

82' : A 1
Please return original document to:
Percheron Energy, LLC
2000 South Colorado Blvd. Annex Suite
240, Denver, CO 80222

Ent 120752 # 959 Pg 29-36
Date: 16-JAN-2014 2:35:58PM
Fee: \$82.00 Check
Filed By: IH
LOUISE C JONES, Recorder
SAN JUAN COUNTY CORPORATION
For: PERCHERON ENERGY LLC

Form 88 - (Producers)
OPM Rev. 2010 Paid-Up

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 23, day of September, 2013, by and between F&R Family Partnership, L.T.D., whose address is c/o Jeffrey A. Frost, P.O. Box 968 Monticello, Utah 84535 hereinafter called Lessor (whether one or more) and PARADOX GROUP, INC., with offices at, 1505 Hermosa Place, Colorado Springs, Colorado 80906 hereinafter called Lessee (whether one or more).

WITNESSETH:

1. Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration in hand paid, the royalties provided herein, and the covenants of the Lessee, hereby grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating by geological or geophysical means, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting oil and gas together with all rights, privileges and easements useful for Lessee's operations on said land and on land in the same field with a common oil and gas reservoir, including but not limited to rights to lay pipelines, build roads, construct tanks, pump and power stations, power and communication lines, and other structures and facilities, and the right to drill for, produce and use fresh water, except water from wells or reservoirs. The phrase "oil and gas" as used herein includes all hydrocarbons and other substances produced therewith, including gas condensate or distillate. The word "gas" as used in this lease shall include gases of all kinds, whether hydrocarbon gas or gases or non-hydrocarbon gas or gases, including but not limited to helium, coal bed methane, carbon dioxide gas, or other similar commercial gases or any mixture or mixtures of any such gases. The land included in this lease ("said lands" or "leased premises") is described as follows: Situated in San Juan County, State of Utah.

(SEE COPY OF LEGAL DESCRIPTION PORTION OF THE SUBJECT OIL AND GAS LEASE, ATTACHED AS EXHIBIT "A")

including all oil and gas substances produced therewith underlying lakes and streams of which all or any part of the land is riparian, all roads, easements, and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land, and including all reversionary rights therein, said land containing 5.347.20 acres more or less. This lease covers all the interest now owned by, or hereafter vested in the Lessor and Lessor releases and waives all rights under any Homestead Exemption laws. In addition to the above-described land, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land; and, for the aforementioned consideration, 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. In calculating any payments based on acreage, Lessee may consider that the land contains the acreage stated above, whether it actually contains more or less. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This lease shall remain in force for a period of Five (5) years from this date, called "primary term," and as long thereafter as oil, gas or other hydrocarbons and substances produced therewith are produced from said land or from lands pooled or unitized therewith, or Lessee is engaged in drilling or reworking operations on said land or from lands pooled or unitized therewith. Drilling operations shall include, but not be limited to, operations for the drilling of a new well; the reworking, deepening, or plugging back of a well; those operations that may be conducted in an effort to dewater coalbed formations in an effort to produce methane gas or other associated products therefrom; or other operations conducted in an effort to obtain or reestablish production of oil or gas. Such operations shall be deemed commenced, in any instance and for all purposes under this lease, when the first material is moved in or the first work done, provided that operations be thereafter diligently prosecuted without unreasonable delays.

3. Lessee shall pay royalties to Lessor as follows: (a) Sixteen Percent (16%) of the oil produced and saved from said land to be delivered at the wells or to the credit of Lessor into the pipeline to which the well may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the well of Sixteen Percent (16%) of the gas (including casinghead gas or other gaseous substances) produced and sold from said land or from lands pooled or unitized therewith, provided that on gas sold at the well the royalty shall be Sixteen Percent (16%) of the amount realized from such sale; (c) Sixteen Percent (16%) of the amount realized from the sale of any other substances produced with oil and gas from said lands or from lands pooled or unitized therewith. Lessee may, in the interest of economy, commingle production from this lease with production from one or more leases in the same field provided a method of measurement in accordance with established engineering practices is used to measure the production and to allocate the production to the respective leases commingled. Lessor's royalty shall be calculated free and clear of costs and expenses for exploration, drilling, development and production including dehydration, storage, compression, separation by mechanical means and product stabilization incurred before the production leaves the leased premises or lands pooled therewith. Lessor's royalty shall bear its proportionate share of ad valorem taxes and production, severance, or other excise taxes. Lessee agrees not to charge Lessor more than ten percent (10%) of Lessor's net royalty for any and all transport.

