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Recorded at 302 o'clock M. AUG 21 1970

BOOK 631

Rec. No. 15 460 Ann Spomer, Recorder

INDEXED

OIL AND GAS LEASE

THIS AGREEMENT made this 30th day of July 1970, between UNION PACIFIC RAILROAD COMPANY, a Utah corporation authorized to do business in the State of Colorado, Lessor, and PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation authorized to do business in said State, Lessee,

WITNESSETH:

1. Lessor, for a good and valuable consideration, receipt of which is hereby acknowledged and in consideration 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 (gas for all purposes being defined without limitation, to include dry gas, casinghead gas, distillate, condensate, helium and all other gaseous substances), and associated liquid hydrocarbons, and, subject to the provisions of Sections 14, 15 and 16 hereof, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products and housing its employees, the following described land in Weld County, Colorado

to-wit: Township 3 North, Range 65 West  
Section 7: Lots 1(39.88), 2(39.88), 3(39.88), 4(39.88), E $\frac{1}{2}$ W $\frac{1}{2}$ , SE $\frac{1}{4}$   
Section 17: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 19: SE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$   
Section 21: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 29: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Township 3 North, Range 66 West  
Section 13: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 15: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 23: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 25: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 27: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 29: SE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$  ✓  
Section 33: NW $\frac{1}{4}$ , S $\frac{1}{2}$   
Section 35: NW $\frac{1}{4}$ , S $\frac{1}{2}$

USE FOR making copies

In addition to the land above described, Lessor hereby grants, leases and lets exclusively unto Lessee to the same extent as if specifically described herein all oil, gas and associated liquid hydrocarbons underlying lakes, rivers, streams, roads, easements and rights-of-way (other than railroad rights-of-way) which traverse or adjoin any of said lands. For rental payment purposes, the land included within this lease shall be deemed to contain 5,719.52 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of 5 years from its date (called "primary term") and as long thereafter as oil, gas or associated liquid hydrocarbons or any of them are produced from said land hereunder, or drilling or reworking operations are conducted thereon.

3. Lessee, within three months from the date of this lease, shall commence the actual drilling of a test well on the leased premises; and thereafter shall prosecute the drilling of said well diligently, without unnecessary delay and in a workmanlike manner. If the actual drilling of said well is not commenced within the time prescribed, this lease will automatically terminate.

4. The royalties to be paid by Lessee are: (a) on oil and on associated liquid hydrocarbons, 15% of that produced and saved from said land, the same to be delivered free of cost at the wells, or to the credit of Lessor into the pipe line to which the wells may be connected; (b) on gas produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of 15% of the gas so sold or used; provided that on gas sold at the wells the royalty shall be 15% of the amount realized from such sale. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

While there is a well on the leased premises or on acreage pooled therewith capable of producing only gas, but from which well production is not being sold or used, and in the absence of oil or other production from said premises, this lease shall be extended for a period of 90 days from the date such well is shut-in, and Lessee may tender or pay annually as royalty a sum equal to the amount of annual rentals which would be payable during the primary term to defer drilling operations on the leased premises then subject to this lease; payment or tender of such royalty to be made as provided in Section 5 hereof, with the first payment to be made on or before 90 days from and after the date on which such well is shut-in and a similar payment to be made annually thereafter on or before the anniversary date on which such well is shut-in. If such payments are so made, it shall be considered that gas is being produced in paying quantities from the leased premises under all the terms and provisions of this lease.

If any portion of the leased premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be reduced in the proportion that the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated bears to the total acreage contained in such pooled unit as provided in Section 7 hereof.

Lessee shall use reasonable diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which, in Lessee's good faith judgment, are unreasonable or unsatisfactory.

Lessee may from time to time purchase any royalty portion of oil or associated liquid hydrocarbons in its possession, paying the market price therefor prevailing in the field where produced on the date of purchase; provided, however, that if Lessor shall so elect, Lessee shall deliver to Lessor in kind its royalty share of oil and associated liquid hydrocarbons. In the event of such election, Lessor shall give to Lessee not less than 60 days' notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any such deliveries are to be made from the facilities of Lessee, which shall have been installed for its own convenience at times and in amounts which equitably adjust deliveries of both parties.

5. If the well provided for in Section 3 hereof is drilled and completed as a dry hole and if operations for drilling are not commenced on said land as hereinafter provided on or before one year from this date, the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor, Att'n: Assistant Treasurer, 1416 Dodge St., Omaha, Nebraska 68102, the sum of Five Thousand Seven Hundred Nineteen and 52/100----- Dollars (\$5,719.52), (herein called rental), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental herein referred to may be made in currency, draft or check at the option of the Lessee; and the depositing of such currency, draft or check in any post office, properly addressed to the Lessor, on or before the rental paying date, shall be deemed payment as herein provided. Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described premises, furnishing a copy thereof to Lessor, 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 hereby is reduced by said release or releases.

If Lessee shall, on or before any rental date, make a bona fide attempt to pay rental to Lessor and if such payment shall be in an incorrect amount, Lessee shall be unconditionally obligated to pay to Lessor the rental properly payable for the rental period involved, but this lease shall be maintained in the same manner as if such erroneous rental payment had been properly made, provided that the erroneous rental payment be corrected within thirty (30) days after receipt by Lessee of written notice from such Lessor of such error accompanied by any documents and other evidence necessary to enable Lessee to make proper payment.

6. Should any well drilled on the above described land during the primary term before production is obtained be a dry hole, or should production be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land on or before the first rental paying date next succeeding the cessation of production or drilling or reworking on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 5 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil, gas or associated liquid hydrocarbons on said land Lessee should drill a dry hole thereon, or if after discovery of oil, gas or associated liquid hydrocarbons before or during the last year of the primary term the production thereof should cease during the last year of said term from any cause, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, Lessee is conducting operations for drilling a new well or reworking an old well, this lease nevertheless shall continue in force as long as such drilling or reworking operations continue, or if, after the expiration of the primary term, production on this lease shall cease, this lease nevertheless shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; if production is restored or additional production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than sixty (60) days, this lease shall continue as long thereafter as oil, gas or associated liquid hydrocarbons are produced and as long as additional drilling or reworking operations are had without cessation of such drilling or reworking operations for more than sixty (60) consecutive days.

7. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten per cent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas 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 completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, 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 so enlarged, Lessee shall execute and place of 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 Lessee may terminate any unitized area by filing of record notice of termination.

This Section 7 shall not affect the provisions of Section 3.

