

OIL AND GAS LEASE

(PAID UP FORM)

PRODUCERS 88 REVISED

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THIS AGREEMENT, entered into as of the 17th day of May, 1982, between

LEROY E. EVERETT II and SUSAN E. EVERETT, husband and wife as joint tenants

of 1640 South 1400 East, Salt Lake City, Utah, hereinafter designated "LESSOR",

whether one or more, and DAVIS OIL COMPANY, hereinafter designated "LESSEE",

410-17th Street, Suite 1400 Denver, CO 80202

WITNESSETH: 1. That LESSOR, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations, receipt of which, as full and adequate consideration for all rights, privileges, and options granted herein, hereby is acknowledged, and of the covenants and agreements hereinafter contained to be paid, kept and performed by LESSEE, has this day granted, demised, leased and let, and hereby grants, demises, leases and lets, exclusively unto LESSEE for the purpose of exploring, prospecting, drilling, mining, operating for, producing and taking oil and gas, including casinghead gas, casinghead gasoline, condensate and all related hydrocarbons, and including all other products produced therewith; and with the right to construct, maintain and use roads, bridges, pipe lines, tanks, power stations, power and communication lines, and other structures thereon necessary or useful to find, produce, save, store, treat,

transport, and take care of such substances, the following described land in Summit County, State

of Utah

Township 1 North, Range 4 East, Salt Lake Base and Meridian

Section 22: Lot 41, Plat C, of FOREST MEADOW RANCH SUBDIVISION according to the official Plat of the Summit County Recorders Office.

Entry No. 193131 Book 2224 RECORDED 6-30-82 at 11:00AM Page 499-500 REQUEST of Davis Oil Company FEE \$ 7.00 By Wanda Y. Sprigg WANDA Y. SPRIGG, SUMMIT CO. RECORDER INDEXED ABSTRACT

and containing 1.08 acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by LESSOR, all of the foregoing land being hereinafter referred to as "leased premises".

Unless sooner terminated under subsequent provisions hereof, this lease shall remain in force for a primary term of five (5) years from this date, said term being hereinafter referred to as "primary term", and as long thereafter as oil and gas, or either of them, is produced from leased premises, whether or not in such quantities, or this lease is extended under any subsequent provision hereof.

(A) LESSEE shall deliver to the credit of LESSOR, as royalty, free of cost, in the pipe line to which LESSEE may connect its wells, the following part of all oil produced and saved by LESSEE from leased premises, or, from time to time, at LESSEE'S option, pay LESSOR for such one-eighth (1/8) of the royalty oil at the market price for oil of the grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks. LESSOR'S interest, in either case, shall bear one-eighth (1/8) of the cost of treating the oil to render it marketable pipe line oil.

(B) LESSEE shall pay LESSOR, as royalty, for gas produced from any well on leased premises and used by LESSEE off leased premises or in the manufacture of gasoline or any other product, one-eighth (1/8) of the prevailing market price of said gas, as such, at the mouth of the well. If such gas is sold by LESSEE, then LESSEE shall pay LESSOR, as royalty, one-eighth (1/8) of the net amount realized by LESSEE, computed at the mouth of the well.

4. If, at the expiration of the primary term, there is no well or wells on leased premises then capable of producing oil or gas, but LESSEE has commenced operations for drilling, repressuring, reworking, deepening, or plugging back a well thereon, this lease shall remain in force so long as such operations, or additional operations on other wells are prosecuted with due diligence, and if production results therefrom, then as long thereafter as oil or gas is produced from leased premises.

If, after the expiration of the primary term, production on leased premises shall cease from any cause and there is no well or wells thereon then capable of producing oil or gas, this lease shall not terminate if LESSEE, with due diligence, commences operations for drilling, repressuring, reworking, deepening, or plugging back a well thereon, but shall remain in force so long as such operations, or additional operations on other wells, are prosecuted with due diligence, and if production results therefrom, then as long thereafter as oil or gas is produced from leased premises.

For the purposes of this paragraph numbered 4, operations shall be deemed commenced or prosecuted with due diligence so long as there is no delay or cessation thereof for a greater period than sixty (60) consecutive days.

5. If this lease covers a less interest in the oil and gas and oil and gas rights in all or any part of leased premises than the entire and undivided fee simple estate therein (whether LESSOR'S interest is herein specified or not), or no interest therein, then the royalties accruing from any part as to which this lease covers less than such full interest shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interests covered by this lease, whether or not owned by LESSOR, shall be paid out of the royalty herein provided.

