

## OIL AND GAS LEASE

THIS LEASE AGREEMENT is made and entered into this 12<sup>th</sup> day of November, 2010, by and between Watkins Rond Associates II, LLP, whose address is 7400 East Crestline Circle, Suite 150, Greenwood Village, CO 80111 hereinafter called Lessor and Anadarko E&P Company LP, whose address is 1099 18<sup>th</sup> Street, Suite 1800, Denver, CO 80202, hereinafter called Lessee:

WITNESSETH: that lessor, for and in consideration of Ten and 00/100 DOLLARS (\$10.00) in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto said lessee the lands hereinafter described, together with any reversionary rights therein, for the purpose of prospecting, exploring by geophysical and other methods, drilling, mining, operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead gasoline, gas-condensate (distillate), coal-bed methane gas and any substance, whether similar or dissimilar, produced in a gaseous state, together with the right to construct and maintain pipe lines, telephone and electric lines, tanks, powers, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or jointly with neighboring land, for the production, saving and taking care of oil and gas, including the dewatering of coal-bed gas wells and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in Arapahoe County, Colorado, described as follows, to-wit:

See Attached Exhibit "A" for a description of the leased premises

See Attached Exhibit "B" Surface Use Agreement

and containing for all purposes of this lease, said lands shall be deemed to contain 10.07 gross acres, more or less, together with all strips or parcels of land. In addition to the above-described lands, this lease also covers any lakes, streams, rivers, roads, easements and rights-of-way which traverse or adjoin said lands, including any accretions, and any strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the lands described herein, including without limitation, all strips or parcels resulting from changes in the boundaries or center line of any lake, stream or river, and all riparian lands adjacent thereto. In consideration of the cash bonus paid to Lessor by Lessee for execution of this lease, Lessor agrees to execute, at Lessee's request, any additional or supplemental instruments for a more complete or accurate description of the land so covered.

Subject to the other provisions herein contained, this lease shall remain in force for a term of Four (4) years from (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced in paying quantities from the above described land or drilling operations are continuously prosecuted as hereinafter provided. "Drilling operations" includes operations for the drilling of a new well, the reworking, deepening or plugging back of a well or hole or other operations conducted in an effort to obtain or re-establish production of oil or gas, including the dewatering of coal-bed gas wells. Drilling operations shall be considered to be "continuously prosecuted" if not more than 90 days shall elapse between the completion or abandonment of one well or hole and the commencement of drilling operations on another well or hole. If, at the expiration of the primary term of this lease, oil or gas is not being produced in paying quantities from the above described land but lease is then engaged in drilling operations, this lease shall continue in force so long as drilling operations are continuously prosecuted, and if production of oil or gas results in paying quantities from any such drilling operations, this lease shall continue in force so long as oil or gas shall be produced in paying quantities. If, after the expiration of the primary term of this lease, production from the above described land should cease, this lease shall not terminate if lessee is then prosecuting drilling operations, or within 90 days after each such cessation of production commences drilling operations, and this lease shall remain in force so long as such operations are continuously prosecuted, and if production in paying quantities results therefrom, then as long thereafter as oil or gas is produced in paying quantities from the above described land. The phrase "in paying quantities", as used herein, shall mean that the production from a well generates sufficient revenue, averaged over a six-month period, to pay for the monthly costs of operation of said well, but not for any capital expenditures relating thereto.

In consideration of the premises, it is hereby mutually agreed as follows:

1. Lessee shall deliver, free of cost, to lessor at the wells, or to the credit of lessor in the pipeline to which the wells may be connected, the equal part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or, at lessee's option, pay to lessor for such royalty the market price at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.

2. On gas, gas condensate, gas distillate, casinghead gas and all other gases, including their constituent parts, produced from said land and sold or produced from said land and used off the leased premises or in the manufacture of gasoline or other products, lessee shall pay to lessor a sum equal to 1/5th of the net proceeds received from the sale of such produced substance to an unaffiliated party where the same is sold at the mouth of the well or, if not sold at the mouth of the well, then 1/5th of the market value thereof at the mouth of the well, but in no event more than 1/5<sup>th</sup> of the actual amount received by lessee for the sale thereof to an unaffiliated party. Without limiting the foregoing, it is expressly agreed that Lessee shall at all times have the right to deduct from Lessor's royalty on any gas produced hereunder the royalty share of all applicable production, severance, and other production-related taxes, but such deductions shall not include any state, federal or local sales or income taxes unless obligated by the applicable governmental agencies. Payment or tender of royalty or other payments due to Lessor under this lease may be made by U.S. mail or in person.

3. If a well capable of producing gas or gas and gas condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut-in and no gas or gas condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease shall continue in force during all of the time or times while such well is so shut-in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas and gas condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to lessor 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 and thereafter on or before the succeeding anniversary dates of this lease during the period or periods such well is shut-in, as royalty, the sum of One dollar per net mineral acre (\$ 1.00 ), provided that, if gas or gas condensate from such well is sold or used as aforesaid prior to any such anniversary date of this lease, or if at any such anniversary date, this lease is being maintained in force and effect otherwise than by reason of such shut-in well, lessee shall not be obligated to pay or tender, on or before that particular anniversary date, said sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered direct to lessor at the address shown above or at the last known address as shown by lessee's records. All payments or tenders may be made by cash, check or draft, mailed or delivered on or before the payment date, and the depositing of such cash, check or draft in any post office, addressed to the lessor on or before the payment date, shall be deemed payment or tender as herein provided. Notwithstanding the death of lessor, payment or tender of shut-in royalty to such deceased or to his credit in the manner provided herein shall be binding on the heirs, devisees, executors, administrators and personal representatives of lessor and his successors in interest. Royalty ownership as of the date of payment as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment. In consideration of the obligation so to pay, it shall within the meaning of all terms of this lease, including the Habendum clause, be conclusively deemed that gas is being produced from the premises during the time such gas or gas condensate is not sold or used. Notwithstanding any provision to the contrary herein, it is expressly agreed that the foregoing shut-in royalty obligation shall be in effect both during and after the primary term. A well in which coal-bed gas dewatering operations are being conducted shall be deemed a shut-in well under the terms of this paragraph.

4. THIS IS A PAID-UP LEASE. In consideration of the down payment, lessor agrees that lessee shall not be obligated to commence or continue any drilling operations during the primary term hereof or to make any rental payments during such primary term.

5. Should lessor hereafter acquire any additional right, title or interest in and to the said land, it shall be subject to the provisions hereof to the same extent as if owned by lessor at the date hereof.

6. If lessor owns a less interest in the land covered by this lease than the entire undivided fee simple mineral estate therein, then whether or not such less interest is referred to or described herein, all shut-in royalties and royalties herein provided shall be paid lessor only in the proportion which his interest bears to the whole and undivided mineral fee. However, any such shut-in royalty shall be increased at the next succeeding anniversary date after any reversion occurs to cover the interest so acquired provided that notice of said reversion is provided to lessee under the terms of this lease.

7. If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sub lessees, successors and assigns of the parties; and in the event of an assignment or subletting by lessee, lessee shall be relieved and discharged as to the leasehold rights so assigned or sublet from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, either express or implied. No change in the ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee or require separate measuring or installation of separate tanks by lessee. Notwithstanding any actual or constructive knowledge of or notice to lessee, no change in the ownership of said land or of the right to receive shut-in royalties or other royalties hereunder, or of any interest therein, whether by reason of death, conveyance or any other matter, shall be binding on lessee (except at lessee's option in any particular case) until 90 days after lessee has been furnished written notice thereof, and the supporting information hereinafter referred to, by the party claiming as a result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all documents and other instruments or proceedings necessary in lessee's opinion to establish the ownership of the claiming party. If at any time there be as many as six parties (or more) entitled to receive royalties under this lease, lessee may withhold payment thereof unless and until all parties designate in writing in a recordable instrument to be filed with the lessee, the trustee or agent to receive all royalty payment due hereunder and to execute division and transfer orders on behalf of said parties and their respective successors in title. Any assignment by Lessee other than to Lessee's client, affiliates, subsidiaries or principles, shall require Lessor's written consent which consent shall not be unreasonably withheld. Any such assignment shall not relieve Lessee of any liability or obligation which exists or has accrued as of the date of the assignment.

7. Lessee may, at any time, execute and deliver to lessor or place of record a release covering all or any part of the acreage embraced in the leased premises or covering any one or more zones, formations or depths underlying all or any part of such acreage, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such

CO-S00053967

release. In the event of a release of this lease as to all rights in only a part of the acreage embraced in the leased premises, thereafter the shut-in royalties hereinabove provided for shall be reduced proportionately on an acreage basis.

8. Lessee is granted the right, from time to time while this lease is in force, whether before or after the commencement of drilling operations, to pool into a separate operating unit or units, all or any part of the land covered by this lease with other land, lease or leases, or interests therein (whether such other interests are pooled by a voluntary agreement on the part of the owners thereof or by the exercise of a right to pool by the lessees thereof), when in lessee's judgment it is necessary or advisable in order to promote conservation, to properly develop or operate the land and interests to be pooled, or to obtain a multiple production allowable from any governmental agency having control over such matters. Any pooling hereunder may cover all oil and gas, or any one or more of the substances covered by this lease, and may cover one or more or all zones or formations underlying all or any portion or portions of the leased premises. Any unit formed by such pooling shall be of abutting or cornering tracts and shall not exceed 640 acres (plus a tolerance of 10%) for gas or gas condensate and shall not exceed 40 acres (plus a tolerance of 10%) for any other substance covered by this lease provided a unit for a horizontal completion shall not exceed 640 acres plus a tolerance of 10%; provided that a larger unit may be formed for an oil well, a gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction; provided that if any governmental regulation or order shall prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be permitted in such allocation of allowable. The area pooled and the zones or formations and substances pooled shall be set forth by lessee in a "declaration of pooling" filed for record in the county or counties in which the pooled area is located. Such pooling shall be effective on the date such declaration is filed unless an earlier or later effective date is specified in such declaration. In lieu of the royalties elsewhere herein specified, except shut-in gas well royalties, lessor shall receive on production from an area so pooled only such portion of the royalties which, in the absence of such pooling, would be payable hereunder to lessor on production from the land covered by this lease which is placed in the pooled area as the amount of the surface acreage in the land covered by this lease which is placed in the pooled area bears to the amount of the surface acreage of the entire pooled area. Nothing herein contained shall authorize or affect any transfer of any title to any leasehold, royalty or other interest pooled pursuant hereto. The commencement of a well, the conduct of other drilling operations, the completion of a well or of a dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except for royalty purposes) the same as if said well were located on, or such drilling operations were conducted upon, the lands covered by this lease whether or not such well is located upon, or such drilling operations are conducted upon, said lands. Lessee shall also have the right, but not the obligation, from time to time, while this lease is in force, to modify or terminate any prior declaration of pooling by either increasing or decreasing the size of the pooled unit, such right to be exercised by the recording of an instrument evidencing such modification or termination; provided, however, that this right may be exercised only to the extent that such modification or termination will result in pooled units of a size equal to any spacing pattern established by governmental regulation or order for the lands involved. Notwithstanding the limitations on termination of pooled units contained in the preceding sentence, lessee may also terminate any pooling effected pursuant hereto at any time the pooled unit is not producing and no drilling operations are being conducted thereon by executing and filing of record in the county or counties in which the pooled area is located a written declaration of the termination of such pooling, provided that the pooling of all interests not covered by this lease which comprise a part of such pooled unit be also terminated in some effective manner.

9. In addition to and not in limitation of the rights granted in paragraph 9 hereof, lessee shall have the right to utilize, pool or combine all or any part of the above-described lands or other lands in the same general area, including the commitment of all or any portion of said lands to a federal unit by executing a Ratification and Joinder to such a unit, or 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 federal unit, 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 federal unit, 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 federal unit, plan or agreement, and this lease shall not terminate or expire during the life of such federal unit, plan or agreement. In the event that said lands or any part thereof shall hereafter be operated under any such federal unit, cooperative or unit plan of development or operation whereby the production thereof is allocated to different portions of the land covered by said federal unit or cooperative unit 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 a particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any federal unit, cooperative or unit plan of development or operation adopted by lessee and approved by any governmental authority by executing a Ratification and Joinder to such federal unit, or by executing the cooperative or unit plan upon request of lessee, but such consent shall not be deemed necessary to bind the interest of lessor to such federal unit or cooperative or unit plan of development or operation.

10. Subject to the restrictions set out herein, Lessee shall have the right to use, free of cost, oil and gas, but not water produced on said land for its operations. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing. No part of the surface of the leased premises shall, without the written consent of lessor, be let, granted or licensed by lessor to any other party for the location, construction or maintenance of structures, tanks, pits, reservoirs, equipment, or machinery to be used for the purpose of exploring, developing or operating adjacent lands for oil, gas or other minerals. In addition, and not by way of limitation, lessee shall have the right for one year after the expiration of the terms of this lease to enter the leased premises and remove any machinery or fixtures placed on the premises as well as the right to draw and remove casing during said period of time. Lessee may use, reinject or dispose of any water produced from the formation where oil and gas is also being produced as part of that production; provided, however, under no circumstances shall Lessee produce, use, or dispose of any water from any other formation. Any produced water or waste which is not reinjected into the producing formation shall be held in sealed containers or transported via flowlines, and shall be disposed of off of the Lands by Lessee. Lessee is responsible for obtaining any permits or other authorization related to production, use or reinjection of produced waters.