8. Lessee shall have the right at any time without Lessor's consent to surrender all or any portion of the leased premises and be relieved of all obligations as to the acreage surrendered arising subsequent to the date of surrender. Lessee shall have the right at any time during or within one year 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.

9. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to the successors and assigns of the parties hereto, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the 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 event of the assign-

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ment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable among the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. In case Lessee 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. 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, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee other than financial.

If, during the term of this lease, oil or gas or associated liquid hydrocarbons are discovered upon the leased premises, but Lessee is prevented from producing the same by reason of any of the causes set out in this Section, this lease shall nevertheless be considered as producing and shall continue in full force and effect until Lessee is permitted to produce the oil, gas or associated liquid hydrocarbons, and as long thereafter as such production continues in paying quantities or drilling or reworking operations are continued as elsewhere herein provided.

11. Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. If Lessor owns an interest in said land less than the entire fee simple estate in and to oil, gas and associated liquid hydrocarbons, then the royalties and rentals to be paid Lessor shall be reduced proportionately.

12. This lease does not cover oil shale.

13. The rights granted under this lease are granted without covenants of title or to give possession or for quiet enjoyment.

14. Lessor reserves the right to use such portions of the leased premises as may not be required by Lessee in the conduct of its operations hereunder, for all purposes not inconsistent with the rights granted hereby, and Lessee shall so conduct its operations as not to interfere unreasonably with such use; provided, nevertheless, that the use of the leased premises by the Lessor shall not unreasonably interfere with the operations of the Lessee.

15. Lessee shall not make any entry upon or under any portion of the right of way or station grounds of Lessor for any of the purposes of this lease, and shall not drill any well or maintain any structures within two hundred feet (200') (a) of any railroad tracks or buildings on said right of way or station grounds, or (b) of any buildings upon the leased premises.

16. Notwithstanding anything to the contrary in this lease contained, no well shall be drilled upon or into and no facilities shall be installed upon any lands in which Lessor owns the mineral rights only, until the consents of the surface owners have been obtained under written instruments satisfactory to Lessor. Lessor will endeavor to obtain such consents and the Lessee agrees to cooperate. Any payments which the Lessor elects to pay to the surface owners shall be paid by Lessor out of its royalty.

Lessee shall pay for all damage to surface owners' lands, buildings and growing crops caused by construction, operations or maintenance of facilities, shall bury all pipe lines below plow depth where they cross cultivated lands, shall construct gates where necessary for crossing fenced lands and keep the gates in repair and closed, and shall indemnify Lessor with respect to such obligations.

17. Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action for injury to or loss or destruction of property, and for injury to or death of any person, arising out of or in connection with operations hereunder.

Lessee shall not permit or suffer any lien or other encumbrance to be filed or to remain against the leased premises as a result of its operations hereunder, and Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action which may result from the filing of any such lien or encumbrance.

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

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

UNION PACIFIC RAILROAD COMPANY

By

*J. A. Redeker*  
Its Attorney in Fact

STATE OF COLORADO

COUNTY OF ARAPAHOE

ss.

Colorado-Wyoming  
Acknowledgment

The foregoing instrument was acknowledged before me by J. A. Redeker

as Attorney in Fact for UNION PACIFIC RAILROAD COMPANY, this 30th day of July

WITNESS my hand and official seal.

*Alberta M. Uhl*  
Notary Public

My Commission Expires October 23, 1971

STATE OF

ss.

COUNTY OF

Utah-Nebraska  
Acknowledgment

On the day of 19, personally appeared before me, a Notary Public in and for said County, personally known to me, who, being by me duly sworn did say that he is the Attorney in Fact of UNION PACIFIC RAILROAD COMPANY and that said instrument was signed as his voluntary act as Attorney in Fact for and in behalf of said corporation by authority and said acknowledged to me that he, as such Attorney in Fact, executed the same.

WITNESS my hand and notarial seal the date last aforesaid.

Notary Public

My Commission expires

No. 1553460

OIL AND GAS LEASE

FROM  
UNION PACIFIC RAILROAD COMPANY  
TO  
PAN AMERICAN PETROLEUM CORPORATION

Dated 19

Section Township Range

No. of Acres

County,

STATE OF WELD COUNTY, COLORADO  
COUNTY OF ss.

This instrument was filed for record on the

day of AUG 21 1970

19 at 3:02 o'clock P. M., and duly

recorded in book, page of

the records of this office.

*Ann Spomer*

By *Marie Hoke*

When Recorded Return to

## LEASE DESCRIPTION-EXHIBIT "A"

Township 3 North, Range 67 West

Section 13: SE/4 NE/4, S/2 NE/4 NE/4

Section 15: W/2 NE/4, SE/4 NE/4

Section 19: W/2 SE/4, SE/4 SE/4

Township 2 North, Range 67 West

Section 25: S/2 NW/4, N/2 SW/4, S/2 NW/4 NW/4

Section 31: SE/4, S/2 NE/4

Section 35: W/2 NE/4, SE/4 NE/4

Township 2 North, Range 68 West

Section 1: NW/4 SE/4, SE/4 SE/4

Section 9: SE/4 SW/4

Township 3 North, Range 66 West

Section 29: SW/4

Section 31: E/2 SW/4, SE/4, SW/4 NE/4, S/2 SE/4 NE/4

Township 2 North, Range 66 West

Section 5: Lot 2 (N/2 NW/4) (73.69), S/2 NW/4, SE/4, SW/4 NE/4

Section 9: NW/4, S/2 NE/4

Section 17: S/2 SW/4, NW/4 SW/4

Section 21: W/2 NE/4, SE/4 NE/4

Section 33: SE/4, S/2 NE/4

Township 1 North, Range 66 West

Section 9: SE/4, S/2 NE/4

Section 31: SE/4 NW/4, SW/4 NE/4

Township 1 North, Range 67 West

Section 3: SW/4, S/2 SE/4

Section 7: Lots 1 and 2 (W/2 W/2) (147.88), E/2 W/2, SE/4

Section 11: SW/4, S/2 NW/4

Section 15: W/2, SW/4 NE/4

Section 17: NW/4, S/2

Section 21: W/2, SW/4 NE/4

Section 27: NW/4, S/2

Section 35: NW/4, S/2 SE/4

Township 1 North, Range 68 West

Section 1: NW/4 SE/4, W/2 NE/4 SE/4

Containing 5741.57 acres, more or less

600041

Q. Pg. 042

3.253  
00075 2201548076 9  
MAY-26-70

OIL AND GAS LEASE

TATLOCK'S, INC.  
majestic bldg. : AM 6-1661  
denver 2, colorado

THIS AGREEMENT, Entered into this the 22nd day of April, 19 70  
between John Vincent Shields, a/k/a John V. Shields, a/k/a J. V. Shields, and  
Eirene G. Shields, his wife,  
3005 East 8th Avenue, Denver, Colorado 80206 hereinafter called lessor,  
and Walter A. Ohmart, Jr., 414 Patterson Bldg., Denver, Colorado 80202 hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten & 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 Weld, State of Colorado, and described as follows:  
West Half (W/2)

in Section 26, Township 3 North, Range 66 West, and containing 320.00 acres, more or less.

