

Producers 88
12-86

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 3rd day of March, 1988, by and between
George Speaker, Jr. and Minnie Speaker, husband and wife
46897 Wald County Road 88
Briggsdale, Colorado 80611
 called "Lessor" (whether one or more) and PETROLEUM ENERGY CORPORATION, Denver, Colorado, hereinafter called "Lessee";

1. Lessor, for and in consideration of ten and more dollars (\$10.00 and more) in hand paid, the royalties provided, and covenants of Lessee herein contained, grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting oil and gas together with all rights, privileges and easements useful for Lessee's operations on said land and on lands in the same field with a common oil and gas reservoir, including but not limited to the rights to lay pipelines, build roads, construct tanks, pump and power stations, power or communication lines, ~~and other structures and facilities~~, and other structures and facilities and drill for, produce and use fresh water. The phrase "oil and gas" includes all hydrocarbons and other substances produced therefrom.

The land included in this lease is situated in Weld County, Colorado, and is described as:

Township 8 North, Range 61 West, 6th P.M.
Section 27: All
Section 28: E $\frac{1}{2}$
Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all lands owned or claimed by Lessor which are adjacent, contiguous to or form a part of the lands above particularly described, including all oil, gas, other hydrocarbons and all other minerals underlying lakes, rivers, streams, roads, easements and

rights-of-way which traverse or adjoin any of said lands. For rental payment purposes, the land included within this lease shall be deemed to contain 1,120.00 acres, whether or actually comprises more or less. This lease covers all of the interests in the lands contained herein now owned by, or which may hereafter vest in, Lessor, and Lessor releases and waives all rights under the homestead exemption laws of this State. In calculating any payments based on acreage, Lessee may consider the land contains the acreage stated, whether it actually contains more or less. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water. 1,120.00 acres of gas is produced from said land or Lessee is engaged in drilling or reworking operations on said land or upon lands unitized or pooled therewith.

2. This lease shall remain in force for a period of 20 years from this date, called "primary term", and thereafter as long as "oil and gas" is produced from said land or Lessee is engaged in drilling or reworking operations on said land or upon lands unitized or pooled therewith.

3. Lessee shall pay royalties to Lessor as follows: (a) one-eighth (1/8th) of the oil produced and saved from said land, to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the wells of one-eighth (1/8th) of the gas (including casinghead gas or other gaseous substances) produced from said land and sold, less a reasonable charge for compressing, transporting and making the gas merchantable; (c) one-tenth (1/10th) of the amount realized from the sale of other substances produced from said land with oil or gas.

If Lessee discovers gas on the above described lands, or upon lands pooled or unitized therewith, Lessee may, at any time or times during or after the primary term, pay Lessor a sum equal to the rental on the acreage covered by this lease which shall be a shut-in gas payment and continue this lease for a period of one year, with the year to commence on the anniversary of this lease immediately preceding such payment unless the rental which became due on such anniversary was paid, in which event such year shall commence on the anniversary immediately following such payment. Any such payment shall be made to the Lessor and in the same manner as the payment of rental and shall be in lieu of the rental covering the same period of time. If any, but shall not be in lieu of any royalty based on actual production. Lessee may use, free of royalty, "oil and gas" and water produced from said land for all operations hereunder.

4. If drilling operations are not commenced on said land on or before one (1) year from this date, this lease shall terminate unless Lessee, on or before that date, shall pay or tender to Lessor or to Lessor's credit in Greeley National Bank at Greeley, CO 80631