6. LESSEE shall have the right to use, free of royalty and cost, gas, oil, and water, found on leased premises for its operations thereon, except water from the wells and reservoirs of LESSOR. When required by LESSOR, LESSEE shall bury its pipe lines below normal plow depth and shall pay for damage directly and immediately caused by its operations to growing crops theretofore planted on leased premises. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on leased premises without the written consent of LESSOR. LESSEE, at any time during or after the expiration of this lease, shall have the right, but shall not be obligated, to remove all machinery, fixtures, houses, buildings, and other structures and property placed on leased premises, including the right to draw and remove all casing.

7. This lease and all of the terms, provisions, and covenants hereof, shall extend to and be binding upon all of the heirs, devisees, executors, administrators, successors, and assigns of LESSOR and LESSEE. The estate of either party hereto may be assigned in whole or in part, but no change of ownership in leased premises, or in the royalties, or of the right to receive payments hereunder, whether by act of the parties or by operation of law, shall be binding on LESSEE until thirty (30) days after it has been furnished by LESSOR, or LESSOR'S successor in interest, with evidence satisfactory to LESSEE of such change of ownership or right to receive payments, including, if effected by written instrument, the original recorded instrument or a copy thereof certified by the recording official. Regardless of changes of ownership of leased premises, or portions thereof, leased premises may be developed and operated as one lease and LESSEE shall have no obligation to offset wells on separate tracts into which leased premises is now or hereafter may be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

8. Upon each assignment hereof, whether in whole or in part, the assignor thereupon shall be released from any and all liability thereafter arising or accruing hereunder as to the portion assigned and, should the owner of this lease, as to any portion of leased premises, fail or make default in any of the covenants, conditions, or obligations of LESSEE, express or implied, such failure or default shall not operate to defeat or affect this lease insofar as it covers any portion of leased premises upon which the owner thereof shall have complied with the terms and provisions of the lease.

9. LESSEE, at any time, and from time to time, may surrender this lease as to all or any part or parts of leased premises, or as to any mineral or horizon under all or any part of leased premises, by recording a proper instrument of surrender. Upon each surrender as to any part or parts of leased premises, LESSEE shall have reasonable and convenient easements for then existing pipe lines, pole lines, roadways, and other facilities over the lands surrendered for the purpose of continuing operations on the lands retained.

10. In the event LESSOR considers that LESSEE has not complied with all of its covenants, conditions, and obligations hereunder, both express and implied, LESSOR shall notify LESSEE, in writing, setting out specifically in what respects it is claimed that LESSEE has breached this contract, and LESSEE shall not be liable to LESSOR for any damages caused by any breach of a covenant, condition, or obligation, express or implied, occurring more than sixty (60) days prior to the receipt by LESSEE of the aforesaid written notice of such breach. Neither the service of said notice nor the doing of any acts by LESSEE aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that LESSEE has failed to perform all of its obligations hereunder.

11. LESSOR hereby warrants and agrees to defend the title to leased premises and agrees that LESSEE, at its option, may pay and discharge any taxes, liens, or other liens existing, levied or assessed on or against leased premises, and in the event it exercises such option, LESSEE shall be subrogated to all rights of any holder or holders thereof and may reimburse itself by applying any royalty accruing hereunder against the amount paid out in the discharge of such liens. LESSEE hereby is given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in leased premises which LESSEE or any other party contends is outstanding and not covered hereby and which such outstanding interest or claim is invalid or adverse to LESSOR.

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12. This lease shall not be terminated in whole or in part, nor shall LESSEE be held liable in damages for failure to comply with the express and covenants hereof if compliance therewith is prevented by, or is contrary to, or in conflict with or if such failure is a result of, any Federal or State laws, executive orders, rules, or regulations, whether valid or invalid, or any other cause beyond the reasonable control of LESSEE. If, at the end of the primary term of this lease has not been extended by production or drilling as hereinabove provided for and LESSEE, by reason of any of the above causes, is unable to produce oil or gas on leased premises, the primary term hereof automatically shall be extended from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause.

13. This lease shall continue in full force for so long as there is a well or wells on leased premises capable of producing oil or gas, even though all such wells are shut in and not produced by reason of the lack of a market acceptable to LESSEE, by reason of Federal or State laws, executive orders, rules or regulations (whether or not subsequently determined to be invalid), or for any other reasons beyond the reasonable control of LESSEE.