2. It is agreed that this lease shall remain in full force for a term of Five (5) 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 or lessor, free of cost, in the pipe line to which lessee may connect his wells, the equal 13% 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, 13% of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then 13% of its market value at the well. The lessee shall pay the lessor: (a) 13% of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) 13% 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. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto.

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 22nd day of April, 19 71 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 Cherry Creek National Bank at Denver, Colorado, 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 Three Hundred Twenty & NO/100 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 on 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 the next 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 for re-working 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, if production results therefrom, then as long as production continues.

13. Lessee is hereby expressly granted the right and privilege (which Lessee may exercise at any time either before or after production has been obtained upon this premises or any premises consolidated herewith) to consolidate the gas leasehold estate created by the execution and delivery of this lease, or any part or parts thereof, with any other gas leasehold estate or estates to form one or more gas operating units of not to exceed approximately 640 acres each. If such operating unit or units is so created by Lessee, Lessor agrees to accept and shall receive out of the gas production from each such unit such portion of the gas royalty as the number of acres out of this lease placed in such unit bears to the total number of acres included in such unit. The commencement or completion of a well, or the continued operation or production of gas from an existing well, on any portion of an operating unit shall be construed and considered as the commencement or completion of a well, or the continued operation of, or production of gas from a well on each and all of the lands within and comprising such operating unit; provided, that the provisions of this paragraph shall not affect the payment or non-payment of delay rentals with respect to portions of this premises not included in a unit, but this lease as to such portions of this premises not included in a unit, shall be deemed to be a separate lease. In the event portions of the above described lands are included in several units, each portion so included shall constitute a separate lease, and the particular owner or owners of the lands under each separate lease shall be solely entitled to the benefits of and be subject to the obligations of lessor under each separate lease. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the consolidated acreage.

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 lease 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:

John Vincent Shields, a/k/a John V. Shields,  
a/k/a J. V. Shields

Eirene G. Shields

601795-A

Eirene G. Shields

325

STATE OF COLORADO }  
COUNTY OF DENVER } ss

INDIVIDUAL(S) ACKNOWLEDGEMENT (Colorado, Nebraska,  
Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

2-2

On April, 19 70, before me personally appeared  
John Vincent Shields, a/k/a John V. Shields, a/k/a J. V. Shields, and  
Eirene G. Shields, his wife,

to me known to be the person(s) described in and whose name(s) is (are) subscribed and who executed the foregoing instrument and acknowledged to me that he (she) (they) duly executed the same as his (her) (their) free and voluntary act and deed, including the release and waiver of the right of homestead, the said wife (wives) having been by me fully apprised of her (their) right(s) and effect of signing and acknowledging the said instrument. Given under my hand and seal the day and year last above written.

My Commission Expires: My Commission expires Mar. 20, 1972



*Betty L. Phipps*  
Notary Public  
Residing at: Denver, Colo.

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

INDIVIDUAL(S) ACKNOWLEDGEMENT (Colorado, Nebraska,  
Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

On \_\_\_\_\_, 19\_\_\_\_\_, before me personally appeared \_\_\_\_\_

to me known to be the person(s) described in and whose name(s) is (are) subscribed and who executed the foregoing instrument and acknowledged to me that he (she) (they) duly executed the same as his (her) (their) free and voluntary act and deed, including the release and waiver of the right of homestead, the said wife (wives) having been by me fully apprised of her (their) right(s) and effect of signing and acknowledging the said instrument. Given under my hand and seal the day and year last above written.

My Commission Expires: \_\_\_\_\_

Notary Public  
Residing at: \_\_\_\_\_

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

INDIVIDUAL(S) ACKNOWLEDGEMENT (Colorado, Nebraska,  
Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

On \_\_\_\_\_, 19\_\_\_\_\_, before me personally appeared \_\_\_\_\_

to me known to be the person(s) described in and whose name(s) is (are) subscribed and who executed the foregoing instrument and acknowledged to me that he (she) (they) duly executed the same as his (her) (their) free and voluntary act and deed, including the release and waiver of the right of homestead, the said wife (wives) having been by me fully apprised of her (their) right(s) and effect of signing and acknowledging the said instrument. Given under my hand and seal the day and year last above written.

My Commission Expires: \_\_\_\_\_

Notary Public  
Residing at: \_\_\_\_\_

No. 1548076

OIL AND GAS LEASE

FROM

TO

Date \_\_\_\_\_, 19\_\_\_\_\_  
Section \_\_\_\_\_ Twp. \_\_\_\_\_ Rge. \_\_\_\_\_  
No. of Acres \_\_\_\_\_ Term \_\_\_\_\_  
County \_\_\_\_\_

WELD COUNTY, COLORADO }  
STATE OF \_\_\_\_\_ } ss  
County of \_\_\_\_\_

This instrument was filed for record on the  
day of MAY 26 1970

at 8 55 o'clock A. M., and duly recorded  
in Book 626 Page \_\_\_\_\_ of  
the records of this office

By *Ann Spomer*  
Register of Deeds.

By *W. L. K. K. K.*  
When recorded, return to

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

CORPORATE ACKNOWLEDGEMENT (Colorado, Nebraska,  
Wyoming, Utah, Kansas, North Dakota, South Dakota, Montana,

On \_\_\_\_\_, 19\_\_\_\_\_, before me personally came the above named \_\_\_\_\_  
(who being by me duly sworn, did say that he is the \_\_\_\_\_

President of \_\_\_\_\_  
a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation) who is personally known to me to be the identical person and officer whose name is affixed to the above instrument as \_\_\_\_\_ President of said corporation, and acknowledged the instrument to be his free and voluntary act and deed and the free and voluntary act and deed of said corporation; that said corporation executed said instrument and that said instrument was executed, signed and sealed on behalf of said corporation by authority of its Board of Directors or by authority of its By-Laws.