of any successor, the sum of One Thousand Seven Hundred Forty-seven & 20/100 ----- dollars (1,747.20) which shall extend for one (1) year the time within which such operations may be commenced. Thereafter, annually in the same manner and upon the same payment or tender, called "rental", this lease may be continued in force and such operations again deferred for successive periods of one (1) year during the primary term; provided that if any "oil and gas" shall be produced from or any drilling or reworking operations conducted on said land within ninety (90) days prior to any anniversary of this lease during the primary term, the rental accruing on such anniversary shall be excused and this lease shall continue in force as though such rental had been paid. Such operations shall be commenced when first material is moved in or the first work done. Payments or tenders of rental may be made by mailing or delivering cash or Lessee's check or draft to Lessor or to the depository bank on or before the date of payment. If the depository bank fails or refuses to accept the rental, this lease shall not terminate, nor Lessee be held in default for failure to pay rental unless Lessee fails to pay such rental for thirty (30) days after Lessor has delivered to Lessee a recordable instrument designating another depository bank. Any bank designated as depository shall continue as such and as Lessor's agent regardless of changes in ownership of Lessor's interest and Lessee may pay or tender rental jointly to the credit of all parties having any interest. All rental payments may be made to George Speaker, Jr., one of the parties owned as Lessor. If Lessee shall, in good faith and with reasonable diligence, attempt to pay any rental or deposit rental to a Lessor entitled thereto, and if such payment or deposit shall be erroneous in any regard, Lessee shall be unconditionally obligated to pay to such Lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment or deposit had been properly made, provided Lessee rectifies the error or failure within thirty (30) days after written notice to Lessee. Lessee may at any time or times surrender this lease as to all or any part of the land by mailing or tendering to Lessor or to the depository bank or by filing of record a release or releases, and be relieved of all obligations as to the portion surrendered, after which the rental shall be reduced in the same proportion the acreage covered hereby is reduced.

5. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when, in Lessee's judgment, it is necessary or advisable to do so in order to properly develop and operate said premises, to facilitate an orderly or uniform spacing well pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas, in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and all units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units, or to enlarge or decrease any existing unit. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a well so formed, only such portion of the royalties stipulated herein as the amount of his or its acreage placed in the unit or his or its royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres permitted by State or Federal authority, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto; likewise Lessee, at any time, may reduce the size of a unit previously created, as aforesaid, but the rights of the parties to said unit, shall not be diminished by reason of such reduction, unless there is no then producing well situated upon the unit so created, as of such reduction. The enlargement or reduction of an existing unit shall be accomplished by Lessee executing and placing of record a supplemental declaration of unitization identifying and describing the lands added to or subtracted from the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event, the supplemental declaration of unitization shall not become effective until the first day of the calendar month following the filing thereof. In the absence of production, Lessee may terminate any unit by filing of record a notice of termination.

6. Lessee also shall have the right to enlarge, pool or combine all or any part of the above described lands 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 said 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 purposes 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 or development or operation adopted by Lessee and approved by any governmental agency by executing the same, or formal consent thereof, upon request of Lessee.

7. If at any time or times after the primary term or before expiration of the primary term, operations and production shall cease for any cause, this lease shall not terminate if Lessee commences or resumes drilling or reworking operations or production within one hundred twenty (120) days after such cessation; provided payment of rental (as provided in paragraph 4) is resumed if such cessation occurs during the primary term, which rental shall be in addition to any royalties paid. If at any time or times after the primary term or within one hundred twenty (120) days expiration of the primary term, all operations and all production hereunder shall cease for any cause, this lease shall not terminate if Lessee shall commence or resume drilling or reworking operations or the production of oil or gas within one hundred twenty (120) days after such cessation. Lessee, may in the interest of economy, commingle production from this lease with production from one or more leases in the same field, provided a method of measurement, in accordance with good engineering practices, is used to determine the production and to allocate the production to the respective leases whose production is commingled.

8. Lessee shall pay for damages caused by Lessee's operations to growing crops. When requested by the surface owner, Lessee shall bury pipelines below ordinary plow depth across cultivated land. No well shall be drilled within two hundred (200) feet of any residence or barn now on the land without the consent of the surface owner. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors and assigns; but no change in ownership of Lessor's interest shall be binding on Lessee until after Lessee has been given notice consisting of certified copies of recorded instruments or documents necessary to establish a complete chain of record title from Lessor. No other type of notice, whether actual or constructive, shall be binding on Lessee and Lessee may continue to make payments as if no change had occurred. No present or future division of Lessor's ownership as to all or any part of said land shall enlarge the obligations or diminish the rights of Lessee. Should Lessee assign this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment. In the event of assignment of this lease, as to a segregated portion of the above lands, rentals payable hereunder shall be apportionable among the several feehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other feehold owners hereunder.

