

# OIL AND GAS LEASE

AGREEMENT, Made and entered into 14th day of April, 2008 by and between Gallegos Family Properties, LLC

Whose post office address is 6731 Lowell Blvd., Denver, CO 80221, hereinafter called Lessor, (whether one of more) and Walsh Production, Inc. whose post office address is P.O. Box 30, Sterling, Colorado 80751, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of ten and more dollars cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld State of Colorado described as follows, to-wit:

See ADDENDUM attached hereto and by this reference made a part hereof.  
Subject to the terms and conditions set forth in ADDENDUM attached hereto and by this reference made a part hereof.

and containing 1.513.00 acres, more or less. three (3)  
1. It is agreed that this lease shall remain in force for a term of 30 years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. 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 or re-working 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 for 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 re-working 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 on acreage pooled therewith.

2. 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 obligations thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:  
1st. To deliver to the credit of Lessor, into the tanks, to which Lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline, a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the month of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners 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. If such payment or tender is made it will be considered that gas is being produced within the meaning of this lease.

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

7. When request by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

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

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

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change of 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 said land 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 land described herein and as to any one or more of the formations hereunder, 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 the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced, production, drilling or reworking operations or a well shut in for want of market anywhere on a unit which includes all or part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operations whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formerly express Lessor's consent to any cooperative plan or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

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

Harold Gallégos  
Harold Gallégos, Manager

Reinaldo Gallegos  
Reinaldo Gallegos, Manager

3547717 04/15/2008 01:05P Weld County, CO  
1 of 3 P 16.00 0.00 Steve Moren Clerk & Recorder

STATE OF COLORADO )  
 ) ss.  
COUNTY OF Denver )

ACKNOWLEDGMENT-INDIVIDUAL

BEFORE ME, The undersigned, a Notary Public in and for said County and State, on this 14 day of April, 2008,  
personally appeared Reinaldo Gallegos, Manager of Gallegos Family Properties, LLC

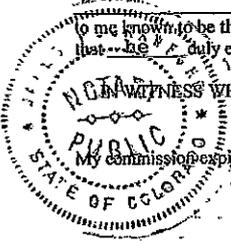
to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me  
that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires: Dec 28, 2008

James P. Cuff  
Notary Public

Address: \_\_\_\_\_



STATE OF COLORADO )  
 ) ss.  
COUNTY OF Denver )

ACKNOWLEDGMENT-INDIVIDUAL

BEFORE ME, The undersigned, a Notary Public in and for said County and State, on this 14 day of April, 2008,  
personally appeared Harold Gallegos, Manager of Gallegos Family Properties, LLC

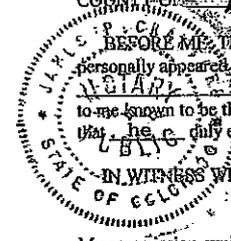
to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me  
that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires: Dec 28, 2008

James P. Cuff  
Notary Public

Address: \_\_\_\_\_



STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

ACKNOWLEDGMENT-CORPORATION

On this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_, 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 corporation  
and said \_\_\_\_\_ acknowledged said instrument to be free act and deed of said corporation.

WITNESS my hand and seal the date and year last above written.

My commission expires:

\_\_\_\_\_  
Notary Public

Address: \_\_\_\_\_

FROM \_\_\_\_\_ TO \_\_\_\_\_  
Dated: \_\_\_\_\_ 20\_\_\_\_  
No. Acres: \_\_\_\_\_  
Term: \_\_\_\_\_  
County: \_\_\_\_\_  
This instrument was filed for record on the \_\_\_\_\_  
day of \_\_\_\_\_ 20\_\_\_\_ at \_\_\_\_\_  
o'clock \_\_\_\_\_ M., and duly recorded in Volume \_\_\_\_\_  
Page \_\_\_\_\_  
of the records of this office.  
County Clerk.  
By \_\_\_\_\_ Deputy.  
When recorded return to  
**Blason Energy Corp.**  
**P.O. Box 3234**  
**Littleton, CO 80161**

ADDENDUM

Attached to and made a part of that certain Oil and Gas Lease dated April 14, 2008 by an between Gallegos Family Properties, LLC as lessor and Walsh Production, Inc. as lessee.