My Commission Expires: \_\_\_\_\_

Notary Public  
Residing at: \_\_\_\_\_

OIL AND GAS LEASE

THIS LEASE made effective on the 1st day of February, 1989, between UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, authorized to do business in the State of Colorado, whose address is P. O. Box 7, Fort Worth, Texas 76101-0007, Lessor, and ELK EXPLORATION, INC, a corporation, authorized to do business in said State of Colorado, whose address is 3807 Carson Avenue, Evans, Colorado 80620, as Lessee.

W I T N E S S E T H :

(1) Lessor, for a good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the royalties herein provided and of the agreement of Lessee herein contained, grants, leases and lets unto Lessee for the purposes of investigating, exploring, prospecting, drilling and mining for and producing oil and gas (including, without limitation, nitrogen, carbon dioxide, hydrogen-sulphide, and other natural gases and products associated therewith) and associated liquid hydrocarbons, and laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, refine, process, store, transport, own, sell and dispose of said oil, gas and associated liquid hydrocarbons, the following described land in Weld County, Colorado, to-wit:

One hundred percent (100%) of Lessor's right, title and interest in and to the oil and gas in and under:

Township 3 North, Range 66 West, 6th P.M.  
Section 26: W/2

Limited to those depths and formations from the surface of the earth to the stratigraphic equivalent of the Codell formation, as found in the HSR-Campbell 12-26 Well located in the NW/4SW/4 of Section 26, T3N, R66W, Weld County, Colorado.

Lessor reserves all other rights, horizons, strata, and formations, including, but not limited to, the right to the concurrent use of the surface and the right to drill through the leased interval.

For shut-in royalty payment purposes, the land included in this lease shall be deemed to contain 320 acres, whether it actually comprises more or less.

(2) This is a paid-up lease and there shall be no requirement for Lessee to pay delay rentals.

(3) Subject to the other provisions herein contained, this lease shall be for a primary term which expires at twelve o'clock (12:00) noon, Central Time, on February 1, 1991, which term shall hereinafter be referred to as "the primary term", and as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from said land in paying quantities hereunder, or drilling or reworking operations are conducted thereon under the terms hereof.

(4) Subject to the right of election reserved to Lessor below to take its share of production in kind, the royalties to be paid by Lessee are: (a) on oil and on liquid petroleum products recovered at the well, twenty percent (20%) of the market value at the well of 8/8ths of such production, but in no event less than twenty percent (20%) of the amount realized from such sale; and (b) on gas produced from said lands, the market value at the well of twenty percent (20%) of the gas sold or used off the premises or the market value of the gas at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on gas sold at the well by Lessee the royalty shall be twenty percent (20%) of the amount realized from such sale. Lessee shall have free use of oil and gas from said land for operations on the lease premises, and the royalty on oil and gas shall be computed after deducting any production so used.

The royalties payable under this lease shall be free and clear of costs, expenses, or deductions for exploration, drilling, development, and production, including but not limited to, costs of dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons. If Lessee treats and/or processes its gas in a natural gas plant (either on or off the lease premises), whether in Lessee's plant or in the plant of and under contract with a third party, Lessee shall treat and/or process or cause Lessor's gas to be treated and/or processed; in the event of any such treating and/or processing, Lessee shall be entitled to deduct from the value of the products recovered by the treating and/or processing of the gas, or if Lessor is taking its production in kind to charge Lessor for, the actual cost incurred by Lessee for such treating and/or processing, which costs shall include gathering or transportation costs required to transport the gas to the plant.

If Lessor elects, Lessee shall deliver to Lessor in kind its royalty share of oil and other liquid hydrocarbons saved at the well, into storage tanks on the lease premises, products recovered in a processing plant, into storage tanks or onto storage sites at the plant, and gas, at the tailgate of the plant, if processed, or at the well if the gas is sold at the well. In the event of such election with respect to oil and products, Lessor shall give to Lessee not less than sixty (60) days notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any deliveries of production are to be made from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties. With respect to gas, Lessee shall give Lessor notice if it intends to enter into a gas contract on its share of the gas, and Lessor shall have a period of thirty (30) days from receipt of a copy of the gas sales agreement which Lessee is willing to execute to notify Lessee in writing that Lessor elects to take in kind and separately dispose of its share of such gas.

If there is a gas well on the lease premises or on acreage pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from said premises sufficient to maintain this lease in full force and effect, this lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon the lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to One Dollar (\$1.00) per acre covered by the lease, which payment shall be made to Lessor at P.O. Box 7, Fort Worth, Texas 76101-0007, ATTN: Land Manager, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the lease premises under all the terms and provisions of this lease (but only for so long as the well continues to be capable of producing in paying quantities).

If any portion of the lease premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be reduced in the proportion that the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated bears to the total acreage contained in such pooled unit.

Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which are unreasonable.

(5) Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described lease premises, furnishing a copy thereof to Lessor, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

(6) If Lessee is drilling a new well or reworking an old well at the expiration of the primary term, this lease shall continue in force as long as such drilling or reworking operations are diligently prosecuted, and if such drilling or reworking operations result in production of oil or gas or associated liquid hydrocarbons in paying quantities, then for so long thereafter as such production continues or this lease is otherwise maintained in full force and effect under the provisions hereof. If production on this lease ceases after the expiration of the primary term, this lease shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; if production is restored or new production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than ninety (90) days, this lease shall continue so long thereafter as production in paying quantities, or additional drilling or reworking operations are had without cessation of such production, drilling or reworking operations for more than ninety (90) consecutive days.

(7) At the expiration of the primary term, this lease shall terminate as to all lands which are not located in a governmental section in which there is a well on the lease premises or on lands pooled or unitized therewith, producing oil or gas in paying quantities, or a shut-in gas well, and in any such producing governmental section or sections, this lease shall terminate as to those depths lying below the stratigraphic equivalent of the deepest producing horizon in each section of land. If Lessee is engaged in actual drilling or reworking operations on the lease premises or lands pooled or unitized therewith, at the expiration of the primary term, this provision shall be suspended for so long as Lessee continues such drilling or reworking operations on the lease premises or lands pooled or unitized therewith, with no cessation of more than ninety (90) consecutive days between the completion or abandonment of such drilling or reworking operations on one (1) well, and the commencement of actual drilling or reworking operations on the next well; provided, further, that irrespective of any such continuous drilling or reworking operations, the termination of this lease as to non-producing lands and depths shall not be suspended for more than five (5) years from the expiration of the primary term hereof. If the lease premises is included in a Federal Unit then for the purposes of this provision the references to lands unitized with the lease premises shall include only those lands which are included in an approved participating area.

