

## OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this 24<sup>th</sup> day of June, 2008, by and between **SWIFT & COMPANY**, whose address is **1770 PROMONTORY CIRCLE, GREELEY, COLORADO 80634**, ("Lessor", whether one or more) and **MINERAL RESOURCES, INC., A COLORADO CORPORATION**, whose address is **P.O. BOX 328, GREELEY, COLORADO 80632** ("Lessee").

WITNESSETH, For and in Consideration of \$12,844.00, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, Colorado, described to wit:

TOWNSHIP 6 NORTH, RANGE 65 WEST, 6<sup>TH</sup> P.M.

**SECTION 32: PART OF THE W/2, BEING MORE PARTICULARLY DESCRIBED IN THE ATTACHED EXHIBIT "A"**  
CONTAINING 64.22 ACRES, MORE OR LESS (the "Premises")

Notwithstanding anything to the contrary herein contained, this lease is a "No Surface Occupancy" Oil and Gas Lease. It is agreed and understood that Lessee its successors or assigns shall not conduct any operations or locate any facilities on the surface of the leased lands. It is understood that Lessee, its successors or assigns shall not be allowed any access to the surface of the leased lands without written consent of Lessor. It is further agreed that Lessee shall have the right to drill and operate directional wells through and under said land irrespective of the bottom hole locations of said wells. To this end, Lessor hereby grants to Lessee a subsurface easement for all purposes associated with such directional wells.

1. It is agreed that this Lease shall remain in full force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, 1/8 of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of 1/8 of the product sold or used. On product sold at the well, the royalty shall be 1/8 of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be 1/8 of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

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

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

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this Lease and included in the Unit bears to the total number of surface acres in such Unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed



modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this Lease shall not terminate or expire during the life of such plan or agreement. In the event that the Premises or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this Lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Lessee will be responsible for the reporting of oil/gas production to Weld County via the Oil and Gas Real and Personal Property Declaration Form and will be responsible for the timely payment of all real and personal property tax associated with the production of these wells.

16. Lessee agrees to furnish upon request of the Lessor copies of the Oil and Gas Real and Personal Property Declaration Forms and provide proof that the associated taxes have been paid.

17. Should any one or more the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor", as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

18. If at any time within the primary term of this lease and while the same remains in force and effect, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt, from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer.

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

SWIFT & COMPANY:

David Colwell

Head of Beef

STATE OF COLORADO )  
 ) SS.  
COUNTY OF WELD )

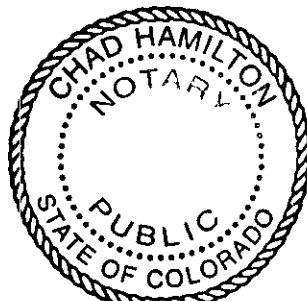
BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 29th day of JUNE, 2008, personally appeared David Colwell as the Head of Beef of Swift & Company, to me known to be the identical person described in and who executed the within and foregoing instrument of writing, acknowledged to me that he/she duly executed the same as his/her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

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

Chad Hamilton  
Notary Public

3572501 08/15/2008 03:40P Weld County, CO  
2 of 6 R 31.00 D 0.00 Steve Moreno Clerk & Recorder



My Commission Expires 04/18/2009

**Exhibit "A"**  
**Legal Description**

Township 6 North, Range 65 West, 6<sup>th</sup> P.M.

Section 32: Part of the W/2, being more particularly described as follows:

All that part of the SW/4NW/4 of Section 21, Township 6 North, Range 65 West of the 6<sup>th</sup> P.M., more particularly described as follows:

Beginning at a point in the NW/4 of said Section 32 from which point the northwest corner of said Section 32 bears North 86° 39' West a distance of 127.3 feet to a point;  
Thence North 24° 54' West a distance of 2360.5 feet;  
Thence North 7° 33' West a distance of 744.2 feet;  
Thence South 82° 54' East a distance of 264.7 feet;  
Thence South 0° 39' West a distance of 714.2 feet;  
Thence North 86° 39' West a distance of 157.1 feet, more or less to the point of beginning.

