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PRODUCERS 88-PAID UP

Rev. 5-60, No.-2 - 10pt.-Amended

OIL AND GAS LEASE

(Paid-Up)

THIS AGREEMENT is made and entered into the **30th day of December, 2008**, by and between **J & J - NT, LLC**, a Colorado limited liability company, P.O. Box 150, Hygiene, CO 80533, hereinafter called Lessor (whether one or more); and **Synergy Resources Corporation**, a Colorado corporation, 20203 Highway 60, Platteville, CO 80651, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of **Ten and more (\$10.00+)** 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 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 Weld, State of Colorado, described as follows, to-wit:

See attached Exhibit A for legal description and additional provisions,

and containing 233.91 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of **three (3) 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 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.

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 release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbon separated at Lessee's separator facilities, the royalty shall be 14% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price, then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 14% of the net proceeds realized by Lessee (after deducting the taxes and costs set forth in subsection 3(c) hereof) from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, and any costs incurred by Lessee in treating (including without limitation, dehydrating and sweetening), processing, gathering, transporting, compressing, delivering and otherwise marketing such production, without regard as to any judicial determination as to when or where such gas may be deemed to be marketable.

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 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.

5. 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.

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. Lessee shall bury Lessee's pipe line below plow depth.



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8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

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 in 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 of any other leasehold 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 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 upon which a well has theretofore been completed or upon which operations for drilling have theretofore 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 elsewhere herein specified, including shut-in gas royalties, Lessor 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,

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 if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor 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 above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein. Lessor agrees to execute such further assurances as may be requisite for the full and complete enjoyment of the rights herein granted.

15. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

16. Anything to the contrary herein notwithstanding, if Lessor owns a greater interest in the lands described than is purported to be leased hereby or hereafter acquires any additional interest or title in the lands described, then this lease shall cover such greater or additional after-acquired interest or title, and Lessor agrees to give Lessee written notice of any such acquisition as soon as the same is made, in which event the royalties payable to Lessor shall be increased proportionately.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

J & J - NT, LLC

By: John O. Cletcher, Jr.

John O. Cletcher, Jr., Manager

STATE OF COLORADO)

)

) ss.

ACKNOWLEDGMENT

COUNTY OF BOULDER)

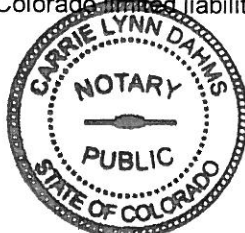
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The foregoing instrument was acknowledged before me this 30th day of December, 2008, by John O. Cletcher, Jr., as Manager of J & J - NT, LLC, a Colorado limited liability company, on behalf of said company.

Witness my hand and official seal.

My commission expires:

7-7-2012



Carrie Lynn Dahms
Notary Public

My Commission Expires July 7, 2012

Exhibit A

Addendum to Paid-Up Oil and Gas Lease ("Addendum")

This Exhibit A is attached to and made a material part of that certain "Paid Up Oil and Gas Lease" dated December 30, 2008 by and between J & J – NT, LLC, a Colorado limited liability company, as Lessor and Synergy Resources Corporation, a Colorado corporation, as Lessee (the "Lease"), covering the following described lands:

Township 4 North, Range 68 West, 6th P.M., Weld County, Colorado
Section 21: NW¼ and all that portion of the N½SW¼ described as follows:
Commencing at the Southwest corner of the said N½SW¼; thence S 89° 53' 43" E, 1500 feet; thence North 46°23' 43" E 510.00 feet; thence North 74°53' 43" E 832.07 feet to the easterly line of said SW¼; thence northerly along said line 762.25 feet to the center quarter corner of said Section 21, thence N 89°55' 34" W 2667.77 feet to the westerly line of said SW¼; thence S 00°24' 22" W 1331.53 feet to the point of beginning.

and containing 233.91 acres, more or less.

1. **Royalty.** Notwithstanding the provisions of Section 3 of the Lease or any other royalty provisions herein, the following royalty rates shall apply, depending on the type of well drilled. For wells drilled vertically from legal surface drilling windows described in Rule 318A of the Colorado Oil and Gas Conservation, the royalty rate shall be 18.5% instead of 14%. For all wells drilled directionally, the royalty rate shall be 14%.

2. **Approval of Drillsites.** The parties agree that the lands covered hereby have future development potential. In light of such potential, Lessor shall approve each proposed well location before drilling, which approval shall not be arbitrarily withheld by Lessor. The parties shall use their best efforts to enter into a mutually acceptable Surface Use Agreement governing the location of wells, flowlines and all production facilities relating to this Lease.

3. **Access to Wells and Batteries.** Without the express written consent of Lessor, Lessee shall access all wellsites and tank battery locations via roads, existing or to be built, along the east property line and along the south property line.