Where there is a gas well or wells on the lands covered by this lease or acreage pooled or unitized therewith, including wells capable of producing gas-condensate or distillate, whether it be before or after the primary term hereof, and such well or wells are shut-in and there is no other production, drilling operations or other operations being conducted capable of keeping this lease in force under any of its provisions, including Lessee actively conducting dewatering operations for the production of gas from coal seams or coal beds on said lands or lands pooled or unitized therewith, Lessee shall pay as royalty to Lessor the sum of ten dollars (\$10) per year per net mineral acre, such payment to be made to Lessor on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well or wells are shut-in, and thereafter on each anniversary date of this lease during the period such wells are shut-in, and upon such payment it shall be considered that this lease is maintained in full force and effect. Lessee may use, free of royalty, oil, gas, and water for operations hereunder.

4. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obliged, 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.

5. Lessee may at any time or times pool any part or all of said land and lease or any stratum or strata, with other lands and leases, stratum or strata, in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the state or federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a Declaration of Pooling, or Declaration of Termination of Pooling, and by mailing or tendering a copy to Lessor, or to the depository bank. Drilling or reworking operations upon or production from any part of such spacing unit shall be considered for all purposes of this lease as operations or productions from this lease. Lessee shall allocate to this lease the proportionate share of production which the acreage in this lease included in any such spacing unit bears to the total acreage in said spacing unit.

Notwithstanding anything aforesaid in this lease to the contrary, Lessee agrees this lease only contains a pooling clause for the purpose of creating a spacing unit. This lease does not contain any rights on the part of the Lessee to incorporate or join this lease in whole or in part to any Federal Unitization, without the signatures and approval of Lessors.

6. If at any time or times after the primary term or before the expiration of the primary term all operations, and if producing, all production shall cease for any cause, this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations, or production, within ninety (90) days after such cessation; however, this clause shall in no event operate to diminish the length of the primary term.

7. Lessee further agrees to restore the land covered by this lease as nearly as is reasonably practicable to its original terrain and fertility at the conclusion of Lessee's operations. Lessee shall be responsible for and agrees to make payment of all damages to lands, livestock, crops, timber and improvements caused by its operations hereunder. Lessee shall take precautions to protect livestock from its operations, including the fencing of equipment and placement of cattle guards if necessary and if requested by the surface owner. Lessee shall bury pipelines below ordinary plow depth of at least 25 inches across cultivated lands. No well shall be drilled within two hundred (200) feet of any residence or barn now on said land without the consent of the surface owner. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing. Lessee shall drill any well which a reasonably prudent operator would drill under the same or similar circumstances to prevent

substantial drainage from said land by wells located on adjoining land not owned by Lessor, when such drainage is not compensated by counter drainage, subject to the continuing right of the Lessee to release all or part of the lands covered hereby as provided for in paragraph four (4) above. No default of Lessee with respect to any well or part of the land covered hereby shall impair Lessee's rights as to any other well or any other part of the lands covered hereby.

8. The rights of Lessor and Lessee may be assigned in whole or in part. No change in ownership of Lessor's interest shall be binding on Lessee until after Lessee has been given notice consisting of certified copies or recorded instruments or documents necessary to establish a complete chain of title from Lessor. No other type of notice, whether actual or constructive, shall be binding on Lessee, and Lessee may continue to make payments as if no change had occurred. No present or future division of Lessor's ownership as to all or any part of said lands shall enlarge the obligations or diminish the rights of Lessee, and Lessee may disregard any such division. If all or any part of Lessee's interest is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

9. Whenever, as a result of any cause reasonably beyond Lessee's control, such as fire, flood, windstorm or other act of God, decision, law, order, rule, or regulation of any local, state or federal government or governmental agency, or court; or inability to secure men, material or transportation, and Lessee is thereby prevented from complying with any express or implied obligations of this lease, Lessee shall not be liable in damages or forfeiture of this lease, and Lessee's Obligations shall be suspended so long as such cause persists, and Lessee shall have ninety (90) days after the cessation of such cause in which to resume performance of this lease.

10. Notwithstanding the provisions of this lease to the contrary, this lease shall terminate at the end of the primary term as to all of the leased lands except those within a producing or spacing unit prescribed by law or administrative authority on which is located a well producing or capable of producing oil and/or gas or on which lessee is engaged in drilling or reworking operations. However, this lease shall not terminate as to any of the leased lands so long as drilling or reworking operations are being continuously prosecuted, that is, if not more than ninety days (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of another well.

11. The royalties provided for are determined with respect to the entire mineral estate in oil and gas (including all previously reserved or conveyed non-participating royalty), and if Lessor owns a lesser interest, the royalty to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or lien upon said land, or redeem the land from any purchaser at any tax sale or adjudication, and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any additional bonus payments or royalties accruing under the terms of this lease.

