

115956
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial No. M-47627

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (reverse) offers to lease all or any of the lands in item 2 that are available for lease pursuant to the Mineral Leasing Act of 1920 (40 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands (40 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1964 (40 O.P.A. Gen. 41). Signatory certifies compliance with qualifications concerning Federal coal lease holdings provided in Sec. 23a(2)(A) of the Mineral Leasing Act.

Read Instructions Before Completing

1. Name Gary Williams Oil Producer, Inc.
Street 115 Inverness Drive East
City, State, Zip Code Englewood, CO 80112-5110

2. This offer lease is for (check only one) PUBLIC DOMAIN LANDS ACQUIRED LANDS (pursuant U.S. interest)

Surface managing agency (if other than BLM) _____
Legal description of land requested
T 28 N. R 51 E. Meridian Mount Diablo State Colorado County Eureka

sec. 10, All;
sec. 12, lots 1, 2, 3, 4, W 1/2, W 1/4;
sec. 13, lots 3, 4, SW 1/4, W 1/2 SE 1/4;
sec. 14, All;
sec. 22, All;
sec. 23, All;
sec. 24, lots 1, 2, 3, 4, W 1/2, W 1/4;
sec. 27, All;
sec. 28, All;

sec. 22, All;
sec. 23, All;

Amount estimated: Filing fee \$ 75.00 Rental fee \$ 6677.00
Total acres applied for 6676.55
Total \$ 6752.00

3. Land included in lease
T _____ R _____ Meridian _____ State _____ County _____

SAME AS ITEM 2

NOT IN A KNOWN
GEOLOGICAL STRUCTURE

Total acres in lease 6676.55
Rental retained \$ 6677.00

In accordance with the above offer, if the previously submitted simultaneous oil and gas lease application is competitive bid, this lease is issued granting the nonexclusive right to conduct oil and gas operations (as defined) and the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

- Type and primary term of lease:
- Simultaneous noncompetitive lease (ten years)
 - Regular noncompetitive lease (ten years)
 - Competitive lease (five years)
 - Other _____

THE UNITED STATES OF AMERICA
by Marla B. Bell (Signing Officer)
Chief, Branch of Lands and Minerals Operations
JAN 14 1988 (Date)

BOOK 172 PAGE 122 EFFECTIVE DATE OF LEASE FEB 01 1988

(Formerly 3110-1, 2, 3, 3120-1, 7, 3130-4, 5, and 7)

4. I, undersigned, certify that this offering is a lease of the United States, an alienation of such interest, a mineral, or a corporation organized under the laws of the United States or any State or Territory thereof. I, as parties holding an interest in the offered lands, in compliance with 43 C.F.R. 3100 and the leasing authorities, do hereby offer a chargeable interest, down and under, in either public domain or acquired lands but not exceed 200 (200) acres and gas interests or 240 (240) acres in oil and gas in the same State, or 400 (400) acres in leases and 200 (200) acres in operations in either leasing District in Alaska, and this offering is not considered a mineral under the laws of the State in which the lands covered by this offer are located.

This offering agrees that a contract to this offer constitutes acceptance of this lease, including all terms, conditions, and stipulations of which offered has been given notice, and any amendments or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but cannot for any reason from this lease. The offerer further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office, before this lease, an instrument to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be reported and will afford a chance for any person if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required documents, 18 U.S.C., Sec. 1083 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

GARY-WILLIAMS OIL PRODUCER, INC.

Shdy executed the 28th day of December 1987

Pat Keating, Attorney-in-Fact

LEASE TERMS

STATE OF COLORADO)
) SS.
COUNTY OF ARAPAHOE)

The foregoing instrument was acknowledged before me this 28th day of December, 1987, by PAT KEATING, as Attorney-in-Fact for GARY-WILLIAMS OIL PRODUCER, INC., a Delaware Corporation, on behalf of the corporation.

WITNESS my hand and official seal.

My Commission Expires:
Sept. 23, 1990

Mary Kay White, Notary Public
115 Inverness Drive East
Englewood, Colorado 80112

See Comprehensive lease, see attachment, or
Other, see attachment

Lessee reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable maximum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties shall be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production shall be delivered, unless otherwise agreed to by lessee, in reasonable condition on the premises where produced within one week of lease. Lessee shall not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, nor shall lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty shall be due for any lease year after discovery in which royalty payments aggregate less than \$100 per acre. Lessee shall pay such difference at end of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, in all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of oil otherwise justified. An interest charge shall be assessed on late royalty payments in accordance with a schedule set forth in the Federal Oil and Gas Royalty Management Act of 1982 (43 U.S.C. 1701-1705). Lessee shall be liable for royalty payments on oil and gas first or second lease year when such loss of value is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or condition issued under FOMRMA by the leasing authority.

Sec. 3 Bonds - Lessee shall file and maintain any bond required under regulations.

Sec. 4 Diligence, rate of development, unitization and drainage - Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to land of, or waste of leased resources. Lessee reserves the right to specify rates of development and production in the public interest and to require lessee to submit to a cooperative oil unit plan, within 30 days of lease, if deemed necessary for proper development and operation of acre, land, or pool containing these leased lands. Lessee shall drill and produce wells necessary to prevent leased lands from drainage or pay commensurate royalty for drainage in amount determined by lessee.