11. Lessee shall bury below plow depth its pipe lines on the leased premises when requested by a lessor owning an interest in the surface. No well shall be drilled nearer than 200 feet to any house or barn now on said premises without the written consent of the owner of the surface on which such house or barn is located. Lessee shall pay for damages to growing crops caused by its operations on said lands.

12. Lessor hereby warrants and agrees that it has not transferred, leased or otherwise intentionally clouded the title of its mineral interest covered hereby. Lessee may purchase or lease the rights of any party claiming any interest in said land and exercise such rights as may be obtained thereby but lessee shall not suffer any forfeiture nor incur any liability to lessor by reason thereof. Lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other lien on said lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and any such payments made by lessee for lessor may be deducted from any amounts of money which may become due lessor under this lease. Furthermore, if any claim is asserted or any action or proceeding instituted by lessor, or any third party claiming title to the leased land or any part thereof or any interest therein or any production therefrom, adverse to lessor or adverse to the rights claimed by lessee under this lease, then during the pendency of such controversy and until 90 days after determination thereof, lessee may defer or discontinue payment of any sums due hereunder and all operations on the leased land or, if it operates wells, it may deposit royalties accruing hereunder in respect to the production therefrom in any bank in the state in which the leased premises are located to abide the final determination of such controversy.

13. All express provisions and implied covenants of this lease shall be subject to all applicable laws, governmental orders, rules and regulations. This lease shall not be terminated in whole or in part, nor lessee held liable in damages, because of a temporary cessation of production or of drilling operations due to breakdown of equipment or due to the repairing of a well or wells, or because of failure to comply with any of the express provisions or implied covenants of this lease if such failure, whether or not foreseeable, is the result of the exercise of governmental authority, war, armed hostilities, terrorism, lack of market, act of God, strikes, civil disturbance, fire, explosion, flood or any other cause reasonably beyond the control of lessee.

14. It is agreed that this Lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its express or implied covenants, conditions or stipulations until Lessor shall have first provided Lessee with written notice of any breach of this Lease, and Lessee has failed to commence to correct such breach within 45 days for all matters relating to the payment of money, and within 90 days for all other breaches. However, should there be a good faith and bona fide dispute between Lessor and Lessee, it is agreed that this Lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its express or implied covenants, conditions or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, Lessee is given a reasonable time therefrom (but in no event more than 90 days) to commence to comply with any such covenants, conditions or stipulations.

15. This lease and all provisions thereof shall be applicable to and binding upon the parties and their respective successors and assigns. Reference herein to lessor and lessee shall include reference to their respective successors and assigns. Should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

16. The lessors for themselves and their heirs, successors and assigns, hereby expressly release and waive any and all rights of homestead, dower, curtesy and augmented estate rights.

17. ADDITIONAL PROVISIONS: In the event of a conflict or inconsistency between the printed terms of the Lease and the terms of these Additional Provisions the Additional Provisions shall govern and control and shall be deemed to supersede the printed terms of the Lease.

a) At the expiration of the primary term hereof, this lease shall not terminate if lessee is then engaged in the drilling or reworking of any well on the leased premises and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed", as hereinafter defined. Operations for drilling or reworking of a well shall be deemed continuous if not more than 180 days lapses between the completion of drilling or reworking operations on one well on the leased premises or lands pooled therewith and the commencement of drilling or reworking operations on another well on the leased premises or lands pooled therewith. Should Lessee fail to timely commence drilling to reworking operation on a well in accordance with the aforesaid 180 day continuous drilling or development program prior to the point in time the leased premises have been fully developed or at such time as lessee ceases drilling or reworking operations pursuant to such 180 day continuous drilling program, then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration, drilling or spacing unit created for a well capable of producing oil and/or gas in paying quantities as prescribed and permitted by the applicable rules and regulations of the governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit, or units as prescribed and permitted by the applicable rules and regulations of the governmental authority having jurisdiction. Completion as defined herein shall be the date on which the drilling rig is released from a wellsite. As to any lands or formations which have not been previously released under this paragraph, two years after the expiration of the primary term or, if applicable, the date lessee ceases operations pursuant to the 180 day continuous drilling program provided for herein, whichever is later, Lessee shall release this lease as to all depths one hundred feet below the deepest formation drilled in each "well unit". Following the execution of the release, each such "well unit" shall be treated as a separate oil and gas lease.

b) Lessee shall provide Lessor with a copy of any title opinion which it receives that covers all or any part of the Lands.

c) Lessor shall have the right to review and audit Lessee's books and records upon reasonable advance written notice to Lessee in Lessee's corporate office to verify that all payments called for hereunder have been properly made, provided Lessor give notice before the end of any calendar year this lease is in effect in order to conduct a review for the preceding two calendar years.

d) Except as provided herein, it is agreed between Lessor and Lessee that, notwithstanding anything contained in this Lease to the contrary, all oil, gas or other proceeds owed to Lessor under the Lease or by state law shall be without any deduction, directly or indirectly, other than Lessor's share of all applicable production, severance and other production-related taxes, with the exception of federal, state

or local sales or income taxes. There shall be no deduction for the cost to place the product in marketable condition or to transport such product to the first point of sale including, without limitation, any cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, and marketing the oil, gas and other products produced provided however that any other costs which enhance the value of the marketable oil, gas, or other products after they have been placed in a marketable condition and delivered to the first point of sale may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancement.

e) It is understood and agreed that the shut-in royalty provided in the Lease shall be \$10.00 per year per net mineral acre covered by the Lease and that the Lease may not be maintained in force for any single period of time longer than 24 consecutive months after the expiration of the primary term hereof solely by the provision of the shut-in royalty clause. The shut-in status of any well shall persist only so long as it is necessary to correct, through the exercise of good faith and due diligence, the condition giving rise to the shut-in of the well.

f) Lessee agrees to defend, indemnify and save and hold harmless Lessor, its members, managers, shareholders and partners, and their respective officers, directors, employees, agents, representatives, contractors and subcontractors, forever from and against all losses, costs, expenses, liabilities, obligations, damages, demands, suits, and fines and sanctions of every kind and character (including reasonable fees and expenses of attorneys, technical experts and expert witnesses reasonably incident to matters indemnified against), which arise from or in connection with (i) any activities, operations, acts or omissions of Lessee or its agents, representatives, contractors and subcontractors on the leased premises or on lands adjacent to the leased premises, including, without limitation, any spill, release or discharge of any substance (including any pollutant or hazardous or toxic substance) or any violation of any environmental or other laws, or (ii) the breach by Lessee of this Lease.

g) In the event of any conflict between this lease and the Surface Use Agreement, the provisions of the Surface Use Agreement shall control.

IN WITNESS WHEREOF, this lease is executed as of the day and year first above written.

\_\_\_\_\_  
Lessor

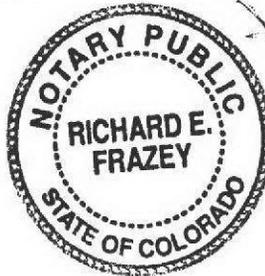
STATE of Colorado  
COUNTY of Denver

ACKNOWLEDGEMENT-INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 12<sup>th</sup> day of November, 2010, personally appeared Steven M. Cohen, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its Managing General Partner and acknowledged to me that he DULY executed same as free and voluntary act and deed for the uses and purposes therein set forth and in the capacity stated therein.

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

My Commission Expires: 8/1/2013



Notary Public:  
Address:

Richard E. Fraze  
Richard E. Fraze  
45 Gigi Lane  
Evergreen, CO 80439

Exhibit "A"

Attached and made a part of that certain Oil and Gas dated November 12, 2010, between Watkins Road Associates II, LLP as Lessor and Anadarko E&P Company LP as Lessee

**Township 4 South, Range 64 West:**  
**Section 30: All**

**Township 4 South, Range 65 West**  
**Section 24: SE/4**

Arapahoe County, Colorado

## Exhibit "B"

### SURFACE USE AND DAMAGE AGREEMENT

Attached and made a part of that certain Oil and Gas Lease dated November 12, 2010 between Watkins Road Associates II, LLP as Lessor and Anadarko E&P Company LP as Lessee

This Agreement is made and entered into effective this 12th day of November, 2010, by and between Watkins Road Associates II, LLP, as the owner of the surface of the lands described hereafter whose address is 7400 East Crestline Circle, Suite 150, Greenwood Village, CO 80111, hereinafter referred to as "Owner", and Anadarko E&P Company LP, whose address is 1099 18<sup>th</sup> Street, Suite 1800, Denver, CO 80202, hereinafter referred to as "Operator".

#### WITNESSETH:

**WHEREAS**, Owner owns the surface estate described on Exhibit "A" attached hereto (the "Lands") as well as the mineral estate under portions of the Lands; and

**WHEREAS**, Owner plans to develop the Lands to include in planned communities for residential, commercial, agricultural, industrial and other development; and

**WHEREAS**, Operator holds one or more valid oil and gas leases from Owner or from third parties covering all or portions of the Lands; and

**WHEREAS**, the parties wish to enter into an agreement concerning the use by Operator of portions of the Lands for the purposes of drilling, completing, and operating one or more oil and gas wells on the Lands consistent with Owner's ownership of the Lands for development.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Right of Use.** Owner hereby gives and grants to Operator, its agents, employees, drilling contractors, and related service companies, subject to the terms of this Agreement, the non-exclusive right to enter upon and use the Lands for the purpose of drilling, completing, and producing one or more oil and gas wells at legal locations or at such exception locations as are approved by the Colorado Oil & Gas Conservation Commission ("COGCC"), together with rights-of-way across the Lands and adjacent lands owned by Owner necessary to construct and maintain one or more access roads, well sites, tank batteries, and pipelines in connection with the oil or gas wells to be drilled by Operator upon the Lands in accordance with this Agreement. The rights of Operator to use the Lands as set forth herein are non-exclusive, and Owner reserves the right to use all access roads, and all surface and sub-surface uses of the Lands, and to grant successive easements on or across the Lands on such terms and conditions as Owner deems necessary or advisable, provided that Owner's use and all other uses authorized by Owner do not unreasonably interfere with the operations of Operator.

2. **Notification and Consultation**

(a) Prior to commencing any operations, initiating the drilling of any well or initiating the conduct of seismic activities on said Lands, Operator shall notify Owner prior to entry upon the Lands and shall consult with Owner and receive Owner's consent, which consent shall not be unreasonably withheld, as to the location of each well, road, pipeline, power line, tank battery, or other facility to be placed upon or under the Lands. Such agreed-upon locations shall be known as the "Oil and Gas Operations Areas". All of Operator's activities shall be restricted to the Oil and Gas Operations Areas and Owner shall not occupy any portion of the Oil and Gas Operations Areas for any purpose, it being specifically agreed that the Oil and Gas Operations Areas are for the exclusive use of Operator.

(b) Provided mutually acceptable alternate locations are agreed upon by Owner and Operator, Owner shall have the right to require Operator to relocate any roads, pipelines, power lines, or other surface or underground facilities (excluding any well) upon 90 days prior written notice to Operator in the event that such relocation is necessary to Owner's use of the Lands. All relocation expenses will be borne by Owner and Operator will not be required to move any of its facilities until provision has been made for the payment of such expenses to the reasonable satisfaction of Operator.

3. **Compensation.** As compensation for surface damages and as rental for use of Owner's surface estate, Operator shall pay to Owner the following:

(a) The sum of Three Thousand Dollars (\$3,000) per permanently disturbed acre for the drilling of any well or location of any facilities upon the Lands owned by Watkins Road Associates, II, LLP; Purview Associates, LLP; and Sun Empire IV, LLC, East Side Sunset, LLC and Bravada/Neher 160, LLC, and for the access road across the Lands to the well location, payable prior to commencement of surface disturbing activities.

(b) In the event that Operator desires to construct buried oil or gas pipelines, Operator shall pay Owner a one-time payment of Ten Dollars (\$10.00) per rod for such pipelines.

(c) Operator shall not use Owner's water for drilling or other purposes.

(d) For buried power lines and telecommunication lines, Operator shall pay Owner a one-time payment of Five Dollars (\$5.00) per rod, unless such power lines or telecommunication lines are installed at the same time and in the same ditch as the pipelines described herein, in which case there shall be no duplication of payment.

(e) On the fourth anniversary of this Agreement, and every five years thereafter, payments provided for in this Agreement shall be increased or decreased (but never below the amounts stated herein) by a percentage equal to the increase or decrease in the Consumer Price Index as published by the United States Department of Commerce for the preceding five-year period.

(f) The fees and compensation payable by Operator to owner for the installation and location and operation of any compressor on the Lands shall be negotiated in good faith by Owner and Operator under a separate agreement.

