

PRODUCERS 88-PAID UP

## OIL AND GAS LEASE

AGREEMENT is made and entered into on the 5<sup>th</sup> day of October, 2018 by and between **River Glen Homeowners' Association, a Colorado Non-Profit Corporation, by Jack Shaw, President**, whose address is PO Box 1251, hereinafter called "Lessor", (whether one or more), and **Aztec Exploration, LLC** whose address PO BOX 621925, Littleton, CO 80162, hereinafter called "Lessee";

**WITNESSETH**, That the Lessor, for and in consideration of TEN AND MORE 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, specifically including helium, carbon dioxide, and coalbed methane and any and all substances produced in association therewith from coal-bearing formations, dewatering of coalbed methane and any and all substances produced in association therewith from coal-bearing formations, dewatering of coalbed methane with ingress and egress for rights of way and easements for roads, laying pipe lines, water wells, disposal wells, injections wells, pits, electric and telephone lines and erection of structures and other facilities thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Larimer, State of Colorado described as follows, to-wit:

**Township 4 North, Range 69 West, 6th P.M.**

**Section 27: Tract B and all of the common areas of River Glen Subdivision and Amended Plat of River Glen**

**See Attached Addendum attached hereto and made a part hereof**

Together with any reversionary rights therein, and together with all riparian rights and strips or parcels of land, (not, however, to be construed to include parcels comprising a regular 40-acre legal subdivision or lot of approximately corresponding size) adjoining or contiguous to the above described land and owned or claimed by Lessor, and containing **8.2000** acres, more or less ("Leased Premises");

**Non-Surface Occupancy.** No well, road, structure, or other surface facility of any kind shall be placed upon the leased premises, and no entry on the surface of the leased premises shall be permitted, without written consent of Lessor. Only pooling and directional drilling from neighboring land shall be utilized by Lessee to exploit the leased mineral rights.

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, communitized or unitized 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, communitized or unitized therewith but Lessee is then engaged in drilling, re-working or dewatering 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, communitized or unitized therewith; and operations shall be considered to be continuously prosecuted if not more than one hundred and twenty (120) 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, communitized or unitized therewith, the production or de-watering thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling, re-working or dewatering operations within one hundred and twenty (120) days from date of cessation of production, dewatering or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations or dewatering operations are continued 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 or dewatering operations are continued from the leased premises or on acreage pooled, communitized or unitized therewith. In the event a well or wells is drilled and completed on the Leased Premises, or on the lands pooled, communitized or unitized therewith, for the purpose of developing coalbed gas, the words "operations" and "capable of producing gas" 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 drill site or wellbore.
2. The primary term of this lease may, at lessee's option, be extended as to all or part of the lands covered hereby for a term of **Two (2) Years** commencing on the date that this lease would have otherwise expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor a payment of a sum equal to 100% of the bonus consideration per net mineral acre paid herewith for the land then covered, said bonus to be paid or tendered to Lessor at Lessor's address as shown herein. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date the lease was first entered into and continuing from that date to the end of the extended primary term.
3. 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 obligations thereafter accruing as to the acreage surrendered.
4. In consideration of the leased premises the said Lessee covenants and agrees:
  - (a) On oil, to deliver to the credit of Lessor, in the pipe line to which Lessee may connect wells on said land, the equal **Twenty Percent (20%)** part of all oil produced and saved from the leased premises. Lessor's interest shall be free of the costs of production, but Lessor shall share proportionately with Lessee in post production costs to market, transport, or condition the oil.
  - (b) On gas of whatsoever nature or kind, including coalbed gas and other gases, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the Premises ("Gas") Lessee shall pay, as royalty, **Twenty Percent (20%)** of the net proceeds realized by Lessee from the sale thereof after deduction for costs (third party charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas; provided that Lessee shall have the continuing right to sell that Gas to itself or to an affiliate of Lessee, in which event the royalty shall be based upon the prevailing wellhead market price paid for Gas of similar quality in the same field (or if there is no such price prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements, including arrangements under which Lessee, or an affiliate, is purchaser, entered into on the same or nearest preceding date as the date on which Lessee, or an affiliate, commences its purchases hereunder; and further provided that the net proceeds or prevailing wellhead market price, as applicable, shall be after deduction for costs (third party



charges and tariffs, and capital and operating costs incurred by Lessee) related to gathering, transporting, dehydrating, compressing, processing and treating the Gas.

