



3663344 12/04/2009 11:45A Weld County, CO  
1 of 5 R 26.00 D 0.00 Steve Moreno Clerk & Recorder

PRODUCERS 88-PAID UP  
Rev. 2/08

## OIL AND GAS LEASE

(Paid-Up)

THIS AGREEMENT is made and entered into the **26th day of October, 2009**, by and between **WMK, LLC**, a Colorado limited liability company, P.O. Box 6811, Colorado Springs, CO 80934, hereinafter called Lessor (whether one or more); and **CREWS & ZEREN, LLC**, P.O. Box 336337, Greeley, CO 80634, 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:

**Township 4 North, Range 67 West, 6<sup>th</sup> P.M.**  
**Section 8: Those three parcels of land, all being a part of the N $\frac{1}{2}$ SW $\frac{1}{4}$ , more particularly described on Exhibit A hereto**

Including all oil and gas underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said land; and including all lands owned or claimed by Lessor as a part of any tract above described; and containing **.53.09** acres, more or less. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain 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 15% 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 15% 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. The payment of shut in gas royalties shall not extend this lease for a period greater than twelve consecutive months.

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

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

9. 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.

10. 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.

11. 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.

12. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

13. Lessor hereby warrants and agrees to defend the title to the lands herein described, and 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.

14. 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.



15. 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.

16. The approximate location of wells, access roads, temporary road to the well sites and the location of flow lines, separators, tank battery facilities and other facilities to be constructed on the lands described on Exhibit A are depicted on Exhibit B hereto. Any changes to the location of the wells, access roads and other facilities depicted on Exhibit B hereto may only be made with the express written consent of Lessor. Lessee agrees not to use any more of the surface of the lands than is reasonably necessary to conduct its operations; provided, however, that the well site will not exceed 1.75 acres, or 200 feet by 350 feet in area, absent express written consent from Lessor; and the access road which shall be located along the southern boundary line of the leased premises, shall not exceed 20 feet in width as depicted on Exhibit B. Lessee will make reasonable attempts to access the well site, if possible, by using the existing road on lands to the south of the leased premises; however, if access by use of the existing road is not permissible, Lessee shall construct it's access road as depicted on Exhibit B, and shall maintain same at it's sole cost and expense. No additional surface locations will be permitted upon the subject property unless approved in writing by the Lessor. Surface operations conducted on the leased premises are expressly limited to the two well heads depicted on Exhibit B.

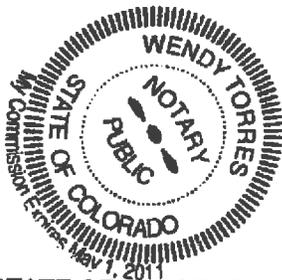
17. Notwithstanding anything to the contrary herein contained, without first obtaining the express written consent of Lessor, drilling operations shall not be conducted during crop season which shall be defined as April 1 through November 1 (unless actually harvested prior to November 1).

18. All gas pipelines shall be buried below plow depth and placed in the 20 foot wide access easement which lies along the southern boundary line of the property and depicted on Exhibit B. If, in operation of the lands herein described for farming or other reasonable purposes, it becomes necessary to lower any of said pipelines, Lessee agrees to do so at its sole cost and expense upon written request from Lessor.

19. All excavations in connection with drilling operations shall be accomplished with the top soil stockpiled and upon completion of Lessee's operations, the excavations shall be promptly filled in and the top soil replaced. All drilling mud and fluids shall be removed from the premises. No trash, metal parts, plastic or other foreign material shall be buried on the premises. Lessee shall repair all damages caused by its operations on the lands to personal property and improvements, including, but not limited to damages to any irrigation ditches that exist on the lands; and, shall restore the surface thereof as near to its original condition as is practicable. Prior to commencing operations on the lands described on Exhibit A, Lessee shall pay the surface owner the sum of \$3,000 for each well site located on the lands and such sum shall be deemed full and agreed consideration for all reasonable and customary damages caused or created by its operations in connection with the drilling and completion of the wells depicted on Exhibit B.

20. Lessee shall provide Lessor with log and other production information on wells drilled on the lands herein described within 30 days after receipt of written request by Lessor. Lessor shall keep such information confidential.

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



WMK, LLC, a Colorado limited liability company

By: Lynn Hiffers  
Lynn Hiffers, manager

STATE OF COLORADO )

COUNTY OF Weld )

) ss.

**ACKNOWLEDGMENT**

The foregoing instrument was acknowledged before me this 18th day of November, 2009, by Lynn Hiffers as manager of WMK, LLC, a Colorado limited liability company, on behalf of said company.

Witness my hand and official seal.

My commission expires:

May 1, 2011

Wendy Torres  
Notary Public



**EXHIBIT A**

to

**Oil and Gas Lease dated October 26, 2009  
between WMK, LLC, as Lessor, and CREWS &  
ZEREN, LLC, as Lessee**

The lands covered by this lease are more particularly described as follows:

**Township 4 North, Range 67 West, 6<sup>th</sup> P.M.**

**Section 8: Parcel 1:** All that part of the SW $\frac{1}{4}$  of said Section 8, more particularly described as follows: Beginning at a point on the West line of said SW $\frac{1}{4}$  2109.6 feet North of the Southwest Corner of said Section; thence East 2486 feet to a point on the East line of said SW $\frac{1}{4}$ ; thence North 522.4 feet, more or less, along said East line of said SW $\frac{1}{4}$  to the Northeast Corner of said SW $\frac{1}{4}$ ; thence West along the North line of said SW $\frac{1}{4}$ , 2486 feet, more or less, to the Northwest Corner of said SW $\frac{1}{4}$ ; thence South along the West line of said SW $\frac{1}{4}$ , 522.4 feet, more or less, to the Place of Beginning.

