

OIL AND GAS LEASE

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THIS AGREEMENT made and entered into this 27th day of October, 2009 by and between Forestar Minerals, LLC, Lessor (whether one or more), and Kerr-McGee Oil & Gas Onshore LP, with an address of 1099 18th Street, Denver, Colorado 80202, Lessee

WITNESSETH:

That Lessor, for and in consideration of Ten and no/100 Dollars (\$10.00) in hand paid, the receipt and sufficiency of which are hereby acknowledged, and the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto the said Lessee, exclusively, its successors and assigns, the following described land for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling and the investigating, exploring, prospecting, drilling, mining, operating for, producing and saving of oil, liquid hydrocarbons, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, coal bed methane gas and all other gases and their constituent parts, other minerals and substances produced in connection with oil and gas operations hereunder, or as a by-product of oil and gas, (collectively and/or individually hereinafter referred to as "Leased Substances") and the exclusive right of injecting gas, air, waters, brine and other fluids and substances into the subsurface strata, together with all rights of way, easements and use of the surface as is necessary or convenient for such operations and for laying pipe lines, flow lines, and other underground lines to gather, remove or otherwise transport the Leased Substances, telephone and other communication lines, building tanks, power houses, stations, ponds, roadways and other fixtures or structures for producing, treating, storing and caring for such products, and any and all other rights and privileges necessary, incident to or convenient in the economical or efficient operation of said land, or lands pooled therewith or adjacent thereto, together with any reversionary rights therein or rights hereafter vested in Lessor, said tract of land being situated in the County of Weld, State of Colorado, and described as follows, to-wit:

Township 4 North, Range 67 West, 6th P.M.
Section 9: W/2SW/4, NE/4SW/4



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together with all submerged lands, accretions, and strips adjacent or contiguous thereto and owned or claimed by Lessor, which land shall, for the purpose of calculating the amount of any money payment permitted or required by the terms of this lease, be considered as containing 120.00 acres, whether there is more or less.

TO HAVE AND TO HOLD the same, subject to the provisions herein contained, for a term of eighteen (18) months from this date (hereafter called "Primary Term") and as long thereafter as Leased Substances are being or may be produced from said leased premises, in paying quantities, or operations for the drilling or production thereof are continued as hereinafter provided. This is a paid-up lease and Lessee shall have no obligation to make annual rental payments to Lessor over and above the consideration stated above and the production royalty payments described below.

In consideration of these premises, it is hereby mutually agreed as follows:

1. Royalties: See addendum.
2. Notwithstanding any of the prior provisions of this lease to the contrary, Lessee shall have free use of the Leased Substances, water, gravel, and other materials from the leased premises, except domestic or irrigation water from Lessor's wells and tanks, for all operations hereunder.
3. All royalty payments under this lease shall be paid or tendered to Lessor or its successors in currency, by check or by draft by deposit in the U.S. Mail in a stamped envelope addressed to Lessor at the last address known to Lessee, which shall constitute proper payment.
4. It is expressly agreed that if Lessee shall commence operations for the drilling of a well at any time while this lease is in force, this lease shall remain in force and its term shall continue for so long as such operations are prosecuted and, if production results therefrom in paying quantities, then so long as such production may continue. If, after the expiration of the Primary Term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided Lessee resumes or commences operations for the drilling or reworking of a well within ninety (90) days from the date of such cessation, and this lease shall remain in force and effect during the prosecution of such operations, and if production results therefrom, then as long as such production continues or the well or wells are capable of producing in paying quantities. Lessee shall be deemed to have commenced operations by actual drilling with a rig capable of reaching the completion depth. Reworking operations shall be deemed to have commenced when the workover machinery has been moved in place and entry has been made into the well bore of an unplugged hole in order to establish, renew or stimulate production. Reworking operations shall neither include periodical swabbing or cleaning of the well, in lieu of installation of artificial lift devices, nor the overhaul, replacement, alteration or installation of surface equipment or devices.
5. Where required by Lessor in writing, Lessee shall bury all pipelines below ordinary plow depth in cultivated land and shall pay for damage caused by its operations to growing crops on said land. Lessee shall be under no obligation to pay for additional damage of any kind or nature caused by Lessee's operations on the leased premises or for operations on lands pooled therewith or adjacent thereto, and Lessor hereby waives any and all claims and releases Lessee for any such additional damage. For a period of one hundred twenty (120) days after the expiration of this lease, Lessee may enter the leased premises to remove all personal property, fixtures and equipment placed by Lessee on or under the leased premises, including casing. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises as near as practicable to its former condition. Any structures and facilities placed on the leased premises by Lessee for operations hereunder and any well or wells on the leased premises drilled or used for the injection of salt water, fluids or other substances may also be used for Lessee's operation on other lands in the same area. The right to so use such facilities may be continued beyond the term of this lease by payment to Lessor of the sum of One Thousand Dollars (\$1000.00) per year payable on the anniversary date of this lease first ensuing after the termination of this lease and annually thereafter on or before such anniversary date.
6. Subject to Lessor's written consent, 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 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 the Leased Substances, whether one or more, or for the injection of fluids or other substances, 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 may be accomplished by Lessee executing and filing of record a declaration of such pooling, unitization or reformation, which declaration shall describe the unit. Provided, however, the absence of such recorded declaration shall not affect the continued validity of this lease or the creation of a unit by established operations and/or the payment of royalties on a unit basis. 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 market anywhere on a unit which includes all or 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, Lessor shall receive on production from the unit so pooled royalties only on the portion of 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. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the leased premises as to one or more of the formations thereunder 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 while such plan or agreement remains in force and in effect. If the leased premises or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land, and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated.
7. The rights of either party hereunder may be assigned or conveyed in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land, royalties, however accomplished, shall operate or be construed so as to enlarge or increase the obligations or burdens of Lessee, or diminish its rights. Specifically, but not by way of limitation of the foregoing, Lessee shall not be required to offset wells on separate tracts into which the land covered by this lease may hereafter be divided, or to furnish separate measuring or receiving tanks. Notwithstanding any actual or constructive knowledge of or notice to Lessee, no change in the ownership of said land or the right to receive royalties hereunder, or any interest therein, however accomplished, shall be binding on Lessee until thirty (30) days after Lessee has been furnished with written notice thereof, together with the supporting information hereinafter referred to, by the party claiming as the result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all recorded documents and other instruments or proceedings necessary in Lessee's opinion to establish the ownership of the claiming party. At such time as any part of Lessor's interest covered by this lease is conveyed or transferred, Lessee may at its sole discretion and option require Lessor to appoint an agent for all purposes of this lease, including receiving payments and notices. Any payments or notices, or other obligations required by Lessee under this lease, made to such agent shall constitute payment or notice, or complete satisfaction of any other obligation, to any party taking or acquiring an interest in this lease by or through Lessor.
8. 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 substantially remedy the breach or default within such period. In the event any matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless and until Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to substantially do so. In the event any matter is litigated the prevailing party shall be entitled to recover or be awarded all reasonable attorney fees, costs and expenses.
9. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of

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the leased premises. To the extent any royalties or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, or in the event of any improper payment of such royalties or other payment to Lessor, regardless of the cause or reason for the same, Lessee shall be entitled to recover from Lessor, in full, any such improper payment. In the event any improper payment, or portion thereof, arises out of any misrepresentation or omission by Lessor, Lessor shall indemnify and hold Lessee harmless for and against any claim arising out of such improper payment, including any judgment, penalty, interest, attorney fees, expenses and costs incurred by Lessee in defending or settling any such claim. Any amounts owed by Lessee to Lessor under this provision may, in addition to other legal or equitable remedies, be recovered by Lessee by deducting the same from any royalties or other payment thereafter due to Lessor.

10. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligations shall be proportionately reduced in accordance with the net acreage interest retained hereunder, provided however, that any rights granted to Lessee by this lease, including the rights-of-way and easements, and the right to penetrate any and all depths and formations underlying the lands described herein, shall continue to the extent necessary for the efficient and convenient operation of the interest retained by Lessee.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed, whether before or after the expiration of the primary term, by such laws, rules, regulations or orders, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, this lease shall not terminate because of such prevention or delay, and, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. Lessor hereby warrants and agrees to defend the title to the land above described and agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgage, taxes or other liens on the above described land in the event of default of payment by Lessor and Lessee shall be subrogated to the rights of the holder thereof, and Lessor hereby agrees that any such payments made by Lessee for Lessor may, at Lessee's option, be deducted from any amounts of money which may become due or payable to Lessor under the terms of this lease.

13. In the event that Lessor during the Primary Term of this lease or any extension thereof receives a bona fide offer, which Lessor is willing to accept, from any third party offering to purchase from Lessor a lease covering any or all of the Leased Substances and covering all or a portion of the leased premises, with the third party lease becoming effective on or after the termination of this lease, Lessor hereby agrees to submit to Lessee a complete copy of such offer, including the proposed third party lease form. Lessee, for a period of fifteen (15) days after receipt of a copy of the third party offer and lease, shall have the prior and preferred right and option to purchase a lease from Lessor on all or part of the interest covered by the third party offer at the price and according to the terms and conditions specified in such offer. Lessee shall be deemed to have received a copy of such offer from Lessor three (3) business days after mailing by Lessor, excluding the date of mailing, as evidenced by the postmark. All third party offers made up to and including the last day of the Primary Term of this lease, or any extensions thereof, shall be subject to the right and option granted to Lessee by this section. Should Lessee elect to exercise its right and option as herein provided, Lessee shall notify Lessor in writing on or before the end of the said fifteen (15) day period. Notice to Lessor of Lessee's election shall be delivered or sent to Lessor by any means, including personal delivery, U.S. Mail, facsimile or electronic mail, provided that if such notice of acceptance is sent by U.S. Mail, the notice shall be effective upon deposit in the U.S. Mail, postage paid. Lessee shall thereafter furnish to Lessor a new lease, effective upon the termination of this lease, and collection draft consistent with the terms and conditions thereof. Such draft shall be subject only to approval of title according to the terms thereof. Upon receipt of the new lease and draft, Lessor shall promptly execute said lease and return same along with the endorsed draft to Lessee's representative or through Lessors bank of record for payment.

14. Additional Provisions: SEE ADDENDUM ATTACHED.

15. This lease and all of its terms and conditions shall be binding upon Lessor and Lessee, their successors and assigns. Should any one or more of the parties above named as Lessor fail to execute this lease, it shall nevertheless be binding upon all Lessors whose signatures are affixed hereto. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that any payment or payments made by Lessee to the owner of any interest subject to this lease shall be sufficient payment hereunder as to such interest notwithstanding the joinder herein of the spouse of any such party as a party Lessor for the purpose of waiving homestead, dower or inchoate rights of inheritance, if any. Should any provision of this lease or portion thereof be deemed unenforceable by a court of law, this lease shall remain in full force and effect as to all other provisions and parts thereof, and to the extent necessary this lease shall be modified to permit the enforcement of this lease in its entirety.

16. This lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, we sign this as of the day and year first above written.

FORESTAR MINERALS, LLC

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Flavious J. Smith, Jr.
Executive Vice President

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STATE OF TEXAS)
) ss
 COUNTY OF TARRANT)

ACKNOWLEDGMENT--INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 9th day of November, 2009, by Flavious J. Smith, Jr., Executive Vice President, of Forestar Minerals, LLC, a Delaware limited liability company, on behalf of said limited liability corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.



Shawna M Shipley
 Notary Public.
 Address: _____

(SEAL)
 My Commission Expires 2-8-2012

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ADDENDUM

Attached to and made a part of that certain Oil and Gas Lease dated October 27, 2009.

In the event that any of the terms and provisions of any of the following paragraphs conflict with any of the terms and provisions of any of the preceding provisions of this Lease, then the terms and provisions of these following paragraphs shall control and take precedence.