12. At the expiration of the primary term as provided for in Paragraph 2 or the continuous development provision as provided for in paragraph 10, whichever is later, Lessee shall have the option, but not the obligation to extend the primary term for an additional Five (5) years on any acreage which is not then included in a producing or shut-in well spacing unit by paying to Lessor the sum Three Hundred Fifty dollars (\$350.00) per net mineral acre. Said payment shall be made to Lessor prior to the expiration of the lease and shall extend the primary term for an additional Five (5) years.

13. This lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute the lease or not. All provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors, and assigns of the Lessor and Lessee.

IN WITNESS WHEREOF this instrument is executed on the date first hereinabove set out.

F&R Family Partnership, L.T.D.

X 
Jeffrey A. Frost, Partner

X 
Spencer H. Frost, Partner

EXHIBIT "A"

This Exhibit "A" is attached to and made a part of that certain Oil and Gas Lease dated September 03, 2013, by and between F & R Family Partnership, LTD, as Lessor, and Paradox Group, Inc., as Lessee.

Description of lands covered by lease:

Township 31 South, Range 24 East, SLM., San Juan County, Utah

Section 33: SE1/4SW1/4, S1/2SE1/4

Parcel Number: 31S24E336600

Township 32 South, Range 23 East, SLM., San Juan County, Utah

Section 35: LOT 3, 4; W1/2SE1/4; E1/2SW1/4; SW1/4SW1/4

Parcel Number(s): 32S23E351801; 32S23E351800; 32S23E354800

Section 36: N1/2; SE1/4; A Tract of land described as beginning at the Southwest corner of Section 36, thence North 160 rods, thence East 297 feet, thence S 0° 27' W 160 rods, thence West 297 feet to the point of beginning.

Parcel Number(s): 32S23E360000; 32S23E365400

Township 32 South, Range 24 East, SLM., San Juan County, Utah

Section 4: LOTS 1, 2, 3, 6, 7

Parcel Number: 32S24E040000

Township 32 South, Range 25 East, SLM., San Juan County, Utah

Section 34: S1/2

Parcel Number: 32S25E345400

Township 33 South, Range 23 East, SLM., San Juan County, Utah

Section 1: LOTS 1, 2; SE1/4; S1/2NE1/4; S1/2S1/2SW1/4

Parcel Number: 33S23E010002

Section 2: SE1/4; E1/2SW1/4; SW1/4SW1/4; A Tract of land described as beginning 1201 feet East of the North West corner of Section 2, thence South 0° 20' East 2764 feet North 89° East 1563 feet, thence North 2759 feet to a point 8.25 rods East of the North corner of Section 2, thence West 8.25 rods, South 42 rods, West 15.25 rods North 42 rods, thence West to the point of beginning;

A Tract of land described as beginning 1,201 feet East of the Northwest corner of Section 2, T-33-S, R-23-E, thence East 1,346.5 feet, thence South 42 rods, thence East 15.5 rods, thence North 42 rods, thence East 1,188 feet, thence South 2,759 feet, then S 89° 55' W 2,764 feet, thence N 0° 20' W 2,764 feet to the point of beginning.

Parcel Number(s): 33S23E022401; 33S23E020000; 33S23E027200; 33S23E022400; 33S23E026000

Section 9: N1/2SW1/4

Parcel Number: 33S23E095400

Section 10: S1/2

Parcel Number(s): 33S23E105401; 33S23E105402; 33S23E104800; 33S23E107800; 33S23E107801
33S23E107200

Section 11: ALL

Parcel Number: 33S23E110000

Section 12: ALL

Parcel Number(s): 33S23E120000; 33S23E122400; 33S23E120001

Section 15: E1/2NW1/4

Parcel Number(s): 33S23E152400; 33S23E153000

Section 16: SE1/4

Parcel Number(s): 33S23E167200; 33S23E167201

Section 17: SE14NW1/4; N1/2SW1/4; SE1/4SW1/4

Parcel Number: 33S23E174200

Township 33 South, Range 24 East, SLM., San Juan County, Utah

Section 6: LOTS 4, 5

Parcel Number: 33S24E063000

Section 17: N1/2N1/2

Parcel Number: 33S24E170000

Section 21: W1/2NE1/4; NW1/4; N1/2SE1/4; SE1/4SE1/4

Parcel Number(s): 33S24E212400; 33S24E210601; 33S24E210602

Township 33 South, Range 25 East, SLM., San Juan County, Utah

Section 7: LOTS 1, 2, 3, 4; E1/2W1/2; E1/2 (ALL)

Parcel Number(s): 33S25E070600; 33S25E075400; 33S25E070000

Section 8: W1/2 and a Tract described as beginning at the North quarter corner of Section 8, thence South 320 rods, thence East 36 rods, thence North 320 rods, thence West 36 rods to the point of beginning.