(8) Lessee, at its option, is hereby given the right and power to pool or combine the lands covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises. Any such pooling to be into a well unit or units not exceeding forty (40) acres,



plus an acreage tolerance of ten percent (10%), for oil, and not exceeding one hundred sixty (160) acres, plus an acreage tolerance of ten percent (10%), for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be ordered by state governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and oil units need not conform as to area with gas units. The pooling in one (1) or more instances shall not exhaust the right of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. In order to be effective, Lessee shall furnish to Lessor a copy of the document pooling the acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling and reworking operations thereon, and production of oil and gas therefrom, or the completion thereon of a well as a shut-in gas 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 completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein provided, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, 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 so enlarged, Lessee shall execute and place of record a supplemental declaration of pooling identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of pooling is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of pooling shall not become effective until the first day of the calendar month next following the filing thereof and the furnishing to Lessor of a copy of such supplemental declaration. In the absence of production Lessee may terminate the unitized area by filing of record a notice of termination.

(9) Insofar as Lessor may grant such right, Lessee shall have the right at any time during the term of this lease or within six (6) months after the expiration of this lease to remove all property and fixtures placed by Lessee on the lease premises, including the right to draw and remove all casing.

(10) The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the successors and assigns of the parties hereto, but no change or division in ownership of the land, shut-in payments, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee or any purchaser of production hereunder, 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. Except as otherwise set forth in paragraph 14 below, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment; provided, however, that the assignment of this lease in whole or in part, shall not be valid as to Lessor until Lessor shall have been furnished a true and correct certified copy of such Assignment.

(11) 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 terminate, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if failure is the result of any law, order, rule or regulation or inaction, or if prevented by an act of God, of the public enemy, or labor strikes.

(12) Lessee at its option may discharge any tax, mortgage, or other lien upon said land, either in whole or in part, and in the event Lessee does so, it shall be subrogated to any lawful and enforceable rights of the prior creditor with the right to enforce same and apply shut-in payments and royalties accruing hereunder towards satisfying same. Except as provided in the immediately preceding sentence, Lessee shall not acquire or attempt to acquire, directly or indirectly, from any person other than Lessor, any rights or interests in the oil and gas estate in the leased lands, or take any action inconsistent with or adverse to the ownership and quiet enjoyment by Lessor of its oil and gas estate in the leased lands. If Lessor owns an interest in said land less than the entire fee simple estate, or if this lease covers less than Lessor's entire interest in said lands, then the shut-in payments and royalties to be paid Lessor shall be reduced proportionately.

(13) The rights granted under this lease are granted without warranty and without covenants of title, including, without limitation, covenants to give possession or for quiet enjoyment.

(14) Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action for injury to or loss or destruction of property, and for injury to or death of any person, arising out of or in connection with operations hereunder.

Lessee shall not permit any lien or other encumbrance to be filed or to remain against the lease premises as a result of operations hereunder, and Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action which may result from the filing of any such liens or encumbrances. Irrespective of whether Lessor has consented to an



assignment, farmout or other arrangement whereby Lessee consents to drilling or other operations on the lease premises by a third party, Lessee shall indemnify and hold Lessor harmless from and against any and all claims, demands, actions and causes of action or liens arising out of such operations.

(15) Lessee understands and acknowledges that the lands covered by this Lease between Lessor and Lessee may be subject to a Gas Purchase Agreement covering gas which could be priced and governed by the good faith negotiation procedures of FERC Orders 451, 451A and 451B (18 C.F.R. 270.201). Lessor and Lessee agree that any rights pertaining to the nomination of a price for old gas or rights to invoke the good faith negotiation procedures under these FERC Orders are retained by Lessor and do not pass with this transaction. Lessee assigns to Lessor any rights under Orders 451, 451A and 451B now or hereafter earned or obtained by this transaction or the Gas Purchase Agreement, and does hereby specifically waive any right to either request the gas purchaser to nominate a price for old gas under such Gas Purchase Agreement or in any other respect invoke or cause to be invoked the good faith negotiation procedures with respect thereto. It is further understood and agreed that Lessee has no authority or agency to exercise or implement any rights which Lessor may have pursuant to FERC Orders 451, 451A and 451B. Lessee further agrees that any breach of this provision could irreparably harm Lessor and cause damages which would be difficult if not impossible to ascertain and, that Lessor shall be entitled, in addition to any other rights or remedies it may have, to seek specific performance of this provision or to enjoin action by Lessee that is inconsistent with this provision. This provision shall remain in full force and effect until the earlier of (i) the date the parties hereto execute an agreement with the purchaser under the Gas Purchase Agreement whereby the parties' respective rights, if any, under Orders 451, 451A and 451B are segregated and preserved, or the oil and gas lease or oil, natural gas and leases covering certain interests in the lease acreage granted by Lessor to Lessee hereunder are removed and separated from the existing Gas Purchase Agreement without waiver of Lessor's rights under Orders 451, 451A and 451B; or (ii) FERC issues a final unappealable order or clarifying statement to the effect that either party's rights under Orders 451, 451A and 451B are not affected by the transactions contemplated hereby or the separate action of the parties with respect to such transaction and the Gas Purchase Agreement which applies.

(16) Lessee understands and acknowledges that under FERC Order 500 series, or any successor orders of like or similar application ("Order 500"), Lessor may be required to give take-or-pay or take-and-pay credits, or similar contractual relief, to a pipeline or pipelines in order to make gas produced on the subject acreage eligible for transportation. Lessee agrees that nothing in this Agreement shall require Lessor to provide take-or-pay or take-and-pay credits or similar contractual relief to a pipeline or pipelines in the form of offers of credits or agreements with a pipeline or pipelines under Order 500, and that the failure or refusal of Lessor in the exercise of its sole discretion to provide such offers of credits or to enter into such agreements with a pipeline or pipelines shall not constitute a default by Lessor.

The parties further agree that should existing orders and regulations be amended or interpreted or new regulations issued that would cause Lessor to suffer take-or-pay or take-and-pay relief or transportation credits, then the parties will enter into an alternative arrangement acceptable to FERC or for which no FERC approval is needed which will place Lessor in as close a position as possible to where Lessor would be under this provision. Lessor shall receive under the alternate agreement, the equivalent of the benefits and rights to which Lessor is entitled under this provision.

The parties hereto recognize that Order 500 will be subject to further clarification by the FERC, but the parties hereto are unable to defer their business obligations any further, pending such clarifications. The parties, however, by entering into this agreement, do not intend to imply to any party, person, entity or governmental agency that any pipeline is entitled to claim any transportation credit or take-or-pay relief as a result of any transaction between the parties and it is the intent of the parties by this provision to only clarify their respective positions in light of FERC Order 500.

