

PRODUCERS 88-PAID UP
Rev. 5-60, No 2-8pt.
Spec CO

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 27th day of October, 2005, by and between Frank W. McNeil and Yoneko McNeil whose post office address is 7300 County Road 306, Parachute, CO 81635-9441 hereinafter called Lessor (whether one or more) and EnCana Oil & Gas (USA) Inc. whose post office address is 370 17th St., Suite 1700, Denver, CO 80202 hereinafter called Lessee;

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10.00+) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, devised, 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 drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, specifically including coalbed methane and any and all substances produced in association therewith from coal-bearing formations, with rights of way and easements for roads, 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 Garfield State of Colorado described as follows, to-wit:

Township 7 South, Range 96 West
Section 35:

A parcel of land situated in the SW1/4 and the NW1/4 of the SE1/4 of Section 35, Township 7 South, Range 96 West of the Sixth Principal Meridian, County of Garfield, State of Colorado; said parcel being more particularly described as follows:
Commencing at the South Quarter Corner of Section 35, said corner being a Lava Stone found in place; thence N. 00 degrees 09'02" W. along the North - South centerline of said Section 35, a distance of 963.56 feet to a Rebar & Cap L.S. #19598 set in place, the True Point of Beginning; thence leaving said North-South centerline N. 81 degrees 18'14" W. a distance of 1440.57 feet to a Rebar & Cap L.S. #19598 in place, thence N 49 degrees 55'47" E. a distance of 1644.16 feet to a point in the centerline of an existing draw; said point being a Rebar and Cap L.S. #19598 set in place; thence the following six (6) courses along the centerline of said draw:

1. S. 55 degrees 59'14" E. 118.60 feet
2. S. 77 degrees 11'17" E. 344.90 feet
3. S. 61 degrees 23'11" E. 409.84 feet
4. S. 45 degrees 15'39" E. 282.84 feet
5. S. 47 degrees 15'11" E. 394.08 feet
6. S. 53 degrees 27'11" E. 92.77 feet

to a point on the South line of the NW1/4SE1/4 of said Section 35, a Rebar and Cap L.S. No. 19598 set in place; thence leaving said centerline S. 89 degrees 35'14" W. along said Southerly line a distance of 1194.54 feet to the South-Center Sixteenth Corner of said Section 35, a 1/4 x 30" Bar and 3-1/4" Cap L.S. #19598 set in place, thence S. 00 degrees 09'02" E. along the Easterly line of the SW1/4 of said Section 35 a distance of 406.81 feet to the True Point of Beginning.

TOGETHER WITH a parcel of land being all that portion of Lot 2, Fyrwald Exemption lying northerly of County Road No. 306; said parcel of land situated in the SW1/4 of Section 35, Township 7 South, Range 96 West of the Sixth Principal Meridian, County of Garfield, State of Colorado.

LESS a parcel of land being all that portion of Lot 3, Fyrwald Exemption lying southerly of County Road No. 306; said parcel of land situated in the SW1/4 of Section 35, Township 7 South, Range 96 West of the Sixth Principal Meridian, County of Garfield, State of Colorado

AKA Lot 3 of Fyrwald Exemption Plat as shown on the Fyrwald Exemption Plat
By High Country Engineering, Inc. Dated September 12, 1995 as Job No. 95699.01

together with any reversionary rights therein, and 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, and containing 15.94 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Five (5) 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.

In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph, (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

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, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal Eighteen and three-quarter percent (18.75%) part of all oil produced and saved from the leased premises.

2nd To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, Eighteen and three-quarter percent (18.75%) of the net proceeds derived from such sale or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of Eighteen and three-quarter percent (18.75%) of such gas and casinghead gas, Lessor's interest, in either case, to bear Eighteen and three-quarter percent (18.75%) of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and Eighteen and three-quarter percent (18.75%) of the cost of gathering and transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.

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 Eighteen and three-quarter percent (18.75%) of the proceeds, at the mouth 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 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.

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 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 re-forming 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 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 reworking 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

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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. When operations or production are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to furnish transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary notwithstanding.

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 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 of 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

Frank W. McNeil Yoneko McNeil
Frank W. McNeil Yoneko McNeil

STATE OF COLORADO)
COUNTY OF GARFIELD) ss.

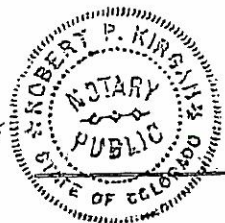
ACKNOWLEDGMENT-INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 27TH day of OCTOBER, 2005, personally appeared FRANK W. MCNEIL AND YONEKO MCNEIL, to me known to be the identical personS, described in and who executed the within and foregoing instrument of writing and acknowledged to me that THEY duly executed the same as THEIR 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 8-1-2007

Robert P. Kirsner
Notary Public
Address 592 1/2 Redwing Lane
GRAND JUNCTION, CO 81504



After recording return to:

Attn: Greg Ryan
EnCana Oil & Gas (USA) Inc.
370 17th St., Suite 1700
Denver, CO 80202

Please return to:
EnCana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, CO 80202