Parcel Number(s): 33S25E083000; 33S25E080600; 33S25E084800; 33S25E084801

LESS AND EXCEPT THE FOLLOWING DESCRIBED TRACTS:

Beginning 369 feet North of the Southeast corner of Section 35, T-32-S, R-23-E, thence North 580 feet, thence S 65° W 1,295 feet, thence South 353 feet, thence East 700 feet, thence N 76° 20' E 105.3 feet, thence N 65° E 235, thence N 8° 20' E 120 feet, thence N 61° E 161 feet to the point of beginning

Beginning at the Northeast Corner of Section 2, T-33-S, R-23-E, thence S 89° 52' E 297 feet, thence North 334 feet, thence N 84° 16' W 146 feet, thence S 41° 17' W 462 feet, thence S 89° 52' E 151 feet to the point of beginning,

Beginning at the Northwest Corner of the Southwest quarter of Section 36, T-32-S, R-23-E, thence East to the State Highway, thence Northwesterly along said highway to North line of Section 36, thence West along the North line of Section 36 to the Northwest corner of Section 36, thence South 2,640 feet, more or less, to the point of beginning,

Beginning 224 feet North of the Southwest corner of Section 36, T-32-S, R-23-E, thence North 725 feet, thence N 65° E 320 feet, thence S 1° 14' W 712.6 feet, thence West 129 feet, thence S 45° W 209 feet to the point of beginning,

Beginning at a point N 0° 12' W 1,870 feet and N 89° 48' E 35 feet from the quarter corner between Section 1 and Section 12, T33-S, R-23-E, thence N 89° 48' E 50 feet, thence N 0° 12' E 50 feet, thence S 89° 48' W 50 feet, thence S 0° 12' E 50 feet to point of beginning,

Beginning 586 feet South and 265 feet S 89° 48' W of the North quarter corner of Section 12, T33-S, R-23-E, thence N 0° 12' W 181 feet, thence S 89° 48' W 206 feet, thence N 0° 12' W 206 feet, thence N 89° 48' E 206 feet, thence N 0° 12' W 860 feet, N 89° 48' E 200 feet, thence S 0° 12' E 1,247, thence S 89° 48' W 200 feet to the point of beginning,

Beginning 586 feet South and 265 feet S 89° 48' W of the North quarter corner of Section 12, T-33-S, R-23-E, thence S 89° 48' W 300 feet, thence N 0° 12' W 1,247 feet, thence N 89° 48' E 300 feet, thence S 0° 12' E 860 feet, thence S 89° 48' W 206 feet, thence S 0° 12' E 206 feet, thence N 89° 48' E 206 feet, thence S 0° 12' E 181 feet to the point of beginning,

Beginning 1,320 feet West and 66 feet South of the Northeast corner of Section 2, T-33-S, R-23-E, thence South 2,693 feet, thence S 89° 00' W 1,089 feet, thence North 2,150 feet, thence N 87° 47' E 182 feet, thence N 39° 13' E 294 feet, thence N 55° 41' E 275 feet, thence N 87° 43' E 296 feet, thence N 50° 51' E 255 feet to the point of beginning,

Beginning 20 rods North of the Southwest corner of Section 2, T-33-S, R-23-E, thence North 60 rods, thence East 60 rods, thence Southwesterly to the point of beginning.

ACKNOWLEDGEMENT - INDIVIDUAL

STATE OF Utah)

ss.

COUNTY OF San Juan □

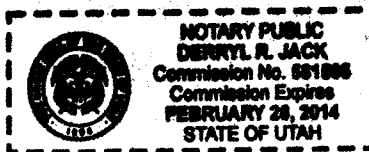
The foregoing instrument was acknowledged before me, this 23 day of September, 2013 by Jeffrey A. Frost, acting as Partner of F&R Family Partnership, L.T.D., a Partnership.

Witness my hand and official seal.

My Commission Expires: 2-28-2014

Notary Public

Derryl R. Jack



STATE OF Utah)

ss.

COUNTY OF San Juan □

The foregoing instrument was acknowledged before me, this 01 day of October, 2013 by Spencer H. Frost, acting as Partner of F&R Family Partnership, L.T.D., a Partnership.

Witness my hand and official seal.

My Commission Expires: 8-27-2016

Notary Public

Diana Tousley

