

514-27 Recorded 9/27/78 A.M. MR. 9511
Re: Option # 292521 Initial Abstract, Recording
524/389

01822090

1978

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 29th day of December
by and between JAMES K. VASSAR and PAISY J. VASSAR, husband and wife,
P. O. Box 609

of Perkins, Oklahoma 74059 herein after called lessor (whether one or more) and
NORTHWEST EXPLORATION COMPANY, Suite 1487, One Park Central
of Denver, Colorado 80202 herein after called lessee.

WITNESSETH, That the said lessor for and in consideration of Ten and more (\$10,001) DOLLARS

cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of lessor to be paid, kept and performed has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessor its successors and assigns for the sole and only purpose of surveying by geological, geophysical and all other methods common and customary for oil and gas and laying pipe lines, and building tanks, power stations and structures thereon to produce, save and take out of such products all that certain tract of land together with any appurtenances thereto situated in the County of Garfield

State of Colorado described as follows:

described as follows to wit:

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SLT 1 EXHIBIT "A" AND ADDENDUM ATTACHED HERETO AND MADE A PART THEREOF

DEC 14 2007

524/389

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18, and containing 283 30 acres more or less. It is agreed that this lease shall remain in force for a term of two (2) years from date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee, its successors and assigns.

In consideration of the premises the said lessee covenants and agrees:

First. The lessee shall deliver to the credit of lessor as royalty free of cost in the pipe line to which lessor may connect his wells, the equal one-eighth part of all oil produced and saved from the leased premises, or, at lessor's option, may buy or sell such one-eighth royalty and pay lessor the market price for oil of like grade and gravity prevailing in the field on the day such oil is run into pipe lines or into storage tanks.

Second. To pay lessor one eighth (1/8) of the proceeds received for gas sold from each well where gas only is found or the market value of the well of which gas was used off the premises.

Third. To pay lessor one eighth (1/8) of the market value at the well for gas produced from any oil well and used off the premises, or for the manufacture of casing head gasoline or dry commercial gas.

If no well be commenced on and land on or before the 29th day of December 1979, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the

Payne County Bank Bank at Box 400, Perkins, Oklahoma 74059

or its successor or successors or any bank with which it may be merged, or consolidated, or which succeeds to its business or assets or any part thereof, by purchase or otherwise, which shall continue as the depository regardless of changes in the ownership of the land, for the sum of TWO Hundred Eighty Three and 30/100 (\$283.30) DOLLARS

which shall operate as a rental and cover the period of drilling the commencement of a well for twelve months from and date. In like manner and upon like payments or rentals, the commencement of a new well or another well for 1/8th of the market value of monthly successive. And it is understood and agreed that the first rental in first and before the down payment covers not only the first year of the lease, but the said first rental is payable as regular but also the lessor's option of extending that period as a second and any additional rental may be paid by check or draft and may be terminated by mail. Nothing of rental on or before the rental paying date shall be due or owing to lessor thereof and shall preclude termination of this lease. Notwithstanding the death of the lessor, or his successor or interest, the payment or rental of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

Should any well drilled on the land above described be a dry hole or cease to produce and there are no other producing well or wells on the land or drilling operations are not being conducted thereon, then and in the event a well is not commenced before the next anniversary date after the expiration of ninety (90) days from the date of such dry hole or cessation of production, this lease shall terminate as to both parties, unless the lessee on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of the completion of the dry hole or cessation of production shall resume the payment of rentals in the same amount and in the same manner as heretofore present, and it is agreed upon resumption of the payment of rentals, as above provided, the last preceding paragraph hereto governing the payment of rentals and the effect thereof shall continue in force as though there had been no interruption in the rental payment. If a dry hole should be drilled or if production ceases at any time subsequent to ninety (90) days prior to the beginning of the last year of the primary term no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, after the expiration of the primary term hereof, production shall cease from any cause, this lease shall not terminate if lessee resumes operations for the drilling of a well or reactivation of production within ninety (90) days from such cessation, and this lease shall remain in force and effect during the prosecution of such operations and, if production results therefrom, then as long thereafter as such production continues.

If at any time, either before or after the expiration of the primary term of this lease, there is any gas well on the lands covered hereby, or on other lands with which said lands are pooled or unitized, which is capable of producing in paying quantities, but which is shut-in either before or after production therefrom and the production therefrom is not being sold or used, lessor agrees to pay or tender to the mineral owners in the depository bank named in the lease, as royalty a sum equal to the amount of delay rentals payable under this lease. Such payments shall be made on or before the due date in royalty payment date as herein defined, next anniversary after the expiration of ninety (90) days from the date the well was shut-in unless prior to such date gas from the well is produced and sold or used. In like manner, on or before each succeeding shut-in royalty paying date while such gas well remains shut in, lessor shall make payment of that in gas royalty in the same amount and manner. A shut-in gas well capable of producing in paying quantities shall be considered under all provisions of this lease as a producing well and it is lease shall be in force and effect in like manner as though the gas therefrom were actually being produced and sold or used. The term "gas well" shall include wells capable of producing natural gas condensate, distillate, or any gaseous substance, and wells classified as gas wells by any governmental authority. The term "shut-in royalty payment date" shall mean any rental paying date of this lease if within the primary term, or any subsequent anniversary thereof, if after the primary term or any anniversary date of this lease if no rental paying date is specified herein.

