

# C Rev 1976 OIL AND GAS LEASE

THIS AGREEMENT, Entered into this the 3rd day of September, ~~xx~~ 2005  
between Daniel L. Slanovich, a single man, Gus J. Slanovich, a single man, and Chandler Creek  
Companies, a Colorado general partnership whose address is P.O. Box 370286, Denver,  
Colorado 80237-0286  
and Bison Energy Corporation, PO Box 3234, Littleton, CO 80161  
hereinafter called lessor,  
hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of ten and more Dollars in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased, and let and by these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, and with the right to unitize this lease or any part thereof with other oil and gas leases as to all or any part of the lands covered thereby as hereinafter provided, for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline and all other gases and their respective constituent vapors, and for constructing roads, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and for housing and boarding employees, said tract of land with any reversionary rights therein being situated in the County of Fremont, State of Colorado, and described as follows:

See Attachment "A"-Land Description attached hereto and by this reference made a part hereof.  
Subject to the terms and conditions set forth in that certain LETTER AGREEMENT of an even  
date herewith:



2. It is agreed that this lease shall remain in full force for a term of TWO (2) years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land (or from lands with which said land is consolidated) or the premises are being developed or operated.  
3. In consideration of the premises the said lessee covenants and agrees:  
To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

4. The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth (1/8) of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth (1/8), of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) one-eighth (1/8) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually on the anniversary date of this lease following the end of each such year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under paragraph numbered two hereof.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 3rd day of September, 2006, this lease shall terminate as to both parties, unless the lessee shall on or before said date pay or tender to the lessor or for the lessor's credit in the DIRECT TO LESSOR box at the above address, or its successors, which Bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease regardless of changes of ownership in said land or in the oil and gas or in the rentals to accrue hereunder, the sum of 1,356.78 Dollars, which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In like manner and upon like payments or tenders the commencement of operations for drilling may further be deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date, either direct to lessor or assigns or to said depository bank, and it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid and any and all other rights conferred. 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 and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereon is reduced by said release or releases.

6. Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof shall continue in force just as though there had been no interruption in the rental payments.

7. If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

8. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of, this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.

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 of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

10. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described land and the holder or owner of any such part or parts shall make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part of said land upon which the lessee or any assignee hereof shall make due payment of said rentals.

11. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence operations for drilling at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

If within the primary term of this lease ~~production of the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on or after the ensuing rental paying date; or, provided lessee 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 leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations on the leased premises by commencing or drilling a well within sixty (60) days from such cessation and this lease shall remain in force during the prosecution of such operations and a production results therefrom, then as long as production continues.~~

13. Lessee is hereby given the right, at its option, at any time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization; provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions of lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area, and all drilling operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to each portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, then in such unit, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

14. This lease and all its terms, conditions and stipulations shall extend to, and be binding on each of the parties who signs this lease, regardless of whether such lessor is named above and regardless of whether it is signed by any of the other parties herein named as lessors. This lease may be signed in counterparts, each to have the same effect as the original.

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

Witness:

*Daniel L. Slanovich*

Daniel L. Slanovich, individually and as  
general partner of Chandler Creek Companies

*Gus J. Slanovich*

Gus J. Slanovich, individually and as  
general partner of Chandler Creek Companies

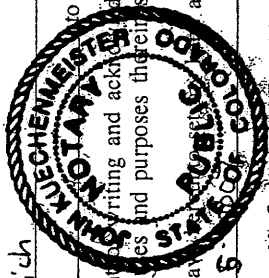
STATE OF Colorado } ss.  
COUNTY OF Arapahoe

Oldahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT—INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 9<sup>th</sup>

day of September, 2005, personally appeared Daniel L Slanovich

and Gus J. Slanovich



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 Their 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 10-15-07

John Kucharski

Notary Public.

My Commission Expires  
OCTOBER 15, 2007

Address: 7340 S. Yosemite St. Centennial CO 80112

STATE OF \_\_\_\_\_ } ss.  
COUNTY OF \_\_\_\_\_

Oldahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
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.

Address: \_\_\_\_\_

STATE OF \_\_\_\_\_ } ss.  
COUNTY OF \_\_\_\_\_

ACKNOWLEDGMENT (For use by Corporation)

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 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 free act and deed of said corporation.

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

Notary Public.

(SEAL)

Address: \_\_\_\_\_

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



No. \_\_\_\_\_

FROM

TO

Dated \_\_\_\_\_, 19\_\_\_\_  
No. Acres \_\_\_\_\_

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  
Bison Energy Corp.  
P.O. Box 3234  
Littleton, CO 80161

ATTACHMENT "A"

Attached to and made a part hereof that certain OIL AND GAS LEASE dated September 3, 2005 by and between Chandler Creek Companies, Daniel L. Slanovich and Gus J. Slanovich and Chandler Creek Companies, a Colorado general partnership, as Lessor and Bison Energy Corporation as Lessee.

