Lease No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Project No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Parcel No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Property Location \_\_\_\_\_\_\_\_\_\_\_\_\_\_

**OIL AND GAS LEASE**

 THIS AGREEMENT made and entered into this \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_, by and between the COLORADO DEPARTMENT OF TRANSPORTATION, hereinafter called "Lessor", and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_hereinafter called "Lessee".

W I T N E SS E T H

 1. That the Lessor, for and in consideration of $\_\_\_\_\_\_\_\_\_\_\_ peracre, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has granted, demised, and leased, and by these presents does grant, demise, and lease exclusively unto said Lessee, the exclusive right of producing there from all oil and gas of whatsoever nature or kind that tract or tracts of land situated in the County of \_\_\_\_\_\_\_\_\_\_, State of Colorado, described as follows, to-wit:

See attached Exhibit, “A” which is hereby incorporated and made a part of this lease by reference of lands located in Section \_\_\_, Township \_\_\_\_\_\_\_\_, Range \_\_\_\_\_\_\_\_\_ of the Sixth Principal Meridian, and containing \_\_\_\_\_\_\_\_\_\_ acres, more or less.

 2. It is agreed that this lease shall remain in force for three yearsfrom date hereof (the Primary Term) and as long thereafter as oil or gas is produced from the leased premises, or operations, as provided herein, are being conducted on the leased premises.

If operations for the drilling of a well for oil and gas are not commenced on said land on or before the expiration of the Primary Term, this lease shall terminate as to both parties unless option to extend the Primary Term, described herein Paragraph 4, is exercised by Lessee prior to the expiration of the Primary Term. Operations for the drilling of a well are deemed to have commenced when a drilling rig is on location and conducting continuous drilling operations.

 If oil or gas shall be discovered and/or produced from the premises during the Primary Term or Extension Term if properly extended under the terms of this lease, this lease shall continue in force so long thereafter as oil or gas is produced from the premises or from any such pooled unit, which includes all or a part of said lands.

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

 a. To deliver to the credit of Lessor, one-fifth part of all oil produced and saved from the premises, or at the Lessee's option, may pay to the Lessor one-fifthroyalty on gross production or the market value thereof for oil of like grade and gravity prevailing on the day such oil is run into the pipeline or into a storage tank, whichever is greater. When the amount due for royalties is less than one hundred ($100.00) dollars, Lessee, its assigns or successors, is to defer the making of such payment until such time as the aggregate amount due equals or exceeds such sum.

 b. To deliver to the credit of Lessor, for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-fifth royalty ongross proceeds of sale at the market price thereof, used off the premises, or in the manufacture of products **therefrom.** Where gas from a well producing gas only is not sold or used, Lessee may pay or tender as royalty, One dollar ($1.00) per year per net royalty acre retained hereunder, or one hundred dollars ($100.00) minimum per year, whichever is more, such payment of tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 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.

 c. All payment checks, assignment of the lease and correspondence must include the lease number, which is set forth on the face of this lease to assure proper credit. All payments shall be tendered to Lessor at the following address:

Colorado Department of Transportation

c/o Receipts and Deposits

2829 W. Howard Place, 5th Floor

Denver, Colorado 80204

 4. This is a paid-up lease. In consideration of the cash payment paid at the time of the execution hereof, Lessor agrees that the Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the Primary Term. In the absence of any other condition which may extend this Lease beyond its Primary Term, Lessor hereby grants Lessee, its successors and assigns, the exclusive right and option to extend the Primary Term of this Lease for an additional two (2) years (Extension Term) by payment to Lessor in the amount of 100% of the initial bonus paid for this Lease, payable on or before the expiration of the three-year Primary Term. Should Lessee, its successors or assigns, exercise its option to extend the Primary Term of this Lease, then this Lease and all its provisions shall remain in full force and effect. Upon exercise of such option by Lessee, Lessor agrees to execute statement of extension.

 5. 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 and the mineral estate covered by the 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 nonproducing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. 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 a market anywhere on a unit which includes all or a 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, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of net mineral acres covered by this lease and included in the unit bears to the total number of net mineral 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 above described lands 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, expressed 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. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production there from 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. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee. Production from or operations on a pooled unit or units including a portion or portions of the leased premises will maintain this Lease in force only as to the acreage included in the unit or units. On acreage not included in a unit or units, the Lease may

be maintained by any of its other provisions.

 6. Lessee may not assign any right, title, or interest without the prior consent of the Lessor and consent will not unreasonably be withheld.