(g) Provided Owner is in compliance with this Agreement, Operator agrees that it will not object, oppose or seek to prevent Owner from (i) obtaining any required permits to develop the Lands for such residential, commercial, industrial and other uses of any kind as Owner determines from time to time, or (ii) so developing the Lands, subject to Operator's rights under this Agreement. Operator agrees to execute and deliver letters of support of and non-objection to such development by Owner as may be requested by Owner from time to time. Likewise, provided Operator is in compliance with this Agreement, Owner will not oppose any permit application Operator submits to the COGCC or any state or local entity having jurisdiction of some or all of Operator's activities hereunder or under the Oil and Gas Lease of even date so long as said application or permit is consistent with this Agreement.

4. **Road Construction and Use.** Any roads constructed or used by Operator on the Lands shall be constructed or used to the following specifications:

(a) To the maximum extent reasonably possible, Operator will use existing roads designated by Owner for its operations if such use is operationally and economically feasible in Operator's judgment reasonably exercised.

(b) The surface of all roadways shall be made of compacted gravel, shall not exceed 16 feet in width for traveled surface, and shall comply with all regulations or laws applicable to such roadways. Operator shall control dust from all roadways through the application of an appropriate dust suppressant. Any roads constructed by Operator shall be improved as may be

necessary and Owner and Operator agree that once surface development begins, the parties will consult with each other and agree on how the roads used in the operations of the oil and gas activities will be merged into the development roads.

(c) If requested by Owner, access to the Lands of Owner from any public road, or from the land of any adjoining Landowner, shall be controlled by a swinging metal gate in addition to a cattle guard.

(d) Culverts shall be placed in low areas for proper drainage.

(e) No off-road travel is permitted and particularly no off-road travel which has the effect of widening the road or area of damage.

(f) The use and construction of roads by Operator on the Lands is a non-exclusive use, and Owner may allow other parties to use said roads and make a charge therefor. However, Operator shall have the right to assess other non-agricultural users of the roads (except for Owner) for their share of maintenance work performed by Operator. Owner shall have no responsibility for road maintenance.

(g) Operator agrees, if requested by Owner, to place an appropriate sign or signs on any road designating them as "private roads" and to assist Owner in the control of the use of such roads by unauthorized users. The size and color of such signs shall be subject to Owner's approval.

(h) Owner may lock gates across its private roads, provided that Operator shall have the right to place its own locks on such gates.

(i) Operator shall maintain existing and newly constructed roads used by Operator to the extent necessary for Operator's needs and to the reasonable satisfaction of Owner, which maintenance may include shaling, ditching, graveling, blading, mowing grass to avoid fire danger, installing and cleaning cattle guards, and spraying for noxious weeds. This work shall be done at such reasonable times as Owner shall request.

(j) No roads on the Lands shall be used by Operator for access to lands not subject to the Lease without a separately negotiated agreement.

5. **Well Sites.** Well sites located on the Lands shall be limited to no more than ten (10) acres in size during drilling, completion, and reworking activities, and no more than four (4) acres permanently disturbed in size for producing well sites, including any tank batteries constructed by Operator. Operator agrees to fence the pits and other dangerous areas and at all times keep its well sites in good order and free of litter, debris, trash, or spilled hydrocarbons. In the event that Operator does not encounter commercial quantities of oil, gas, or other hydrocarbons at any well location and determines the location to be a "dry hole," Operator shall promptly fill in, smooth over, and clean up the well site and rights-of-way and shall restore and reseed the area with a seed mix reasonably approved by Owner after replacing topsoil. All cleanup and restoration activities shall be completed by Operator as soon as the reserve pit has been allowed to dry so that proper backfilling can be accomplished. If the reserve pit is not dry within six months of completion of drilling operations, it shall be pumped dry by Operator and the contents properly disposed of off the Land pursuant to applicable law. In the event that any well drilled upon the Lands is completed as a commercial producer of oil and/or gas, Operator shall promptly clean up the well site location and use only so much of the area as is reasonably necessary for its operations, and Operator shall restore such well location, reseeding the same with a seed mix specified by Owner, and Operator shall keep all well site locations neat, orderly, and clean at all times.

6. **Pipelines.** Any pipelines constructed by Operator on the Lands shall be constructed and maintained to the following specifications:

(a) The top of each pipeline shall be buried at least 48 inches below the surface of the ground and shall be constructed in such a manner to safely permit Owner to construct roads and utilities over such pipeline in such locations as may be designated by Owner.

(b) Operator shall be responsible for backfilling, repacking, reseeding, and recontouring the surface so as not to interfere with Owner's present or future agricultural operations and its present or planned future development or other use of the Lands. If pipeline trenches settle so as to interfere with Owner's irrigation or ranching activities, upon request by Owner, Operator shall fill in, repack, and level such trenches.

(c) Operator shall provide Owner with a plat showing the "as built" length and location of all pipelines promptly after their installation.

(d) Owner reserves the right to occupy, use, and cultivate the lands affected by such pipelines, and to grant such rights to others, so long as such use does not interfere with Operator's operations. No structures may be built by Owner within fifteen (15) feet of any pipeline.

(e) The pipelines referred to in this Agreement are limited to and include only those gathering system pipelines used in connection with wells drilled on the Lands.

(f) If Operator fails to use any pipeline for a period in excess of twenty-four (24) consecutive months, the pipeline shall be deemed abandoned and Operator shall promptly take all actions necessary or desirable to clean up and remove the pipeline, or render the pipeline environmentally safe and fit for abandonment in place, and restore the surface. All such cleanup and mitigation shall be performed in compliance with all applicable federal, state, and local laws and regulations.

7. **Power Lines.** Any buried or overhead power lines constructed on the Lands shall be constructed and maintained to the following specifications:

(a) Operator will consult with Owner and with the independent power company supplying power to Operator with respect to the location of overhead power lines prior to construction, and shall obtain Owner's written consent for such locations which consent shall not be unreasonably withheld. Overhead power lines will be constructed so as to cause the least interference reasonably possible with Owner's visual landscape and Owner's existing and planned future uses of the Lands, and, to the maximum extent reasonably possible, overhead power lines will be constructed along fence lines or property lines. All overhead power lines will be located in a manner to minimize or avoid interference with Owner's existing or future uses of the Lands. No overhead power line will be located where it will interfere with Owner's existing or planned future uses of the Lands planned by Owner at the time of construction of overhead power lines. Owner shall be entitled to receive payment from Operator's electricity provider for overhead power lines.

(b) Subject to compliance with any guidelines and policies of the power provider, within two months after a well has been placed on production, all power lines constructed by or for Operator downstream of the independent power company's meters shall be buried, and all power line trenches shall be fully reclaimed and reseeded to the reasonable satisfaction of Owner. Buried power lines shall be installed at least 48 inches below the surface of the ground, and shall be constructed in such a manner to safely permit Owner to construct roads and utilities over such power line in such locations as may be designated by Owner.

(c) Operator agrees that it will not construct overhead power lines that will interfere with irrigation in those portions of the Lands which are developed or are being irrigated or cultivated or which may, in the future, be developed or irrigated or cultivated or which are fallow as part of a crop rotation or management program.

8. **Operations.** Operator's operations on the Lands shall be conducted according to the following specifications:

(a) Operator shall at all times keep its well sites and road rights-of-way safe and in good order, free of noxious weeds, litter and debris, and shall spray for noxious weeds upon reasonable demand by Owner as required by the rules of the COGCC.

(b) Operator shall rehabilitate, restore, reclaim, and reseed all disturbed areas caused by Operator's operations within six (6) months after termination of construction activities on such sites, unless inclement weather prevents such rehabilitation and restoration within that time period or within such other time as provided in the then applicable rules of the COGCC.

(c) All cattle guards and fences installed by Operator shall be kept clean and in good repair and will become the property of Owner when Operator ceases ownership of its oil and gas lease covering that portion of the Lands.

(d) Operator shall not permit the release or discharge of any toxic or hazardous chemicals or wastes on the Lands. Any spill of oil, grease, solvents, chemicals, or hazardous substances on the Lands which are reportable to regulatory authorities under applicable law or regulations shall be immediately (within 24 hours) reported to Owner by telephone, fax, or e-mail, to be followed by copies of written notices which Operator has filed with regulatory authorities within five (5) business days after such filing.

(e) Operator shall remove only the minimum amount of vegetation necessary for the construction of roads, well locations, and other facilities. Topsoil shall be conserved during excavation, stockpiled and reused as cover on disturbed areas to facilitate regrowth of vegetation.

(f) Operator shall use reasonable efforts to assure that construction or routine maintenance activities will not be performed during periods when the soil is too wet to adequately support construction equipment. Once a well is completed, Operator shall also access the Lands with heavy trucks and tankers as may be necessary for the efficient operation of the Lease taking into account the levels of production from wells drilled on the Lease; it being understood that access will be more frequent earlier in the production process. Once development of the surface has started, Owner and Operator will consult with one another to determine if changes need to be made with respect to heavy truck and tanker access taking into account then current and anticipated levels of production from the Lease and the safe and efficient use of the surface development.

(g) All surface facilities not subject to safety requirements shall be painted Operator's colors, which shall blend with the natural color of the landscape.

(h) No living quarters shall be constructed upon the Lands, except that drilling crews and geologists or service personnel may use temporary "dog houses" during drilling, completion, or reworking activities.

(i) Operator shall not fence any access roads without the prior consent of Owner.

(j) Operator shall construct stock-tight fences for both sheep and cattle around any dangerous areas, including any pits where Operator drills wells.

(k) Operator and its employees, agents, and contractors shall leave all gates located on the Lands as they found them; gates found closed are to be closed; gates found open are to be left open.

(l) None of Operator's employees, agents, or contractors, or any other person under the direction or control of Operator shall be permitted to carry firearms or any other weapon on the Lands and such persons shall not hunt, fish, or engage in recreational activities on the Lands. No dogs will be permitted on the Lands at any time. Operator will notify all of its contractors, agents, and employees that no dogs, firearms, weapons, hunting, fishing, or recreational activities will be

allowed on the Lands. None of Operator's employees, agents, or contractors, or any other persons under the direction or control of Operator, shall possess or be under the influence of alcohol or illegal drugs while on the Lands.

(m) Operator shall conduct operations and activities on the Lands in accordance with, and shall strictly comply with all existing local, state, and federal laws, rules, and regulations. Operator shall also obtain any permit, consent, license, or other authorization required by law or by any governmental authority having jurisdiction.

(n) Operator shall take all reasonable steps to prevent fire and to promptly extinguish fire, including, but not limited to, maintaining a fire extinguisher, shovel, and bucket in each service vehicle entering upon the Lands. Operator shall fully and promptly compensate Owner for all damages caused by fire arising out of Operator's operations, including, without limitation, any charges incurred by Owner for fire suppression and the replacement of fences and other property damaged or destroyed by fire.

(o) Operator shall conduct dust suppression in such areas and at such times as Owner shall reasonably request as long as the dust being suppressed is the result of Operator's operations.

9. **Limitation on Rights.** The Lands may not be used in connection with operations on other premises not owned by Owner without Owner's written consent.

10. **Produced Water.** With respect to any water produced from wells drilled on the Lands in connection with the production of oil, gas, or other hydrocarbons, Operator agrees to reinject produced water or haul the same away from the Lands and properly dispose of such produced water off the Lands. Operator shall not construct evaporation pits for produced water, but may have a small "emergency pit" during drilling, completion, or reworking operations for produced water purposes.

11. **Dry Hole / Water.** Operator's use of water shall be governed by the applicable provisions of the Oil and Gas Lease between the parties. In the event that Operator discovers water during its drilling operations, Operator shall advise Owner of the location and quantity thereof. In the event Operator elects to abandon a well (either a "dry hole" or upon cessation of production from a producing well), Operator will give Owner forty-five (45) days written notice of the opportunity to take over any abandoned well and convert the well to a water well. If Owner elects in writing to take over the abandoned well and convert the well to a water well, then Owner will assume all liability and costs associated with the well thereafter, and both parties shall execute any and all documents necessary to provide that the water in the well shall become the property and the responsibility of Owner. If Owner does not elect to take over an abandoned well within such 45-day period, Operator shall plug and abandon the well as required by applicable law and regulations and reclaim the well site as provided herein.

12. **Seismic Operations.** Seismic operations on the Lands and the compensation payable to Owner therefor, shall be subject to a separate agreement between Owner and Operator.

13. **Extraordinary Damages.** The compensation provided for herein is acknowledged by Owner as sufficient and in full satisfaction for damages and use of the Lands caused or created by the reasonable and customary entry, rights-of-way, and operation and use of roads and well sites, but do not include damage to livestock, buildings, or improvements, or injuries to persons. This Agreement does not relieve Operator from liability due to Operator's negligence or due to spills or discharges of any hydrocarbon or toxic substance or hazardous chemicals or wastes, or from leaks or breaks in Operator's pipelines. Damage to or loss of livestock shall be paid for by Operator at the higher of market value or replacement cost.