All of Lot 4 of the Southeast Quarter of the Northwest Quarter of Section 32 and that part of Lot 1 lying West of the centerline of the right of way of the extension of the Free Church Lateral of the Northwest Quarter of the Southwest Quarter of Section 32, Township 6 North, Range 65 West of the 6<sup>th</sup> P.M. in the County of Weld, State of Colorado, according to the subdivision of lands made by the Union Colony of Colorado, EXCLUDING THEREFROM a triangular tract of right-of-way of the new county road as exists, and shown on Recorded map or plat as tract #8 containing 0.072 acres, located in the Southwest Quarter of Section 32, Township 6 North, Range 65 West of the 6<sup>th</sup> P.M. INCLUDING, HOWEVER, Tract #1 containing 0.439 acres, Tract #2 containing 0.689 acres, and Tract #5 containing 0.234 acres.

All that part of Lot 2 of the SE/4 of the NW/4 of Section 32, Township 6 North, Range 65 West, 6<sup>th</sup> P.M., according to the subdivision of lands by the Union Colony of Colorado, described as follows:

Beginning at the intersection of the north line of S/2 of the NW/4 of said Section 32 with the westerly right of way line of the Union Pacific Railroad;  
Thence southerly along the westerly right of way line of the Union Pacific Railroad along a curve to the right whose radius is 5,530 feet and whose long chord bears South 14 22 East a distance of 785.61 feet;  
Thence North 84° 32' 20'' West a distance of 259.51 feet;  
Thence North 0° 55' 40'' East a distance of 689.21 feet to the north line of the S/2 of the NW/4 of said Section 32;  
Thence South 87° 22' 30'' East along the north line of the S/2 of the NW/4 of said Section 32 a distance of 58.95 feet to the point of beginning.

Beginning at a point from which the Northwest corner of Section 32, Township 6 North, Range 65 West, 6<sup>th</sup> P.M. bears North 27° 32' 30'' West a distance of 2424.6 feet;  
Thence along the East right of way line of the Colorado State Highway Department South 7 33' East a distance of 398.8 feet;  
Thence South 87° 11' East 81 feet;  
Thence North 20° 41' West 116 feet;  
Thence South 87° 11' East 378.76 feet more or less to the West right of way line of the Union Pacific Railroad Company;  
Thence Northerly following said right of way on a curve to the left having a radius of 5,529.65 feet a distance of 325.5° feet more or less to the North line of Lot 3 of the SE/4 of the NW/4 of said Section;  
Thence North 87° 11' West 260.1 feet to the Northwest Corner of said Lot 3;  
Thence South 0° 39' West 29 feet;  
Thence North 86° 39' West 157.1 feet to the point of beginning, containing 3.2 acres, more or less.

Part of the NW/4 of the SW/4 of Section 32, Township 6 North, Range 65 West of the 6<sup>th</sup> P.M., in the City of Greeley County of Weld, State of Colorado, being more particularly described as follows:

Beginning at the West ¼ corner of said Section 32, and considering the West line of the SW/4 of said Section 32 as bearing North 01° 00' 21'' West, with all other bearings contained herein relative thereto;  
Thence South 68° 31' 42'' East a distance of 468.8 feet to a point on the South line of "H" Street, said point being the True Point of Beginning;  
Thence South 08° 49' 26'' East a distance of 1,283.15 feet;



Thence North 88° 17' 41'' East a distance of 534.07 feet, to the West right of way line of State Highway 85;

Thence 08° 49' 26'' West along the West right of way line of State Highway 85 a distance of 1,271.75 feet, to the South line of "H" Street ;

Thence South 89° 30' 40'' West along the South line of "H" Street a distance of 535.61 feet, more or less to the Point of Beginning.


All that part of Lot 3 of the Southeast Quarter of the Northwest Quarter and all that part of Lots 2 and 3 of the Northeast Quarter of the Southwest Quarter, lying West of the right of way of the Union Pacific Railroad Company, EXCEPTING THEREFROM two tracts of land conveyed to the State Highway Department as described in deeds shown in Book 1529, Page 345, Weld County records and that tract or parcel of land conveyed to the County of Weld, State of Colorado, as described in Book 1523, Page 320, Weld County Records.

