

THIS AGREEMENT, made this 17th day of January, 1990, between
Richard C. Jolley and Mary Louise Jolley, husband and wife, Breckinridge, a single man, and
Kent S. Jolley and Anne E. Jolley, husband and wife, 1288 Road 245, New Castle, Colorado 81647,
Lessor (whether one or more), and Kinney Oil Company, P.O. Box 7086, Denver, Colorado 80201,
Lessee, WITNESSETH:

1. Lessor, in consideration of Ten and more \$10,000 Dollars, the receipt and sufficiency of which is hereby acknowledged, of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas (including, but not limited to, gas producible from coal-bearing formations) and all substances produced in association therewith, having pipes, building tanks, power stations, transmission lines, roads and other structures thereon to produce, save, take care of, load, transport and own said products, and housing its employees, the following described land (hereinafter called "said land") in GARFIELD County, Colorado, to wit:

TOWNSHIP 6 SOUTH-RANGE 91 WEST, 6TH R.M. See Exhibit "A" attached hereto and made a part hereof

Section 7: E8E1

Section 8: E8E2, W1SW1, SE1SW1, SW1SE1

Section 9: W1SW1, SE1SW1

Section 16: N1NW1, SW1NW1, N1SW1, SE1SW1

Section 17: SW1NE1, SE1NW1, E1SW1, W1SE1

Section 20: N1NE1, SE1NE1, NE1NW1, E1SE1

Section 21: NW1NE1, NE1NW1, W1SW1

of Section xxxx Township xxxx Range xxxx GARFIELD COUNTY, COLORADO

In addition to said land, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as is specifically described herein all lands owned by or claimed by Lessor which are adjacent, contiguous or form a part of said land, 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 land. Said land shall be deemed to contain 1480.00 acres, whether it actually comprises more or less.

2. Without reference to the commencement, prosecution or cessation of any kind of drilling or other development operations, and/or to the discovery development or cessation of any kind of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of three years from the date (called "PRIMARY TERM") and as long thereafter as oil or gas is produced from said land with which said land is pooled herunder, or drilling or reworking operations are conducted thereon.

3. The royalties to be paid by Lessor are: (a) on oil and other hydrocarbons, one-eighth of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land or used off said premises as in the manufacture of gasoline or other products therefrom, the market value at the well of one-digital oil produced so sold or used, provided that if no product sold at the well the royalty shall be one-eighth of the amount realized from such sale. Lessee shall have the use of oil, gas, and water from said land, except water from Lessor's wells, streams, lakes and ponds, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. If a well capable of producing gas and/or oil, in paying quantities is located on said land and is shut-in, before production commences, or at any time thereafter, this lease shall continue in effect for a period of one year from the date such well is shut-in. Lessee may thereafter, pay or tender to Lessor as royalty, oil or gas before a one year from the date such well is shut-in, an amount of \$100.00 per well, per year, and, if such payment or tender is made, such well shall continue this lease in effect for a further period of one year, in the manner and upon the payments or tenders aforesaid made on or before each anniversary of the shut-in date of such well, such well shall continue this lease in effect for successive periods of twelve (12) months each. Notwithstanding any other provision to the contrary, this lease shall not terminate because of a failure to properly or timely make such shut-in well payment and Lessee shall have failed for a period of thirty (30) days after receipt of such notice to tender such payment in the proper amount, together with a late or improper payment penalty of \$100.00.

5. If at the expiration of the primary term Lessee is conducting operations for drilling or reworking on said land or drilling has completed a dry hole thereon within one hundred eighty (180) days prior to the end of the primary term, or, if, after the expiration of the primary term, production on said land still exists, or in any case, this lease nevertheless shall continue in full force so long as operations for drilling or reworking on any existing or succeeding well are being conducted with no cessation of more than one hundred eighty (180) consecutive days and, if such operations result in production, so long thereafter as oil or gas is produced from said land.

6. Lessor, at its option, is hereby given the right and power to pool or combine said land, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases wherein Lessor's interest is necessary or advisable to do so in order to properly develop and operate said land, such pooling to be into a unit or units not exceeding one hundred and sixty (160) acres, plus or minus a tolerance of ten percent (10%) of one hundred and sixty (160) acres, for oil, and not exceeding six hundred and forty (640) acres, plus or minus a tolerance of ten percent (10%) of six hundred and forty (640) acres for gas, except that larger units may be created to conform to any seismic or well test pattern that may be permitted by governmental authorities having jurisdiction. Lessor may pool or combine said land, or any portion thereof, as aforesaid, provided, as to oil or gas, any or more units, and units so formed need not conform in size or area with the unit or units into which said land is pooled or combined or to any other station or unit, and off-unit areas need not conform as to areas with the unit or units into which said land is pooled or combined or to any other station or unit, and portions thereof into other units. Lessor shall execute in writing and place of record an instrument or instruments eliminating and describing the pooled acreage. The unit or acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were located in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the location of a well as a shut-in 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 shut-in well were on said land, whether or not the well or wells are located on said land. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit (or units, or both) equal to the royalty stipulated herein as the amount of earnings from said land placed in the unit or Lessor's royalty account. Lessee is liable for the total earnings so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the minimum number of acres hereinabove specified, then Lessor may at any time unitize, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is enlarged, Lessor shall execute and/or record a supplemental declaration of unitization identifying and describing the land added to 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 next following the filing thereof. In the absence of production Lessor may terminate any unitization now by filing of record notice of termination.