14. **Reclamation and Reseeding.**

(a) Unless Owner otherwise agrees in writing or unless otherwise provided in the rules of the COGCC, within six (6) months after termination of any of Operator's operations on the Lands, Operator shall fully restore and level the surface of the lands affected by such terminated

operations as near as possible to the contours which existed prior to such operations. Operator shall use water bars and other measures as appropriate to prevent erosion and non-source pollution.

(b) Unless otherwise agreed by Owner or unless otherwise provided in the rules of the COGCC, all areas disturbed by Operator's activities will be reseeded with suitable grasses or crops selected by Owner, at a reseeding rate determined by Owner, and during a planting period selected by Owner. In the absence of direction from Owner, no reseeding (except for borrow pits) will be required on any access roads existing as of the date of this Agreement. It shall be the duty of Operator to ensure that a growing ground cover is established upon disturbed soils and Operator shall reseed as necessary to accomplish that duty.

(c) It shall further be the duty of Operator to inspect and control all noxious weeds as may become established within areas used or disturbed by Operator as required by the rules of the COGCC. Operator shall inspect disturbed areas from time to time and as Owner shall reasonably request in order to determine the growth of ground cover and/or noxious weeds. Operator shall reseed ground cover and control noxious weeds from time to time to the extent necessary to accomplish its obligations hereunder. Operator recognizes that this shall be a continuing obligation and Operator shall reseed ground cover and/or control noxious weeds until areas disturbed by Operator are returned to as near the condition as existed prior to construction. If Owner so requests, Operator shall construct and remove fences for the purpose of temporarily excluding livestock from newly seeded areas.

15. **Indemnification.** No party shall be liable for, or be required to pay for, special, punitive, exemplary, incidental, consequential or indirect damages to any other party for activities undertaken within the scope of this agreement.

Except as to claims arising out of pollution or environmental damage (which claims are governed by paragraph 16 below) or out of other provisions of this Agreement (which claims shall be governed by the terms of this Agreement), each party shall be and remain responsible for all losses, claims, damages, demands, suits, causes of action, fines, penalties, expenses and liabilities, including without limitation attorneys' fees and other costs associated therewith (all of the aforesaid herein referred to collectively as "Claims"), arising out of or connected with each such party's ownership or operations or activities on the Property, no matter when asserted, subject to applicable statutes of limitations. Each such party shall release, defend, indemnify and hold the other parties, their officers, directors, employees, agents and contractors, successors and assigns, harmless against all such Claims. This provision does not, and shall not be construed to, create any rights in persons or entities not a party to this Agreement, nor does it create any separate rights in parties to this Agreement other than the right to be indemnified for Claims as provided herein. Notwithstanding anything in this Agreement to the contrary, Operator shall compensate Owner for any damage, loss, or claim which Owner sustains because Operator did not act as a reasonable and prudent operator.

Upon the assignment or conveyance of a party's entire interest in the Property, that party shall be released from its indemnification provided above, for all actions or occurrences happening after such assignment or conveyance.

16. **Environmental Indemnity.** The provisions of paragraph 15 above, except for the first paragraph thereof, shall not apply to any environmental matters, which shall be governed exclusively by the following:

"Environmental Claims" shall mean all Claims asserted by governmental bodies or other third parties for pollution or environmental damage of any kind, arising from operations on or ownership of the Property or ownership of the oil and gas leasehold interest, whichever is applicable, and all cleanup and remediation costs, fines and penalties associated therewith, including but not limited to any Claims arising from Environmental Laws or relating to asbestos or to naturally occurring radioactive material. Environmental Claims shall not include the costs of any remediation undertaken voluntarily by any party, unless such remediation is performed under the imminent threat of a Claim by a governmental body or other third party;

"Environmental Laws" shall mean any laws, regulations, rules, ordinances, or order of any governmental authority(ies), which relate to or otherwise impose liability, obligation, or standards with respect to pollution or the protection of the environment, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §§ 6901 et seq.), the Clean Water Act (33 U.S.C. §§ 466 et seq.), the Safe Drinking Water Act (14 U.S.C. §§ 1401-1450), the Hazardous Material Transportation Act (49 U.S.C. §§ 1801 et seq.), the Clean Air Act, and the Toxic Substances Control Act (15 U.S.C. §§ 2601-2629); and

Operator shall protect, indemnify, and hold harmless Owner from any Environmental Claims relating to the Land or the Lease that arise out of Operator's ownership and operation on the Land and its ownership and operation of any pipeline easement or right-of-way on the Land. Owner shall fully protect, defend, indemnify and hold harmless Operator from any and all Environmental Claims relating to the land that arise out of Owner's operations on the Land. ). This indemnity specifically covers the completion or fracturing or refracturing of any well drilled by Lessee on the leased premises or lands pooled or unitized therewith.

17. **Exclusion From Indemnities.** The indemnities of the parties herein shall not cover or include any amounts which the indemnified party is actually reimbursed by any third party. The indemnities in this Agreement shall not relieve any party from any obligations to third parties.

18. **Release.** To the maximum extent permitted by law, Operator releases and waives and discharges Owner and, if applicable, Owner's officers, directors, employees, agents, successors, and assigns from any and all liability for personal injury, death, property damage, or otherwise arising out of Operator's or its agents' operations under this Agreement or Operator's use of Owner's property, unless such injury, death, or property damage is the result of Owner's negligent acts or omissions or those of its members, officers, directors, employees, agents, successors, and assigns.

19. **Inspections and Reports.** Operator and its authorized agents and representatives shall have access to the Oil and Gas Operations Areas, and to the surface location of any well drilled outside of the Lands that is or will be drilled into the Lands, and shall have the right to witness and observe all operations conducted thereon, including the drilling, logging, testing, casing, completing, Directional Surveying, and plugging and abandonment of any well thereon. Upon reasonable advance notice, Owner shall have the right to inspect Operator's records with respect to such operations to verify Operator's compliance with this Agreement. Owner shall maintain the confidentiality of all such information for so long as such information is not publicly available. Owner shall indemnify, defend and save and hold harmless Operator from and against any claims and liabilities for damage to property or injury to persons arising out of the acts or omissions of Owner or its agents or representatives in connection with such inspections, except to the extent such claim or liability is attributable to the negligence or willful misconduct of Operator or its contractors.

20. **Designated Contact Person.** Operator and Owner will each from time to time designate an individual, with appropriate 24-hour telephone and fax numbers, who is to be the primary contact person for discussions and decisions concerning matters related to this Agreement. Current contact information is as follows:

Owner: Steven Cohen  
Watkins Road Associates II, LLP  
7400 East Crestline Circle, Ste. 250  
Greenwood Village, CO 80111  
Phone: 303-221-8200  
Fax: 303-773-2501  
E-mail: smcohen@bravadapartners.com

Operator: Anadarko Petroleum Corporation  
1099 18<sup>th</sup> Street, Suite 1800  
Denver, CO 80202-1918

Attn: Land Manager

21. **Assignment.** This Agreement shall run with the Lands and shall be assigned by Operator in connection with any assignment of Operator's oil and gas leasehold rights under all or a portion of the lands described on Exhibit "A".

22. **Enforcement Costs.** If either party defaults under this Agreement, the defaulting party shall pay all costs and expenses, including a reasonable attorney's fee, incurred by the non-defaulting party in enforcing this Agreement, with or without litigation.

23. **Insurance.** Operator elects to self-insure its common law and assumed liability under this Agreement for bodily injury and/or property damage to third parties in connection with accidents arising out of its operations, but only to the extent of those liabilities assumed herein. Operator self-insures the first \$5,000,000 of its general liability, with excess liability insurance covering all operations and attaching over its self-insurance retention. Operator's self-insurance will respond to the same extent as if an insurance policy had been purchased naming Owner as an additional insured, but only to the extent of those liabilities assumed herein. Any limitations of Operator's self-insurance shall not limit its obligations to Owner as provided in this Agreement or the Lease. In the event of an assignment or transfer of this Agreement, the assignee or transferee shall be required to provide insurance coverage that is reasonably acceptable to Owner before Owner shall be required to consent to such assignment.

24. **As is/Where is.** Operator acknowledges that it is aware of all natural and manmade hazards on the Lands. Operator takes the Lands subject to all such hazards, as is, where is.

25. **Conflicts.** In the event of any conflict between this Agreement and any Oil and Gas Lease that covers the Lands, the terms and provisions of this Agreement shall control.

26. **Binding Effect.** This Agreement is binding upon and shall inure to the benefit of the successors and assigns of the parties.

27. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be considered an original for all purposes, with the same effect as if the signatures thereto and hereto were upon the same instrument.

28. **Term.** This Agreement shall continue until the termination of the Oil and Gas Lease between Operator and Owner covering the Lands, at which time this Agreement shall terminate. All of Operator's obligations and liabilities under this Agreement shall survive the termination of the said Oil and Gas Lease.

29. **Applicable Law.** This Agreement shall be construed under the laws of the State of Colorado.

30. **Dispute Resolution.** In the event of any dispute, disagreement or controversy arising out of, relating to or connected with this Agreement including but not limited to the location of any well, surface sites or facilities, access roads and pipelines, the Parties shall use reasonable, good faith efforts to settle such dispute or claim through negotiations with each other. If such negotiations fail to produce a mutually acceptable resolution to the matter in dispute, the Parties will submit the same to non-binding mediation before a sole mediator. The mediation will be conducted by the Judicial Arbitrator Group, Inc., 1601 Blake St, Suite 400, Denver, CO 80202 ("JAG"). The matter in dispute will be submitted to mediation within fifteen (15) days of a written demand for mediation from one Party to the other. If the mediation is not successful, the matter in dispute shall be submitted for final reconciliation by a sole arbitrator to be chosen by the Parties from the pool of arbitrators at JAG by no later than thirty (30) days of a written demand for arbitration from one Party to the other (or such other time as may be agreed to by the Parties). The demand for arbitration and the response thereto shall concisely state the matter(s) in dispute, the position of the Party with respect to such matter(s) and the Party's proposed resolution of the same.

a. During any negotiations conducted pursuant to this Agreement, the Parties will keep and maintain a record of all issues upon which agreement has been reached. To narrow and focus the

issues that may need to be resolved in an arbitration proceeding, each of the submittals by the Parties shall include all points that have been agreed to by the Parties during their negotiations.

b. Any proceeding before the arbitrator shall be conducted in accordance with the Uniform Arbitration Act then currently in effect. The purpose of the arbitrator's role is to produce a final decision of any matter submitted for arbitration to which the Parties' herein agree to be bound. The place of arbitration shall be at the offices of JAG in Denver, Colorado.

c. The JAG arbitrator shall, ideally, be possessed of demonstrated experience in matters pertaining to the law of oil and gas development, and, at a minimum, Colorado law of real property governing the use and enjoyment of surface and subsurface estates. If the Parties cannot reach agreement on the choice of JAG arbitrator within ten (10) days of the original demand for arbitration (or such other time as may be agreed to by the Parties), they shall abide by the assignment of JAG arbitrator made by the JAG Administrator.

d. For any matter requiring judicial resolution in connection with the arbitration, including the enforcement of any award, enforcement of this agreement to arbitrate, or injunctive relief to preserve the status quo pending arbitration, the Parties agree to the exclusive jurisdiction of the State District Court of Arapahoe County, Colorado.

e. The Parties shall share equally in the cost of retaining the services of JAG for any mediation or arbitration conducted hereunder and each shall be solely responsible for its own costs and expenses of preparing for and pursuing any mediation or arbitration. With the exception of converting any arbitration award into a judgment, the prevailing Party for any matter requiring judicial resolution in connection with the arbitration shall be entitled to recover reasonable costs and attorneys' fees from the non-prevailing Party.

DATED as of the year and date first above written.

**OWNER:** \_\_\_\_\_

**Watkins Road Associates II, LLP**

**OPERATOR:** \_\_\_\_\_

**Agent and Attorney In Fact  
David H. Bell  
Anadarko E&P Company LP**



ANADARKO PETROLEUM CORP  
PO BOX 173779

DENVER, CO 80217-3779

Reception #: D1101339, 10/17/2011 at  
12:51:31 PM, 1 OF 17, OGL, Rec Fee  
\$91.00

Arapahoe County CO Nancy A. Doty,  
Clerk & Recorder

OIL AND GAS LEASE  
(PAID UP)

THIS OIL AND GAS LEASE (the "Lease") is executed as of August 1, 2011, between Anadarko Land Corp., a Nebraska corporation, whose address is 1099 18<sup>th</sup> Street, Suite 1800, Denver, Colorado 80202 ("Lessor") and Anadarko E&P Company LP, a Delaware limited partnership, whose address is 1099 18<sup>th</sup> Street, Suite 1800, Denver, Colorado 80202 ("Lessee").

