

OIL AND GAS LEASE

BOOK 706 PAGES 74
01684933

AGRI 1 M N7 Made and entered into the

28th day of December

1986 by and between

James F. Reynolds

whose post office address is 3333 S Wabash Ct., Denver, Co. 80222 hereinafter called Lessor (whether one or more) and
Barrett Energy Company whose post office address is 1125-17th St., Suite / 2100, Denver, Co. hereinafter called Lessee

WITNESSETH That the Lessor for and in consideration of the sum of 800.00 Dollars cash in hand paid the receipt of which is 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 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 and all parts of whatsoever nature or kind with rights of way and easements for laying pipe lines and erection of structures for the purpose of producing, mining and the sale of said products all that certain tract of land situated in the County of Garfield

State of Colorado

described as follows to wit

TOWNSHIP 6 SOUTH, RANGE 94 WEST
Section 25: SE/4 NW/4, SW/4 NE/4,
E/2 SW/4, SE/4
Section 36: E/2 W/2, W/2 E/2
TOWNSHIP 7 SOUTH, RANGE 94 WEST
Section 1: NE/4

RECEIVED
NOV 26 2008
COGCC

800.00

Five

and containing 5 acres more or less
1. It is agreed that this lease shall remain in force for a term of Five 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 reworking 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 reworking 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 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 risk waiver or release 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
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 use of such pipe line for all oil produced and saved from the leased premises.

2nd. To pay Lessor 15% of the gross proceeds each year payable quarterly for the gas from each well where gas unit is found, while the same is being used off the premises and if used in the manufacture of gasoline a royalty of 15% of the gross proceeds payable monthly at the prevailing market rate for gas.

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 15% 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 off the premises or in the manufacture of gasoline or any other product, a royalty of 15% of the proceeds at the mouth of the well payable monthly at the prevailing market rate. Lessor may pay or tender at 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 and running 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 and when Lessor owns a less interest in the above described land than the entire and undivided fee simple estate then in, then the royalties (including any shut in gas royalties) 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 deeper than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall not be damaged by Lessee's operations except as compensation is paid.

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, unless first by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all records, mortgages 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 in 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 lessorhold owner shall be liable for any act or omission of any other lessorhold 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 the authority to do so is contained in this lease with respect to such other land, lease or leases. Lessee, units previously formed to include formations not producing oil or gas may be reformed to include such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee's voluntary 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 on 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 on 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, Lessee 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 or one or more of the formations thereon under 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 royalties payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessee shall forthwith 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 as such is the result of any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the land hereinafter described and agrees that the Lessee shall have the right to pay to the Lessor 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 otherwise satisfied to the rights of the holder thereof and the mortgage and taxes for the same and then hereafter, and Lessee shall have the right to use all right of donor and homestead in the premises described herein in any way and for any purpose for which this lease is made, as herein provided.

15. Should any one or more of the parties hereto be 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 in any one or more or all of the parties who execute this lease as Lessor. 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.

James F. Reynolds