

18th day of November

1982

THIS AGREEMENT made and entered into this

by and between Clarence W. McCauley and Juanita L. McCauley, husband &amp; wife of

2408 S. County Road #29, Loveland, CO

lessor (whether

one or more, and Bell &amp; Associates Land Leasing, P.O. Box 1022, Boulder, CO 80306

lessee

WITNESSETH

That the lessor, for and in consideration of the sum of Ten and More Dollars (\$ 10.00+ ) in hand paid, the receipt and sufficiency of which is hereby acknowledged, and the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto the said lessee, exclusively, its successors and assigns, the following described land for the purpose of carrying on geological, geophysical and other exploratory work, including the drilling, mining, operating for, producing and saving of oil, gas, gas condensate, distillate, casinghead gas, casinghead gasoline, and all other gases and their constituent parts, and other minerals produced in connection with oil and gas operations hereunder, or as a by-product of oil and gas, and the exclusive right of injecting water, brine and other fluids and substances into the subsurface strata, with rights of way and easements for laying pipe lines, telephone and telephone lines, tanks, power houses, stations, ponds, roadways and other fixtures or structures for producing, treating and caring for such products, and any and all other rights and privileges necessary, incident to or convenient in the economic or efficient operation, alone or conjointly with other lands, of said land for the production of said products or substances and the erection of structures thereon to produce, save and take care of said products and substances and the injection of water, brine and other substances into the subsurface strata of said tract of land, together with any reversionary rights therein, said tract of land being situated in the County of

Weld

State of

Colorado

and described as follows, to-wit:

N 1/2 NE 1/4

of Section 24 Township 5 North Range 65 West together with all submerged lands, accretions, strips and quays adjacent or contiguous thereto and owned or claimed by the lessor, which land shall, for the purpose of calculating the amount of any money payment permitted or required by the terms of this lease, be considered as containing exactly 80.00 acres, whether there is more or less three ( 3 )

TO HAVE AND TO HOLD the same subject to the other provisions herein contained for a term of 12 months from this date, hereinafter called "Primary Term" and as long thereafter as oil, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, and other minerals may be produced from said lease premises or operations for the drilling or production thereof are continued as hereinafter provided.

In consideration of the premises, it is hereby mutually agreed as follows:

1. To deliver, free of cost, to the lessor at the well or to the credit of lessor into the pipe line to which lessee may connect its well, an equal one-eighth (1/8th) part of all oil produced and saved from the lease premises, or all the lessor's option to pay to the lessor for such one-eighth (1/8th) the market price at the wellhead for oil of a like grade and gravity prevailing on the day such oil is run into the pipe line or storage tanks.
2. On gas, gas condensate, gas distillate, casinghead gas and all other gases, including their constituent parts, produced from said land and sold or used off the lease premises or in the manufacture of gasoline or other products, lessee shall pay to lessor a sum equal to one-eighth (1/8th) of the gross proceeds received from the sale of such petroleum substances where the same is sold at the mouth of the well or if not sold at the mouth of the well, then one-eighth (1/8th) of the market value thereof at the mouth of the well, but in no event more than one-eighth (1/8th) of the actual amount received by lessee for the sale thereof.
3. If gas from any well or wells on the premises capable of producing gas in commercial quantities is not sold or used off the premises or in the manufacture of gasoline for a period of one (1) year or more during which time there is no other production from the lease premises, then lessee shall become obligated to pay as royalty for such annual period a sum equal to the delay rentals provided in paragraph number 6 hereof, whether during or after the primary term. In consideration of the obligation to pay, it shall within the meaning of all the terms of this lease, including the habendum clause, be conclusively deemed that gas is being produced from the premises during the time such gas is not sold or used.
4. On all other minerals produced and marketed, lessee shall pay one-eighth (1/8th) of the current market price at the mouth of the well, but in no event more than one-eighth (1/8th) of the actual amount received by the lessee.
5. If any gas well on the lease premises produces dry gas in excess of that needed for operations hereunder, lessor shall have the privilege, at his sole risk, cost and expense, of using such surplus gas for stoves and inside lights in the principal dwelling located upon the lease premises. Notwithstanding any of the provisions aforesaid, lessee shall have free use of oil, distillate, condensate, gas, casinghead gas, casinghead gasoline and all other petroleum products, water and other minerals and materials from the lease premises, except water from lessor's wells and tanks, for all operations hereunder.
6. If operations for the drilling of a well for oil or gas are not commenced on the lease premises on or before one (1) year from the date hereof, then this lease, except as otherwise provided, shall terminate as to both parties, unless the lessor, on or before that date, shall pay or tender to lessor or to lessor's credit in the