DESCRIPTION

Township 11 North, Range 62 West, 6th P.M.  
Section 12: SW1/4, NW1/4SE1/4  
Section 13: All except that portion located East of County Road 390  
Section 24: All  
Township 11 North, Range 61 West, 6th P.M.  
Section 18: All that portion located West of County Road 390 (55)

containing 1,513.00 acres more or less

Anything to the contrary herein notwithstanding:

1. Whenever the term one-eighth (1/8) appears in this lease, it shall by this reference be amended to read fifteen percent (15%).
2. Lessee agrees to pay Lessor, prior to commencement of any drilling operations upon the said lands, the sum of Three Thousand dollars (\$3,000.00) per drill site as surface damages claimed by Lessor arising or caused by the drilling, completing, setting of pumping units, burying of lines, constructing tank battery facilities and roads.
3. Lessee shall comply with all orders, rules and regulations of the Colorado State Oil and Gas Conservation Commission and agrees that it will restore all lands utilized in its drilling activities as to near its former conditions as practicably possible, said restoration shall commence as soon as practicably possible as allowed by weather and soil conditions.
4. Pursuant to the orders, rules and regulations of the Colorado State Oil and Gas Conservation Commission, prior to commencement of any operations being conducted on said lands by Lessee, its successors, or assigns, Lessors shall be contacted and advised of the proposed operations, access route and timing. Whenever possible, Lessee shall utilize existing roads.
5. All operations and access shall be conducted in such a manner as to minimize conflicts with Lessor's farming or ranching operations. In the event Lessee's operations result in permanent production facilities, Lessee shall confer with Lessor on what fencing, including cattle guards, is necessary to keep livestock out of, or away from, producing well equipment. Lessee shall build such fence as agreed between the parties.
6. Lessee shall not commence or conduct any drilling or re-completion operations within Lessor's irrigated crop lands without the prior written consent of the Lessor between May 1 and September 30 each year. In the event workover operations are required during this time period, Lessee and Lessor will work together, in good faith and which permission will not be unreasonably withheld, in order to determine a mutually acceptable date in which to perform such operations.
7. A portion of the leased premises may be currently irrigated by an overhead circular sprinkler system(s) ("Sprinkler System(s)"), and Lessor may install additional Sprinkler System(s) on the remainder of the leased premises during the term of this lease.
  - A. Lessee agrees not to interfere with the operation of any Sprinkler System during crop irrigation season.
  - B. Without prior consent of Lessor, Lessee shall not install ramps, berms, mounds or any other devices or structures to cause the wheels of Lessor's Sprinkler System(s) to elevate higher than currently existing ground surface elevation, nor shall any pits, dugouts or lowering of the ground surface be used on the premises. However, in the event a pumping unit is needed, it will be necessary to provide adequate room for the low profile pumping unit and Lessor and Lessee will need to work in good faith in order for the proper installation and operations of said pumping unit.
  - C. Lessee shall locate all treaters, separators, tank batteries and other production equipment outside the circumference of Lessor's Sprinkler System(s), and at a permanent location mutually acceptable to both parties.
  - D. Lessee's well/lease roads shall not be crowned, raised, and bermed, mounded, rocked or graveled that are located within the circumference of a Sprinkler System. No bar ditches or drainage ditches shall be constructed along well/lease roads unless approved by Lessor.
  - E. Lessee agrees not to located a well within six feet (6') of a Sprinkler System wheel path or track.

SIGNED FOR IDENTIFICATION:

  
Reynaldo Gallegos  
Manager

  
Harold Gallegos  
Manager

2547767 04/16/2008 01:05P Weld County, CO  
3 of 3 R 16.00 D 0.00 Steve Moreno Clerk & Recorder