Lessee further agrees that any breach of this provision could irreparably harm Lessor and cause damages which would be difficult, if not impossible to ascertain and, that Lessor shall be entitled, in addition to any other rights or remedies it may have, to seek specific performances of this provision, or to enjoin action by Lessee that is inconsistent with this provision.

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

IN WITNESS WHEREOF, this instrument is executed on the date of the respective acknowledgments hereinbelow, but shall be effective from the date first hereinabove written.

UNION PACIFIC RESOURCES COMPANY

By:  \_\_\_\_\_

Attorney-In-Fact

DCW  
JB

Attest:

Secretary

ELK EXPLORATION, INC.

By:

Vice President

Title



ACKNOWLEDGEMENTS

STATE OF TEXAS )  
 ) ss.  
COUNTY OF TARRANT )

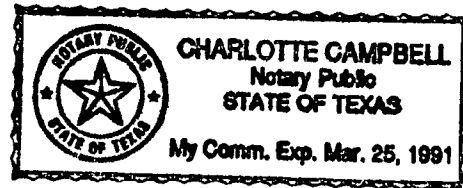
The foregoing instrument was acknowledged before me by Joan M. Hansen, as Attorney-In-Fact for UNION PACIFIC RESOURCES COMPANY, this 19<sup>th</sup> day of February, 1990.

WITNESS my hand and official seal.

Charlotte Campbell  
Notary Public

My Commission Expires:

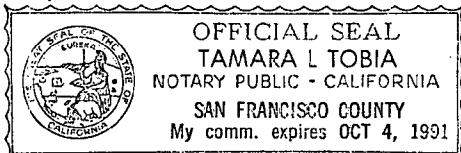
03/25/91



STATE OF California,  
COUNTY OF San Francisco, ss.

The foregoing instrument was acknowledged before me by Ronald B. Jacobs, as Vice President for ELK EXPLORATION, INC., this 31<sup>st</sup> day of May, 1990.

WITNESS my hand and official seal.



My Commission Expires:

October 4, 1991

Tamara L. Tobia  
Notary Public

## OIL AND GAS LEASE

THIS LEASE made effective on the 1st day of February, 1989, between UNION PACIFIC RESOURCES COMPANY, a Delaware corporation, authorized to do business in the State of Colorado, whose address is P. O. Box 7, Fort Worth, Texas 76101-0007, Lessor, and ELK EXPLORATION, INC, a corporation, authorized to do business in said State of Colorado, whose address is 3807 Carson Avenue, Evans, Colorado 80620, as Lessee.

## W I T N E S S E T H :

(1) Lessor, for a good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the royalties herein provided and of the agreement of Lessee herein contained, grants, leases and lets unto Lessee for the purposes of investigating, exploring, prospecting, drilling and mining for and producing oil and gas (including, without limitation, nitrogen, carbon dioxide, hydrogen-sulphide, and other natural gases and products associated therewith) and associated liquid hydrocarbons, and laying pipelines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, refine, process, store, transport, own, sell and dispose of said oil, gas and associated liquid hydrocarbons, the following described land in Weld County, Colorado, to-wit:

One hundred percent (100%) of Lessor's right, title and interest in and to the oil and gas in and under:

Township 3 North, Range 66 West, 6th P.M.  
Section 26: W/2

Limited to those depths and formations from the surface of the earth to the stratigraphic equivalent of the Codell formation, as found in the MSR-Campbell 12-26 Well located in the NW/4SW/4 of Section 26, T3N, R66W, Weld County, Colorado.

Lessor reserves all other rights, horizons, strata, and formations, including, but not limited to, the right to the concurrent use of the surface and the right to drill through the leased interval.

For shut-in royalty payment purposes, the land included in this lease shall be deemed to contain 320 acres, whether it actually comprises more or less.

(2) This is a paid-up lease and there shall be no requirement for Lessee to pay delay rentals.

(3) Subject to the other provisions herein contained, this lease shall be for a primary term which expires at twelve o'clock (12:00) noon, Central Time, on February 1, 1991, which term shall hereinafter be referred to as "the primary term", and as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from said land in paying quantities hereunder, or drilling or reworking operations are conducted thereon under the terms hereof.

(4) Subject to the right of election reserved to Lessor below to take its share of production in kind, the royalties to be paid by Lessee are: (a) on oil and on liquid petroleum products recovered at the well, twenty percent (20%) of the market value at the well of 8/8ths of such production, but in no event less than twenty percent (20%) of the amount realized from such sale; and (b) on gas produced from said lands, the market value at the well of twenty percent (20%) of the gas sold or used off the premises or the market value of the gas at the tailgate of the plant to which the gas is delivered, plus the market value of the products recovered when such gas is processed; provided that on gas sold at the well by Lessee the royalty shall be twenty percent (20%) of the amount realized from such sale. Lessee shall have free use of oil and gas from said land for operations on the lease premises, and the royalty on oil and gas shall be computed after deducting any production so used.

The royalties payable under this lease shall be free and clear of costs, expenses, or deductions for exploration, drilling, development, and production, including but not limited to, costs of dehydration, storage, compression, separation by mechanical means and stabilization of the hydrocarbons. If Lessee treats and/or processes its gas in a natural gas plant (either on or off the lease premises), whether in Lessee's plant or in the plant of and under contract with a third party, Lessee shall treat and/or process or cause Lessor's gas to be treated and/or processed; in the event of any such treating and/or processing, Lessee shall be entitled to deduct from the value of the products recovered by the treating and/or processing of the gas, or if Lessor is taking its production in kind to charge Lessor for, the actual cost incurred by Lessee for such treating and/or processing, which costs shall include gathering or transportation costs required to transport the gas to the plant.

If Lessor elects, Lessee shall deliver to Lessor in kind its royalty share of oil and other liquid hydrocarbons saved at the well, into storage tanks on the lease premises, products recovered in a processing plant, into storage tanks or onto storage sites at the plant, and gas, at the tailgate of the plant, if processed, or at the well if the gas is sold at the well. In the event of such election with respect to oil and products, Lessor shall give to Lessee not less than sixty (60) days notice of its election and shall take said royalty share in kind for a period of not less than six (6) months following the termination of said sixty (60) day period. Any deliveries of production are to be made from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties. With respect to gas, Lessee shall give Lessor notice if it intends to enter into a gas contract on its share of the gas, and Lessor shall have a period of thirty (30) days from receipt of a copy of the gas sales agreement which Lessee is willing to execute to notify Lessee in writing that Lessor elects to take in kind and separately dispose of its share of such gas.