WITNESSETH:

1. LEASED PREMISES. For and in consideration of One Hundred dollars (\$100.00), the adequacy, receipt and sufficiency of which are hereby acknowledged, and in consideration of the royalties herein provided and of the agreement of Lessee herein contained and subject to the limitations set forth herein, Lessor hereby grants, leases and lets exclusively unto Lessee all of Lessor's right, title and interest in and to the oil and gas, including, without limitation, nitrogen, carbon dioxide, hydrogen sulfide, and other gaseous substances (except steam and helium) and products associated therewith, and associated liquid hydrocarbons contained therein (all such substances are sometimes collectively referred to herein as "covered minerals") in and under the following described property (the "Leased Premises"):

TOWNSHIP 4 SOUTH, RANGE 65 WEST, 6<sup>TH</sup> PM  
Section 25: All

Arapahoe County, Colorado

for the purposes of exploring, drilling, operating, producing and saving, the covered minerals produced from the Leased Premises; provided, however, Lessor reserves all rights, horizons, strata and formations which are not affected by this Lease, including, but not limited to, the right to the concurrent use of the drill pad and surface and the right to drill through the covered interval; and further provided, Lessee shall have the non-exclusive right to conduct geophysical operations and evaluations upon the Leased Premises; and further provided, Lessee shall have the non-exclusive right to construct, maintain and remove pipelines, roads, buildings, tanks (but not tank farms), power and telephone lines and other structures and facilities on the Leased Premises as may be necessary to explore and drill for, produce, save, treat, store and transport, the covered minerals produced hereunder; and further provided that this Lease is made subject to all existing roads, easements and any other property interests in the Leased Premises and is further subject to any restrictions or limitations set forth in any recorded instruments affecting the Leased Premises. For shut-in royalty payment purposes only, the Leased Premises shall be deemed to contain 640.00 acres, whether it actually comprises more or less.

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

3. PRIMARY TERM. Subject to the other provisions herein contained, this Lease shall be for a primary term of three (3) years from the date hereof (the "Primary Term") and shall continue in full force and effect as long thereafter as oil, gas, or associated liquid hydrocarbons or any of them are produced from the Leased Premises in paying quantities hereunder, or as long as this Lease is maintained in force in any other manner as provided for herein. For purposes of this Lease, "paying quantities" shall mean quantities sufficient to pay the cost of overhead, plus a reasonable profit, exclusive of drilling and completion costs.

4. ROYALTIES AND STATEMENTS. 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 twenty percent (20%) of eight-eighths (8/8<sup>ths</sup>) of the value of all covered minerals produced and saved from the Leased Premises, delivered free and clear of all costs at the tailgate of the plant to which the covered minerals are delivered or, for covered minerals that are not processed, at the inlet of the market transmission pipeline to which the same are delivered, said value being determined as follows: (a) for any oil and liquid hydrocarbons recovered at the well, the greater of the market value at the well or the amount realized from the sale

of such oil and liquid hydrocarbons; (b) for gas used by Lessee off the Leased Premise, the highest prevailing Gas Market Price of such gas in the area so used; (c) for gas that is sold by Lessee but not processed, the Gas Market Price at the inlet of the market transmission pipeline to which such gas is delivered; and (d) for gas that is sold by Lessee and delivered for processing, the Gas Market Price of the residue 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 in the event gas, including gas from oil wells, is processed in any facility or plant in which Lessee, or any subsidiary, parent or affiliate of Lessee, has, directly or indirectly, an ownership or operating interest, then the value of such gas shall not be less than: (x) the combined values at the plant of all products extracted therefrom and the residue gas, (y) the Gas Market Price of such gas, or (z) the value Lessee is receiving for its production, whichever value is greater; and provided further that the royalty shall never be based on an amount realized from such sale that is less than the amount which Lessee is receiving for its production. As used herein the term "Gas Market Price" shall mean the arithmetic average of the prices reported in the first issue of the month of delivery for the price references included in the Market Price Index. As used herein, the term "Market Price Index" for a particular point of delivery shall mean the index prices representative of gas pricing in the area of the Leased Premises, as published in the Inside FERC Gas Market Report. If none of the indices referred to are reported or if the Inside FERC Gas Market Report ceases to be available, then Lessor and Lessee will mutually agree to a similar index or publication. For avoidance of doubt, royalty is to be paid on all payments received by Lessee under or as a result of a gas purchase contract, including, but not limited to, reservation charges and, when gas for which payment has been made earlier is eventually produced, take-or-pay or contract settlement proceeds and amounts paid for gas not taken.

Lessee shall have free use of oil and gas from the Leased Premises for operations on the Leased Premises, and the royalty on oil and gas shall be computed after deducting any production so used. Lessor shall bear all severance taxes levied against its royalty percentage of all production hereunder, and payment of royalties shall be made after deduction of the severance taxes paid by Lessee thereon. Subject to the foregoing, the royalties payable under this Lease shall be free and clear of costs or deductions for exploration, drilling, development, operation and production, including, but not limited to, costs of separating by mechanical means, gathering, dehydrating, compressing, processing, treating, storing, transporting, marketing, delivering, or any other charge or deduction whatsoever whether of the same or different character unless expressly authorized and agreed to in writing between Lessor and Lessee.

On or before the one hundred and eightieth (180<sup>th</sup>) day after the first day of the month following the date of first sales of any of the covered minerals, Lessee shall mail or deliver to Lessor an itemized statement showing the total production of each substance, including products extracted from gas, during the preceding calendar month, the royalties payable thereon, the data used to compute such royalties, an explanation of the manner in which such royalties were determined and computed and any other information required by applicable statute or regulation (collectively, the "Statement"). At the same time, Lessee shall remit to Lessor at P.O. Box 730875, Dallas, Texas 75373-087 the royalties due hereunder on production during the period of time covered by the Statement. Thereafter, on or before the thirtieth (30<sup>th</sup>) day of each calendar month following the month of production, Lessee shall deliver the Statement and remit royalties due hereunder on production during the period of time covered by the Statement. In recognition of the business necessity of Lessor receiving the Statements in a timely fashion, Lessee, by acceptance of this Lease, and in addition to any other remedy available to Lessor, agrees to pay as partial liquidated damages to Lessor, the sum of Two Hundred Dollars (\$200.00) for each month or portion thereof that Lessee fails to furnish the Statements in a timely manner from the date due until paid, together with interest on the cumulative amount at the highest rate allowed by law plus all costs of collection, including attorney's fees. In addition, Lessor shall have the right to audit and review all information (including without limitation, all books, records, contracts, correspondence, run tickets, evidence of sales and shipments, reports and analyses, and electronically stored information and data) possessed by or available to Lessee which may be pertinent to the determination of the payment of royalty or other amounts due under this Lease, at the office where such information is maintained. Such information shall include that submitted to third parties (including government entities) respecting production from the Leased Premises or lands pooled therewith and relating to any royalty or to any tax based upon the value of production. In conjunction with any audit Lessee shall, to the fullest extent practicable, assemble and

present the information so that it is complete. If for any reason whatsoever royalties hereunder are not paid when the same are due, then Lessor shall notify Lessee of the failure to pay. Lessee shall promptly remit the payment to Lessor. If Lessee fails to remit the payment to Lessor on or before the thirtieth (30<sup>th</sup>) day following delivery of such notice, then Lessor shall have the option to terminate this Lease and be relieved from any obligation hereunder unless there is a good faith dispute as to the amount of royalties due and provided all undisputed royalties have been paid when due. Lessor's right to terminate this Lease is exercisable by filing with Lessee and of record a notice of termination. In addition to any other remedy available to Lessor, all such unpaid royalties shall bear interest at the maximum legal rate from the date due until paid and payable out of Lessee's share of production hereunder. **THE PROVISIONS OF THIS SECTION 4 SHALL SURVIVE ANY TERMINATION OF THIS LEASE.**

5. **RIGHT TO TAKE PRODUCTION IN KIND.** Lessor expressly reserves the right, at any time and from time to time, to take in kind or separately dispose of its proportionate share of (i) oil and other liquid hydrocarbons saved at the well and placed into storage tanks on the Leased Premises; (ii) products recovered in a processing plant and placed into storage tanks or onto storage sites at the plant; (iii) gas, at the tailgate of the plant, if processed; and (iv) gas at the inlet of the market transmission pipeline, if not processed. 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 its proportionate 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 free of all costs from Lessee's facilities at times and amounts which equitably adjust deliveries between the parties. With respect to residue gas at the tailgate of the plant or unprocessed gas at the inlet of the market transmission pipeline to which such gas is delivered by Lessee free of all costs, 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 its proportionate share in kind. If Lessor fails to take in kind or separately dispose of its proportionate share of production within such thirty (30) day period, then Lessee may sell such production to others, for the account of Lessor, at the best price obtainable in the area for such production, but in no event for less than the amount which Lessee is receiving for its production and will account to Lessor for the royalty on the full value thereof, as herein provided. Any such sale by Lessee shall be subject always to the right of Lessor to exercise its right to take in kind or separately dispose of its share of production and in no event shall the period of time be in excess of one (1) year. Lessor hereby reserves the right to nominate an affiliate, or other third party, to act on its behalf relative to Lessor's right to take production in kind.

6. **CONTINUOUS OPERATIONS.** If at the expiration of the Primary Term Lessee is engaged in operations for the drilling, reworking or completion of a well upon the Leased Premises or lands pooled therewith, this Lease shall continue in full force and effect as long as drilling, reworking or completion operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if such drilling, reworking or completion operations result in production of oil or gas or associated liquid hydrocarbons in paying quantities, then for so long thereafter as such production in paying quantities 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 full force and effect if drilling, reworking or completion operations are commenced within ninety (90) days after such cessation of production; and if production is restored or new production is discovered as a result of any such operations, conducted without cessation of more than ninety (90) consecutive days, this Lease shall continue so long thereafter as production in paying quantities, or additional drilling, reworking or completion operations are prosecuted without cessation of such production for more than ninety (90) consecutive days. In the event Lessee fails or ceases to prosecute or conduct continuous operations on the Leased Premises as herein provided, this Lease shall immediately terminate and all of the rights of Lessee hereunder shall immediately cease, terminate and be forfeited, without notice, demand or putting in default, as to all of the Leased Premises except those portions, if any, which Lessee may be permitted to retain under the terms of Section 9. **LESSEE'S RETENTION OF INTERESTS** hereof. Except as provided in this Section 6 and in Section 9, in the event any portion of the Leased Premises should be pooled or unitized with other property so as to create one (1) or more units, then operations on or production from any such pooled area or unit shall not serve to maintain this Lease in effect as to any portion of the Leased Premises located outside of said pooled area or unit.

7. OFFSET OBLIGATION. If a well capable of producing oil, gas or other hydrocarbons in paying quantities should now exist or hereafter be completed on property, whether or not owned by Lessor, other than the Leased Premises and within 460 feet of the Leased Premises for an oil well and within 960 feet of the Leased Premises for a gas well, and if no well offsetting same should have been drilled on the Leased Premises, then, within ninety (90) days after production reports for the first month of production and the two (2) succeeding months thereafter are reported by the state or are otherwise available to the Lessee, or within ninety (90) days from the date hereof, whichever is later, Lessee shall commence operations for and thereafter diligently prosecute the drilling of an offset well on the Leased Premises at a location which will adequately protect the Leased Premises from drainage. If Lessee is prevented or delayed by any causes mentioned in Section 12. FORCE MAJEURE hereof from drilling an offset well or wells pursuant to this provision, this Lease may be maintained by payment to Lessor of a compensatory royalty ("Compensatory Royalty Payments") equal to one-half (1/2) of the royalties which would have been payable to Lessor under this Lease if the well to be offset had been located on the Leased Premises based on the actual production of the offset well, such Compensatory Royalty Payments to be effective as of the date upon which Lessee should have commenced operations for the drilling of an offset well, as stipulated herein and shall terminate the day upon which Lessee commences operations for the drilling of such offset well but in no event can Lessee satisfy its obligation for the drilling of an offset well by making Compensatory Royalty Payments beyond the earlier to occur of (i) the expiration of the Primary Term, or (ii) a period of two (2) years after the required date for commencement of such operations. If Lessee fails to timely drill a required offset well or maintains this Lease in the manner stipulated herein by payment of Compensatory Royalty Payments or in the event Lessee is prevented or delayed by causes mentioned in Section 12. FORCE MAJEURE hereof from drilling an offset well, it shall promptly surrender this Lease except as to existing wellbores. Prior to the termination or forfeiture of this Lease and prior to any assignment thereof, Lessee may at any time execute and place of record a release or releases covering all or any portion of the Leased Premises, but shall not thereby be relieved as to the acreage surrendered of any obligations arising from or caused by activities of Lessee prior to said release other than the obligation for the drilling of an offset well pursuant to this Section 7 provided such release is recorded prior to the date upon which Lessee should have commenced operations for the drilling of an offset well. All such releases shall be made free of encumbrances created by or under Lessee and Lessee shall provide Lessor a copy of the recorded release within ninety (90) days of its effective date.

8. SHUT-IN WELLS. After the expiration of the Primary Term, for each completed well located on the Leased Premises or lands pooled therewith which is capable of producing only gas, or only gas and condensate, in paying quantities, but which is shut in because of the lack of a regularly available market for the gas to be produced therefrom, shall nevertheless be deemed to be a well producing gas in paying quantities, and Lessee shall pay to Lessor, as royalty, a sum equal to Ten and No/100 Dollars (\$10.00) per net acre covered by this Lease ("Shut-in Well Payments"), which payment shall be made to Lessor at P.O. Box 173779, Denver, Colorado 80217-3779, ATTN: Manager, Land Administration, on or before the ninetieth (90<sup>th</sup>) day from and after the date on which such well is or was shut-in, and annually thereafter a similar payment may be made 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 Leased 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). Notwithstanding the foregoing, Lessee may not maintain this Lease by making Shut-in Well Payments as to any well more than three (3) cumulative years during any five (5) year period.