Township 19 South, Range 69 West, 6th P.M.  
Section 19: NE1/4SW1/4;  
Section 20: SW1/4;  
Section 30: NE1/4, W1/2SE1/4, E1/2SW1/4;  
Section 31: E1/2, E1/2W1/2;  
Section 32: W1/2NW1/4SE1/4, NW1/4SW1/4SE1/4, North 224 feet of the SW1/4SW1/4SE1/4, W1/2 less the within 200 feet of the well bores of the Evergreen 32-2, the Slanovich #2, Slanovich #3 and the Slanovich #5.

containing 1,356.78 acres, more or less.

Signed for Identification:

*Daniel L. Slanovich*  
Daniel L. Slanovich

*Gus J. Slanovich*  
Gus J. Slanovich



809886

Page: 3 of 3  
09/14/2005 11:07  
NORMA HATFIELD FREMONT CTY CLKREC CO R 16.00 D 0.00

# Bison Energy Corporation

P.O. Box 3234  
Littleton, Colorado 80161  
(303) 470-8067

Messrs. Daniel L. Slanovich and Gus J. Slanovich      September 3, 2005  
Chandler Creek Companies  
P.O. Box 370286  
Denver, Colorado 80237-0286

RE: LETTER AGREEMENT attached to and made a part hereof that certain Oil and Gas Lease dated September 3, 2005 by and between Daniel L. Slanovich, Gus J. Slanovich and Chandler Creek Companies, a Colorado general partnership, as Lessor and Bison Energy Corporation as Lessee.

Anything to the contrary notwithstanding in the above referenced lease agreement, Lessor and Lessee agree to the following conditions and provisions:

1. LESSOR reserves all well bores, whether now producing or plugged and abandoned, and the right to drill oil and gas wells and produce such oil and gas wells as Lessor may drill from the surface of the earth to the stratigraphic equivalent top of the Niobrara formation as found at a depth of 2,038 feet on the Schlumberger Dual Induction/SFL-GR log run on the True Oil Company T.F. Robb #44-35 well located in the SE1/4SE1/4 of Section 35, Township 19 South, Range 69 West on the lands owned by Lessor in the West one-half (W1/2) of Section 32, Township 19 South, Range 69 West, 6th P.M., all in Fremont County, Colorado.
2. Whenever the term one-eighth (1/8) appears in this lease, it shall by this reference be amended to read sixteen percent (16.00%).
3. Within ninety (90) days after the completion of a producing well, or the plugging of a dry hole or a well that has produced oil or gas, the Lessee shall remove all concrete bases, drilling supplies, or equipment and any production and storage facilities that are not needed for further production (unless Lessor waives this in writing) and all debris from the premises. Within the time period Lessee shall also fill all excavations that are not needed for further production and shall grade or terrace and plant, seed or sod the area sufficiently to bind the soil and prevent substantial erosion or sedimentation (to reclaim the premises to their original condition as nearly as possible)(unless Lessor waives this in writing).
4. Lessee shall pay to Lessor the sum of two thousand-five hundred dollars (\$2,500.00) for each drill site constructed on the leased premises where Lessor owns the surface.
5. Lessee agrees to indemnify and hold Lessor harmless for any and all operations hereunder and for any damages or liability arising from or in any manner connected with its operations.

6. The Lessor does not warrant title to its interest in said lands, either expressly or by implication. The Lessee shall conduct at its own expense any examination of the Lessor's title and any title curative work shall be Lessee's sole cost and expense. Lessor agrees to cooperate with Lessee in all reasonable ways in the performance of curative work. The Lessee shall furnish to the Lessor, at no cost to the Lessor, copies of any title opinion or title curative work that the Lessee may undertake with respect to the said lands. Lessee shall furnish to Lessor, at no cost to Lessor, copies of all assignments made by Lessee.
7. Lessor will be allowed access to the drill rig floor to inspect the land, the work done and in progress thereon, and production therefrom. Lessee shall furnish Lessor with monthly statements of the production run from said land during the proceeding calendar month.
8. Lessee agrees to provide the following to Lessor at no expense:
  - a. All data concerning the drilling, testing, and completion of such wells, including all data concerning the formations encountered therein;
  - b. Current, monthly drilling reports indicating the depth and type of formation being encountered in the drilling of such wells, which report shall be delivered by mail to Lessor;
  - c. When filed, two (2) copies of official location plats, drilling permits, and each and every report filed with any state or federal regulatory agency;
  - d. Two (2) final and composite copies of all logs obtained from the wells, including electrical and radioactive surveys, not later than thirty (30) days after the same are run;
  - e. An accurate monthly report showing the production and the detailed disposition of the volumes of oil, gas, casinghead gas, and other hydrocarbons produced from the wells during the first sixty (60) days of production. This shall include a true copy of each potential test, gas-oil ratio test, GPM test, and any other test conducted on the wells, including bottom hole pressure survey, and reservoir fluid analysis;
  - f. Immediately upon completion of any seismograph program in which Lessee has a nonconfidential proprietary interest in the data acquired, duplicate copies of a plat showing actual location of each shot hole and the dates occupied. Further, immediately upon termination (whether by surrender or by forfeiture) of this Lease as to any or all of the leased premises, Lessee shall deliver to Lessor copies of all basic data obtained from such seismograph surveys conducted by Lessee on such lease premises under the terms of this Lease. During the primary term hereof, Lessor shall consider and treat such information as being completely confidential and shall not divulge to any third party any of the information contained therein without first obtaining the consent of Lessee; and

g. Land survey and bore hole survey information which accurately locate by State Coordinate System any drill holes which penetrate coal seams.