If there is a gas well on the lease premises or on acreage pooled therewith capable of producing in paying quantities, but from which gas is not being sold, and in the absence of oil or other production from said premises sufficient to maintain this lease in full force and effect, this lease shall be extended for a period of ninety (90) days from the date such well is or was shut-in, whereupon the lease shall terminate unless Lessee shall pay to Lessor as royalty, a sum equal to One Dollar (\$1.00) per acre covered by the lease, which payment shall be made to Lessor at P.O. Box 7, Fort Worth, Texas 76101-0007, ATTN: Land Manager, on or before the ninetieth (90th) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment on or before the anniversary date on which such well was shut-in. If such payment, or payments, are timely made, it shall be considered that gas is being produced in paying quantities from the lease premises under all the terms and provisions of this lease (but only for so long as the well continues to be capable of producing in paying quantities).

If any portion of the lease premises is included in a pooled unit, the amount of the shut-in royalty applicable to the Lessor's interest therein shall be reduced in the proportion that the amount of Lessor's net mineral acres included in any such pooled unit upon which such gas well is situated bears to the total acreage contained in such pooled unit.

Lessee shall be obligated to use diligence to market gas capable of being produced in paying quantities from a shut-in well, but shall be under no obligation to market same under terms, conditions or circumstances which are unreasonable.

(5) Lessee may at any time execute and place of record a release or releases covering any portion or portions of the above described lease premises, furnishing a copy thereof to Lessor, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

(6) If Lessee is drilling a new well or reworking an old well at the expiration of the primary term, this lease shall continue in force as long as such drilling or reworking operations are diligently prosecuted, and if such drilling or reworking operations result in production of oil or gas or associated liquid hydrocarbons in paying quantities, then for so long thereafter as such production continues or this lease is otherwise maintained in full force and effect under the provisions hereof. If production on this lease ceases after the expiration of the primary term, this lease shall continue in force if drilling or reworking operations are commenced within sixty (60) days after such cessation of production; if production is restored or new production is discovered as a result of any such drilling or reworking operations, conducted without cessation of more than ninety (90) days, this lease shall continue so long thereafter as production in paying quantities, or additional drilling or reworking operations are had without cessation of such production, drilling or reworking operations for more than ninety (90) consecutive days.

(7) At the expiration of the primary term, this lease shall terminate as to all lands which are not located in a governmental section in which there is a well on the lease premises or on lands pooled or unitized therewith, producing oil or gas in paying quantities, or a shut-in gas well, and in any such producing governmental section or sections, this lease shall terminate as to those depths lying below the stratigraphic equivalent of the deepest producing horizon in each section of land. If Lessee is engaged in actual drilling or reworking operations on the lease premises or lands pooled or unitized therewith, at the expiration of the primary term, this provision shall be suspended for so long as Lessee continues such drilling or reworking operations on the lease premises or lands pooled or unitized therewith, with no cessation of more than ninety (90) consecutive days between the completion or abandonment of such drilling or reworking operations on one (1) well, and the commencement of actual drilling or reworking operations on the next well; provided, further, that irrespective of any such continuous drilling or reworking operations, the termination of this lease as to non-producing lands and depths shall not be suspended for more than five (5) years from the expiration of the primary term hereof. If the lease premises is included in a Federal Unit then for the purposes of this provision the references to lands unitized with the lease premises shall include only those lands which are included in an approved participating area.

(8) Lessee, at its option, is hereby given the right and power to pool or combine the lands covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises. Any such pooling to be into a well unit or units not exceeding forty (40) acres,

plus an acreage tolerance of ten percent (10%), for oil, and not exceeding one hundred sixty (160) acres, plus an acreage tolerance of ten percent (10%), for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be ordered by state governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and oil units need not conform as to area with gas units. The pooling in one (1) or more instances shall not exhaust the right of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. In order to be effective, Lessee shall furnish to Lessor a copy of the document pooling the acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling and reworking operations thereon, and production of oil and gas therefrom, or the completion thereon of a well as a shut-in gas 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 completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein provided, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of its net mineral acres placed in the unit bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, 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 so enlarged, Lessee shall execute and place of record a supplemental declaration of pooling identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of pooling is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of pooling shall not become effective until the first day of the calendar month next following the filing thereof and the furnishing to Lessor of a copy of such supplemental declaration. In the absence of production Lessee may terminate the unitized area by filing of record a notice of termination.

(9) Insofar as Lessor may grant such right, Lessee shall have the right at any time during the term of this lease or within six (6) months after the expiration of this lease to remove all property and fixtures placed by Lessee on the lease premises, including the right to draw and remove all casing.

(10) The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the successors and assigns of the parties hereto, but no change or division in ownership of the land, shut-in payments, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land, or any interest therein, shall be binding on Lessee or any purchaser of production hereunder, 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. Except as otherwise set forth in paragraph 14 below, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment; provided, however, that the assignment of this lease in whole or in part, shall not be valid as to Lessor until Lessor shall have been furnished a true and correct certified copy of such Assignment.

(11) 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 terminate, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if failure is the result of any law, order, rule or regulation or inaction, or if prevented by an act of God, of the public enemy, or labor strikes.

(12) Lessee at its option may discharge any tax, mortgage, or other lien upon said land, either in whole or in part, and in the event Lessee does so, it shall be subrogated to any lawful and enforceable rights of the prior creditor with the right to enforce same and apply shut-in payments and royalties accruing hereunder towards satisfying same. Except as provided in the immediately preceding sentence, Lessee shall not acquire or attempt to acquire, directly or indirectly, from any person other than Lessor, any rights or interests in the oil and gas estate in the leased lands, or take any action inconsistent with or adverse to the ownership and quiet enjoyment by Lessor of its oil and gas estate in the leased lands. If Lessor owns an interest in said land less than the entire fee simple estate, or if this lease covers less than Lessor's entire interest in said lands, then the shut-in payments and royalties to be paid Lessor shall be reduced proportionately.

(13) The rights granted under this lease are granted without warranty and without covenants of title, including, without limitation, covenants to give possession or for quiet enjoyment.

(14) Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action for injury to or loss or destruction of property, and for injury to or death of any person, arising out of or in connection with operations hereunder.