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.

9. LESSEE'S RETENTION OF INTERESTS. At the expiration of the Primary Term, this Lease shall terminate as to all land which is not located in a drillsite spacing unit (as hereinafter defined) in which there is a well on the Leased Premises or on lands pooled therewith which is producing oil or gas in paying quantities, or a shut-in gas well (as

described in Section 8 above), and in any such producing drillsite spacing unit or units, this Lease shall terminate as to those depths lying below the stratigraphic equivalent of the base of the deepest producing horizon in each drillsite spacing unit of land. For purposes hereof, "drill site spacing unit" is defined as the land included in the drilling and production unit established for the well or attributed to the well by the state or federal regulatory authority having jurisdiction; if no unit or spacing rule exists, then drillsite spacing unit shall be defined as the forty (40) acre tract surrounding a vertical oil well, the one hundred sixty (160) acre tract surrounding a gas well, or the six hundred forty (640) acre tract surrounding a horizontal Niobrara well. If at the expiration of the Primary Term Lessee is engaged in actual drilling, reworking or completion operations on the Leased Premises or lands pooled therewith, this provision shall be suspended for so long as Lessee continues such operations on the Leased Premises or lands pooled therewith with no cessation of more than ninety (90) consecutive days between the completion or abandonment of such operations on one (1) well and the commencement of actual drilling, reworking or commencement operations on the next well; provided, further, that regardless of any such continuous drilling, reworking or completion operations, the termination of this Lease as to non-producing land and depths shall not be suspended for more than three (3) years from the expiration of the Primary Term hereof. In the event a drillsite spacing unit, affecting any well then located on the Leased Premises or on lands pooled with the Leased Premises, should subsequently be established or revised by order of governmental authority, after notice and hearing, then this Lease shall terminate as to all land which is not then located in the newly established or revised drillsite spacing unit. If the Leased Premises are included in a federal unit, then for the purposes of this provision the references to "lands pooled with the Leased Premises" shall include only that land which is included in an approved participating area and Lessee shall re-assign to Lessor that portion of the Leased Premises not included in an approved participating area, but which will continue to be included in a federal unit.

10. POOLING. Lessee may not commit the Leased Premises or any portion thereof to a federal unit without the prior written consent of Lessor. Except as expressly provided in the preceding sentence, Lessee, at its option, is hereby given the right and power to pool or combine the Leased Premises 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 the Leased Premises. Any such pooling shall 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, and not exceeding six hundred forty (640) acres, plus an acreage tolerance of ten percent (10%), for horizontal Niobrara wells, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed 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 (1) 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 public record in the county or counties in which the pooled Leased Premises are located an instrument or instruments identifying and describing the pooled acreage. In order to be effective, Lessee shall promptly 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, reworking and completion 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 Leased Premises, whether or not the well or wells be located on the Leased Premises. 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 with Lessor and of record a notice of termination.

11. ASSIGNMENT. The rights of Lessor may be assigned in whole or in part. This Lease may not be assigned by Lessee in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Withholding consent shall be deemed reasonable if, in Lessor's sole judgment, the numbers of assignees are excessive, an assignee's technical competence or financial ability could be inadequate or Lessee refuses to accept responsibility for the performance of any of its successors in interest. Any attempted assignment by Lessee of the rights arising under this Lease without such consent shall be void and of no effect. No change in the ownership of the land by Lessor, 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, or sale of said rights. Lessee shall continue to be responsible to Lessor for all unpaid sums due Lessor, as well as all obligations under Sections 4. ROYALTIES AND STATEMENTS, 15. INDEMNITY and 16. PROTECTION AND RESTORATION OF LEASED PREMISES. In addition, 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 filed of public record in the applicable county or counties in which the Leased Premises are located. 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.

12. **FORCE MAJEURE.** Except as otherwise specifically provided herein, when drilling, reworking, completion, production or other operations are prevented or delayed by any applicable laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, which by exercise of due diligence Lessee is unable to avoid, this Lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof but in no event can more than two (2) additional years be added. In any event, when the cause or matter so preventing or delaying such operations is removed or ceases to exist, Lessee shall, within ninety (90) days thereafter, resume such operations. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, reworking, completion, production or other operations are so prevented, delayed or interrupted. Lessee shall immediately notify Lessor in writing, setting forth the full circumstances, when drilling, reworking, completion, production or other operations are so prevented or delayed. Lessee shall provide Lessor with written notice of the date upon which any force majeure ceases to be operative. The requirements to notify Lessor of the commencement and termination of any particular period of force majeure and the receipt by Lessor of such reports shall not be deemed an admission by Lessor that force majeure is actually operative and shall not preclude Lessor from contending that force majeure is not operative. Failure of Lessee to timely give Lessor any notice of the commencement of a force majeure shall not prevent force majeure from being operative if it is in fact and law operative.

13. **PROPORTIONATE REDUCTION.** If Lessor owns an interest in the Leased Premises less than the entire fee simple estate, or if this Lease covers less than Lessor's entire interest in the Leased Premises, then the Shut-in Well Payments, Compensatory Royalty Payments and royalties to be paid Lessor shall be reduced proportionately.

14. **NO WARRANTY.** The rights granted under this Lease are granted **WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED**, and without covenants of title, including, without limitation, covenants to give possession or for quiet enjoyment.

15. INDEMNITY.

(a) Definitions –

(i) “Claim” or “Claims” means, unless specifically provided otherwise, all claims (including, but not limited to, those for damage to property, bodily injury, personal injury, illness, disease, maintenance, cure, loss of parental or spousal consortium, wrongful death, loss of support, death, and wrongful termination of employment), damages (including damages to property that result from pollution as well as the damages that result from the control, removal, restoration and cleanup of pollution or contamination), liabilities (including, but not limited to, plugging liability), losses, demands, liens, encumbrances, fines, penalties, causes of action of any kind (including actions for indirect and consequential damages, but excluding those for punitive and exemplary damages), obligations, costs, judgments, interest and awards (including payment of reasonable attorneys' fees and costs of litigation) or amounts, of any kind or character, whether under judicial proceedings, administrative proceedings or otherwise, or conditions in the Leased Premises or attributable to any person or persons, Lessor, any member of Lessor Indemnitees, Lessee or any member of Lessee Group, breach of representation or warranty (expressed or implied), under any theory of tort, contract, breach of contract (including any Claims which arise by reason of indemnification or assumption of liability contained in other contracts entered into by Lessor Indemnitees) arising out of, or incident to or in connection with this Lease or any operation, activity, facility or occupancy of the Leased Premises or lands pooled therewith including, but not limited to, the following: (A) any activity conducted in connection with this Lease, whether or not expressly or impliedly authorized or required by this Lease; (B) plugging and abandonment of producing wells, non-producing wells, existing wellbores, or previously plugged wellbores; (C) management, use, and disposal of produced water and wastes or substances associated with lease activity; (D) the generation, management, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release, or threatened release, of oil, natural gas, natural gas liquids, all other petroleum substances, any waste, or any “Hazardous Substance” or “Pollutant or Contaminant” as those terms or terms substantially similar are defined in applicable laws, including but not limited to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), as the same now exists or may be hereafter amended; (E) any failure by Lessee to comply with an express or implied obligation created by this Lease; and (F) violation of any law or regulation.

(ii) “Lessee Group” means Lessee, its affiliate companies, joint owners, partners, contractors and subcontractors and each of their respective officers, directors, agents, representatives, consultants, employees and insurers.

(iii) “Lessor Indemnitees” means Lessor, its affiliate companies, joint owners, partners, contractors and subcontractors, and each of their respective officers, directors, agents, representatives, consultants, employees and insurers.

(iv) The term “REGARDLESS OF FAULT” means **WITHOUT REGARD TO THE CAUSE OR CAUSES OF ANY CLAIM, INCLUDING, WITHOUT LIMITATION, EVEN THOUGH A CLAIM IS CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT, CONCURRENT, COMPARATIVE, CONTRIBUTORY, ACTIVE, PASSIVE, GROSS, OR OTHERWISE), WILLFUL MISCONDUCT, STRICT LIABILITY, OR OTHER FAULT, OF ANY MEMBER OF LESSOR INDEMNITEES, ANY MEMBER OF LESSEE GROUP, INVITEES OR THIRD PARTIES, AND WHETHER OR NOT CAUSED BY A PRE-EXISTING CONDITION, WHETHER PATENT OR LATENT, OF THE PREMISES OF LESSOR INDEMNITEES, LESSEE GROUP, INVITEES AND/OR THIRD PARTIES.**

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE OTHER PROVISIONS OF THIS LEASE, LESSEE AGREES TO BE RESPONSIBLE FOR AND ASSUME ALL LIABILITY FOR AND HEREBY AGREES TO DEFEND, RELEASE, INDEMNIFY AND HOLD HARMLESS LESSOR INDEMNITEES AGAINST ANY AND ALL CLAIMS ARISING IN CONNECTION WITH: (I) BODILY INJURY AND/OR DEATH OF ANY MEMBER OF LESSEE GROUP AND THEIR INVITEES; AND (II) DAMAGE TO PROPERTY OF ANY MEMBER OF LESSEE GROUP AND THEIR INVITEES **REGARDLESS OF FAULT. LESSEE ACKNOWLEDGES THAT THIS STATEMENT IS CONSPICUOUS.** Furthermore, and in addition to the indemnity obligations outlined above in this Section 15, Lessee agrees to be responsible for and assume all liability for and hereby agrees to defend, release, indemnify, and hold harmless Lessor Indemnitees from and against any and all Claims of any person or entity directly or indirectly arising out of or related to Lessee Group's negligent acts or omissions. The indemnity obligations set forth in this Section 15 shall include any medical, compensation, or other benefits paid by Lessor or any member of Lessor Indemnitees and shall apply even if the employee is determined to be the borrowed or statutory employee of Lessor or any other member of Lessor Indemnitees.

(c) In support of the indemnity obligations contained above, Lessee agrees to provide coverage and amounts of liability insurance, which in no event shall be less than the minimum set out in Section 24 herein. It is agreed that with respect to any statutory limitations now or hereafter in effect and affecting the validity or enforceability of this indemnification provision, such statutory limitations are made a part of this indemnification provision with respect to work performed and operations conducted in the state in which such statute applies, and shall operate to amend this indemnification provision to the minimum extent necessary to bring this provisions into conformity with the requirements of such statute, and as so modified, this provision shall continue in full force and effect.

(d) In the event Lessee fails to furnish a defense and indemnity as provided for herein or in the event Lessee breaches an obligation in this Lease, Lessor shall be entitled to receive from the Lessee, in addition to its attorneys' fees, costs, expenses and any amounts paid in judgment or settlement, all costs, expenses, and attorneys' fees incurred in the enforcement of this Lease, including specifically, but not limited to, Claims for contractual indemnity and insurance coverage.

(e) Lessee's obligations created by this Section 15 shall continue and remain in effect and are enforceable by Lessor even after this Lease terminates or otherwise ceases to burden the Leased Premises.

16. **PROTECTION AND RESTORATION OF LEASED PREMISES.** Without limiting the generality of Section 15. **INDEMNITY** hereof, Lessee shall pay either the tenant or the surface owner (whichever is appropriate) for any and all damages to land, structures, roads, fences, gates, cattle guards, trees, growing crops, irrigation or any other facilities or improvements, equipment, wildlife, game, fish and livestock caused by construction, operations, or maintenance of facilities, shall bury all pipelines below plow depth where they cross cultivated land, shall construct gates where necessary for crossing fenced lands and keep the gates in repair and closed. Lessee shall not permit any lien or other encumbrance to be filed or to remain against the Leased Premises as a result of operations hereunder. Regardless of whether Lessor has consented to an assignment, farmout or other arrangement whereby Lessee consents to drilling or other operations on the Leased Premises by a third party, Lessee shall be responsible for any and all claims, demands, actions and causes of action or liens arising out of such operations, whether arising in law, at equity or administratively. **THE PROVISIONS OF THIS SECTION 16 SHALL SURVIVE ANY TERMINATION OF THIS LEASE.**

Lessee shall repair and clean all ditches, roads, bridges, fences, pipelines and other structures, facilities and improvements on the Leased Premises which may be used, worn or damaged by any operation hereunder, shall remove all debris resulting from any such operation, and shall otherwise restore the Leased Premises to its original condition insofar as reasonably practicable. No well shall be drilled within two hundred (200) feet of any building, railroad tracks or structure without Lessor's written consent. Lessee shall maintain in good condition all fences, bridges and roads on

the Leased Premises which are used or constructed by Lessee in its operations, and all such roads shall be and remain private, not open to the public and will be conspicuously posted as such by Lessee.

