

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into the 15th day of October, 2005, by and between Henry Schaefer Farm, LLC, and without warranty of any kind, express or implied, as the holder of the executive rights and other rights of the Eaton Investment Company, its successors and assigns as created in that Deed recorded in Book 1476, Page 558, Reception No. 1253669, whose address is 4503 W. 23rd St., Greeley, CO 80634, hereinafter called Lessor (whether one or more) and Petro-Canada Resources (USA) Inc. whose address is 1099 18th Street, Suite 400, Denver, CO 80202, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of ten and more dollars (\$10.00+) 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, subject to the limitations of Section 16, herein, with the exclusive right for the purpose of operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipelines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

Township 6 North, Range 66 West, 6th P.M.
Section 17: Part of the NW/4SW/4

See Exhibit A attached hereto and made a part hereof for Land Descriptions and other special provisions

and containing 38.0281 acres, more or less.

Lessor also intends to include in this lease and to lease to Lessee any right, title and interest Lessor may have in and to any and all mineral rights on, in and under any and all streets, county roads, highways, railroad strips and/or any and all other easements and rights of way whatsoever, canals, ditches and any other waterways lying across and/or adjacent and/or in any way appertaining to the lands hereinabove described, including, without limitation, any lands acquired previously or in the future by adverse possession and by accretion through meander of waterways or any recession of shoreline.

1. It is agreed that this lease shall remain in force for a term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To pay Lessor, as royalty, twenty percent (20%) of all oil produced, saved and marketed from the leased premises, or to deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, twenty percent (20%) part of all oil produced and saved from the leased premises.

2nd. To pay to Lessor, as royalty, twenty percent (20%) of the market value for gas of whatsoever nature or kind, liquid hydrocarbons and their respective constituent elements, casinghead gas or other gaseous substances, produced from the leased premises. The term "market value" shall be deemed to mean the net value realized at the wellhead for gas after deducting any gas used on the leased premises and any reasonable and necessary costs to transport and gather such gas. It is agreed, however, that no such costs shall exceed what is reasonable and necessary to bring the gas into marketable condition. Such costs shall be deemed to be reasonable if they are found to be approximately the same as similar costs charged or paid for gas produced in the vicinity of the leased lands of like kind, quality and quantity. *THE LESSEE SHALL INCUR ANY AND ALL COST TO COMPRESS, DEHYDRATE, GATHER OR PROCESS SAID GAS.*

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners one dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

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

6. When requested by Lessor, Lessee shall bury Lessee's pipeline 48 inches below the surface.

7. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

8. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

9. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

10. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title 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 said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner. Lessee shall notify Lessor, in writing, ten (10) days before assignment by Lessee.

11. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate

EXHIBIT A

To Oil & Gas Lease from Henry Schaefer Farm, LLC, represented hereunder by Nancy Hammers, as Manager, and acting also for said Farm in the capacity of holder of the executive rights and other rights of the Eaton Investment Company, its successors and assigns as created in that Deed recorded in Book 1476, Page 558, Reception No. 1253669, as Lessor and Petro-Canada Resources (USA) Inc., as Lessee dated October 15, 2005

PART I - LAND DESCRIPTION:

That certain tract of 38.0281 acres out of the N/2SW/4 of Section 17, T6N, R66W, 6th PM, and being that part of the NW/4SW/4 out of the following described tract:

All of the N/2SW/4 of Section 17 lying North of the # 2 Ditch of the Cache La Poudre Irrigating Co. being that portion in the N/2SW/4 out of the following described parcel: All that portion of the S/2 (being the northerly portion thereof) of Section 17, described as follows: Beginning at the West quarter corner of said Section running thence in a southerly direction along the west section line of said section, 1297.3 feet to a point on said section line; thence north along the north bank of No. 2 canal on the following courses: North 80° 6' East, 230 feet; North 81° 14' East, 630 feet and North 83° 48' East 552 feet; Thence South 43° 40' East, 112.5 feet to a point on the South bank of No. 2 canal; thence along the south bank of the No. 2 canal on the following courses: North 60° 35' East, 92 feet; North 70° 34' East, 490 feet; South 65° 44' East, 210 feet; South 82° 14' East, 266 feet; North 86° 43' East, 146 feet; North 71° 24' East, 258 feet; South 64° 13' East, 150 feet; South 34° 12' East, 650 feet; South 51° 20' East, 125 feet; South 70° 3' East, 175 feet; North 89° 56' East, 640 feet; North 72° 48' East, 225 feet; North 58° 3' East, 200 feet; North 31° 14' East, 170 feet; North 60° 35' East, 210 feet; South 44° 20' East, 145 feet; South 26° 24' East, 200 feet; and South 32° 48' East, 270 feet to a point on the East Section line of said Section 675 feet, north of the southeast corner of said section and on the south bank of No. 2 canal; thence in a northerly direction along the east line of said section 1957 feet more or less to the east quarter corner of said section; thence in a westerly direction along the east and west half section line of said section 5294 feet more or less to the point of beginning. LESS AND EXCEPT LOT A OF RE-772.

NH
Initialed for ID