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

Lessee shall have the right to use free of cost, gas, oil and water produced on said land for its operations thereon, except as far from wells and reservoirs of lessor. 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.

Lessee shall pay for damages caused by its operations on said lands. When requested by the lessor, lessee shall bury his pipe lines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee is hereby granted the right and power to pool or combine the acreage covered by this lease, or any portion thereof, with other land or leases in the vicinity thereof at any time and from time to time, whether before or after production, when in lessor's judgment it is necessary or expedient to do so for the prevention of waste and the conservation and greatest ultimate recovery of oil or gas. Such pooling shall be into a unit or units not exceeding in size the acreage prescribed or required in any Federal or State law, or by rule or regulation for the drilling or operation of one well or for obtaining the maximum allowable production from one well, or 20 acres each for the production of oil or 640 acres each for the production of gas, whichever is the larger, plus a tolerance over the maximum area of 10 acres for the production of oil or 640 acres for the production of gas to include additional acreage in any irregularly instrumented subdivision or lot or portion thereof. Such pooling shall be effected by lessor's or a unit, cutting and filing in the office where this lease is recorded an instrument identifying and describing the pooled acreage. The production of pooled wells, taxes and development and operation on any portion of a unit so pooled, including the commencement, drilling, completion and operation of a well thereon, shall be considered and construed, and shall have the same effect except for the payment of royalty as production developed from a portion of the unit or portions under the terms of this lease. The royalties herein provided shall accrue and be paid to lessor on pooled substances produced from any unit in the proportion but only in the proportion that lessor's acreage unit is in the land covered hereby and placed in the unit based on the total acreage in the land placed in such unit.

If the estate of either party hereto is acquired, and the provider of securing in whole or in part is expressly allowed, the covenants aforesaid, shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or a change of record, or title, shall be binding on the lessor until after the lessor has been furnished with a written transfer or assignment or a certified copy thereof, and it is hereby agreed in the event this lease shall be so sold as to a part or parts of the above described lands and the owner or owners of such part or parts shall fail or be unable to pay the proportionate part of the rents due from him or them, such default shall not operate to bind or affect the lease so far as it covers a part or parts of said lands which the said lessor or his assignee, the lessor shall make due payment of rents of all of them. A written notice to the lessor shall advise the lessor of the extent of a transfer and discharge the lessor of all obligations hereunder.

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated December 29, 1978, by and between Jack K. Vassar and Patsy J. Vassar, husband and wife, lessors, and Northwest Exploration Company, lessee.

Township 6 South, Range 94 West, 6th P.M.
Section 27 lot 6 and all that part of lots 4 and 5 lying
 on top and west of the top of Webster Hill.
Section 28 lots 2, 3 and 4, $\frac{1}{8} \text{ mile}$, $\frac{1}{8} \text{ mile}$. Also a tract of
 land situated in the ~~hillside~~ containing 46 ac
 described as follows. Beginning at a point
 whence the meander corner on the west line of
 said Section 28 bears South $86^{\circ}52'$ East 1343.7
 feet; thence South $47^{\circ} 0$ feet; thence South 59°
 $13'$ East 836.0 feet; thence North $36^{\circ}00'$ West
 1120.0 feet, thence South $86^{\circ}52'$ West 60.0 feet
 to the point of beginning.

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APPENDIX

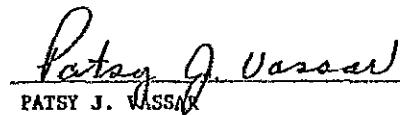
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1. Lessor shall have the use of natural gas ~~from the #2 Lake Well,~~
~~located in SW 1/4 of Section 28, Township 6 South, Range 94 West, to fuel~~
~~the water pump on the existing water well only that is located on the~~
~~leased premises.~~
2. Unless Northwest Exploration Company commences a test in search
 of oil and/or gas on the leased premises, on or within one (1) mile of the
 leased premises, on or before December 29, 1979, this lease shall expire
 and be of no further force and effect.
3. Should Northwest Exploration Company complete a gas well on
 the leased premises Lessor shall have the right to use, free of cost,
 quantities of gas sufficient to operate one irrigation pump ~~water well~~
~~that is installed in the existing water well~~ on the leased premises. All
 connections, including pipe, to be made at lessor's sole risk and expense.
 Lessor shall comply with any federal, State, County or other governmental
 regulations regarding hook-up to such a producing well.

SIGNED FOR IDENTIFICATION


 JACK K. VASSAR


 PATSY J. VASSAR