Lessee shall not permit any lien or other encumbrance to be filed or to remain against the lease premises as a result of operations hereunder, and Lessee agrees to hold Lessor harmless from and to indemnify it against any and all claims, demands, actions and causes of action which may result from the filing of any such liens or encumbrances. Irrespective of whether Lessor has consented to an

assignment, farmout or other arrangement whereby Lessee consents to drilling or other operations on the lease premises by a third party, Lessee shall indemnify and hold Lessor harmless from and against any and all claims, demands, actions and causes of action or liens arising out of such operations.

(15) Lessee understands and acknowledges that the lands covered by this Lease between Lessor and Lessee may be subject to a Gas Purchase Agreement covering gas which could be priced and governed by the good faith negotiation procedures of FERC Orders 451, 451A and 451B (18 C.F.R. 270.201). Lessor and Lessee agree that any rights pertaining to the nomination of a price for old gas or rights to invoke the good faith negotiation procedures under these FERC Orders are retained by Lessor and do not pass with this transaction. Lessee assigns to Lessor any rights under Orders 451, 451A and 451B now or hereafter earned or obtained by this transaction or the Gas Purchase Agreement, and does hereby specifically waive any right to either request the gas purchaser to nominate a price for old gas under such Gas Purchase Agreement or in any other respect invoke or cause to be invoked the good faith negotiation procedures with respect thereto. It is further understood and agreed that Lessee has no authority or agency to exercise or implement any rights which Lessor may have pursuant to FERC Orders 451, 451A and 451B. Lessee further agrees that any breach of this provision could irreparably harm Lessor and cause damages which would be difficult if not impossible to ascertain and, that Lessor shall be entitled, in addition to any other rights or remedies it may have, to seek specific performance of this provision or to enjoin action by Lessee that is inconsistent with this provision. This provision shall remain in full force and effect until the earlier of (i) the date the parties hereto execute an agreement with the purchaser under the Gas Purchase Agreement whereby the parties' respective rights, if any, under Orders 451, 451A and 451B are segregated and preserved, or the oil and gas lease or oil, natural gas and leases covering certain interests in the lease acreage granted by Lessor to Lessee hereunder are removed and separated from the existing Gas Purchase Agreement without waiver of Lessor's rights under Orders 451, 451A and 451B; or (ii) FERC issues a final unappealable order or clarifying statement to the effect that either party's rights under Orders 451, 451A and 451B are not affected by the transactions contemplated hereby or the separate action of the parties with respect to such transaction and the Gas Purchase Agreement which applies.

(16) Lessee understands and acknowledges that under FERC Order 500 series, or any successor orders of like or similar application ("Order 500"), Lessor may be required to give take-or-pay or take-and-pay credits, or similar contractual relief, to a pipeline or pipelines in order to make gas produced on the subject acreage eligible for transportation. Lessee agrees that nothing in this Agreement shall require Lessor to provide take-or-pay or take-and-pay credits or similar contractual relief to a pipeline or pipelines in the form of offers of credits or agreements with a pipeline or pipelines under Order 500, and that the failure or refusal of Lessor in the exercise of its sole discretion to provide such offers of credits or to enter into such agreements with a pipeline or pipelines shall not constitute a default by Lessor.

The parties further agree that should existing orders and regulations be amended or interpreted or new regulations issued that would cause Lessor to suffer take-or-pay or take-and-pay relief or transportation credits, then the parties will enter into an alternative arrangement acceptable to FERC or for which no FERC approval is needed which will place Lessor in as close a position as possible to where Lessor would be under this provision. Lessor shall receive under the alternate agreement, the equivalent of the benefits and rights to which Lessor is entitled under this provision.

The parties hereto recognize that Order 500 will be subject to further clarification by the FERC, but the parties hereto are unable to defer their business obligations any further, pending such clarifications. The parties, however, by entering into this agreement, do not intend to imply to any party, person, entity or governmental agency that any pipeline is entitled to claim any transportation credit or take-or-pay relief as a result of any transaction between the parties and it is the intent of the parties by this provision to only clarify their respective positions in light of FERC Order 500.

Lessee further agrees that any breach of this provision could irreparably harm Lessor and cause damages which would be difficult, if not impossible to ascertain and, that Lessor shall be entitled, in addition to any other rights or remedies it may have, to seek specific performances of this provision, or to enjoin action by Lessee that is inconsistent with this provision.

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

IN WITNESS WHEREOF, this instrument is executed on the date of the respective acknowledgments hereinbelow, but shall be effective from the date first hereinabove written.

UNION PACIFIC RESOURCES COMPANY

By: John M. Hansen DCW  
Attorney-in-Fact JB

Attest:

[Signature]  
Secretary

ELK EXPLORATION, INC.

By:

[Signature]  
Vice President

Title



ACKNOWLEDGEMENTS

STATE OF TEXAS     )  
                              ) ss.  
COUNTY OF TARRANT )

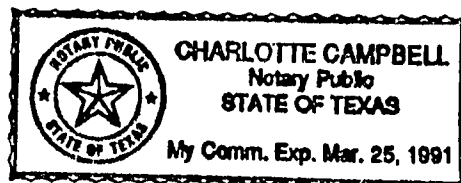
The foregoing instrument was acknowledged before me by Jean M. Hansen, as Attorney-In-Fact for UNION PACIFIC RESOURCES COMPANY, this 19<sup>th</sup> day of February, 1990.

WITNESS my hand and official seal.

Charlotte Campbell  
Notary Public

My Commission Expires:

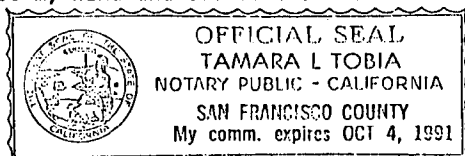
03/25/91



STATE OF California )  
                              ) ss.  
COUNTY OF San Francisco

The foregoing instrument was acknowledged before me by Ronald B. Jacobs, as Vice President for ELK EXPLORATION, INC., this 31<sup>st</sup> day of May, 1990.

WITNESS my hand and official seal.



My Commission Expires:

October 4, 1991

Tamara L. Tobia  
Notary Public



ASSISTANT SECRETARY'S CERTIFICATE

I, Cherie A. Helstrom, Assistant Secretary of Union Pacific Resources Company, a Delaware corporation, hereby certify that attached hereto is a true and correct copy of the Power of Attorney issued to Joan M. Hansen on June 21, 1988, effective July 1, 1988.

To the best of my knowledge, this Power of Attorney has not been revoked and was in full force and effect on February 1, 1989.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Corporation this 18th day of June, 1990.



UNION PACIFIC RESOURCES  
COMPANY

BY

*Cherie A. Helstrom*

Cherie A. Helstrom  
Assistant Secretary