

OIL AND GAS LEASE

7-00

IT 02559

THIS AGREEMENT made and entered into this 31st day of October 1987 at AM 11:50 by and between Clisbee N. Lyman and Viola Ruth Lyman, husband and wife
P. O. Box 122
Blanding, Utah 84511

hereinafter called Lessor (whether one or more) and LARRY J. WHITE, P.O. Box 2197, Durango, Colorado 81302, 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 carbon dioxide gas, and any mixture or mixtures of any such gases. The land included in this lease is described as follows:

Situated in San Juan County, State of Utah

TOWNSHIP 35 SOUTH, RANGE 23 EAST, SALT LAKE BASE & MERIDIAN

RESTRICTED

Section 11: A tract of land beginning at the Southeast corner of Section 11, thence North 1,320 feet, thence West 2,528 feet, thence South-easterly 1,429 to a point 1,980 feet West of the Southeast corner of said section, thence East 1,980 feet to place of beginning
Section 12: SW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 13: NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$

Entry No IT 02559 29
Recorded 3:24 PM 11/15/87 Bk 686 Pg 30
Fee Paid Laura L. Jones
Recorder, San Juan County
7-00 By C.B. Lake Deputy

Mortgage Financing Statement
BK: 736 PG 511-534
8-11-94

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 310.00 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 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 Ten (10) years from this date, called "primary term," and as long thereafter as oil, gas or other hydrocarbons and substances produced therefrom are produced from said land, or Lessee is engaged in drilling or reworking operations on said land. 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; 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) Fifteen percent (15%) of the oil produced and saved from said land to be delivered at the wells onto 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 same interest as (a) above of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be same interest as (a) above of the amount realized from such sale; (c) same interest as (a) above of the amount realized from the sale of any other substances produced from said land with oil and gas. 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.

Where there is a gas well or wells on the lands covered by this lease or acreage utilized 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, 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.

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.

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7. Lessee further agrees to restore the land covered by this lease as nearly as is reasonably possible 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 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 counterdrainage, 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 anything aforesaid in this lease to the contrary, Lessee further agrees that in the event of production being established from this leasehold premises, and with this lease still being held by production on the third anniversary of the expiration date of the primary term, that this lease shall nevertheless terminate and be released by Lessee as to all lands covered hereby which are not then included in producing or shut-in well spacing units or unitized areas, unless drilling operations as hereinabove defined are at that time being continuously prosecuted on said lands. Drilling operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the commencement of drilling operations on another well. Upon the termination of this lease, Lessee shall file an appropriate release in the county records releasing all lands not included in producing or shut-in well spacing units.

11. Lessor warrants and agrees to defend the title to said land as to Lessor's interest therein. 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. 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.

THIS OIL AND GAS LEASE IS SUBJECT TO AN UNRECORDED LETTER AGREEMENT BETWEEN LESSOR AND LESSEE.

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

X Clisbee N. Lyman
Clisbee N. Lyman

X Viola Ruth Lyman
Viola Ruth Lyman

X _____

X _____

X _____

X _____

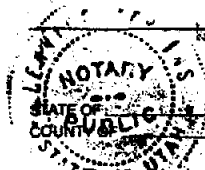
ACKNOWLEDGMENT - INDIVIDUAL

STATE OF Utah }
COUNTY OF San Juan } ss.

The foregoing instrument was acknowledged before me, this 6th day of November 19 86
by Clisbee N. Lyman and Viola Ruth Lyman, husband and wife

Witness my hand and official seal.
My Commission Expires May 21, 1989
at Blanding, Utah

Bernard P. ...
Notary Public



ACKNOWLEDGMENT - INDIVIDUAL

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me, this _____ day of _____ 19 _____

Witness my hand and official seal.
My Commission Expires: _____

Notary Public