9. Lessee agrees to deliver a copy, verified by some person having actual knowledge of the facts, to Lessor upon the completion or abandonment of any well drilled on the leased premises.

10. The Lessor shall be given that right of first refusal to purchase any well that has been considered either for sale or abandonment. The sale price shall be determined by the amount a third party is willing to pay or tender or, if no such offer exists, the fair market value of the property.

11. Lessee herein agrees that within thirty (30) days upon the termination, surrender or expiration of this lease or any portion thereof, the Lessee or its assigns will record in the office of the County Clerk of Fremont County, Colorado, a duly executed and acknowledged release of this lease, sufficient to release this lease of record, at the cost and expense of Lessee or assigns, and in the event of failure to do so, Lessee and his assigns shall be liable to Lessor for all damages resulting from such failure. Lessee agrees to consider requests by Lessor for releases during the time this lease is in full force but after two years from the effective date of this lease on lands and formations no longer needed by Lessee in Lessee's own program.

12. This lease shall terminate at the end of the primary term and all rights shall revert back to Lessor as to all those lands not then included within a production or spacing unit prescribed by law or administrative authority on which is located a well producing or capable of producing oil and/or gas in commercial quantities or on which Lessee is engaged in drilling or reworking operations and, as to all depths below the deepest then producing formation associated with a production or spacing unit. In the event not spacing unit is prescribed by law or administrative authority it shall be deemed to be the forty acre tract surrounding the well bore where said well is located. This lease shall terminate at the end of the primary term and all rights shall revert to Lessor, unless prior to the end of the said primary term Lessee shall have commenced actual drilling operations for a well on the leased premises, which operators are diligently prosecuting over the end of the primary term to an objective depth that would be drilled by a reasonably prudent operator. This lease shall not terminate so long as drilling or reworking operations are being diligently prosecuted with not more than one hundred twenty (120) days elapsing between reaching total depth of one well and the beginning of operations for the drilling of another well. This continuous drilling option shall continue until relinquished by Lessee or until an oil and/or gas well has been drilled on each spacing unit on the leased premises. Lessee may drill subsequent wells either on the leased premises or on land communitized, or pooled therewith. If a well is drilled off the leased premises, the spacing shall still be limited to the spacing unit and only so much of the leased premises as necessary to complete these size spacing units may be included in such unit. The area to be retained around producing or shut-in well shall be designated by the Lessee and a

Slanovich/Chandler Creek Letter Agreement  
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designation of unit shall be filed of record in office of the County Clerk, Fremont Count, Colorado.

13. If at any time the drilling of a well is commenced within less than one hundred twenty (120) days after the commencement of the prior well, Lessee shall received the difference between the actual time elapsing and the one hundred twenty (120) day time period specified. Such time, if any, in which Lessee begins operations prior to the one hundred twenty (120) day time period, shall be cumulative, and Lessee shall have the right to use such cumulative time in postponing the time for the commencement of further wells.
14. If Lessee has commenced the drilling of any well and has otherwise complied with all applicable provision of this lease, but encounters impenetrable substances or mechanical difficulties Lessee shall have the right to drill a substitute well in lieu of such well. Actual drilling operations of any substitute well must commence within ninety days (90) days after abandonment of the well for which it is a substitute, and otherwise be drilled in the same manner, and to the same equivalent depth as the well which has been abandoned.
15. ~~In the event Lessee has conducted or caused to be conducted a 3D seismic survey covering all or a portion of the leased premises, if at the primary term this lease or portions of this lease are not otherwise continued in force under the provisions hereof, this lease shall expire, unless Lessee on or before the end of the primary term shall pay or tender to Lessor, the sum of \$10.00 multiplied by the number of net mineral acres owned by Lessor in the land above described and then subject to this lease, and subject to the other provisions of this lease, the primary term shall extend for an additional term of two (2) years from the end of the primary term hereof.~~

If the foregoing fully sets forth your understanding of the additional terms and conditions of the above referenced oil and gas lease, please so indicate by signing in the space provided below and return one executed copy of this Letter Agreement to my attention.

Very truly yours,

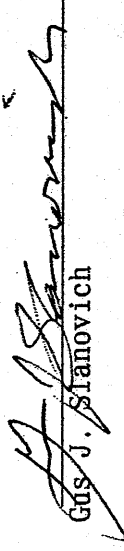


James P. Crawford  
President

Accepted and approved this 9<sup>TH</sup> day of SEPTEMBER, 2005.



Daniel L. Slanovich

  
Gus J. Slanovich