17. REMOVAL OF IMPROVEMENTS. Within six (6) months after any termination, as to all or any portion of the Leased Premises, Lessee shall remove from that portion of the Leased Premises any and all property, facilities and material belonging to or placed thereon by Lessee and shall restore the Leased Premises to its original condition insofar as reasonably practicable, in default of which within the time above specified, but subject to the other obligations of Lessee hereunder and in addition to any other remedy Lessor may enjoy, Lessor may remove, destroy or retain any such property, at Lessor's will, and Lessee shall reimburse Lessor for the cost of any such removal or destruction as well as the cost of restoring the Leased Premises.

18. RIGHT TO CURE; TERMINATION. In the event of Lessee's breach of this Lease other than Lessee's failure to pay sums when due hereunder or a breach of obligations set forth in Sections 6. CONTINUOUS OPERATIONS, 7. OFFSET OBLIGATION, and 21. RELEASE, Lessor shall notify Lessee of such breach, and Lessee shall have thirty (30) days from the receipt thereof to comply with this Lease. If Lessee fails to remedy any material breach within the period above provided, in addition to any other remedy available to Lessor, Lessor may, at its option, promptly following such period terminate this Lease and be relieved from any obligation hereunder. Such right of termination is exercisable by filing with Lessee and of record a notice of termination.

If the parties are unable to agree upon whether or not a breach is material, then such dispute shall be resolved by binding arbitration conducted by the Houston, Texas, office of the American Arbitration Association ("AAA") in accordance with the AAA's Commercial Arbitration Rules (the "Rules") effective at the time of the dispute. The Expedited Procedures of the AAA's Rules shall apply to any such dispute and the arbitration shall be heard and decided by a single arbitrator to be appointed by the AAA. The jurisdiction of the arbitrator will be limited to determining whether or not a breach is material. The arbitrator shall make a reasoned award in writing. The award shall be final and binding on each Party and for all purposes. Judgment upon a final award may be entered in any court having jurisdiction. This arbitration provision shall survive the termination of this Lease. Should the parties ever be prevented by applicable law from utilizing arbitration to resolve disputes concerning whether or not a breach is material, then the choice of law and forum provisions of Section 35 shall nevertheless remain in full force and effect.

Irrespective of whether Lessor elects to terminate this Lease or exercise any other right or remedy under this Lease or at law, Lessor shall be entitled to other available remedies, including specific performance to require Lessee to (a) abandon any well and/or restore the surface of the Leased Premises to its condition existing prior to entry thereon by Lessee, (b) furnish any reports required hereunder or information required hereunder from operations on the Leased Premises or land pooled therewith, and/or (c) make any payment due hereunder.

19. NOTICES. Except as otherwise expressly provided in this Lease, all notices, data, information, requests, payments and other communications required or permitted hereunder shall be in writing and shall be deemed to have been fully given, made and received only when personally delivered, delivered by Federal Express or other nationally recognized courier service, or upon confirmation of transmission of a facsimile, provided that any attachments referenced in the notice are also sent via facsimile at the same time, or three (3) business days after having been deposited in the United States mail, certified mail, postage prepaid, return receipt requested and be addressed as set forth below:

If to Lessee: 1099 18<sup>th</sup> Street, Suite 1800  
Denver, Colorado 80202  
Attn: Rocky Mountain Land Manager

If to Lessor: 1099 18<sup>th</sup> Street, Suite 1800  
Denver, Colorado 80202  
Attn: Rocky Mountain Land Manager

Either party may send notices, data, information, requests and other communications hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Either party may change its address by giving notice of such change of address in conformity with the provisions of this Section 19 for the giving of notice.

20. GOVERNMENTAL COMPLIANCE. Lessee shall at all times comply with all laws, rules and regulations of all governmental departments and agencies with jurisdiction over Lessee's operations hereunder and shall satisfy any and all governmental permitting requirements to conduct Lessee's operations hereunder. Lessee shall promptly plug and abandon all wells in accordance with the rules and regulations of any governmental agency having jurisdiction and, to the extent not inconsistent therewith, Lessee shall promptly remove all abandoned pipelines and other debris, shall promptly draw and remove the portion of all casing and pipe from abandoned wells or other operations above the surface down to a depth of at least ten (10) feet below ground level.

21. RELEASE. In the event of termination or forfeiture of this Lease for any cause, in whole or in part, Lessee shall execute and record a proper instrument of release within thirty (30) days of Lessor's request therefor, releasing from the terms hereof all those portions of the Leased Premises as to which the Lease may have terminated or been forfeited; and Lessee shall promptly furnish Lessor an executed or certified recorded copy thereof. In recognition of the business necessity of such release being recorded in a timely fashion, Lessee, by acceptance of this Lease, agrees to pay as partial liquidated damages to Lessor, the sum of One Hundred Dollars (\$100.00) for each day that Lessee fails to record such release in a timely manner, together with interest on the cumulative amount at the highest rate allowed by law from the date due until paid plus all costs of collection, including attorneys' fees and all such sums shall be payable out of Lessee's share of production hereunder. In addition, Lessor shall thereafter be entitled to record a notice of termination of this Lease and be relieved from any obligation hereunder.

22. LESSOR'S ELECTION OF REMEDIES; WAIVER. The mention of any express obligation of Lessee herein shall never be construed as affecting any implied obligation, which Lessee may otherwise owe Lessor hereunder, but shall be considered as being in addition thereto. Similarly, the mention of any right or remedy of Lessor herein shall not preclude Lessor from exercising any other right or remedy to which Lessor might otherwise be entitled, including, without limitation, specific performance to require Lessee to (a) abandon any well and/or restore the surface of the Leased Premises to its condition existing prior to entry thereon by Lessee, (b) furnish any reports required hereunder or information required hereunder from operations on the Leased Premises or lands pooled therewith, and/or (c) make any payment due hereunder, but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity by statute or otherwise, and may be enforced concurrently therewith or from time to time. No failure of Lessor to enforce any provision of this Lease shall operate as a waiver of Lessor's right to thereafter enforce such provision or any other provision.

23. DATA AND ACCESS. Lessor shall be given fifteen (15) days notice prior to commencement of all drilling operations pursuant to this Lease. Lessor, or Lessor's representative (as appointed by Lessor), shall have the right, at Lessor's risk, to have access to the derrick floor and to observe all operations on all wells drilled on the Leased Premises or lands pooled therewith. Lessee shall promptly furnish to Lessor free of cost, a copy of all applications and reports made to any governmental agency or authority, and all orders, rules and permits issued by any such agency or authority pertaining to the Leased Premises, title opinions and curative material, daily drilling reports, well logs, core records and analysis, production analyses, formation test results, well completion reports, well workover reports, gas-oil ratio reports, well history and performance reports, production reports, sales records and other data taken from wells located on the Leased Premises. Lessee agrees to furnish to Lessor true and complete copies of all contracts or agreements as amended, for sale, processing or other disposition of any product produced from the Leased Premises and such technical information as Lessee may acquire with respect to sands and formations encountered. Lessee shall notify Lessor in the event that any geophysical or geochemical exploration or examination of the Leased Premises is either obtained by, becomes available to or is acquired by Lessee with respect to the Leased Premises. Notification shall be made prior to acquisition of the data. To the extent Lessee has the legal right to do so, Lessee shall furnish copies (digital and hard) of all such data to Lessor at Lessee's cost and expense. Data to be furnished by Lessee to Lessor shall include all data gathered over the Leased Premises plus one (1) mile in any direction from the Leased Premises. Data shall include, but not be limited to, raw and processed data to be determined on a project specific basis by Lessor. Lessor's representative shall have the right to be present when wells are tested and/or tanks are gauged and shall have the right to examine all run tickets and to have full information as to production and runs, including copies of all run tickets upon request, and such other information as may be appropriate to the settlement of accounts between Lessor and Lessee, or to determine the respective rights and obligations of said parties, or to enable Lessor to comply with applicable laws, rules or regulations of governmental authorities. All land surveys affecting the Leased Premises shall be conducted either by an employee of Lessee or by a Registered Land Surveyor and Lessee shall deliver promptly to Lessor a copy of the map and field notes of each such survey. Lessor hereby agrees to treat all seismic data provided hereunder in a confidential manner and will not reproduce or distribute such data to any third party; provided, however, Lessor may show the data to its affiliates, working interest partners, Lessees, potential Lessees, potential participants in an exploration program, agents, or successors in interest, and or all of whom will be required by Lessor not to disclose such data to any third party.

24. INSURANCE. Lessee shall carry the following insurance in the indicated amounts:

- (a) Workmen's Compensation Insurance, in compliance with the Workmen's Compensation laws of the state in which operations hereunder are conducted.
- (b) Employer's Liability Insurance with limits of not less than \$1,000,000 per person, covering all employees engaged in the performance of work in the state having jurisdiction over each employee.
- (c) General Liability Insurance, including contractual liability, with a combined single limit per occurrence of not less than \$1,000,000 for bodily injury and property damage.
- (d) Automobile Insurance, including hired and non-owned vehicles, with a combined single limit per occurrence of not less than \$1,000,000 for bodily injury and property damage.
- (e) Liability Umbrella (excess of underlying insurance coverage mentioned above) with a combined limit per occurrence coverage of not less than \$25,000,000.
- (f) Well Control Insurance including underground blowout, seepage and pollution, with a minimum limit of \$25,000,000.

- (g) To the extent of the liabilities assumed by Lessee herein, all of the above insurance shall be endorsed to provide that :
- (i) Lessee's insurers waive their right of subrogation (equitable or by assignment, express or implied, loan receipt or otherwise) against Lessor Indemnities.
  - (ii) Lessee's insurers name Lessor Indemnities as additional insured's (except for Worker's Compensation and Property Insurance).
  - (iii) Such insurance coverage is primary over any insurance coverage maintained by Lessor Indemnitees.

At the inception of this Lease, annually thereafter, and whenever requested, Lessee shall furnish insurance certificates to evidence the insurance required herein. Lessee's insurance shall be carried with insurance companies satisfactory to Lessor and shall contain endorsements stating that insurer will give thirty (30) days' written notice to Lessor of non-renewal, cancellation, substantial amendment or alteration of such coverage. All deductible amounts, premiums, franchise amounts or other charges due with respect to Lessee's required insurance herein shall be the sole obligation of Lessee. Maintaining the prescribed insurance shall not relieve Lessee of any other obligation under this Lease.

Lessee shall require each independent contractor and subcontractor to carry and maintain insurance at its own expense in amounts deemed necessary to cover the risks inherent to the work or services to be performed by the contractor or subcontractor. Every such insurance policy shall contain a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against Lessor Indemnitees. Lessor Indemnitees shall also be named as additional insured in each such policy. Such insurance shall be primary over any insurance maintained by Lessor Indemnitees.

25. **BONDS/LETTERS OF CREDIT.** Lessor may, at any time, require Lessee to provide a bond(s) to ensure timely and proper performance of Lessee's obligations hereunder and/or at law for abandonment of well(s) and restoration of the Leased Premises and/or to provide Lessor letter(s) of credit (which shall allow reduction as work is performed) to ensure payment of contractors performing drilling or other operations hereunder. Such bond and/or letter of credit shall be from a surety/bank acceptable to Lessor and in a form acceptable to Lessor. If not provided within ten (10) days following written request therefor, Lessee, by acceptance of this Lease, agrees to pay as partial liquidated damages to Lessor, the sum of One Hundred Dollars (\$100.00) for each day that Lessee fails to provide such bond or letter of credit, together with interest on the cumulative amount at the highest rate allowed by law from the date due until paid plus all costs of collection, including attorneys' fees and all such sums shall be payable out of Lessee's share of production hereunder.

26. **FINANCIAL RESPONSIBILITY.** At least sixty (60) days prior to Lessee's commencement of operations to drill a well on the Leased Premises pursuant to the terms and conditions of this Lease, Lessee shall provide evidence of Financial Responsibility to Lessor. Thereafter, Lessor may at any time and from time to time, require Lessee to provide evidence of Financial Responsibility. "Financial Responsibility" shall mean an unsecured senior long term debt rating from Moody's Investors Services, Inc., or a successor thereto ("Moody's") of Baa3 or higher and/or an unsecured senior long term debt rating from Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or a successor thereto ("S&P") of BBB- or higher. In the event of split ratings from Moody's and S&P, the lower rating shall prevail. In the absence of ratings from Moody's and/or S&P, Lessee shall provide to Lessor Lessee's latest audited fiscal year end financial statement to include but not limited to a balance sheet, operating statement, cash flow statement, statement of equity and notes to financial statements ("Financial Statements"). Upon request, Lessor shall provide to Lessee a confidentiality agreement in regard to the Financial Statements in a format acceptable to Lessee. If Lessor has reasonable grounds for insecurity regarding the performance of any obligation under this Lease (whether or not then due) by the Lessee (including, without limitation, the occurrence of a material change in the creditworthiness of Lessee or its Guarantor, if applicable), Lessor may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to Lessor, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a performance bond or a guaranty. Lessee hereby grants to Lessor a continuing first priority security interest in, lien on,

and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Lessee to Lessor pursuant to this Section 26. Upon the return by Lessor to Lessee of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

27. PROCEEDS OF PRODUCTION. Lessor reserves the right, but not the obligation, to collect from the purchaser thereof the proceeds of production attributable to Lessor's interest in the Leased Premises from any sale of production therefrom. Each purchaser shall be entitled to rely upon the written direction of Lessor concerning the payment of such proceeds.