5. If after the primary term one or more wells on the Leased Premises or lands pooled, communitized or unitized therewith are capable of producing oil or gas or other substances covered hereby, but such well or wells are either shut in or production therefrom is not being sold by Lessee, including dewatering of coalbed gas, such well or wells shall nevertheless be deemed to be producing for the purpose of maintaining this lease. If for a period of ninety (90) consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, including dewatering of coalbed gas, the Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor on or before the anniversary date of this lease next ensuing after the expiration of the said ninety (90) day period and thereafter on or before each anniversary of date of this lease while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease in its primary term or otherwise being maintained by operations, or if production is being sold by Lessee form another well on the Leased Premises or lands pooled, communitized or unitized therewith, no shut-in royalty shall be due until end of the next following anniversary date of this lease that cessation of such operation or production occurs, as the case may be. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

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

7. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Leased Premises for Lessee's operation thereon.

8. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

9. No well shall be drilled nearer than 200 feet to the house or barn now on the Leased Premises without written consent of Lessor.

10. Lessee shall only pay for damages caused by Lessee's operations to growing crops on the Leased Premises.

11. Lessee shall have the right at any time to remove all machinery and fixtures placed on the Leased Premises, including the right to draw and remove casing.

12. The rights of Lessor and Lessee hereunder may be assigned in whole or part, by area and/or depth or zone and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty (60) days after Lessee has been furnished with notice from 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 the Leased Premises 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. In the event of death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of the decedent or the decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons either jointly, or separately in proportion to the interest which each owns. If Lessee transfers or assigns its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of the Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the Lease Premises, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and transferee in proportion to the net acreage interest in this lease then held by each.

13. 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 Leased Premises and as to anyone or more of the formations hereunder to pool, communitize 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, pooled area or communitized area shall be accomplished by Lessee executing and filing of record a declaration of such unitization, pooling or communitization or reformation, which declaration shall describe the unit, pooled area or communitized area. Any unit, pooled area or communitized area may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, dewatering or reworking operations or a well shut in for want of a market anywhere on a unit, pooled area or communitized area which includes all or a part of this lease shall be treated as if it were production, drilling, dewatering 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, area or communitized area, royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit, pooled area or communitized area production that the total number of surface acres covered by this lease and included in the unit, pooled area or communitized area bears to the total number of surface acres in such unit, pooled area or communitized area or as prescribed in such unit, pooled area or communitized area. In addition to the foregoing, Lessee shall have the right to unitize, communitize, pool, or combine all or any part of the Leased Premises as to one or more of the formations hereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. If parts of the land covered by this lease are not included in a unit or units, then at the end of the primary term, such parts of the lands shall be released from this lease unless otherwise held as set forth herein.

14. Anything in this lease to the contrary notwithstanding, Lessee's obligations under this lease shall be subject to all applicable laws, rules, regulations and orders of any government authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas or other substance covered hereby. When drilling, reworking, production or other operations or obligations under this lease are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services material, water, electricity, fuel, access or easements or by an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, explosion, fracking bans, governmental action, governmental delay, restraint or inaction, or by inability to obtain a satisfactory market for production, or failure of purchasers or carriers to take or transport such production, or by any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within control of the Lessee, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provision or implied covenants of this lease when drilling, production, or other operations are so prevented or delayed.

15. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such time period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given reasonable time after said judicial determination to remedy the breach or default and lessee fails to do so.

16. Lessor hereby warrants and agrees to defend the title to the Leased Premises, and 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 Leased Premises, in the event of defaults of payments by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Leased 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. If Lessee redeems any such lien, Lessee may recover any amount expended out of Lessor royalties or shut-in royalties.

17. In the event that this Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered, and all other pertinent terms and conditions of the offer. Lessee, for a period fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

18. 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.

19. Title Curative. Lessor agrees to execute affidavits, ratifications, amendments, permits and other instruments as may be necessary to carry out the purpose of this Agreement.

IN WITNESS WHEREOF, this instrument is executed as the date first above written.

LESSOR (WHETHER ONE OR MORE)

River Glen Homeowners' Association, a Colorado Non-Profit Corporation

By: Jack Shaw, President

ACKNOWLEDGEMENT

STATE OF Colorado )  
COUNTY OF Larimer ) SS.

