

OIL AND GAS LEASE

THIS LEASE made effective on the 1st day of February, 1990, 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 BASIN EXPLORATION, INC., a corporation authorized to do business in said State of Colorado, whose address is 633 17th Street, Suite 1500, Denver, Colorado 80202, as Lessee.

W I T N E S S E T H :

(1) Subject to the exceptions and reservations set forth in:

(a) Quitclaim Deed(s), as applicable, dated as of April 1, 1971, from Union Pacific Railroad Company to Union Pacific Land Resources Corporation, filed for record April 14, 1971, and appearing in Book 644, in the office of the County Clerk and Register of Deeds of Weld County, Colorado (REC. No. 1565712) and

(b) Mineral Deed dated August 31, 1973, from Union Pacific Land Resources Corporation to Lessor.

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, subject to the provisions of Sections 14, 15, and 16 hereof, 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 35: E/2NE/4

See Exhibit "A" for other terms and conditions incorporated herein

Limited to those depths and formations from the surface of the earth to the stratigraphic equivalent of 7,056 feet, as found in the Champlin #1 Reeve 41-15 Well located in the NE/4NE/4 of Section 15, T4N, R65W, Weld County, Colorado (excluding the Sussex and Shannon Formations).

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 eighty (80) 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

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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 17 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.

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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 26th day of April, 1990.

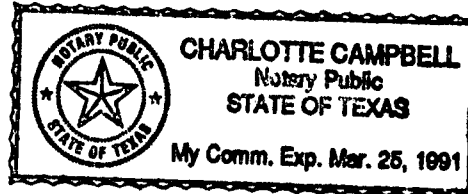
WITNESS my hand and official seal.

Charlotte Campbell

Notary Public

My Commission Expires:

03/25/91



STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me by Michael S. Smith, as President for Basin Exploration, Inc., this 30th day of May, 1990.

WITNESS my hand and official seal.

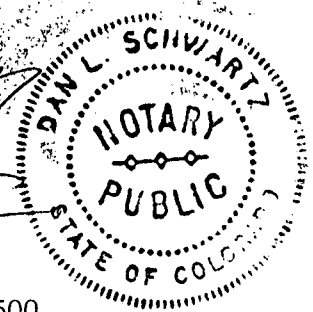
Dan L. Schwartz

Notary Public

My Commission Expires:

10-21-91

Dan L. Schwartz
633 17th Street, Suite 1500
Denver, CO 80202



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(14) Lessee recognizes that among the exceptions and reservations set forth in the deeds referred to in Section 1 of this Oil and Gas Lease are the rights of Lessor's predecessors in interest to use such portions of the lease premises as may not be required for the proper conduct of oil and gas operations, for all purposes not inconsistent with such operations, and without liability for compensation or damages. Lessee shall so conduct its operations so as not to interfere unreasonably with such reserved use; provided, nevertheless, that such other use of the lease premises shall not unreasonably interfere with the operations of the Lessee.

(15) Without the prior written consent of the owner thereof, Lessee shall not make any entry upon or under any portion of any railroad right-of-way or station grounds for any of the purposes of this lease, and shall not drill any well or maintain any structures within two hundred feet (200') (by surface or subsurface measurement) of: (a) any railroad tracks or buildings on such right-of-way, or station grounds, or (b) any buildings upon the lease premises.

(16) Unless the requirement is waived in writing by Lessor at its discretion, no entry shall be made for drilling operations and no facility shall be installed upon any of the leased lands in which Lessor owns the mineral rights only, until a written agreement with the surface owner has been secured by Lessor in a form satisfactory to it. Lessee shall request Lessor to obtain such agreement or to waive the requirement therefor at least thirty (30) days prior to the date Lessee intends to commence such operations. Payments out of or measured by production which the Lessor elects to pay to the surface owners shall be paid by Lessor out of its royalty.

Lessee shall pay for all damages to surface owners' lands, buildings, and growing crops caused by construction, operations, or maintenance of facilities, shall bury all pipelines 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 and any surface owner 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.

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

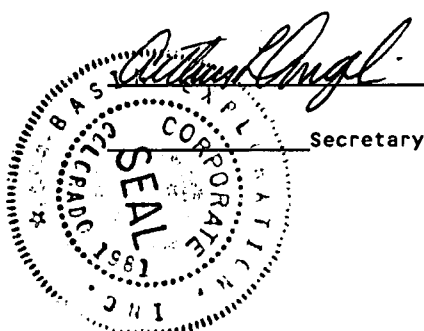
This lease is subject to all the terms and provisions of Farmout and Farmout Option Contract dated July 16, 1987.

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:



Secretary

BASIN EXPLORATION, INC.

By: Michael Smith
Title: President

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease February 1, 1990
from Union Pacific Resources Company, as Lessor, to Basin Exploration, Inc.,
as Lessee, covering lands in Weld County, Colorado.

1. For purposes hereof, the term "Shannon Formation" shall mean the stratigraphic equivalent of that certain interval located between 4,375 feet and 5,650 feet in the Champlin #1 Reeve 41-15 Well located in the NE/4NE/4 of Section 15, Township 4 North, Range 65 West, Weld County, Colorado, and the term "Sussex Formation" shall mean the stratigraphic equivalent of that certain interval located between 4,280 feet and 4,735 feet in the Champlin #1 Reeve 41-15 Well located in the NE/4NE/4 of Section 15, Township 4 North, Range 65 West, Weld County, Colorado.
2. Upon obtaining the prior written consent of Lessor, which will not be unreasonably withheld, Lessee shall have the right to assign to third parties interests in this lease: provided, however, each such assignment shall specifically provide that such assignment is made subject to the terms of the Farmout and Farmout Option Contract dated July 16, 1987, which terms and conditions the Assignee shall specifically assume and agree to perform. Further, in the event that written assurances are required in order to evidence the reversion of this lease or any of the rights hereunder, the assignment shall provide that Lessee is appointed as agent for such third party and on behalf of such third party shall be binding upon such third party and shall, without further act of the third party, effect the transfer back to Lessor.

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BOOK 631

Rec. No. 15 460 Ann Spomer, Recorder

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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
COUNTY OF WELD COUNTY, COLORADO

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

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