Sec. 5 Documents, evidence and explanation - Lessee shall file with proper office of lessee, not later than 30 days after effective date thereof, any contract or evidence of other arrangements for sale or disposal of production. At such times and in such form as lessee may prescribe, lessee shall furnish correct statements showing amounts and quality of all products removed and sold, payments therefrom, and amount used for production purposes of unavailability. Lessee may be required to provide plans and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depletion costs. In the form prescribed by lessee, lessee shall keep a daily drilling record, a log, distribution of well surveys and logs, and a record of subsequent investigations and furnish copies to lessee when required. Lessee shall keep copies of all reasonable letters for disposition by any authorized officer of lessee, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or to the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that

Sec. 6 Mining operations - To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessee reserves the right to deny approval of such operations.

Sec. 7 Extraction of helium - Lessee reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessee at its expense or less to lessee at interest of the gas. Lessee shall include in any contract of sale of gas the provisions of this section.

Sec. 8 Damages to property - Lessee shall pay lessee for damage to leased improvements, and shall save and hold lessee harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 9 Protection of diverse interests and equal opportunity - Lessee shall pay when due all taxes legally assessed and levied under laws of the State or the United States, except all employees complete franchise of purchase, pay all wages at least twice each month in lawful money of the United States, maintain a safe working environment in accordance with standard industry practices, and take measures necessary to protect the health and safety of the public.

Lessee reserves the right to insure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, it shall not discriminate in a pipeline or a company operating a pipeline, which may be operated as a public utility, derived from these leased lands.

Lessee shall comply with section 28 of the Mineral Leasing Act of 1920. Lessee shall comply with Executive Order No. 11226 of September 24, 1969, an amendment and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 11 Transfer of lease interests and relinquishment of lease - As required by regulations, lessee shall file with lessee any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12 Delivery of premises - At such time as all or portions of this lease are returned to lessee, lessee shall place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessee and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessee for preservation of producible wells.

Sec. 13 Proceedings in case of default - If lessee fails to comply with any provisions of this lease, and the non-assignable contract for 30 days after written notice thereof, this lease shall be subject to cancellation. Lessee shall also be subject to applicable provisions and penalties of FOMRMA 1982 Sub 10471. However, if this lease includes land known to contain valuable deposits of leased resources, it may be cancelled only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessee of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 14 Heirs and successors in interest - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, beneficiaries, or assigns of the respective parties hereto.

PRAIRIE FALCON SPECIAL STIPULATION

The following described lands have been identified as favorable habitat supporting relatively high population densities of prairie falcons. Therefore, prior to entry onto the lands within the described areas, the lessee (operator) will discuss the proposed activities with the appropriate Bureau of Land Management's authorized officer who may require additional measures for the protection of prairie falcons. Such measures may include:

- a. No surface occupancy of selected areas.
- b. Restriction of activity near nest sites during the months of March through June.

Description of Lands

Parcel NV-125	All lands
Parcel NV-126	All lands
Parcel NV-127	All lands

MULE DEER SPECIAL STIPULATION

The following described lands have been identified as critical habitat for wintering herds of mule deer. Therefore, prior to entry onto the lands within the described area, the lessee (operator) will discuss the proposed activities with the appropriate Bureau of Land Management's authorized officer who may require additional measures for the protection of mule deer. Such measures may include:

- a. Restriction of activity in identified areas during the winter months of November through March.
- b. No surface occupancy of selected areas.
- c. Special reclamation techniques.

Description of Lands

Parcel NV-119	All lands
Parcel NV-125	All lands
Parcel NV-126	All lands
Parcel NV-221	All lands
Parcel NV-228	secs. 1, 2, 10, 11, 12, 13, 14, 15, 23, 24, 25

This limitation does not apply to maintenance and operation of producing wells. Exceptions to this limitation, in any year, may be specifically authorized in writing by the Bureau of Land Management's authorized officer.

NOTICE TO LESSEE

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments Act of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 U.S.C. 201(a)(2)(A), requires that any entity that holds and has held a Federal coal lease for 10 years beginning on or after August 4, 1976, and who is not producing coal in commercial quantities from each such lease, cannot qualify for the issuance of any other lease granted under the MLA. Compliance by coal lessees with Section 2(a)(2)(A) is explained in 43 CFR 3472.

In accordance with the terms of this oil and gas lease with respect to compliance by the initial lessee with qualifications concerning Federal coal lease holdings, all assignees and transferees are hereby notified that this oil and gas lease is subject to cancellation if: (1) the initial lessee as assignor or as transferor has falsely certified compliance with Section 2(a)(2)(A) or (2) because of a denial or disapproval by a State Office of a pending coal action, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or as transferor is no longer in compliance with Section 2(a)(2)(A). The assignee or transferee does not qualify as a bona fide purchaser and, thus, has no rights to bona fide purchaser protection in the event of cancellation of this lease due to noncompliance with Section 2(a)(2)(A).

Information regarding assignor or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file as well as in other Bureau of Land Management records available through the State Office issuing this lease.

RECORDED AT THE REQUEST OF
Wiley Williams Oil Producers
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RECORDED AT THE REQUEST OF
MINERAL LEASING ACT
FILE # 115956
FEE \$ 2.00

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