On this 6 day of October, 2018, before me, the undersigned, a Notary Public, in and for the County and State aforesaid personally appeared Jack Shaw, to me known to be the identical person(s) who subscribed the name of the maker thereof to the foregoing instrument as its President and acknowledged to me that he/she/they executed the same as his/her/their free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

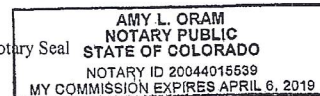
Given under my hand and seal on office the day and year last written above.

Notary Public (Signed):

Notary Public (Printed):

My Commission Expires:

Notary Seal





## ADDENDUM

Attached to and made a part of that certain Oil & Gas Lease dated October 5<sup>th</sup>, 2018 (hereafter "Oil & Gas Lease"), between River Glen Homeowners' Association, a Colorado Non-Profit Corporation, by Jack Shaw, President, Lessor, and Aztec Exploration, LLC, Lessee.

Notwithstanding, anything herein contained to the contrary, it is expressly understood and agreed by and between Lessor and Lessee that the following provisions shall govern over other provisions in this lease to the contrary or at variance therewith.

The primary term in paragraph 4 of the Oil & Gas Lease shall be three (3) years.

Paragraph 4, 4(a) and 4(b) of the Oil & Gas Lease are deleted and replaced with the following:

4. To pay Lessor on oil, free of cost into the pipe line to which Lessee may connect wells on said land, the equal of Twenty Percent (20%) part of all oil produced and saved from the leased premises. To pay Lessor on gas and the constituents thereof produced from said land and sold or used off the leased premises or in the manufacture of gasoline or other products therefrom the amount realized of Twenty Percent (20%) of the product sold or used. The term "amount realized" shall be deemed to mean the net value realized for gas after deducting the reasonable and actual direct costs associated with transporting the gas from the point of entry into the first interstate market pipeline or the reasonable and actual direct cost of processing gas in a processing plant. In determining "amount realized," neither Lessee nor anyone else shall be entitled to deduct the value of any gas used on or off the leased premises and any cost to explore, develop, drill, complete, compress, dehydrate, gather, treat, separate, condition, pump, pressurize, store, market or transport the gas to the interstate market pipeline. In calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes.

Paragraph 5 of the Oil & Gas Lease sets forth the shut-in provision. Lessor and Lessee hereby agree that Lessee may not utilize the shut-in provision to continue this lease for more than two (2) consecutive years after which said lease shall terminate by its terms. Further, the shut-in royalty shall be increased from One Dollar (\$1.00) per year per net royalty acre to Twenty Dollars (\$20.00) per year per net royalty acre.

The following sentence shall be added to Paragraph 7 of the Oil & Gas Lease: Any free use of gas, oil or produced water shall be limited to operations on the Leased Premises or lands pooled therewith.

Paragraph 9 shall be deleted. Instead, Lessee shall follow applicable rules and regulations in Colorado on locations.

The following language within Paragraph 16 of the Oil & Gas Lease is deleted in full and no such warranty nor defense obligation whatsoever shall be provided by Lessor: "warrants and agrees to defend the title to the Leased Premises, and". Further, paragraphs 15 and 17 are deleted in full.

Other than oil, gas and constituents produced with oil and gas, Lessor excepts, reserves and excludes from this lease all minerals, sand, gravel and caliche, and all subsurface fresh water, unless there is a separate agreement from Lessor or landowner as appropriate.

All payments made to the Lessor hereunder, at the option of Lessor, shall be either by check drawn against account of Lessee or by electronic transfer.

Lessee shall indemnify and hold the Lessor and their agents and attorneys, and their successors and assigns, harmless from any and all losses, damages and expenses, including attorney's fees, arising in connection with Lessee's exercise of its rights pursuant to this Oil & Gas Lease including, but not limited to, any personal injuries, deaths, property damage, environmental claims, mechanic's liens or other claims and causes of action of any kind arising out of Lessee's or its employees' and/or invitees' exercise of Lessee's rights pursuant to this lease.

Signed for Identification

River Glen Homeowners' Association, a Colorado Non-Profit Corporation

By: Jack Shaw, President

Aztec Exploration, LLC

Name: Joshua Witter