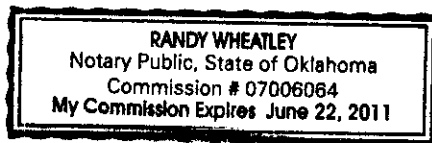
ACKNOWLEDGMENT

STATE OF OKLAHOMA )  
 ) ss.  
COUNTY OF TULSA )

On this 15th day of August, 2008 before me, RANDY WHEATLEY Notary Public in and for said County and State, personally appeared David Smith, VP, Farmers National Company, Agent of UNION PACIFIC RAILROAD COMPANY, a Delaware corporation, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument in person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

(SEAL)



Randy Wheatley  
Notary Public

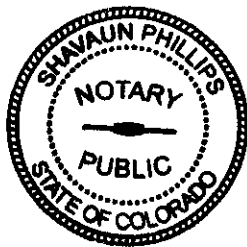
ACKNOWLEDGMENT

STATE OF Colorado )  
 ) ss.  
COUNTY OF Weld )

On this 28<sup>th</sup> day of August, 2008, before me, Shavaun Phillips Notary Public in and for said County and State, personally appeared Collin M. Richardson, VP of MINERAL RESOURCES, INC. personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument in person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

(SEAL)



My Commission Expires July 9, 2011

Shavaun Phillips  
Notary Public



## Exhibit "A"

To that certain oil and gas lease dated **August 15, 2008** in Weld County, Colorado between Farmers National Company as Agent for **UNION PACIFIC RAILROAD COMPANY** (Lessor), and **MINERAL RESOURCES, INC.**, (Lessee).

### **Parcel 1-**

Part of the SE/4 of Section 31, Township 5 North, Range 65 West of the 6<sup>th</sup> P.M being more particularly described as follows: Lots twenty five (25) through twenty eight (28), Lots A, B, C and the south half of H, Block three (3), Town of LaSalle, County of Weld, State of Colorado and containing 1.57 acres, more or less.

### **Parcel 2-**

All that part of the NW/4 of the NE/4 of Section 6, Township 4 North, Range 65 West of the 6<sup>th</sup> P.M. lying and being north and west of the 400' railroad right of way and containing 5.785 acres more or less.

### **Parcel 3-**

All that part of the SE/4 of Section 31, Township 5 North, Range 65 West of the 6<sup>th</sup> P.M. lying and being east of the 400' railroad right of way, Town of LaSalle, County of Weld, State of Colorado and containing 37.44 acres, more or less.

\*\*\*\*\*

End of Exhibit "A"



3587658 11/03/2008 03:00P Weld County, CO  
10 of 10 R 51.00 D 0.00 Steve Moreno Clerk & Recorder