1. ROYALTY

The royalties to be paid or delivered, at Lessor's option by Lessee are:

1.1. On Oil Lessor shall be entitled to a royalty of 20% of 8/8ths of the oil produced and saved from the leased premises or from land pooled therewith which is attributable to the leased premises. Such royalty oil shall be free of cost to Lessor and, at Lessor's option, shall be:

(A) delivered into the pipeline, tank(s) or other receptacle(s) to which Lessee may connect its well and sold by Lessee (for Lessor's account) to purchaser of Lessee's oil for the price received by Lessee for its own oil, if sold by Lessee at the well, or purchased by Lessee at the same price paid by Lessee for oil of like kind and quality in the field or area;

(B) from time to time, upon Lessor's thirty (30) days written notice to Lessee to commence or cease making such delivery, delivered at the well or wells into tank(s) or other receptacle(s) provided by Lessor at its own expense.

1.2. On Gas

1.2.1. Lessor shall be entitled to a royalty of 20% of 8/8ths of all gas produced from or attributable to the leased premises which is sold or used, except for gas used in connection with lease or unit operations. Lessor's royalty gas shall be free of cost to Lessor and at Lessor's option, shall be (A) either sold by Lessee (for Lessor's account) to the purchaser of Lessee's gas for the same relative consideration received by Lessee at the point of delivery of such gas, or (B) purchased by Lessee at the fair market value of the gas at the point of entry into Lessee's transmission line or common carrier; or (C) delivered to Lessor, at Lessor's option, either at the wellhead or at the outlet side of the separator, low temperature extraction unit, compressor, or plant, whichever shall be applicable.

1.2.2. If gas, produced from or attributable to the leased premises, is processed in a plant or plants for the recovery of sulphur, liquid and/or liquefiable hydrocarbons, Lessor shall be entitled to a royalty of 20% of 8/8ths of all plant products, which are attributable to production from the leased premises, including but not limited to all sulphur, condensate, distillate, natural gasoline, kerosene, methane, ethane, propane, butane (iso and normal), pentane, and all other hydrocarbons and products so extracted or absorbed, (including residue gas) separated or saved, at Lessor's election, either at the plant or plants into pipeline, tank(s) or other receptacle(s) provided by Lessor at its own expense; or to the credit of Lessor into the pipeline, tank(s) or other receptacle(s) to which the plant or plants may be connected.

1.2.3. All gas produced from or attributable to the leased premises, which is sufficiently impregnated with liquid and/or liquefiable hydrocarbons whereby paying quantities of such hydrocarbons can be separated from said gas as a practical lease operation and such gas is not processed in a plant, shall be passed through a low temperature extraction unit before the same is sold or used for any purpose or transported from the leased or unitized premises. If a low temperature extraction unit is not economically feasible, the gas shall be passed through a conventional separator system situated on the leased or unitized premises; however, dry gas which will give up liquids in uneconomical amounts as a practical lease operation shall require no separation equipment. Any such low temperature extraction unit or separator system shall be designed and operated to effect the maximum economical recovery of liquid and/or liquefiable hydrocarbons, and Lessor shall be entitled to a royalty of 20% of 8/8ths of all condensate, distillate, natural gasoline, kerosene and all other hydrocarbons or products and any mixture thereof produced with such gas and saved by being condensed, absorbed or separated therefrom by such extraction unit or separation system. The royalty thereon shall be paid or delivered in the same manner as required in paragraph

1.1. The royalty on the gas shall be paid or delivered in the same manner as required in paragraph 1.2.1.

1.2.4. If Lessee enters into a bona fide contract or arrangement with any person, firm, corporation or other business entity, which is not a subsidiary or affiliate of Lessee and of which Lessee is not a subsidiary or affiliate, for the sale or delivery of gas, which is attributable to production from the leased premises, and Lessor elects not to take delivery of its royalty gas prior to the time of delivery of such gas, Lessor shall have and be entitled to a royalty of 20% of 8/8ths of all products, proceeds, monies, benefits and all other things of value of every kind or character received by Lessee or to which Lessee is entitled under such contract or arrangement, which is directly attributable to production from the leased premises.

