



Reception#: 752880
07/23/2008 12:50:55 PM Jean Alberico
1 of 6 Rec Fee:\$31.00 Doc Fee:0.00 GARFIELD COUNTY CO

113542
SAP
Lease No. 100646
Project No. _____
Parcel No. _____
Property Location _____

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 1 day of July, 2008, by and between the COLORADO DEPARTMENT OF TRANSPORTATION, hereinafter called "Lessor", and Williams Production RMT Company, hereinafter called "Lessee".

WITNESETH

1. That the Lessor, for and in consideration of \$400.00, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has granted, demised, and leased, and by these presents does grant, demise, and lease exclusively unto said Lessee, the exclusive right of producing there from all oil and gas of whatsoever nature or kind that tract or tracts of land situated in the County of Garfield, State of Colorado, described as follows, to-wit:

Township 7 South, Range 96 West, Sections 12 and 13: Various tracts in Sections 12 and 13. It is the intent of the Parties that this Lease shall cover all mineral interest owned by Lessor in the entirety of Sections 12 and 13, Township 7 South, Range 96 West, 6th P.M., Garfield County, Colorado.

2. It is agreed that this lease shall remain in force for a term of five years from date and as long thereafter as oil, or gas of whatsoever nature or kind, or either of them is produced from said land or premises pooled therewith. If prior to discovery of oil or gas on said land, or on acreage pooled therewith, or if after discovery of oil or gas production thereafter should cease for any cause, this lease shall not terminate if Lessee (if it be within the primary term) commences or resumes the payment or tender of rental on or before the rental-paying date next ensuing after the expiration of three (3) months from the date of cessation of production. If, at the expiration of the primary term of this lease, oil or gas is not being produced from said land or said pooled premises, but Lessee is then engaged in reasonable attempts to extract oil and/or gas from these premises, then this lease shall continue in force for so long thereafter as such reasonable attempts are being continuously prosecuted on the premises or operating pooled unit which includes all or a part of said land.

If oil or gas shall be discovered and/or produced from the above described premises after the expiration of the primary term of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the premises or from any such pooled unit, which includes all, or a part of said lands.

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

a. To deliver to the credit of Lessor, free of cost in the pipeline to which Lessee may connect his wells, the equal one-eighth part of all oil produced and saved from the premises, or at the Lessee's option, may pay to the Lessor for such one-eighth royalty, the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline or into storage tank. When the amount due for royalties is less than Twenty-five (\$25.00) dollars, lessee, its assigns or successors, is to defer the making of such payment until such time as the aggregate amount due exceeds such sum.

b. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products there from, one-eighth, at the market price at the well for the gas sold, used off the premises, or in the manufacture of products there from. Where gas from a well producing gas only is not sold or used, Lessee may pay or tender as royalty, One Dollar per year per net royalty acre retained hereunder, or One Hundred Dollars minimum per year, whichever is more, such payment of 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.

c. All payment checks, assignment of the lease and correspondence must include the lease number, which is set forth on the face of this lease to assure proper credit.

4. If operations for the drilling of a well for oil or gas are not commenced, or if there is no oil or gas being produced from said land or on acreage pooled therewith as hereinafter provided on or before one year from the date hereof, this Lease shall terminate as to both parties, unless the Lessee on or before that date shall pay or tender to the Lessor at:

**Colorado Department of Transportation
c/o Receipts and Deposits
4201 East Arkansas Avenue, Room 212
Denver, Colorado 80222,**

or its successor, the sum of One Hundred dollars (\$100.00), which shall operate as a rental and cover the privilege of deferring the commencement of operations for twelve months from said date. In like manner, and upon like payments or tenders, the commencement of operations may be further deferred for like periods of the same number of months successively. All payments or tenders may be made by check of Lessee or any assignee thereof, mailed or delivered on or before the rental paying date. It is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the Lessee's right of extending that period as aforesaid, and any and all other rights conferred.

