

Jensen NE/NE SEC 31

113362

SP 15 TH KJ OIL AND GAS LEASE

AGREEMENT, Made and entered into the 15<sup>th</sup> day of November, 2007 by and between Stuart D. Jensen and Kerl B. Jensen, husband and wife, whose address is 6434 County Road 309, Parachute, CO 81635, hereinafter called Lessor (whether one or more) and:

Williams Production RMT Company  
1515 Arapahoe Street, Tower 3, Suite 1000  
Denver CO 80202

hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and more 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 said 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 gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care 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 84 West, 6th P.M.

Section 30 and 31: A tract of land being the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 31 and a portion of Lot 10 (SE $\frac{1}{4}$ SE $\frac{1}{4}$ ) in Section 30, more particularly described as follows:

Beginning at the Northeast corner of said Section 31,  
thence South 00°48'12" East 1307.19 feet to the Southeast Corner of said NE $\frac{1}{4}$ NE $\frac{1}{4}$ ;  
thence North 89°42'35" West 1255.48 feet to the Southwest Corner of said NE $\frac{1}{4}$ NE $\frac{1}{4}$ ;  
thence North 01°09'38" West 1310.85 feet to the Northwest Corner of said NE $\frac{1}{4}$ NE $\frac{1}{4}$ ;  
thence North 02°44'35" West 51.83 feet to a point on the westerly line of said Lot 10;  
thence South 89°32'54" East 1265.09 feet to the easterly line of said Section 30;  
thence South 04°32'21" East 51.84 feet along said easterly line to the point of beginning.

Including any right, title and interest Lessor may have in and to any mineral rights lying in or under any and all streets, county roads, highways, railroad strips and / or rights-of-way, canals, ditches and other waterways lying across and / or adjacent and / or in any way appertaining to the lands hereinabove described

and containing 40.0 acres, more or less. This lease shall specifically include coal bed gas and occluded gas from coal seams.

- It is agreed that this lease shall remain in force for a term of five (5) years from the date hereof 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 re-working 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 re-working 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. In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph: (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.
- This is a PAID-UP LEASE. In consideration of the cash down 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 release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.
- 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 wells on said land, the equal eighteen percent (18%) part of all oil produced and saved from the leased premises.
  - To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, eighteen percent of the net proceeds derived from such sale or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of eighteen percent of such gas and casinghead gas, Lessor's interest, in either case, to bear eighteen percent of the cost of transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.
  - 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 eighteen percent (18%) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.
- 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 hereunder, such 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 such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.
- If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.
- Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon.
- When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.
- No well shall be drilled nearer than 200 feet to the house or barn, now on said premises without written consent of Lessor.
- Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.
- 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.
- The rights of Lessor and Lessee hereunder 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 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 as 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 leasehold owner shall be liable for any act or omission or any other leasehold owner.

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