1.2.5. In the event Lessee sells oil and/or gas, including gas from oil wells, to or through an entity which is a subsidiary of or affiliated with Lessee (a "non-arm's length transaction), and such entity sells or resells such oil and/or gas, the value thereof, except to the extent that Lessor may have exercised its option to take royalty in kind, as herein provided, where Lessee sells oil and/or gas, it shall sell at the best prices obtainable, and will account to Lessor for the royalty on the full value thereof, less only those deductions or charges expressly authorized herein or agreed to in writing by Lessor as herein provided, shall be the higher of the sales price received by Lessee, or the sales price received by its subsidiary or affiliated entity in an arm's length transaction. Any marketing arrangement by Lessee or its subsidiary or affiliated entity which involves a sale of production from the leased premises and a resale or delivery to Lessee or its subsidiary or affiliated entity of an equivalent volume of production to another location where such production is then sold by Lessee or its subsidiary or affiliated entity in an arm's length transaction shall be deemed an agreement to transport production from the leased premises to the point of delivery to the purchaser in such arm's length transaction, which point of delivery will also be deemed the point of sale of the production from the leased premises involved in such marketing arrangement. Where Lessee's subsidiary or affiliated entity aggregates production from the leased premises with production from other property for sale, unless otherwise expressly agreed to in writing by Lessor, value, for computation of Lessor's royalty, shall be the weighted average price received on all of Lessee's subsidiary's or affiliate's sales of the aggregated production volumes during the applicable month of sales.

Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) for oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 20% of 8/8ths of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 20% of 8/8ths of the net proceeds realized by Lessee (after deducting the taxes and costs set forth in subsection 1.2.(c) hereof) from the sale thereof, provided the Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes and all transportation and fuel charges on any interstate pipeline; but may not deduct any costs incurred by Lessee in treating (including without limitation, dehydrating and sweetening), processing, gathering, transporting, compressing, delivering and otherwise marketing such production, without regard as to any judicial determination as to when or where such gas may be deemed to be marketable. Lessor shall not be entitled to any royalty on any Leased Substances reasonably used by Lessor for its operations on or off the leased premises or for that portion of the Leased Substances used as fuel or lost due to shrinkage, flaring, venting or otherwise.



1.3. Limitation The royalty herein excepted and reserved to Lessor shall be superior to any right, title, interest or estate leased. Such royalty shall never be subject to any lien, charge or encumbrance created upon the leasehold by Lessee or permitted to be created or filed against the same by others.

1.4. If for any reason whatsoever royalties hereunder are not paid within thirty (30) days after the same are due, then in addition to paragraph 2. Defaults below, and to any other remedy available to Lessor, all such unpaid royalties shall bear interest from the due date until paid at the maximum legal rate allowable under Colorado state law.

1.5 Except to the extent that Lessor may have exercised its option to take royalty in kind, as herein provided, where Lessee sells oil and/or gas, it shall sell at the best prices obtainable, and will account to Lessor for the royalty on the full value thereof, less only those deductions or charges expressly authorized herein or agreed to in writing by Lessor as herein provided.

2. DEFAULTS

2.1. In the event Lessee fails to make any payment, provide well information as provided herein or shall fail to comply with any other obligations hereunder, the entire Lease is subject to termination at the option of Lessor, but it shall not be subject to termination until Lessor has given Lessee notice of any default by Lessee under this Lease and the opportunity to cure such default within thirty (30) days of the receipt of such notice. The termination of the lease does not relieve Lessee from its obligation to make said payments or any interest due on said payments.

3. VERTICAL AND HORIZONTAL PUGH CLAUSE


3.1. After expiration of the primary term, all rights below 100' below the deepest producing interval, are hereby excepted and reserved to Lessor, together with the exclusive right to explore for, drill, operate and produce the "oil and/or gas" therefrom.

3.2. After expiration of the primary term, only that acreage covered by this lease which is included in a pooled or proration unit can be held by production from that unit. Any acreage not included in a pooled or proration unit and covered by this lease shall terminate.

