

OIL AND GAS LEASE

THIS AGREEMENT made this 8th day of March 1977, between CHAMPLIN PETROLEUM COMPANY, a Delaware Corporation, authorized to do business in the State of Colorado, Lessor, and Amoco Production Company, a Delaware Corporation, authorized to do business in said State, Lessee:

WITNESSETH:

1. Subject to the exceptions and reservations

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1. Subject to the exceptions and reservations set forth in
(a) that certain Quitclaim Deed dated as of April 1, 1971, from Union Pacific Railroad Company to Union Pacific Land Resources Corporation
filed for record April 14 _____ 1971, and appearing in Book 644 at Page 1565712 in the Office
of the County Clerk and Recorder of Weld _____ County, Colorado _____ and
(b) that certain Mineral Deed dated September 22 _____ 1976 from Union Pacific Land Resources Corporation
to Lessee _____
for a good and valuable consideration, receipt of which is hereby acknowledged _____
herein contained, hereby _____

_____, Lessor, for a good and valuable consideration, receipt of which is hereby acknowledged and in consideration of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas (gas for all purposes being defined without limitation to include dry gas, casinghead gas, distillate, condensate, helium and all other gaseous substances), and associated liquid hydrocarbons, and, subject to the provisions of Sections 14, 15 and 16 hereof, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in _____ County, _____ State of _____, to-wit:

See Exhibit "A" Attached Hereto and Hereby Made a Part Hereof.

BOOK 794

Recorded at 10⁰⁰ o'clock a M. APR 13 1977

Rec. No. 171-3303 Mary Ann Feuerstein, Recorder

In addition to the land above described, Lessor hereby grants, and all of its interest in the oil, gas and associated liquid hydrocarbons on any of said lands. For rental payment purposes, the land included within this lease comprises more or less,

2. Subject to the other provisions herein contained, this lease shall be for a term of 5 years from its date (called "primary term") and as long thereafter as oil, gas or associated liquid hydrocarbons or any of them are produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. Lessee, within three months from the date of this lease, shall commence the actual drilling of a test well on the leased premises; and thereafter prosecute the drilling of said well diligently, without unnecessary delay and in a workmanlike manner. If the actual drilling of said well within the time prescribed, this lease will automatically terminate.

4. The royalties to be paid by Lessee to the lessor shall be as follows:

4. The royalties to be paid by Lessee are: (a) on oil and on associated liquid hydrocarbons, 15% of that produced and saved from said land, the same to be delivered free of cost at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; (b) on gas produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value thereof; (c) on water produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value thereof; provided that on gas sold at the wells the royalty shall be 15% of the amount realized from such sale. Lessee shall have no use of oil, gas and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

While there is a well on the leased premises or on acreage pooled therewith capable of producing only one kind of mineral, whether oil, gas or water, the royalty on such production shall be based on the net proceeds received by Lessee from the sale of such production, less the expenses incurred by Lessee in the production and marketing of such production, and the royalty on such production shall be computed after deducting any so used.

While there is a well on the leased premises or on acreage pooled therewith capable of producing only gas, but from which well production is not being sold or used, and in the absence of oil or other production from said premises, this lease shall be extended for a period of 90 days from the date such well is shut-in, and Lessee may tender or pay annually as royalty a sum equal to the amount of the rentals which would be payable during the term to be shut-in before the anniversary of or before 90 days from and after the date on which such well is shut-in and a similar payment to be made annually thereafter on the first payment made on or before 90 days from and after the date on which such well is shut-in. If such payments are so made, it shall be considered that gas is being produced in paying quantities from the leased premises under all the terms and provisions of this lease.

If any portion of the leased premises is included in a pooled unit, and the royalty on oil and gas shall be computed after deducting any so used or reduced in the proportion that the gas is being produced in paying quantities from the leased premises to the total production of oil, gas and water from said unit, and Lessee shall have the right of selecting any so used.

If any portion of the leased premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be reduced in the proportion that the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated bears to the total acreage contained in such pooled unit as provided in Section 7 hereof.

