


3725041 10/13/2010 03:52P Weld County, CO
1 of 4 R 26.00 D 0.00 Steve Moreno Clerk & Recorder

OIL AND GAS LEASE

This Lease Agreement (the "Lease") is entered into this 1st day of October, 2010 (the "Effective Date") between **Richard Haag**, whose address is 911 Mylar Park Dr. Cheyenne, WY 82009, as "Lessor" and **TARR E&P Holdings, L.P.**, whose address is 401 Congress Ave., Suite 1600, Austin, Texas 78701, as "Lessee".

The Lessor, in consideration of Ten Dollars and other valuable consideration, the receipt of which is acknowledged, and the covenants and agreements contained in this Lease, grants, demises, leases and lets exclusively to Lessee, the land described below, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing oil (including, but not limited to, distillate and condensate), gas (including, but not limited to casinghead gas and helium), and other hydrocarbons of whatever nature or kind, and for laying pipelines, telephone and other lines, and building tanks, power stations, gasoline plants, ponds, roadways and structures to produce, save and take care of those products, and the exclusive right of injecting water, brine and other fluids into subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone, or conjointly with neighboring land, for the production, saving, taking care of, and selling all substances produced, all that certain tract of land situated in **Weld County, Colorado**, described as follows:

TOWNSHIP 7 NORTH, RANGE 61 WEST, OF THE 6TH P.M.
SECTION 30: LOTS 1, 2, 3, 4 AND E/2W/2

Containing **292 acres, more or less**, which are referred to in this Lease as the "land," "lands," or "lease premises."

1. It is agreed that this Lease shall remain in force for a term of **five (5) years** from this date (the "Primary Term") and as long thereafter as oil or gas of whatever nature or kind is produced from the lease premises or on acreage pooled or unitized with the lands, or drilling operations are continued as provided for in this Lease. If, at the expiration of the primary term of this Lease, oil or gas is not being produced on the lease premises or on acreage pooled or unitized with the lands but Lessee is then engaged in drilling or reworking operations, then this Lease shall continue in force so long as operations are being continuously prosecuted on the lease premises or on acreage pooled or unitized with the lands; and operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) 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 the land or on acreage pooled or unitized with the land, 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 one hundred eighty (180) days from the date of cessation of production or from the date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of those 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 lease premises or on acreage pooled or unitized with the lands.

2. This is a **PAID-UP LEASE**. In consideration of the cash payment, (which payment is accepted by Lessor as good and sufficient consideration for the rights granted to Lessee in this Lease), Lessor agrees that Lessee shall not be obligated, except as otherwise provided, 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 the 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 obligation accruing as to the acreage surrendered.

3. As royalty, the Lessee covenants and agrees:
 - a. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on the land, the equal **three sixteenths (3/16)** part of all oil (including but not limited to condensate and distillate) produced and saved from the lease premises or at Lessee's option, pay Lessor for the **three sixteenths (3/16)** royalty, the market price for oil of like grade and gravity prevailing on the day the oil is run into the pipeline or into storage tanks.
 - b. To pay Lessor for gas of whatever nature or kind (with all of its constituents) produced and sold or used off the lease premises, or used in the manufacture of products, **three sixteenths (3/16)** of the net proceeds realized by Lessee for the gas sold, used off the premises, or used in the manufacture of products, the net proceeds to be less a proportionate part of the production, severance, and other excise taxes and costs incurred by Lessee in delivering, processing, compressing, or otherwise making the gas merchantable. Gas of any kind or nature unavoidably lost, or which may be used by Lessee in any process in recovering oil or other liquid hydrocarbons from the lease premises, or returned to the ground, whether through wells located on the lease premises or elsewhere, shall not be deemed to have been sold or used off the lease premises within the meaning, express or implied, of this Lease.
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 by this Lease, this 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 the payment or tender is made, it will be considered that gas is being produced within the meaning of this Lease.
5. If Lessor owns a lesser interest in the land than the entire and undivided fee simple estate, then the royalties (including any shut-in gas royalty) provided for in this Lease shall be paid to 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 the land or on lands pooled or unitized with the land for Lessee's operations, except water from the wells of Lessor.
7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth, on cultivated lands.
8. No well shall be drilled nearer than 300 feet to the house or barn now on the land without written consent of Lessor.
9. Lessee shall pay surface owner damages caused by Lessee's operations to growing crops on the land.
10. Lessee shall have the right at any time to remove all machinery and fixtures placed on the land, including the right to draw and remove casing.
11. The rights of Lessor and Lessee 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 later 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 the 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 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 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 and as to any one or more formations, 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 on which a well has been completed or on which operations for drilling have 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 specified in this Lease, including shut-in gas royalties. Lessor shall receive on production from the unit so pooled royalties only on the portion of 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 the unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the lands as to one or more of formations 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 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 the 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 the plan or agreement, and this Lease shall not terminate or expire during the life of the plan or agreement. In the event that all or any part of the lands shall be operated under any cooperative or unit plan of development or operation by which the production from it is allocated to different portions of the land covered by the plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid 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 to Lessor shall be based on production only as so allocated. Lessor, if requested by Lessee, shall have the obligation to formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency and shall execute the same on 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 with them, if compliance is prevented by, or if the failure is the result of, any Law, Order, Rule or Regulation.