14. LESSEE hereby is given the right at its option, at any time and from time to time during the life of this lease, but in no event after twenty (20) years from the date hereof, and whether before or after production, to pool for development and operation purposes all or any part or parts of leased premises or rights therein with any other land in the vicinity thereof, or with any leasehold, operating or other rights or interests in such other land so as to create units of surface and subsurface acreage as LESSEE may desire but containing not more than 80 acres plus 10% acreage tolerance; provided, however, a unit may be established hereunder containing not more than 640 acres plus 10% acreage tolerance if unitized only as to gas rights or only as to gas and condensate; and provided further that if at any time any governmental rule, regulation or order shall prescribe a spacing pattern for the development of an area embracing leased premises or any portion thereof, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed, or as may be permitted in such allocation of allowable. Each unit shall be created by LESSEE'S recording an instrument describing or otherwise identifying the unit so created and specifying the mineral or horizon so pooled, if so limited. Operations on any part of any lands so pooled shall, except for the payment of royalties, be considered operations on leased premises under this lease and, notwithstanding the status of a well at the time of pooling, such operations shall be deemed to be in connection with a well which was commenced on leased premises under this lease. The term "operations" as used in the preceding sentence shall include, without limitation, commencing, drilling, testing, completing, reworking, recompleting, deepening or plugging back a well, or the production of oil or gas, or the existence of a shut in well capable of producing oil or gas. There shall be allocated to the portion of leased premises included in any such pooling such proportion of the actual production from all lands so pooled as such portion of leased premises, computed on an acreage basis, bears to the entire acreage of the lands so pooled. The production so allocated shall be considered for the purpose of payment or delivery of royalty to be the entire production from the production of leased premises included in such pooling in the same manner as though produced from such portion of leased premises under the terms of this lease. This 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.

15. It is distinctly understood and agreed that no rentals to defer the commencement of drilling operations are payable hereunder, and that the consideration first herein recited covers and is consideration for the deferment of drilling operations during the entire primary term and any and all other rights herein conferred.

16. LESSOR hereby expressly relinquishes dower and releases and waives all rights under and by virtue of the homestead exemption laws of the state, wherein leased premises are situated insofar as the same in any way may affect the purpose for which this lease is made.

17. This lease shall be binding upon each party executing same regardless of whether or not executed by all owners of the above described land or by all persons above named as "LESSOR", and notwithstanding the inclusion above of other names as "LESSOR", this term as used in this lease shall mean and refer only to such parties as execute this lease and their successors in interest.

18. Notwithstanding anything in this lease to the contrary, Lessee hereby agrees there shall be no surface occupancy of the above described lands without the prior written consent of the lessors.

IN WITNESS WHEREOF, this instrument is signed and sealed as of the day and year first written above.

LeRoy E. Everett II *LeRoy E. Everett II*  
Social Security or I.D. Number 528-58-3847

Susan E. Everett *Susan E. Everett*  
Social Security or I.D. Number: 529-56-1258

Social Security or I.D. Number: \_\_\_\_\_

Social Security or I.D. Number \_\_\_\_\_

Social Security or I.D. Number \_\_\_\_\_

Social Security or I.D. Number: \_\_\_\_\_

STATE OF Utah )  
COUNTY OF Salt Lake ) SS.

INDIVIDUAL ACKNOWLEDGMENT

*LeRoy E. Everett II* and *Susan E. Everett*, a Notary Public in and for said County and State, do hereby certify that LeRoy E. Everett II and Susan E. Everett, to me personally known, and known to me to be the same person S described in and who executed the foregoing instrument, appeared before me this day in person and acknowledged to me that LeRoy E. Everett II and Susan E. Everett executed and delivered the same as their 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 17 day of May, 1983.

My Commission Expires: 11-6-85

*LeRoy E. Everett II*  
Notary Public in and for said County and State, residing at  
12672 Lincoln Lane

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

INDIVIDUAL ACKNOWLEDGMENT

I, \_\_\_\_\_, a Notary Public in and for said County and State, do hereby certify that \_\_\_\_\_, 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 \_\_\_\_\_ 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 \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

Notary Public in and for said County and State, residing at \_\_\_\_\_

WHEN RECORDED RETURN TO:

This instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_ at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and duly recorded in Book \_\_\_\_\_, Page \_\_\_\_\_ of the \_\_\_\_\_ records of this office.  
\_\_\_\_\_  
County Clerk  
County of \_\_\_\_\_ State of \_\_\_\_\_