Home State

P.O. Box 329, Loveland, CO 80537

for to any bank designated in writing by lessor whether or not such written designation is recorded, or its successor or successors, which bank and its successors are lessor's agents and shall continue as the depository bank regardless of changes in the ownership of said land or the right to receive rentals, the sum of,

Eighty and No/100

Dollars (\$ 80.00 )

which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of said well for a period of one (1) year from the date in a like manner and upon like payments or tenders, the commencement of operations for the drilling of said well may be further deferred for like periods successively. It is understood and agreed that the consideration first recited herein, the down payment, covers all the privileges, options and other rights conferred upon the lessor. Lessee may, at any time, execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises, as to any or all horizons, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the portion surrendered, and where a part or portion of this lease is released, then rentals thereon shall be reduced in the proportion that the acreage covered by this lease is reduced by said release or releases. Payment or tender of rental may be made by draft or check of the lessee, transmitted, delivered or mailed to the authorized depository bank or to the lessor at his last known address (as shown by lessee's records) or before the rental date, and the payment or tender shall be deemed to have been made when the check or draft is transmitted, delivered or mailed.

7. It is expressly agreed that if lessee shall commence operations for the drilling of a well at any time while its lease is in force, this lease shall remain in force and its term shall continue for so long as such operations are prosecuted and, if production results therefrom, then so long as such production may continue. Should the first well drilled on the above described land be a dry hole or fail to establish production, then and in that event if a second well is not commenced on said land within twelve (12) months following the expiration of the last rental period for which rental has been paid or tendered, then this lease shall terminate as to both parties unless the lessor, on or before the expiration of said twelve (12) months, shall resume or commence the payment of rentals in the same amount and in the same manner as hereinbefore provided. If, within the primary term of this lease, production on the lease premises shall cease from any cause (other than a cessation contemplated in paragraph 3), this lease shall not terminate provided operations for the drilling or reworking of a well shall be commenced before or on the next ensuing rental paying date, failing more than thirty (30) days after such cessation, or provided lessor begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the lease premises shall cease from any cause (other than a cessation contemplated in paragraph 3), this lease shall not terminate provided lessee resumes or commences operations for the drilling or reworking of a well within ninety (90) days from the date of such cessation, and this lease shall remain in force and effect during the prosecution of such operations, and if production results therefrom, then so long as such production continues or the well or wells are capable of producing.

8. Where proposed by lessee, lessor shall bury all power lines below ordinary plow depth in cultivated land. Lessee shall pay lessor for damages caused by lessee's operations to other property placed by lessor on the lease premises, including the right to draw and remove all casing. Any structures and facilities placed on the lease premises by lessor for operations hereunder and any well or wells on the lease premises shall be subject to the right of lessor to use such facilities may be continued beyond the term of this lease by payment in advance of the sum of One Hundred Dollars (\$100.00) per year. No well shall be drilled nearer than 200 feet to any house or barn now on the premises without the consent of lessor.

9. Lessee is granted the right, from time to time while this lease is in force, to pool into a separate operating unit or units all or any part of the land covered by this lease with other land, lease or leases, or interest therein, whether such other interests are pooled by a voluntary agreement on the part of the owners thereof or by the exercise of a right to pool by the lessee (thereof), when in lessee's judgment it is necessary or advisable in order to promote conservation, to properly develop or operate the land and interests to be pooled, or to obtain a multiple production allowable from any governmental agency having control over such matters. Any pooling hereunder may cover all oil and gas, or any one or more of the substances covered by this lease, and may cover one or more or all zones or formations underlying all or any portion or portions of the lease premises. Any unit formed by such pooling shall be of abutting or adjoining tracts and shall not exceed 800 acres for gas, gas distillate or gas condensate and shall not exceed 80 acres for any other substance covered by this lease, provided that if any governmental regulation or order shall prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be permitted in such allocation of allowable. The area pooled and the zones or formations, and substances covered by this lease shall be set forth by lessee in a "Declaration of Pooling" filed for record in the county or counties in which the pooled area is situated. Such pooling shall be effective on the date such declaration is filed unless a later effective date is specified in such declaration. In lieu of the royalties otherwise herein specified, except such unit gas well royalties, lessor shall receive on production from an area so pooled only such portion of the royalties which, in the absence of such pooling, would be payable hereunder to lessor on production from the land covered by this lease which is pooled area as the amount of the surface acreage in the land covered by this lease which is pooled area bears to the amount of the surface acreage of the entire pooled area. Nothing herein contained shall authorize or effect any transfer of any title to any leasehold, royalty or other interest pooled pursuant hereto. The commencement of a well, the conduct of other drilling operations, the completion of a well or of a dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except for royalty purposes) the same as if said well were located on, or such drilling operations were conducted upon, the lands covered by this lease whether or not such well is located upon, or such drilling operations are conducted upon, said lands. Lessee may terminate any pooling effected pursuant hereto at any time the pooled unit is not capable of producing and no drilling operations are being conducted thereon by executing and filing of record in the county or counties in which the pooled area is located a written declaration of the termination of such pooling, provided that the pooling of all interests not covered by this lease which comprise a part of such pooled unit are also terminated in some effective manner.

10. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate or be construed so as to enlarge or increase the obligations or burdens of the lessor, or diminish its rights. Specifically, but not by way of limitation of the foregoing, the lessee shall not be required to offset wells on separate tracts into which the land covered by this lease may hereafter be divided or to furnish separate measuring or receiving tanks. Notwithstanding any actual or constructive knowledge of or notice to the lessor, no change in the ownership of said land or the lease, or the termination of the lease, shall be binding on the lessor unless the same is evidenced by a written instrument or instruments filed for record in the county or counties in which the land above described the rental payments hereunder shall be apportioned as to the several leasehold owners (including sublessees) ratably according to the surface area of each, and default in the rental payment by one shall not affect the rights of the other leasehold owners.

11. In the event lessor claims to have been breached this lease. The service of such notice and clause of sixty (60) days without lessee meeting or commencing to meet the alleged breaches shall be a condition precedent to any action by lessor for any cause. If, within sixty (60) days after the receipt of such notice lessee shall meet or commence to meet the breaches alleged by lessor, lessee shall not be deemed in default hereunder.

12. If lessor owns a less interest in the entire fee or mineral estate (whether or not a lessor interest is stated above), the rentals and royalties herein provided shall be paid to lessor only in the proportion that his interest bears to the entire fee or mineral estate. If, however, during the term of this lease any reversion of interest to lessor should occur, then and in that event on the next succeeding rental anniversary after lessor shall have notified lessee of the occurrence of such reversion and shall have furnished lessee with satisfactory proof thereof, the rental shall be increased to cover the additional interest so acquired by the lessor.

13. All provisions hereof, hereafter expressed or implied shall be subject to all federal and state laws and the orders, rules and regulations of all governmental agencies administering the same (and interpretations thereof by such agencies or courts having jurisdiction), and this lease shall not in any way be terminated wholly or partially nor shall the lessee be liable in damages for failure to comply with any of the express or implied covenants hereof if such failure is caused by any such laws, orders, rules or regulations for interpretations thereof by said agencies or courts having jurisdiction. If it should hereafter be presented during the primary term hereof from drilling a well hereunder by the order of any governmental authority having or asserting jurisdiction thereover, or if lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling or completion thereof not being available from any cause, the primary term of this lease shall continue until six (6) months after said order is suspended and/or said equipment is available.

14. This lease and all of its terms and conditions shall be binding upon all successors of the lessors and the lessees. Should any one or more of the parties above named as lessors fail to execute this lease, it shall nevertheless be binding upon all lessors who do execute it. Notwithstanding any language herein to the contrary, it is expressly understood and agreed that any payment or payments made by the lessee to the owner of any interest subject to this lease shall be sufficient payment hereunder as to such interest notwithstanding the joinder herein of the spouse or any party for the purpose of waiving homestead, dower or in-laws rights of inheritance, if any.

15. Lessor hereby warrants and agrees to defend the title to the land above described and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgage, taxes or other liens on the above described land in the event of default of payment by the lessor and the lessee shall be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may, at lessee's option, be deducted from any amounts of money which may become due or payable to the lessor under the terms of this lease.

IN WITNESS WHEREOF, we sign this as of the day and year first above written.

See 'Addendum' attached hereto and made a part hereof and signed for identification.

Clarence W. McCauley

Juanita L. McCauley

Clarence W. McCauley  
 Soc. Sec. # 524-18-8493

Juanita L. McCauley

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 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO., CO

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STATE OF Colorado } ss. Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
COUNTY OF Larimer } Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT — INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 2nd  
day of December, 19 82, personally appeared Clarence W. McCauley and Juanita L. McCauley,  
husband and wife,

/s/ to me known to be the identical person S, described in and who executed  
the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as 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 July 6, 1983  
My Address is 935 Cleveland Avenue, Loveland, Colorado 80537 Notary Public.

STATE OF \_\_\_\_\_ } ss. Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
COUNTY OF \_\_\_\_\_ } Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT — INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19 \_\_\_\_\_, personally appeared \_\_\_\_\_

and \_\_\_\_\_  
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 \_\_\_\_\_ duly executed the same as \_\_\_\_\_ 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 \_\_\_\_\_ Notary Public.

State of \_\_\_\_\_ } ss. ACKNOWLEDGMENT (For use by Corporation)  
County of \_\_\_\_\_ }

On this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 19 \_\_\_\_\_, 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 corpora-  
tion and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said  
\_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, A. D. 19 \_\_\_\_\_

(SEAL) \_\_\_\_\_ Notary Public.

