

OIL AND GAS LEASE

THIS AGREEMENT, dated the 8TH of June, 2013 is made and entered into by and between **TOWN OF WINDSOR, a Colorado Municipal Corporation**, whose address is 301 Walnut St. Windsor, CO 80550, hereinafter called Lessor (whether one or more), and **GRIZZLY PETROLEUM COMPANY, LLC**, whose address is 1700 Broadway, Suite 650, Denver, CO 80290-1170, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of TEN AND MORE (\$10.00+) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, 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 drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

Township 6 North, Range 67 West of the 6th P.M.

Section 20: A certain Tract of Land, lying in the Southeast Quarter (SE/4), more particularly described as...Tract B of the Mountain View Subdivision Second Filing, a plat of which was recorded on April 18, 1979 in Book 866 at Reception No. 1787838, LESS and EXCEPT Tract A, containing 3.88 acres, more or less

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THIS IS A NO SURFACE OCCUPANCY LEASE. IT IS AGREED THAT LESSEE, ITS SUCCESSORS AND ASSIGNS SHALL NOT CONDUCT ANY DRILLING OPERATIONS OR LOCATE ANY PRODUCTION FACILITIES UPON THE LEASED LANDS, NOR WILL ANY ACCESS TO THE SURFACE OF THE LEASED LANDS BE PERMITTED WITHOUT EXPRESS WRITTEN CONSENT OF LESSOR.

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, including all lands and rights acquired or retained by Lessor by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above, as well as all riparian lands and rights which may be incident, appurtenant, related or attributed to Lessor in any lake, reservoir, stream or river traversing or adjoining the lands described above, and further, all lands included in any road, easement or right-of-way traversing or adjoining the lands described above, which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above.

1. It is agreed that this lease shall remain in force for a term of **Three (3) years** 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 as hereinafter provided. 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 but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if 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 re-working 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.

In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph. (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

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 **Twenty Percent (20.00%)** part of all oil produced and saved from the leased premises.

2nd To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, **Twenty Percent (20.00%)** of the net proceeds derived from such sale 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 **Twenty Percent (20.00%)** of such gas and casinghead gas, Lessor's interest, in either case, to **Twenty Percent (20.00%)** of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and **Twenty Percent (20.00%)** of the cost of gathering and transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.

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 **Twenty Percent (20.00%)** 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 as royalty to the royalty owners **Five Dollars (\$5.00)** per year per net royalty 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.

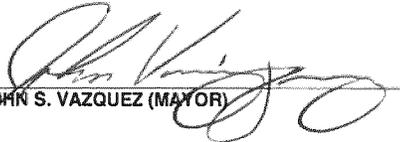
5. If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

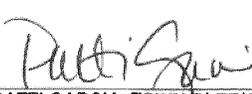
6. Lessee shall have the right to use, free of cost, gas and oil produced on said land for Lessee's operation thereon.

7. Lessee shall bury Lessee's pipeline 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 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 form 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, no leasehold owner shall be liable for any act or omission or 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, 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 non-producing 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.
13. When operations or production are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to furnish transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary notwithstanding.
- ~~14. Lessee's seismic operations will be conducted in accordance with good standard practices and in a prudent and careful manner and Lessee and its agents and contractors (collectively the "Lessee"), jointly and severally, will assume and pay, hold the Lessors free and harmless from, and indemnify and defend Lessors from any and all claims and damages including, without limitation, attorney's fees and costs of court that may result from work by Lessee by virtue of the permission granted in this Agreement. This provision shall apply whether the claims are by persons or to property located on or off the Lands, including persons employed by Lessors and property owned by the Lessors. The consideration paid for this Agreement is not compensation for any such damages.~~
15. Lessor agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens 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 itself and its heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.
16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or 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.

Town of Windsor, a Colorado Municipal Corporation

By: 
JOHN S. VAZQUEZ (MAYOR)

ATTEST: 
By: PATTI GARCIA, TOWN CLERK

CORPORATE ACKNOWLEDGMENT

STATE OF Colorado)
) ss
COUNTY OF Weld)

The foregoing instrument was acknowledged before me this 8th day of June, 2013 by John S. Vazquez as Mayor for the Town of Windsor, a Colorado Municipal Corporation and Patti Garcia, Town Clerk for the Town of Windsor, a Colorado Municipal Corporation.

WITNESS my hand and official seal.

My Commission Expires: 10/14/2014


Notary Public:

After recording return to: Grizzly Petroleum Company, LLC
Attn: Angie C. Nickel
1700 Broadway, Suite 650
Denver, CO 80290-1700