14. Lessor warrants and agrees to defend the title to the lands, 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 lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder, and Lessor agrees that any payment made by Lessee for Lessor may be deducted from any amounts of money which may become due to the Lessor under the terms of this Lease. The undersigned Lessors, for themselves and their heirs, successors and assigns, surrender and release all right of dower and homestead in the lease premises, insofar as the right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited in this Lease.

15. Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant in this Lease due to force majeure. The term "force majeure" shall mean: any act of God including, but not limited to storms, floods, washouts, landslides, and lightning; acts of the public enemy; wars, blockades, insurrection or riots; strikes or lockouts; epidemics or quarantine regulations; laws, acts, orders, or

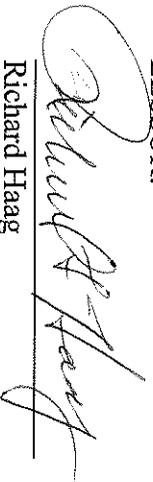
requests of federal, state, municipal or other governments or other governmental officers or agents under color of authority; freight embargoes or failures; exhaustion or unavailability or delays in delivery of any product, labor, service or material. If Lessee is required, ordered, or directed by any federal, state, or municipal law, executive order, rule, regulation, or request enacted or promulgated under color of authority to cease drilling operations, reworking operations or producing operations on the lands covered by this Lease, or if Lessee by force majeure is prevented from conducting drilling operations, reworking operations, or producing operations, then until such time as such law, order, rule, regulation, request, or force majeure is terminated and for a period of ninety (90) days after such termination each and every provision of this Lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this Lease shall continue in full force. If any period of suspension occurs during the Primary Term, that time shall be added to the Primary Term.

16. No part of the surface of the lease premises shall, without the written consent of the Lessee, be let, granted, or licensed by the Lessor to any other party for the erection, construction, location or maintenance of structures, tanks, pits, reservoirs, equipment, or machinery to be used for the purpose of exploring, developing or operating adjacent lands for oil or gas.

17. Any and all payments permitted or required to be made under the terms of this Lease shall be made or tendered to the Lessor or to Lessor's credit at the address first shown above. Any address or depository change is a liability of the Lessor. Any payment or tender of shut-in royalty made under the terms of this Lease may be made by check or draft of Lessee mailed or delivered to the address of Lessor.

This Lease is executed as of the date of the acknowledgments below, but shall be deemed effective for all purposes as of date above.

LESSOR:


Richard Haag

STATE OF WYOMING §
COUNTY OF LINCOLN §

The foregoing instrument was acknowledged before me on the 31st day of September 2010, by Richard Haag.


Notary Public, State of WYOMING

Notary's Commission Expires: 04 May 13

