

THIS AGREEMENT made this

15th

day of

June

1983

between

Adra Baird, a widow, Robert G. Baird, Edward L. Baird, Jr., Marie Grubbs, Marguerite Wilson, Callie Cowling, each a married person dealing in his or her sole and separate property,

lessor (whether one or more), whose address is: c/o Robert G. Baird, Box 235, Dove Creek, CO 81324
and, Shell Oil Company, P.O. Box 576, Houston, TX 77001

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee, the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas including casinghead gas, casinghead gas-oil, condensate and all related hydrocarbons, and including all other products produced therewith, hereinafter referred to collectively as "said minerals", together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Dolores State of Colorado and is described as follows:

** TOWNSHIP 40 NORTH, RANGE 18 WEST, N.M.P.M.
Section 4: Lots 5 and 6, and Tract 48

* Including Carbon Dioxide Gas AB RGB ELB MG MW
CC

** See Exhibit "A", attached hereto and made a part hereof

This lease also covers and includes any land contiguous to or adjoining the land above described, other than those constituting regular governmental subdivisions, and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a pre-emptive right of acquisition. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 154.35 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of five (5) years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor in the pipe line to which lessee may connect its well, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time at the option of lessee, to pay lessor the average pooled market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other of said minerals produced and marketed or utilized, at the mouth of the well, or the market value thereof at the well, at lessee's election; (d) At the expiration of the primary term of this lease, or at any time thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, and thereafter this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred; Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market said minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety-day period, lessee shall make like payments or tenders, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally, as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/or with any other land, lease, or leases, as to any or all of said minerals or horizons, so as to establish units containing not more than 640 surface acres, plus 10% acreage tolerance, provided, however, larger units than those herein permitted, either at the time established, or if thereafter are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or operation as to each desired unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted upon any part of such unitized land shall be considered for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder shall not have the effect of exchanging or transferring any interest under this lease between parties. Neither shall it impair the right of lessee to release as provided in paragraph 5 hereof, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease in respect thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize or shall be implied or result merely from the inclusion of such separate tracts within this lease but lessee shall nevertheless have the right to pool or unitize or shall be implied or result merely from the inclusion hereafter, either as to parties or amounts, from that as to any other part, of the leased premises.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

Dove Creek State

Bank at

Dove Creek, CO 81324

or its successors

which shall continue as the depository, regardless of changes in ownership or delay rental, royalties, or other moneys, the sum of \$ 154.35 which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or other moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to the depository bank on or before the last date for payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. If the depository bank should refuse to accept any rental tendered hereunder, the tender nevertheless shall be fully effective and lessee shall have no obligation to make any further tender or payment in connection therewith until after lessor shall have furnished lessee with an instrument satisfactory to lessee naming another bank as agent to receive such payment. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all of said minerals and horizons under a portion of said land, the delay rental and other payments commuted in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. I after term either (1) of the prior (90th) day shut-in well tions for an endeavor to

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This instrument was filed for record on the 25th day of July, 1983 at 9:45 o'clock A. M., duly recorded in Book 712, Page 407-412 of the 20083 records of this office.

Farlene White County Clerk
State of Colorado

EXHIBIT "A"

This Exhibit is attached to and made a part of that certain Oil and Gas Lease dated June 15, 1983 between Adra Baird, a widow; Robert G. Baird, Edward L. Baird, Jr.; Marie Grubbs, Marguerite Wilson, Callie Cowling, each a married person dealing in his or her sole and separate property as lessors; and Shell Oil Company, as lessee.

NOTWITHSTANDING ANY OF THE PROVISIONS herein stated to the contrary:

- a) It is agreed and understood that this lease is only applicable to the Mississippian Leadville Formation as encountered in the interval between the stratigraphic depths of 9386 to 9688 feet in the Shell Federal 8-40-16 No. 1 well located 2199 feet from the west line and 706 feet from the North line of Section 8, Township 40 North, Range 16 West, N.M.P.M., Dolores County, Colorado.

Callie Cowling

Robert G. Baird

Marie Grubbs

Ed Baird

Adra Baird

ACKNOWLEDGMENT

described in and who
livered the same as
for and homestead.

KNOWLEDGMENT

married man

described in and who
delivered the same as
owner and homestead.

25th day of
5 o'clock A.M.
in 1984 of the

STATE OF Colorado } SS.
COUNTY OF Dolores

I, Audrey Harchar, a Notary Public in and for said County and State, do hereby certify that Marie Grubbs, a married woman, to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that she executed and delivered the same as her free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 16 day of June, 1983.

My Commission Expires:

Audrey Harchar, Notary Public in and for said County and State, residing at Down Creek, CO.

STATE OF Colorado } SS.
COUNTY OF Dolores

I, Audrey Harchar, a Notary Public in and for said County and State, do hereby certify that Marguerite Wilson, a married woman, to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that she executed and delivered the same as her free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 16 day of June, 1983.

My Commission Expires:

Audrey Harchar, Notary Public in and for said County and State, residing at Down Creek, CO.

STATE OF Colorado } SS.
COUNTY OF Dolores

I, Audrey Harchar, a Notary Public in and for said County and State, do hereby certify that Callie Cowling, a married woman, to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that she executed and delivered the same as her free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 16 day of June, 1983.

My Commission Expires:

Audrey Harchar, Notary Public in and for said County and State, residing at Down Creek, CO.

STATE OF Colorado

COUNTY OF Dolores

I, Reta Salzman, a Notary Public in and for said County and State, do hereby certify that Edward L. Baird, Jr., a married to me personally known, and known to me to be the same person described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that he executed and delivered the same as His free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 24th day of June, 1983.

My Commission Expires:

Reta Salzman, Notary Public in and for said County and State, residing at Dove Creek, CO, Dolores County

STATE OF Colorado)
COUNTY OF Montrose) ss

On this 25th day of June, in the year 1983, before me,
the undersigned, a Notary Public, personally appeared
Adra Baird
known to me to be the identical person described in and who executed the
within and foregoing instrument, and acknowledged to me that s/he executed
the same as her free and voluntary act and deed for the purpose and con-
sideration therein expressed.

IN WITNESS WHEREOF I have hereunto set my official signature and
affixed my notarial seal the day and year first above written.

My Commission expires:
December 15, 1985

[Signature]
Notary Public

Residing at Montrose, Colo.