4. RESTRICTION ON ASSIGNMENT OR TRANSFER

4.1. Lessee shall not assign, cede, sublease or otherwise transfer (collectively, a "transfer") this lease, nor any interest therein or rights thereunder, in whole or in part, nor agree to do so, without Lessor's written consent; provided that this restriction shall not apply to any transfer resulting from a corporate merger, consolidation or reorganization. No sale or assignment by Lessor, or other change of ownership, in whole or in part, shall be binding upon Lessee until thirty (30) days after Lessee shall have been furnished with a certified copy of the instrument evidencing such change of ownership. Subject to the foregoing, however, this lease shall be binding upon the parties hereto and their respective successors and assigns. In the event this lease becomes owned by more than one person and/or entity, all persons and/or entities owning this lease shall be jointly and severally responsible to discharge all obligations due by Lessee to Lessor hereunder. Any purported transfer of this lease or any interest therein without Lessor's prior written consent shall be null and unenforceable as to Lessor, and should constitute a breach of this lease.

5. SHUTIN ROYALTY


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5.1. At Lessee's option, where gas from a well capable of producing gas in paying quantities is not being sold or used due to the lack of a market acceptable to Lessee, such well may be included in a pooled or proration unit and Lessee may pay, as shut-in royalty, a sum equal to Ten Dollars (\$10.00) per net acre covered hereby and included in such unit or One Thousand Dollars (\$1,000.00) with respect to each well whichever is greater, on or before (A) sixty (60) days after the date on which said well is completed or (B) the date this lease ceases to be otherwise maintained, whichever is the later date, and monthly thereafter as long as the acreage included in such unit is being maintained solely by payment hereunder, provided, however, that in no event shall Lessee's rights be extended by such payment for more than two (2) consecutive years after the expiration of the primary term. While such payment is being made, it will be considered that gas is being produced within the meaning of this lease. The provisions of this Section 5.1. shall be recurring at all times during the life of this

lease. Nothing contained in this section shall abridge the right of Lessee to otherwise maintain this lease in force and effect under its other provisions, and for any monthly shut-in period or periods that this lease is being otherwise maintained in force and effect, no shut-in royalty shall be due. Payment or tender of shut-in gas royalty, or any other payment herein provided may be made by check or draft of Lessee, mailed or delivered to Lessor or to other parties entitled thereto on or before the payment date.

6. DRILLING COMMITMENT

6.1 The terms of a Drilling Commitment will be agreed upon by Lessor and Lessee under a separate Letter Agreement.

7. WELL INFORMATION

The below listed "Required/Requested Information" shall be provided to Peter Dallas.

<u>NO. OF COPIES</u>	<u>REQUIRED/REQUESTED INFORMATION</u>
2	Drilling Application/Permit, Location Plat with Elevation, Completion Report, Abandonment Report, and all other regulatory reports
1	Casing Program, Completion Procedure (when applicable); Geological prognosis
1	Daily Mud Logs: E-mail daily to peterdallas@forestargroup.com
2	DST Reports/Charts, DST Fluid and Gas Sample Analysis Sample Descriptions, Core Descriptions and Analyses, Final Copy of Mud Log: Mail to Peter Dallas; E-mail digital data to peterdallas@forestargroup.com
	Casing Approval or P&A Approval (as required by Contracts)
3 Field & 3 Final w/1 Film	Wireline Logs (as soon as run) E-mail to peterdallas@forestargroup.com ; Mail log prints
1	Mail LAS diskette of wireline logs; E-mail LAS file and Tiff Files to peterdallas@forestargroup.com
1	Geological Correspondence and information, including Paleo Samples upon Request, Slabbed Section of Cored Interval, (if applicable)
1	Land Correspondence, Operating Agreements, Payout Notices, Well Proposals, etc.
1	Geophysical Data
1	Monthly Production Reports (including gas, oil, and water with producing days, casing pressure, FTP and line pressures), Pressure Surveys (Bottomhole and Surface), Semi-Annual Back Pressure Deliverability Tests, Semi-Annual Well Tests, Gas, Oil and Water Analyses
	Daily Drilling and Completion Reports: Email daily before 9 a.m. to peterdallas@forestargroup.com and mail daily one copy of detailed report.
	24 Hour Notification: Log Runs, Tests, Changes in Evaluation Programs (Notify Peter Dallas or, if unavailable, Rick Dollins).

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