5. 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 the lease with other land, lease or leases in the immediate vicinity, for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease, or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such nonproducing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling 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 or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the 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 operation approved by any governmental authority and, from time to time, with like approval, to modify, change, or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and particularly, all drilling and development requirements of this lease, expressed or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production there from is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the

royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and 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 cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

6. Lessee may not assign any right, title, or interest without the prior consent of the Lessor and consent will not unreasonably be withheld.

7. Lessor expressly does not warrant title to these premises.

8. Lessee shall comply with all laws and regulations of any governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the Lessor herein and in so complying, Lessee shall not be responsible for determining the legality, validity, or constitutionality of any such law or regulation enacted or issued by any such governmental body. In determining the residence of Lessor for purpose of complying with such laws or regulations, Lessee may rely upon the address of Lessor herein set forth or upon the last known address of the Lessor. Neither any error in the determination of the residence or status of Lessor nor an error in the payment of any sums of money due or payable to Lessor under the terms of this lease which is made during the course of or as a result of Lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against Lessee. All of Lessee's obligations and covenants hereunder, whether expressed or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with federal, state, county, or municipal laws, rules, regulations, or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by Lessee, and this lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which Lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease; provided, however, that delay rentals as herein provided shall not be suspended by reason of the suspension of operations and if this lease is extended beyond the primary term above stated by reason of such suspension, Lessee shall pay an annual delay rental on the anniversary dates hereof in the manner and in the amount above provided.

9. It is specifically provided, notwithstanding any provision contained herein to the contrary, that the Lessee shall not conduct any drilling or exploration operations or any operation in connection therewith on any part of the above described land. Further, the Lessee shall not go upon or in any manner occupy the premises above described without first having obtained permission in writing from the Lessor specifically granting its consent to such operations or occupation.

10. The Lessee agrees that subsurface support necessary for highway purposes shall not in any way be disturbed.

11. In the event the Lessor's needs require that this lease be canceled for reasons of the safety, welfare, and convenience of the public, this lease is terminated within ninety (90) days after notice of such termination is either served on or mailed to the Lessee. The Lessor shall be the sole judge of its needs requiring the termination of this lease. Upon termination of this lease, the parties hereto shall be released of all responsibilities and obligations as set forth herein.

12. This Lease Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

13. HOLD HARMLESS: The Lessee shall save, indemnify and hold harmless the Lessor and FHWA for any liability for damage or loss to persons or property resulting from Lessee's occupancy or use of the Premises.

14. INSURANCE: (Revised 2006 per State Controller Requirements)

(a) The Lessee shall obtain and maintain, at all times during the duration of this Lease, insurance in the kinds and amounts detailed below. The Lessee shall require any Contractor working for them on the Premises to obtain like coverage. The following insurance requirements must be in effect during the entire term of the Lease. Lessee shall, at its sole cost and expense, obtain insurance on its inventory, equipment and all other personal property located on the Premises against loss resulting from fire, theft or other casualty.

(b) Workers' Compensation Insurance as required by state statute, and Employer's Liability Insurance covering all employees acting within the course and scope of their employment and work on the activities authorized by this Lease in Paragraph 4.

(c) Commercial General Liability Insurance written on ISO occurrence form CG 00 01 10/93 or equivalent, covering Premises operations, fire damage, independent Consultants, blanket contractual liability, personal injury, and advertising liability with minimum limits as follows:

1. \$1,000,000 each occurrence;
2. \$2,000,000 general aggregate;
3. \$50,000 any one fire.

If any aggregate limit is reduced below, \$1,000,000 because of claims made or paid, the Lessee, or as applicable, its Contractor, shall immediately obtain additional insurance to restore the full aggregate limit and furnish to CDOT a certificate or other document satisfactory to CDOT showing compliance with this provision.

(d) If any operations are anticipated that might in any way result in the creation of a pollution exposure, Lessee shall also provide Pollution Legal Liability Insurance with minimum limits of liability of \$1,000,000 Each Claim and \$1,000,000 Annual Aggregate. CDOT shall be named as an Additional Insured to the Pollution Legal Liability policy. The Policy shall be written on a Claims Made form, with an extended reporting period of at least two year following finalization of the Lease.