Beginning at a point 125 feet East of the center line of the right of way for State Highway No. 3, at a point which the Northwest corner of said Section 32 bears North 27° 32' 30'' West, a distance of 2,424.6 feet; thence continuing 125 feet Easterly from and parallel to the center line of said highway, South 7° 33' East, a distance of 1100.2 feet; thence North 0° 39' East 1081.5 feet; thence North 86° 39' West a distance of 157.1 feet more or less to the point of beginning, containing 1.948 acres more or less, EXCEPTING THEREFROM that portion conveyed to Gairik, Inc. as described in deed recorded in Book 1527, page 445, Weld County Records, ALSO EXCEPTING that portion conveyed to the Department of Highways, State of Colorado recorded in Book 1529, Page 345, Weld County Records.

Also described as Weld County Assessor's Parcel Numbers:

080332000009, 080332000010, 080332000011, 080332303001, 080332301005, 080332301003, 080332300003

Any other streets, roads, alleys, easements, rights of way, lots, out lots, parcels or strips of land located in Section 32, Township 6 North, Range 65 West, 6<sup>th</sup> P.M.

  
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4 of 6 R 31.00 D 0.00 Steve Moreno Clerk & Recorder


INDEMNIFICATION

IN CONSIDERATION of Swift & Company, agreeing to and executing that Oil and Gas lease dated June 24, 2008 as Lessor, favoring Mineral Resources, Inc. as Lessee within lands and property owned by Swift & Company in Weld County, Colorado and being more particularly described in said lease;

Mineral Resources, Inc. does hereby agree to indemnify and hold harmless Swift & Company, and all its corporate officers, agents and employees from and against any and all damages, liabilities, claims, losses, lawsuits, judgments, and/or expenses including attorneys fees, arising, either directly or indirectly, from any act or failure to act by Mineral Resources, Inc. or any of its officers or employees, that occur or arise from the drilling or production of oil and gas wells drilled and produced in accordance with the terms and conditions of said oil and gas lease.

This Indemnification shall bind Mineral Resources, Inc. and its heirs and assigns.

DATED: June 24, 2008

  
Logan Richardson, Land Manager  
Mineral Resources, Inc.

P.O. Box 328  
Greeley, Colorado 80632

PROPERTY LINE WAIVER

Colorado Oil and Gas Conservation Commission Rule 603a(2)

JUNE 24, 2008

Proposed Oil and Gas Directional Well Site  
Township 6 North, Range 65 West, 6<sup>th</sup> P.M.  
Section 32: SW/4  
Weld County, Colorado

WHEREAS, Mineral Resources, Inc. (MRI) intends to drill up to 25 oil and gas wells directionally from a single site located in the Southwest Quarter of Section 32, Township 6 North, Range 65 West, 6<sup>th</sup> P.M. And;

WHEREAS, the referenced well site location is situated nearer than 150 feet from a surface property line. And;


WHEREAS, it has been determined by the operator of the proposed wells, the surface owner of the proposed well site and the offset surface property owner (the Parties) to the proposed well site and mutually agreed to by the Parties that it is not feasible or otherwise possible to relocate the well site elsewhere for the following reason:

ANY AND ALL OTHER LOCATIONS WITHIN THE SW/4 OF SECTION 32, T6N, R65W, 6<sup>TH</sup> P.M. ARE NEARLY IMPOSSIBLE TO ACCESS BECAUSE OF SURFACE DEVELOPMENT.

NOW, THEREFORE, in consideration of the covenants and mutual agreement by the parties, Swift & Company, the undersigned offset surface property owner, hereby approves and grants to the operator of the proposed well and the surface property owner of the proposed well site this Property Line Waiver as required by the Director of the Colorado Oil and Gas Conservation Commission to request an Exception to Rule 603a(2) pertaining to the application of a Drilling Permit for the above referenced proposed wells.

OFFSET SURFACE PROPERTY OWNER:

Swift & Company  
1770 Promontory Circle  
Greeley, CO 80634

  
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Head of Beef  
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