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Reception: to 382372 MILDRED ALSDO RE
GARFIELD COUNTY, CO

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OIL AND GAS LEASE

AGREEMENT, Made and entered into the 20th day of February, 1987, by and between

First Interstate Bank of Denver, David W Garlett and Gerald M Quist Co-Trustees
under the will of Evelyn Q Garlett

whose post office address is PO Box 5825, Denver, Co 80217 hereinafter called Lessor (whether one or more) and
Baxzett Energy Company whose post office address is 1125-17th St., Ste. 2100, DENVER, CO 80202 hereinafter called Lessee

WITNESSETH That the Lessor for and in consideration of TEN AND MORE DOLLARS cash in hand paid the receipt of which is hereby acknowledged and the covenants and agreements hereinafter contained, has granted, devised, leased and let and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind with rights of way and easements for laying pipe lines and erection of structures thereon to produce, mine and take care of said products all that certain tract of land situated in the County of Garfield

State of Colorado described as follows to wit:

TOWNSHIP 6 SOUTH, RANGE 94 WEST
Section 25 SE/4 NW/4, SW/4 NE/4
Section 36 E/2 W/2, W/2 E/2
TOWNSHIP 7 SOUTH, RANGE 94 WEST
Section 1 NE/4

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and containing 800.00 acres more or less

1. It is agreed that this lease shall remain in force for a term of six months from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued on the leased premises or on acreage pooled therewith. If at the expiration of the primary term of this lease oil or gas is not being produced on the leased premises or on acreage pooled therewith, this lease shall continue in force so long as the Lessee shall be continuously prosecuted for not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith the production thereof should cease from any cause after the primary term this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

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

3. In consideration of the premises the said Lessee covenants and agrees:

1st To deliver to the credit of Lessor free of cost in the pipe line to which Lessee may connect wells on said land the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd To pay Lessor one-eighth (1/8) of the gross proceeds each year payable quarterly for the gas from each well where gas only is found while the same is being used off the premises and if used in the manufacture of gasoline a royalty of one-eighth (1/8) payable monthly at the prevailing market rate for gas.

3rd To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds at the mouth of the well payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used Lessee may pay or tender to the royalty owners One Dollar per year per acre retained hereunder such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein then the royalties and undivided fee shall be paid to the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

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

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

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

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

10. 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.

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

12. Lessee, at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production as to all or any part of the land described herein and as to any one or more of the formations hereunder to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas on or separately for the production of either when in Lessee's judgment it is necessary or advisable to do so and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Lessee may be informed to include formations not producing oil or gas may be informed to include such non-producing formations. The foregoing or reference of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or information which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production drilling or reworking operations. Lessee shall receive on production from the unit so pooled royalty only on the portion of such production allocated to this lease such allocation shall be that proportion of the unit production that the number of surface acres covered by this lease pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operations approved by any governmental authority and from time to time this lease shall be deemed modified to conform to the terms, conditions and provisions of such approved cooperative or unit plan of development or operations and particularly all drilling and development requirements of such plan or agreement and this lease shall not terminate or expire during the life of such plan or agreement or operation whereby the production therefrom is allocated to different portions of the land covered by said plan then the proceeds allocated to any particular tract of land shall for the purpose of computing the royalties to be paid hereunder to Lessor be regarded as having been produced from the particular tract of land to which it is allocated. Lessee shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental authority and this consent shall be made upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations and this lease shall not be terminated in whole or in part nor Lessee held liable in damages for failure to comply therewith if compliance is prevented by or if such failure is the result of any such Law, Order, Rule or Regulation.

14. Lessee hereby irrevocably and exclusively assigns, transfers, conveys, demises, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, liens or other burdens on the above described lands in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof and the undersigned Lessor for themselves and their heirs, successors and assigns hereby surrender and release all right of dower and homestead in the premises described herein similar to said right of dower and homestead upon in any way affect the purposes for which this lease is made as recited herein.

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

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

First Interstate Bank of Denver, David W. Garlett, and Gerald M. Quist Co-Trustees
under the will of Evelyn Q. Garlett

By David W. Garlett
Vice-President and Trust Officer

Tax I.D. # 84-6079837
Executed with Rider Attached

Attest: Margaret E. Henderson
David W. Garlett, Co-Trustee
Gerald M. Quist
Gerald M. Quist, Co-Trustee