(e) Umbrella or Excess Liability Insurance with minimum limits of \$1,000,000. This policy shall become primary (drop down) in the event the primary Liability Policy limits are impaired or exhausted. The Policy shall be written on an Occurrence form and shall be following form of the primary. The following form Excess Liability shall include CDOT as an Additional Insured.

(f) CDOT shall be named as Additional Insured on the Commercial General Liability Insurance policy. Coverage required by the Lease will be primary over any insurance or self-insurance program carried by the State of Colorado.

(g) The Insurance shall include provisions preventing cancellation or non-renewal without at least 30 days prior notice to CDOT by certified mail to the address contained in this document.

(h) The insurance policies related to the Lease shall include clauses stating that each carrier will waive all rights of recovery, under subrogation or otherwise, against CDOT, its agencies, institutions, organizations, officers, agents, employees and volunteers.

(i) All policies evidencing the insurance coverage required hereunder shall be issued by insurance companies satisfactory to CDOT.

(j) In order for this lease to be executed, the Lessee, or as applicable, their Contractor, shall provide certificates showing insurance coverage required by this Lease to CDOT prior to the execution of this lease. No later than 30 days prior to the expiration date of any such coverage, the Lessee or Contractor shall deliver to the Notice Address of CDOT certificates of insurance evidencing renewals thereof. At any time during the term of this Lease, CDOT may request in writing, and the Lessee or Contractor shall thereupon within 10 days supply to CDOT, evidence satisfactory to CDOT of compliance with the provisions of this section. Insurance coverage must be in effect or this lease is in default.

(k) Notwithstanding subsection (a.) of this section, if the Lessee is a "public entity" within the meaning of the Colorado Governmental Immunity Act CRS 24-10-101, et seq., as amended ("Act"), the Lessee shall at all times during the term of this Lease maintain only such liability insurance, by commercial policy or self-insurance, as is necessary to meet its liabilities under the Act. Upon request by CDOT, the Lessee shall show proof of such insurance satisfactory to CDOT. Public entity Lessees are not required to name CDOT as an Additional Insured.

(l) If the Lessee engages a Contractor to act independently from the Lessee on the Premises, that Contractor shall be required to provide an endorsement naming CDOT as an Additional Insured on their Commercial General Liability, and Umbrella or Excess Liability policies.

15. ADDITIONAL PROVISIONS.



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WITNESS WHEREOF, the undersigned execute this lease as of the day and year first above written.

LESSEE:
WILLIAMS PRODUCTION RMT COMPANY

By: Joseph P. Barrett
Joseph P. Barrett, Attorney-in-Fact

Federal Tax Identification Number

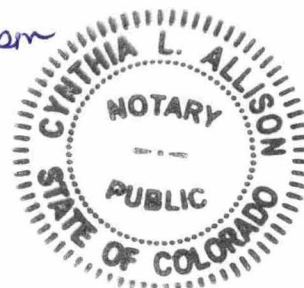
STATE OF COLORADO)
COUNTY OF DENVER) ss

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 29th day of May, 2008 personally appeared **Joseph P. Barrett**, to me known to be the identical person described as the **Attorney-in-Fact for Williams Production RMT Company** and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed, in his capacity as stated therein, and for the uses and purposes therein set forth.

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

My Commission expires 7-31-2010

Cynthia L. Allison
Notary Public
1515 Arapahoe Street, Tower 3, Suite 1000
Denver, CO 80202



ATTEST:

D. Fox
Chief Clerk of Right of Way

LESSOR:
STATE OF COLORADO
DEPARTMENT OF TRANSPORTATION

By: Pamela Hutton
Pamela Hutton, P.E.
Chief Engineer

STATE OF Colorado)
COUNTY OF Jefferson) ss

The foregoing lease was subscribed and sworn to before me this 12th day of June, 2008, by Pamela Hutton, as Chief Engineer, and attested by D. Fox for the Chief Clerk, of the State of Colorado, Department of Transportation.

Witness my hand and official seal.

My Commission expires January 11, 2011

Notary Public

Address:

Frances K. Akers
15285 South Holder Rd. Bldg 47
Golden, Co 80401

My Commission Expires 01/11/2011