28. REPAIR WATER WELLS/RESERVOIRS. All operations on the Leased Premises shall be conducted so as not to damage any surface or groundwater water supply. However, in the event Lessee's operations shall result in damage or destruction of any water supply, Lessee promptly shall repair, restore, remediate, or replace any well, tank, surface pond or other water facility or any water supply so damaged or destroyed as a result of Lessee's operations. Lessee shall provide to Lessor and/or surface tenant emergency water and water facilities for use in either's operations until such damage or destruction is repaired, restored, remediated, and replaced. The words "damage" and "destroy" shall also be construed to include contamination. Contamination is defined to mean the addition of substances to any water supply used for human or animal consumption, or for agricultural purposes to a degree which renders the potable water supply unfit by drinking water standards for consumption by humans or animals, or the non-potable water unfit for agricultural purposes either during Lessee's operations or after such operations have ceased. Without limitation of the general requirements stated above, Lessee agrees, with reference to each well drilled on the Leased Premises, either to (a) set and circulate cement around sufficient surface casing to penetrate and adequately protect all fresh water sands; or (b) set and circulate cement around surface casing in a manner and to a depth acceptable to the state agency and, in the event a second string of casing (either intermediate or production casing) is set in such well, circulate cement around such second string of casing with cement circulated either to the surface or into the surface casing previously set in such well; or (c) utilize such other technique as may be acceptable to the state agency and in conformance with accepted practices in the industry to assure the protection of the fresh water sands by placing cement in the annulus between the fresh water sands and the casing. All remediation and restoration and remediation of any water supply by Lessee will be by techniques acceptable to Lessor and to the state agency with jurisdiction over the water supply, and to a regulatory standard required by the state agency allowing for non-degradation of the water supply.

29. WELL TAKEOVER. Without the prior written consent of Lessor, Lessee shall not abandon any well or (except when a replacement is made) remove from the wellbore any well casing, tubing, piping, fittings, tanks, pipe lines or other material and equipment which are necessary for the recovery and handling of production capable of being recovered from said well upon the Leased Premises. Lessor shall have the option to purchase any or all of such material and equipment, except that owned by third parties, upon the Leased Premises which are still necessary for the production and handling of hydrocarbons capable of being produced from such well and which are not required by Lessee for operations elsewhere on the Leased Premises. If Lessor takes over the well, Lessor shall promptly reimburse Lessee for the reasonable salvage value of all material and equipment in the well or used or acquired in connection with the well which Lessor elects to retain for its operations and which would have been recoverable, less the estimated costs of salvaging and of plugging and abandoning the well, and Lessee shall promptly deliver a bill of sale to Lessor for such material and equipment. If Lessor takes over the well, then Lessee shall be deemed to have relinquished and transferred back to Lessor, free of any burdens created by Lessee, all of the right, title and interest of Lessee in the wellbore, such material and equipment and the production therefrom. If the well taken over by Lessor is the only well serving to perpetuate this Lease, Lessee shall release this Lease to Lessor.

30. LAND GRANT PROVISIONS. 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 Premises 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 Lessor. 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. Any payments to surface owners pursuant to such agreement will not increase the burdens created under this Lease.

31. ENTIRE AGREEMENT. This Lease contains the entire understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, expressed or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Lease may not be modified or amended other than by an agreement in writing that is signed by the parties hereto.

32. HEADINGS. The headings in this Lease are for convenience only and they form no part of this Lease and shall not affect its interpretation.

33. SEVERABILITY. Any provision of this Lease which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, which provisions shall be enforced to the maximum extent permitted by law and construed in a fashion to effectuate best the provisions hereof, and any such prohibition or unenforceability shall not invalidate or render unenforceable such provision in any other jurisdiction.

34. SUCCESSORS AND ASSIGNS. Subject to Section 11. ASSIGNMENT, all the provisions of this Lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

35. RIGHT TO PURCHASE PRODUCTION.

Oil Production: Lessor and Lessee agree that Lessor shall have the right, at any time and from time to time, upon not less than thirty (30) days' advance written notice to Lessee, to purchase all or any part of the oil (which term as herein used shall include crude oil, distillate, condensate, and other liquid hydrocarbons) produced and saved from or attributable to the Leased Premises, on Lessor's standard division order terms. The price payable for the oil contained in a delivery pursuant hereto shall not be less than a bona fide third party offer at the time of delivery for oil of like grade and gravity produced in the same field in which the well is located. In the event oil is found on the Leased Premises or on lands pooled therewith, Lessee shall immediately notify Anadarko Energy Services in writing at Anadarko Energy Services, Attn: Crude Oil Marketing, P. O. Box 1330, Houston, Texas 77251-1330.

Gas Production: Subject to any gas sales or purchase contracts affecting the Leased Premises on the date of this Lease, Lessor and Lessee further expressly agree that in the event gas (including nitrogen and carbon dioxide) is produced from or attributable to the Leased Premises, Lessor shall have a right of first refusal to purchase any or all of such gas which is produced from or attributable to the Leased Premises. Under such right of first refusal, Lessee shall notify Lessor in writing of any bona fide offer for the purchase of its gas which it is willing to accept, furnishing the terms thereof, and Lessor shall have the right within thirty (30) days of the receipt of such notice and information to elect to purchase the gas on the same terms and conditions as those contained in the bona fide offer. In the event Lessor elects not to exercise its right to purchase under its right of first refusal, then Lessee may, within sixty (60) days thereafter, enter into a contract to sell the gas to such purchaser in accordance with said bona fide offer. If, however, Lessee does not timely enter into such contract with such purchaser (or if, for any reason, a sale of gas pursuant to such contract is discontinued) then this right of first refusal to purchase gas shall be reinstated subject to the terms and conditions set forth herein. For purposes hereof, an offer shall not be considered as a bona fide offer when the offer is made by an affiliated company of Lessee.

In the event that after a reasonable time (not exceeding thirty (30) days) following the completion of a well capable of producing gas there is no bona fide offer to purchase the gas which is to be produced from or attributable to

the Leased Premises, then Lessee shall notify Lessor in writing of that fact, and Lessor shall have the right, but not the obligation, to purchase such gas at the Market Price. As used herein the term "Market Price" shall mean the arithmetic average of the prices reported in the first issue of the month of delivery for the price references included in the Market Price Index applicable to a point of delivery, to be designated by Lessor, less the transportation, compression, gathering and other costs, if applicable, to deliver gas from such point of delivery to the mainline transmission point or points where such Market Price Index is established. As used herein, the term "Market Price Index" for a particular point of delivery shall mean the published price references, to be designated by Lessor, which reflect the price paid for gas sold under spot contracts between unaffiliated third parties into one (1) or more mainline transmission systems which represent a market for the gas purchased by Lessor at such point of delivery. Any dispute under this Lease arising out of or relating to which published price references are consistent with the parties' intent that the Market Price Index will reflect the prices paid for gas sold under spot contracts between unaffiliated third parties into mainline transmission systems which represent a market for the gas purchased by Lessor at the point of delivery shall be resolved by binding arbitration conducted by the Houston, Texas, office of the AAA in accordance with the provisions set forth in Section 18 of this Lease. The jurisdiction of the arbitrator will be limited to determining which published price references are consistent with the parties' intent that the Market Price Index will reflect the prices paid for gas sold under spot contracts between unaffiliated third parties into mainline transmission systems which represent a market for the gas purchased by Lessor at the point of delivery. If Lessor does not make an offer to purchase the gas, or does not elect to purchase the gas at the Market Price, then Lessor's right of first refusal shall be reinstated with respect to any bona fide offer subsequently received by Lessee. In the event gas is found on the Leased Premises or on lands pooled therewith, Lessee shall immediately notify Anadarko Energy Services in writing at Anadarko Energy Services, Attn: Natural Gas Marketing, P. O. Box 173779, Denver, Colorado 80217-3779. Lessor hereby reserves the right to nominate an affiliate, or other third party, to act on its behalf relative to Lessor's right to purchase production hereunder.

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

ANADARKO LAND CORP.

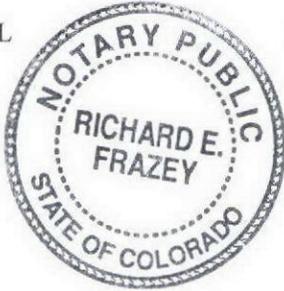
By: Gregory J. Shumaker EBN  
Its: Agent and Attorney-in-Fact

STATE OF COLORADO     )  
  )□  
COUNTY OF DENVER     )

The foregoing instrument was acknowledged before me this 1st day of August, 2011, by Gregory J. Shewmaker, Agent and Attorney-in-Fact of Anadarko Land Corp., a Nebraska Corporation, on behalf of the corporation.

Witness my hand and official seal.

SEAL



Richard E. Frazey  
Signature

Richard E. Frazey  
Name (Print)  
My commission expires 8/1/2013

\_\_\_\_\_  
Title of Officer

**MEMORANDUM GIVING NOTICE OF OIL AND GAS LEASE**

State: Colorado  
County: Arapahoe  
Lessor: Watkins Road Associates II, LLP  
7400 East Crestline Circle, Suite 150  
Greenwood Village, CO 80111

Lessee: Anadarko E&P Company LP,  
1099 18<sup>th</sup> Street, Suite 1800, Denver, Colorado, 80202  
Effective Date: November 12, 2010

For adequate consideration, Lessor, named above, has granted, leased, and let to Lessee named above, for the purpose of investigating, exploring, prospecting, drilling for, and producing oil and gas, laying pipelines, building roads, tanks, power stations, telephone lines and other structures, and to produce, save, take care of, treat, transport, and own oil and gas, all according to the terms and conditions of the Lease, on or from the following lands (the "Lands") in the counties and state named above:

Township 4 South, Range 64 West, 6<sup>th</sup> P.M.:  
Section 30: All

Township 4 South, Range 65 West, 6<sup>th</sup> P.M.:  
Section 24: SE/4

810.07 Gross Acres  
Arapahoe County, Colorado

The Oil and Gas Lease (the "Lease") is for a primary term of three (4) years hereinafter referred to as the "Primary Term", from this date and as long hereafter as oil or gas of whatsoever nature or kind is produced in paying quantities from said Leased Premises or on acreage pooled therewith, or drilling operations are continued as provided in the lease.

The Lease, with all of its terms, covenants, and other provisions, is referred to and incorporated into this Memorandum for all purposes. This Memorandum is placed of record for the purpose of giving notice of the Lease. An original of the Lease is maintained in the office of the Lessee.

The Lease in all of its terms and provisions is binding and is a valid and subsisting oil and gas lease.

This Memorandum is not intended to, and does not, add to, enlarge, reduce or otherwise modify the rights, obligations and duties granted and imposed by the terms of the Lease.

This Memorandum of Oil and Gas Lease may be executed in counterparts.

This Memorandum is signed by Lessor and Lessee as of the date of acknowledgment of their signatures, but is effective for all purposes as of the Effective Date stated above.

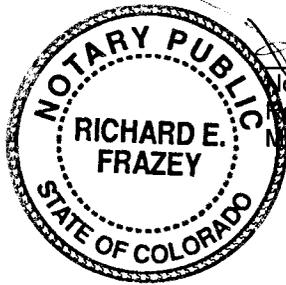
Lessor: Watkins Road Associates II, LLP <sup>LD</sup>  
By: Watkins Road Associates II, LLP

Lessee: Gregory J. Shewmaker <sup>EPN</sup>  
Agent and Attorney In Fact  
Gregory J. Shewmaker  
Anadarko E&P Company LP

Memorandum Giving Notice of Oil and Gas Lease  
Dated, November 12, 2010  
Between Watkins Road Associates II, LLP as Lessor and  
Anadarko E&P Company LP as Lessee

STATE OF Colorado )  
 )  
 ) :ss  
COUNTY OF Denver )

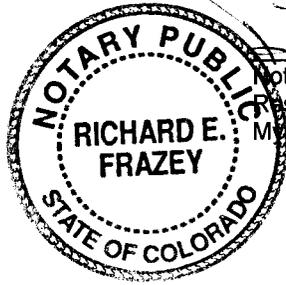
On this 12<sup>th</sup> day of November, 2010, personally appeared before me  
Steven M. Cohen, who acknowledged that he executed the foregoing as  
Managing General Partner of Watkins Road Associates, LLP.



Richard E. Frazey  
Notary Public  
Residing at: Denver, Colorado  
My commission expires: 8/1/2013

STATE OF Colorado )  
 )  
 ) :ss  
COUNTY OF Denver )

On this 12<sup>th</sup> day of November, 2010, personally appeared before me  
Gregory J. Shewmaker, who acknowledged that he executed the foregoing as  
Agent of Attorney In Fact of Anadarko E&P Company LP.



Richard E. Frazey  
Notary Public  
Residing at: Denver, Colorado  
My commission expires: 8/1/2013