Lessee shall use reasonable diligence to market gas capable of being produced from the leased premises in such a manner that the gas well is situated therein shall be marketed same under terms and conditions that will produce the maximum net proceeds to the Lessor.

Lessees shall use reasonable diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation prevailing in the field where produced on the date of execution of this Lease. If the prevailing market price for oil or associated hydrocarbon liquids is not sufficient to justify production, the Lessor shall be entitled to shut-in the well and the Lessee shall be under no obligation to market same under terms, conditions or circumstances which, in Lessee's good faith judgment, are unreasonable or unsatisfactory.

Lessee may from time to time purchase any royalty portion of oil or associated liquid hydrocarbons in its possession, paying the market price therefor prevailing in the field where produced on the date of purchase; provided, however, that if Lessor shall so elect, Lessee shall deliver to Lessor in kind its royalty share of oil and associated liquid hydrocarbons. In the event of such election, Lessor shall give to Lessee not less than 60 days' notice of its intent to take said royalty share in kind for a period of not less than six months following the termination of this Lease. If Lessor fails to give such notice, it shall be deemed from the facilities of Lessee, which shall have been.

5. If the well, provided for in Section 3 hereof is drilled and completed as a dry hole and if operations for drilling are not commenced on said land as hereinafter provided on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor, at P. O. Box 552, Enid, Oklahoma 73701, the sum of Fifty-Six Hundred Thirty-Four and 56/100 Dollars (\$5,634.56-), (herein called rental), which shall cover the privilege of deferring commencement of operations for a period of twelve (12) months each during which no payments or tenders annully to Lessor shall be made.

22. 63.4.56-, (herein called rental), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months in like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental herein referred to may be made in currency, draft or check at the option of the Lessee; and the depositing of such currency, draft, or check in any post office, properly addressed to the Lessor, on or before the rental paying date, shall be deemed payment as herein provided. Lessee may at any time execute and place of record a release or releases covering any portion or portions of the described premises, furnishing copy thereof to Lessor, and thereby surrender this lease as to such portion or releases covering any portion or portions of the acreage surrendered, and thereafter the rentals payable hereunder shall be due on such portion or releases.

shall be unconditionally obligated to pay to Lessor the rental properly payable for the rental period involved, but this lease shall be in an incorrect amount, Lessee in manner as if such erroneous rental payment had been properly made, provided that the erroneous rental payment shall be maintained, if receipt by Lessee of written notice from such Lessor of such error, and if such payment shall be reduced in the proportion that the acreage covered hereby is reduced by said release or payment.

6. Should any well drilled on the above described land during the primary term of this lease fail to produce oil or gas in paying quantities, shall the rental payment be corrected within thirty (30) days after termination of the primary term and thereafter monthly until production commences, provided that the Lessee has furnished evidence necessary to enable Lessor to make proper

[illegible][illegible]

8. Lessee shall have the right to

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligations as to the acreage surrendered arising subsequent to the date of surrender. Lessee shall have the right at any time during or within one year after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance, or sale of said rights. In event of the assign-

(CDA-174)

(CPA-174)

Lease No. 617365

When recorded return to.....
AMOCO PRODUCTION COMPANY
CITY-LIFE BUILDING.....

EXHIBIT "A"

Lease No. 617365

Weld County, Colorado

Township 3 North, Range 63 West

Section 7: Lots 1, 2, $E\frac{1}{2}W\frac{1}{2}$, $SE\frac{1}{4}$
Section 15: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 17: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 19: Lots 1, 2, 3, 4, $E\frac{1}{2}W\frac{1}{2}$, $SE\frac{1}{4}$
Section 21: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 29: $W\frac{1}{2}$, $SE\frac{1}{4}$

Township 3 North, Range 64 West

Section 19: Lots 1, 2, $E\frac{1}{2}NW\frac{1}{4}$, $SE\frac{1}{4}$, $SW\frac{1}{4}NE\frac{1}{4}$
Section 21: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 23: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 27: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 29: $W\frac{1}{2}$, $SE\frac{1}{4}$
Section 35: $W\frac{1}{2}$, $SE\frac{1}{4}$

Containing 5,634.56 acres, more or less