

PRODUCERS 88-PAID 1/7  
Rev 94RT - Rocky Mtn

## OIL AND GAS LEASE

AGREEMENT, Made and entered into the 26<sup>th</sup> day of August, 20 10, by and between

Hickert Land Company, Inc.

16047 County Road EE, Akron, Colorado 80720

whose address is

Edward Mike Davis, L.L.C.

whose address is

730 17<sup>th</sup> Street, Suite 450, Denver, Colorado 80202

WITNESSETH, That the Lessor, for and in consideration of TEN AND MORE (\$10.00 +) DOLLARS cash in hand paid, the receipt and sufficiency are 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, gas, and other hydrocarbons and all other minerals or substances, whether similar or dissimilar, that may be produced from any well drilled under the terms of this lease, with rights of way and easements for laying pipe lines and servicing or drilling other wells in the vicinity of said lands, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land, together with any reversionary, remaindermen, and executory rights therein, situated in Washington County, Colorado, described as follows, to-wit:

Township 2 South, Range 49 West, 6<sup>th</sup> P.M.  
Section 34: W2NE, NW, E2SW, SE

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See Exhibit "A" attached hereto and made a part hereof.

and containing 480.00 acres, more or less, together with all strips or parcels of land (not, however, to be construed to include parcels comprising a regular 40-acre legal subdivision or lot of approximately corresponding size) adjoining or contiguous to the above described land and owned or claimed by Lessor.

1. It is agreed that this lease shall remain in force for a term of Three (3) 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 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 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 PAIDUP 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 in its entirety or any portion of said land and in its entirety or any portion thereof by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1<sup>st</sup>. To deliver to the credit of Lessor, free of cost, in the pipe line 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.

2<sup>nd</sup>. To pay Lessor one-eighth (1/8) of the net proceeds at the well from the proceeds received for gas sold from each well where gas only is found, or the market value at the well of such gas used off the premises.

3<sup>rd</sup>. 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.

4<sup>th</sup>. To pay Lessor one-eighth (1/8) of the proceeds received from the sale of any substance covered by this lease, other than oil and gas and the products thereof, which Lessee may elect to produce, save, and market from the leased premises.

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. Lessee's failure to timely pay or tender any such sum shall render Lessee liable for the amount due but shall not operate to terminate this lease.

5. If said Lessor owns a 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 requested 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 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. 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 re-working operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling, or re-working operations or a well shut in for want of a 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 operation 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 the 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 formally express Lessor's consent to any cooperative 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 be subrogated to the rights of the holder thereof, and Lessor hereby agrees that any such payments made by Lessee for the Lessor may be deducted from any amounts of money which may become due the Lessor under the terms of this lease. 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. This Oil and Gas Lease may be executed in multiple counterparts, each of which shall be considered an original for all purposes.

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

Hickert Land Company, Inc.

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By: [Signature]  
John Hickert, president

STATE of Colorado  
COUNTY of Logan

ACKNOWLEDGMENT-CORPORATE

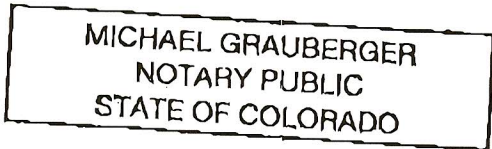
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 26<sup>th</sup> day of August 201 0.

personally appeared John Hickert to me known to be the identical persons who subscribed the name of the maker thereof to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such limited liability company, 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 9/21/2011

[Signature]  
Notary Public  
Address



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## EXHIBIT "A"

Attached to and made a part of Oil and Gas Lease dated August 26, 2010, by and between, Hickert Land Company, Inc., as Lessor, and Edward Mike Davis, L.L.C., as Lessee, covering the following described lands in Washington County, Colorado, to-wit:

Township 2 South, Range 49 West, 6<sup>th</sup> P.M.  
Section 34: W2NE, NW, E2SW, SE

Containing 480.00 acres, more or less

1. Lessee, and Lessee's assigns or designees, are hereby granted the exclusive right to re-enter any and all dry holes now located on leased premises to attempt to establish oil and/or gas production therefrom.

2. Lessee, and Lessee's assigns or designees, shall pay surface owner the sum of \$2,500.00 per location on pasture/grass lands and \$2,500.00 per location on crop lands, as payment for total land damages per well site location for drilling, completing, producing and operating of any and all such reentered wells or any and all new wells drilled by Lessee and/or Lessee's assigns or designees under the terms of this lease. Payment of said \$2,500.00 per location on pasture/grass lands and \$2,500.00 per location on crop lands shall be paid before actual drilling operations are commenced. Lessee shall comply with all applicable governmental laws and regulations regarding reclamation and shall be responsible for the reclamation.

3. In the event any such well is plugged and abandoned as a dry hole, the well site will be restored as near as practicable to its present condition. Lessee shall comply with all applicable governmental laws and regulations regarding reclamation and shall be responsible for the reclamation.

4. The undersigned hereby releases Edward Mike Davis, L.L.C. of any and all responsibility for land damages or environmental problems with the surface of said lands for operations conducted on said lands prior to Edward Mike Davis, L.L.C. acquiring any interest in the Oil and Gas Lease.

5. The undersigned as Owner of the lands described in this oil and gas lease hereby waives any notices required by the State of Colorado Oil and Gas Commission and/or any other regulatory bodies for any and all re-entered wells or any new wells drilled by Lessee and/or Lessee's assigns or designees under the terms of this Letter Agreement.

6. Lessee, and Lessee's assigns or designees, are hereby granted the exclusive right to conduct seismic operations on leased premises.

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7. The undersigned, whose address is, ~~16047~~ County Road EF, Akron, CO 80720, are mineral owners of all of the above described lands all in Washington County, CO. Edward Mike Davis LLC currently owns an Oil and Gas Lease on these lands. With reference to Rule 318 (location of wells) of the Colorado Oil and Gas Conservation Commission regulations, by this Exhibit "A", we hereby agree that Edward Mike Davis, LLC can locate any of its proposed wells approximately 300 feet from the property/lease line of the above described lands and a distance of approximately 600 feet between wells.

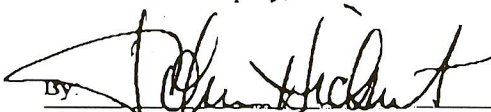
8. Without the express written consent of Hickert Land Company, Inc., Edward Mike Davis LLC shall not conduct any drilling operations on the captioned lands between March 1 and October 1 of any calendar year. In addition, Edward Mike Davis, LLC hereby agrees to consult with Lessor as to the route for moving equipment on and off said location and the location of any pits used for its operations. Hickert Land Company, Inc. agrees that approval of such location access route or pit(s) will not be unreasonably withheld.

9. Edward Mike Davis further agrees that in the event production is obtained from any exploration activities on the leased lands, it will locate tank batteries, pipelines and electrical lines at a location(s) on said lands which is acceptable to Hickert Land Company, Inc. Hickert Land Company, Inc. agrees that approval of such location(s) will not be unreasonably withheld. The area for such treatment and storage of oil and/or gas will not exceed two acres without the written consent of Hickert Land Company, Inc., and Edward Mike Davis, LLC will make all reasonable efforts to minimize the use of lands needed for production, treatment and storage as much as is practicable and reasonable. In addition, Edward Mike Davis, LLC agrees to utilize a low-lying pumping unit or a submersible pumping unit so as to not interfere with Hickert Land Company, Inc.'s pivot irrigation system.

A fax copy of this Exhibit "A" shall be deemed the same as an original.

SIGNED AND ACKNOWLEDGED:

Hickert Land Company, Inc.

By:   
 John Hickert, President