My Commission expires \_\_\_\_\_

No. _____	FROM	TO	Dated _____ 19 _____	No. Acres _____	County _____	Term _____	This instrument was filed for record on the _____ day of _____, 19 _____, at _____ o'clock _____ M., and duly recorded in Volume _____ Page _____ of the records of this office.	County Clerk _____	By _____ Deputy _____	When recorded return to _____
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ADDENDUM to that certain Oil and Gas lease dated November 18, 1982, between Clarence W. McCauley and Juanita McCauley as Lessor and Bell & Associates Land Leasing as Lessee.

This ADDENDUM is a part of that certain oil and gas lease identified above by date and parties covering the N $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 24: T5N, R65W, in Weld County, Colorado, to the same extent as if the provisions hereof had originally been written in said lease. In the event of conflict between the lease provisions and the provisions contained in this ADDENDUM, the provisions of this ADDENDUM shall be binding.

16. It is agreed by the Lessor and Lessee that wherever "one-eighth (1/8)" appears in said lease, it should read "fifteen percent (15%)" in each case.
17. Lessee shall pay for all damages caused by its operations on the parcel of land herein above described. Lessor reserves the right to approve all routes of ingress and egress. Prior to the construction of any roads, pipelines, tank battery installations or installation of other equipment on the leased premises, Lessee shall consult and agree with the surface owner and/or tenant as to the location and direction of same. Such approval and agreement will not be unreasonably withheld.
18. The parties agree to mutually cooperate in carrying out the terms and conditions of this agreement. Should a dispute arise between the parties, as to the interpretation of this agreement, as to the location of tanks, tank lines, and/or other structures, then they agree to submit said dispute to binding arbitration. If arbitration is desired, the party desiring arbitration shall give written notice of request for arbitration, together with the name of their arbitrator, and the other party shall select their arbitrator within five (5) days thereafter, and said two (2) arbitrators shall select a third (3) arbitrator within (5) days of their joint appointment, and the arbitration committee shall make their decision within five (5) days after their joint appointment. Each party to pay for their own arbitrator and one-half of the cost of the third arbitrator. Should any party fail to select an arbitrator or should said two arbitrators be unable to agree upon a third arbitrator, then the Weld County District Court shall appoint the necessary arbitrators. The decision made by the arbitration committee will have the same force as a judgement or order entered by the court and may be enforced according to the Colorado Rules of Civil Procedure.
19. Lessee agrees that it will use its best efforts to restore the land to its prior contour after the laying of any pipes or structures or after the drilling of any well or after the abandonment of the drilling of a well, and will restore the land to the same condition as it was prior to the drilling to the extent that it is possible. Also, in the event of abandonment of a well or if a dry well results from lessee's operations, all pipe, casing and well equipment will be recessed to below plow depth.
20. It is the intention of the parties hereto to cause as little interference with farming operations on said land as possible. To this end, drilling operations will be restricted to the time period between November 1 and March 1 except as agreed upon by Lessor.
21. Should any of lessee's wells break down, where maintenance is necessary, Lessor will discontinue irrigation on those days that maintenance is necessary, in order to place the wells back into operation. Lessee agrees to give reasonable notice to Lessor when maintenance work will be required.

22. Yearly rental payments as described in paragraph 6 of this lease shall be made so that each payment takes place on or before the 18th of November of each rental year. Failure to do so will cause the termination of this lease as to both parties.
23. Rental payments and notices required by this lease shall be considered sufficient if sent by certified mail, return receipt requested, to 2408 S. County Road #29, Loveland, Colorado as to the Lessor and to P.O. Box 1022, Boulder, Colorado, 80306 as to the Lessee. The date of deposit in the United States mail shall be considered the date of making rental payment and/or giving notice.
24. Costs of updating Lessor's abstract of title covering the land herein above described will be borne by the Lessee as to any and all assignments of this lease and/or oil and gas documents related to this lease which are subsequently recorded. To facilitate payment of such costs, Lessor will be responsible for causing such updating and will then submit a bill for these costs together with a copy of his receipt for same to Lessee, his successors or assigns, who will then reimburse Lessor within sixty days of receipt thereof.
25. If natural gas is produced from the hereinabove described leasehold, the Lessor shall have the right to take in kind natural gas for household, irrigation and other agricultural purposes; and that the volume of said natural gas to be received by the Lessor shall be limited to and shall not exceed the Lessors' proportionate part of the fifteen percent (15%) royalty for gas produced from such well. Connection for gas taken by the Lessor shall be at his sole risk, cost and expense and the Lessor shall accept all gas in its condition as produced from the well and the Lessee shall have no liability for any variations or interruptions in the supply of gas.

Signed for identification:

Clarence W. McCauley  
Clarence W. McCauley

Juanita McCauley  
Juanita McCauley