EXCEPTING THEREFROM the following parcel: All that part of the SW $\frac{1}{4}$  of said Section 8, more particularly described as follows: Beginning at the Northwest Corner of said SW $\frac{1}{4}$ ; thence South along the West line of said SW $\frac{1}{4}$  100 feet; thence East 230 feet to a point; thence North 100 feet, more or less, to the North line of said SW $\frac{1}{4}$ ; thence West along said North line of said SW $\frac{1}{4}$  230 feet, more or less, to the Point of Beginning.

**Parcel 2:** All that part of the SW $\frac{1}{4}$  of said Section 8, more particularly described as follows: Beginning at the Northwest Corner of said SW $\frac{1}{4}$ ; thence South along the West line of said SW $\frac{1}{4}$  100 feet; thence East 230 feet to a point; thence North 100 feet, more or less, to the North line of said SW $\frac{1}{4}$ ; thence West along said North line of said SW $\frac{1}{4}$  230 feet, more or less, to the Point of Beginning.

**Parcel 3:** All that part of the SW $\frac{1}{4}$  of said Section 8, more particularly described as follows: Beginning at a point 907.6 feet South of the Northwest Corner of said SW $\frac{1}{4}$ ; thence East 2486 feet to a point on the East line of said SW $\frac{1}{4}$ ; thence North 385.2 feet; thence West 2486 feet to a point on the West line of said SW $\frac{1}{4}$  which is 522.4 feet South of the Northwest Corner; thence South along the West line of said SW $\frac{1}{4}$  385.2 feet to the Point of Beginning.

EXHIBIT B

N1/2 OF THE SW1/4 OF SEC. 8, T4N, R67W OF THE 6TH P.M.

NW COR.  
SW1/4 SEC. 8

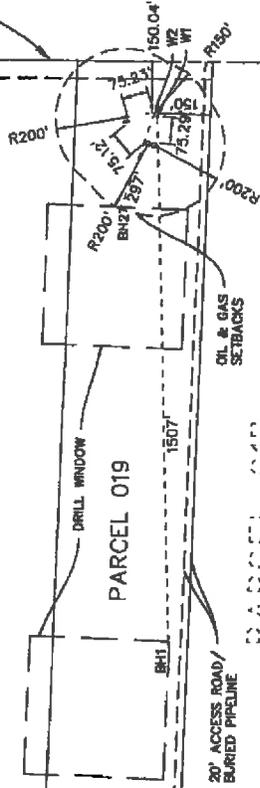
NE COR.  
SW1/4 SEC. 8

N88°46'34"W 2465.51'

PARCEL 020

N00°00'00"W 1315.41'  
 BASIS OF BEARING  
 (WEST LINE OF THE SW1/4 SEC. 8)

- LEGEND
- SECTION CORNER
  - PROPOSED WELL/BOTTOM HOLE
  - PROPOSED TANK
  - PROPOSED SEPARATOR



PARCEL 019

PARCEL 019

SW COR. N1/2  
SW1/4 SEC. 8

S88°52'45"E 2476.74'

SE COR. N1/2  
SW1/4 SEC. 8

PROPOSED WELL AND BOTTOM HOLE LOCATIONS:

- PROPOSED WELL 1  
757' FNL, 150' FEL  
ELEV: 4818.40'  
LAT: 40°15.51' N  
LONG: 104°15'14" W  
THIS IS A DIRECTIONAL WELL  
BH1 852' FNL, 1665' FEL
- PROPOSED WELL 2  
748' FNL, 150' FEL  
ELEV: 4818.40'  
LAT: 40°15.51' N  
LONG: 104°15'14" W  
THIS IS A DIRECTIONAL WELL  
BH2 660' FNL, 431' FEL

I HEREBY STATE TO \_\_\_\_\_ THAT THIS WELL LOCATION CERTIFICATION IS LOCATED AS SHOWN.

LORRY R SHANKS, PLS 26285  
 THIS IS NOT A MONUMENTED BOUNDARY SURVEY, IT IS ONLY A DRAWING INTENDED TO DEPICT THE WELL LOCATION TO SECTION LINES.



SCALE: 1"=500'

NOTES

1. LISTED DISTANCES ARE CALCULATED.
2. EXTERIOR SECTION LINES ARE DRAWN TO SCALE FROM FOUND MONUMENTS.
3. DISTANCES TO WELLS ARE SHOWN PERPENDICULAR TO THE NEAREST NORTH AND EAST SECTION LINES OF PROPOSED LOCATIONS.
4. PROPOSED WELLS ARE GROUPED AT 12' SPACING. PROPOSED TANKS ARE AT 4' SPACING AND PROPOSED SEPARATORS ARE AT 8' SPACING.
5. ELEVATIONS REFER TO BM 80-15 KSI DATED 2002, A 3 1/4" ALUM. CAP LOCATED NORTH OF HIGHWAY 80, 130' WEST OF WELD COUNTY ROAD 15 AT THE NORTH-EAST CORNER OF STORM INLET MANHOLE, NORTH OF SKEWALK, ELEV: 4868.41 FEET (1988 DATUM).

DATE PREPARED: 9-28-08  
 DREXEL, BARRELL & Co.  
 Boulder - Colorado Springs  
 Greeley - Grand Junction - Steamboat Springs 61663