10. Whereby any result of any cause reasonably beyond Lessee's control such as fire, flood, windstorm or other Act of God; law, order, rule or regulation of any local, State or Federal government or governmental agency; or inability to locate rent, material or transportation, Lessee is prevented from complying with any express or implied obligation of this lease, Lessee shall not be liable for damages or forfeiture of this lease and Lessee's obligations shall be suspended so long as such cause persists and Lessee shall have ninety (90) days after cessation of such cause in which to resume performance.

11. ~~Whereby any result of any cause reasonably beyond Lessee's control such as fire, flood, windstorm or other Act of God; law, order, rule or regulation of any local, State or Federal government or governmental agency; or inability to locate rent, material or transportation, Lessee is prevented from complying with any express or implied obligation of this lease, Lessee shall not be liable for damages or forfeiture of this lease and Lessee's obligations shall be suspended so long as such cause persists and Lessee shall have ninety (90) days after cessation of such cause in which to resume performance.~~ The royalties and rental provided herein are determined with respect to the entire mineral estate in oil and gas (including all previously reserved or conveyed non-participating royalty) and if Lessor owns a lesser interest, the royalty and rental to be paid Lessor shall be reduced proportionately, however, such rental and/or royalty shall be increased at the next succeeding lease anniversary date, after any title reversion occurs or remainderman's interest is obtained by Lessee, this to cover the added interest so acquired. Lessee may purchase or discharge in whole or in part any tax, mortgage or other lien upon said land, or redeem the land from any purchaser at any tax sale or adjudication and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any rentals and royalties accruing to the land.

Any default occurring on the part of Lessee with respect to any well or wells drilled upon the above described lands, or upon lands unitized therewith, shall not impair Lessee's rights with respect to any other well or wells situated hereon.

12. This lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute this lease. All provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor or Lessee.

13. Lessee shall clean up and re-seed all drill sites. BSJS M.S.

This instrument is executed as of the day first above written.

S.S. [Signature]

George Speaker Jr.
 George Speaker, Jr.

S.S. #

Minnie Speaker
 Minnie Speaker

S.S. #

S.S. #

ACKNOWLEDGMENTS

STATE OF ColoradoCOUNTY OF Weld

} ss.

HUSBAND AND WIFE

On this 5th day of March, 19 88, before me personally appeared George Speaker, Jr.
and Minnie Speaker

his wife to me known to be the identical persons, described in and who executed the foregoing instrument, and who acknowledged to me that they executed the same as their free act and deed, including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and effect of signing and acknowledging the said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires: 7-16-88

Chris A. Haglund
Address: Boulder, CO 80504 Notary Public.

STATE OF _____

COUNTY OF _____

} ss.

INDIVIDUAL

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

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 and 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: _____

(SEAL)

Address: _____ Notary Public.

STATE OF _____

COUNTY OF _____

} ss.

INDIVIDUAL

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

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 and 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: _____

(SEAL)

Address: _____ Notary Public.

STATE OF _____

COUNTY OF _____

} ss.

CORPORATE

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that _____ is the _____ of _____

and that the seal affixed to said instrument is the corporate seal of said corporation 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.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires: _____

(SEAL)

Address: _____ Notary Public.

STATE OF _____

COUNTY OF _____

} ss.

This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock, _____ M., and duly recorded in Book _____, Page _____, of the records of this office.

County Clerk.

By _____ Deputy.

WHEN RECORDED RETURN TO: PETROLEUM ENERGY CORPORATION
1625 Broadway, Suite 1480
Denver, Colorado 80202

m Jan 6-88