7. Lessor also shall have the right to utilize, pool, or combine all or any part of said land with other lands in the same general area by unitizing into a cooperative 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 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 that said land or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the 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 purpose of computing the royalties to be paid by Lessor 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 promptly express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

8. Lessee shall have the right at any time without Lessor's consent to sublease all or any portion of said land and be relieved of all obligation as to the acreage surrendered. Lessee shall have the right within a reasonable time after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below a dairy plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division of ownership of said land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessor. No change in the ownership of said land, or any interest therein, shall be binding on Lessee until Lessee shall be furnished with a certified copy of all recorded instruments, all court proceedings and all other necessary evidence of any transfer, inheritance, or sale of said rights. In case Lessor assigns 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.

10. Lessor shall not obtain for Lessee's benefit any lease or option to sublease or to produce oil or gas from said land, nor shall Lessor lease or otherwise dispose of such land as a result of Lessee's failure to pursue production from said land or prevent or sublease, or otherwise dispose of such governmental action or other cause, lessor shall be entitled to a reasonable royalty.

BOOK 775 PAGE 630

11. Lessor hereby waives all rights to demand the right to sublease and agrees that Lessee at its option may discharge any lease, mortgage or other lien upon said land, either in whole or in part, and in the event Lessor does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accrued hereunder toward satisfying same. Lessee shall pay all taxes based on the production from said land, and shall deduct such taxes attributable to Lessor's interest from royalty due hereunder. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately.

12. Lessor hereby releases and waives all right of dower and right of homestead under the laws of this state in and to said land to the extent of the rights granted by this lease.

13. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor, a lease covering any or all of its interests covered by this lease and covering all or a portion of said land, herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior option and right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and condition specified in the offer. All offers made up to and including the last day of the primary term of this lease shall be subject to the terms and conditions of this Section. Should Lessee elect to purchase the lease pursuant to the terms hereof, it shall notify Lessor in writing by mail or telegram prior to expiration of said 15-day period. Lessee shall promptly turn over to Lessor the new lease for execution on behalf of Lessor along with Lessee's collection draft payable to Lessor in payment of the specified amount as consideration for the new lease, such draft being subject only to approval of the according to the terms thereof. Upon receipt thereof, Lessor shall promptly execute said lease and return the same along with the endorsed draft to Lessee's representative or through Lessee's bank of record for payment.

All of the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns.

This agreement shall be binding on each of the above named parties who sign the same, regardless of whether it is signed by any of the other parties.

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

Witness of Signature

Signatures

Taxpayer Identification or
Social Security Number

Richard C. Jolley
RICHARD C. JOLLEY
Mary Louise Jolley
MARY LOUISE JOLLEY
Bret L. Jolley
BRET L. JOLLEY
Kent S. Jolley
KENT S. JOLLEY
Anne E. Jolley
ANNE E. JOLLEY

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

ACKNOWLEDGMENTS FOR USE IN ARIZONA, OREGON, NEBRASKA, KANSAS, COLORADO, WYOMING, NORTH DAKOTA, NEW MEXICO

STATE OF COLORADO:

as. (Individual(s) Acknowledgment)

COUNTY OF Garfield

The foregoing instrument was acknowledged before me this 18th DAY OF JANUARY 1990
by Richard C. Jolley and Mary Louise Jolley, husband and wife, Bret L. Jolley, a single man,
and Kent S. Jolley and Anne E. Jolley, husband and wife

My Commission expires:

Elizabeth M Holloman

Notary Public

2-19-92

Address: *Littleton, Colorado*

STATE OF _____

as. (Corporate Acknowledgment)

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____

by _____

of _____

corporation, on behalf of the corporation.

My Commission expires:

Notary Public

Form 1271 Doc-BB
(Witnesses & Pay Your Rent Up Lease)
Western States Only

No. _____	FROM	TO	Section	Range	County	2. of Acres	State Of	Sixty of	19	Instrument was filed for record on me	19	Book _____	Page _____	of the	Recorded _____	Office _____	Record and Mail to:	Spring Thesmaray	P.O. Box 1781	Glenwood Springs, Co	81602	
OIL AND GAS LEASE										day of	Month	Year	Block	Block	Page	Records of the office.	Block	Block	Block	Block	Block	Block

EXHIBIT "A"

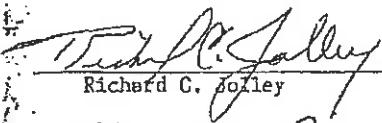
Attached to and made a part of that certain Oil and Gas lease by and between Richard C. Jolley and Mary Louise Jolley, husband and wife, Brett L. Jolley, a single man, and Kent S. Jolley and Anne E. Jolley, husband and wife, as Lessors, and Kinney Oil Company, as Lessee, dated January 17, 1990.

14. Wherever the term one-eighth (1/8th) appears in this lease, it shall by this reference be amended to read 18.75%.

15. Any gas well shut-in provision contained in the referenced lease shall extend the primary term of the lease to a maximum period of three (3) years beyond the end of the original lease primary term.

16. Excluded from this lease are the Jolley # 1, Jolley #1-8, and Snyder # 2 wellbores, and all existing down hole equipment, well hole equipment and surface production equipment located in, on or about those wellbores. Kinney Oil Company will be held harmless as to any liability involving the aforementioned wells.

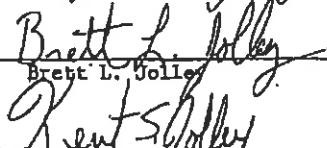
Signed for Identification this 18th day of January 1990



Richard C. Jolley



Mary Louise Jolley



Brett L. Jolley



Kent S. Jolley



Anne E. Jolley

Jolley #1C-17
R.O.
2/2
AG