4. **Indemnification of Lessor.** It is agreed that the Lessee and its successors and assigns shall be liable for, and shall exonerate, indemnify, and defend Lessor and Lessor's successors in title, and all surface owners and surface Tenants and Lessees of land to which this oil, gas and minerals lease pertains, against any and all claims, losses, damages and costs including costs, arising from any acts or omissions pertaining to activities or operations of Lessee, its employees, representatives, agents, invitees, guests or contractors, and any and all related expenses (including, without limitation, attorney's fees). This exoneration and indemnification shall, without limitation: (i) cover bodily injury, death, damage to property or natural resources, and compliance with all legal obligations (including, without limitation, any governmental order, directive or demand to test for, monitor, clean-up, remove, contain, treat, detoxify or neutralize any pollutants or to conduct any corrective action and to undertake any response, removal or



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remedial activity, and to pay all the related costs) arising from any presence, treatment, storage, disposal, dispersal, discharge, release, or escape of hydrocarbons, chlorides, gas vapors, or other irritants, or contaminants, pollutants, hazardous material, hazardous substance or waste, or any other toxic substance, or oil or gas or constituent parts even if not considered hydrocarbons, and any spillage, and (ii) be deemed a continuing exoneration and indemnification, without limitation of duration, that shall survive the expiration or termination of this lease and of the activities and operations of Lessee, and shall apply after discovery of conditions and matters that were not actually discovered prior to the expiration or termination of the Lease.

5. Term and Continuation. It is further agreed between parties hereto that this lease shall not terminate at the end of the primary term so long as drilling or reworking operations are being continuously prosecuted with not more than Ninety (90) days between completion or abandonment of one well and the beginning of operations for the drilling of another well has commenced on the leased lands. Should lessee, their successors or assigns, not commence drilling or reworking operations within the 90 day continuous period at the end of the primary term this lease shall terminate as to all of the leased land, except those lands 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 gas or on which lessee is engaged in drilling or re-working operations.

6. No Amendment by Division Order. No division order will operate to amend any provision of this lease.

7. Shut-In. Notwithstanding the provisions of Section 4 of the Lease, Lessee shall not shut-in a gas well for more than five (5) cumulative years from the end of the primary term of this oil and gas lease without the written consent of Lessor, his heirs or assigns. Annual royalty for a shut-in gas well from the time of discovery shall be at the rate of Five and no/100's dollars (\$5.00) per net mineral acre.

8. Unitization. Lessee may not unitize the leased premises or any part of the leased premises 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 without prior written consent of the Lessor, which consent shall not be unreasonably withheld. Lessee 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 above and as to any one or more of the formations hereunder, to pool the leasehold estate and the mineral estate covered by this lease with the other land, lease, or leases in the immediate vicinity in order to form spacing units for the production of oil and gas, or separately for the production of either. All such pooling shall be in accordance with the spacing rules of the Colorado Oil and Gas Conservation Commission.

9. Mineral Reservation. It is understood and agreed that this Lease covers and includes oil and gas only (including oil and gas, all constituent elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived therefrom and produced therewith, including sulphur), and that all minerals other than the foregoing are excepted herefrom and reserved to Lessor.



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10. General Provisions.

- a. If the terms of this Addendum and the terms of the printed "Paid-Up Oil and Gas Lease" conflict, the terms of this Addendum shall control unless stated otherwise herein.
- b. This Addendum and all of its terms and conditions shall be binding upon said Lessor and Lessee, and their respective heirs, successors and assigns.

Entered into as of the date first set forth above.

Lessor:

J & J – NT, LLC, a Colorado limited liability company

Lessee:

Synergy Resources Corporation, a Colorado corporation

By: John O. Cletcher, Jr.
John O. Cletcher, Jr., Manager

By: William E. Seaff, Jr.
Print Name: William E. Seaff, Jr.
Its: Vice President

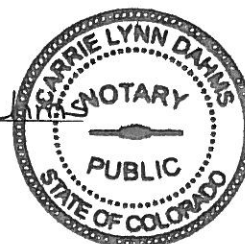
STATE OF COLORADO)
)ss.
COUNTY OF BOULDER)

The foregoing instrument was acknowledged before me by John O. Cletcher, Jr., as Manager of J & J – NT, LLC this 30th day of December, 2008.

Witness my hand and official seal.

My commission expires: 7-7-2012.

Carrie Lynn Davis
Notary Public



My Commission Expires July 7, 2012

STATE OF COLORADO)
)ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me by William E. Seaff, Jr., as Vice-President of Synergy Resources Corporation this 8th day of January, 2009.

Witness my hand and official seal.

My commission expires: 11-20-2011.

Sharon L. Sandberg
Notary Public