 7. Lessor expressly does not warrant title to these premises.

 8. Lessee shall comply with all laws and regulations of any governmental body purporting to exercise taxing authority over the lands covered by this lease or the person of the Lessor herein and in so complying, Lessee shall not be responsible for determining the legality, validity, or constitutionality of any such law or regulation enacted or issued by any such governmental body. In determining the residence of Lessor for purpose of complying with such laws or regulations, Lessee may rely upon the address of Lessor herein set forth or upon the last known address of the Lessor. Neither any error in the determination of the residence or status of Lessor nor an error in the payment of any sums of money due or payable to Lessor under the terms of this lease which is made during or as a result of Lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against Lessee. All of Lessee's obligations and covenants hereunder, whether expressed or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with federal, state, county, or municipal laws, rules, regulations, or Executive Orders asserted as official by or under public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by Lessee, and this lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities.

 9. It is specifically provided, notwithstanding any provision contained herein to the contrary, that the Lessee shall not conduct any drilling or exploration operations or any operation in connection therewith on any part of the above-described land. Further, the Lessee shall not go upon or in any manner occupy the premises above described without first having obtained permission in writing from the Lessor specifically granting its consent to such operations or occupation.

 10. The Lessee agrees that subsurface support necessary for highway purposes shall not in any way be disturbed.

 11. In the event the Lessor's needs require that this lease be canceled for reasons of the safety, welfare, and convenience of the public, this lease is terminated within ninety (90) days after notice of such termination is either served on or mailed to the Lessee. The Lessor shall be the sole judge of its needs requiring the termination of this lease. Upon termination of this lease, the parties hereto shall be released of all responsibilities and obligations as set forth herein.

 12. This Lease Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

 13. HOLD HARMLESS: The Lessee shall save, indemnify and hold harmless the Lessor and FHWA for any liability for damage or loss to persons or property resulting from Lessee's occupancy or use of the Premises.

 14. INSURANCE: (Revised 2006 per State Controller Requirements)

(a) The Lessee shall obtain and maintain, at all times during the duration of this Lease, insurance in the kinds and amounts detailed below. The Lessee shall require any Contractor working for them on the Premises to obtain like coverage. The following insurance requirements must be in effect during the entire term of the Lease. Lessee shall, at it sole cost and expense, obtain insurance on its inventory, equipment and all other personal property located on the Premises against loss resulting from fire, theft or other casualty.

* + 1. (b) Workers’ Compensation Insurance as required by state statute, and Employer’s Liability Insurance covering all employees acting within the course and scope of their employment and work on the activities authorized by this Lease in Paragraph 4.
		2. (c) Commercial General Liability Insurance written on ISO occurrence form CG 00 01 10/93 or equivalent, covering Premises operations, fire damage, independent Consultants, blanket contractual liability, personal injury, and advertising liability with minimum limits as follows:

 1. $1,000,000 each occurrence;

* + 1. 2. $2,000,000 general aggregate;
		2. 3. $50,000 any one fire.
	1. If any aggregate limit is reduced below, $1,000,000 because of claims made or paid, the Lessee, or as applicable, its Contractor, shall immediately obtain additional insurance to restore the full aggregate limit and furnish to CDOT a certificate or other document satisfactory to CDOT showing compliance with this provision.
		1. (d) If any operations are anticipated that might in any way result in the creation of a pollution exposure, Lessee shall also provide Pollution Legal Liability Insurance with minimum limits of liability of $1,000,000 Each Claim and $1,000,000 Annual Aggregate. CDOT shall be named as an Additional Insured to the Pollution Legal Liability policy. The Policy shall be written on a Claims Made form, with an extended reporting period of at least two-year following finalization of the Lease.

(e) Umbrella or Excess Liability Insurance with minimum limits of $1,000,000. This policy shall become primary (drop down) in the event the primary Liability Policy limits are impaired or exhausted. The Policy shall be written on an Occurrence form and shall be following form of the primary. The following form Excess Liability shall include CDOT as an Additional Insured.

* + 1. (f) CDOT shall be named as Additional Insured on the Commercial General Liability Insurance policy. Coverage required by the Lease will be primary over any insurance or self-insurance program carried by the State of Colorado.
		2. (g) The Insurance shall include provisions preventing cancellation or non-renewal without at least 30 days prior notice to CDOT by certified mail to the address contained in this document.
		3. (h) The insurance policies related to the Lease shall include clauses stating that each carrier will waive all rights of recovery, under subrogation or otherwise, against CDOT, its agencies, institutions, organizations, officers, agents, employees and volunteers.
	1. (i) All policies evidencing the insurance coverage required hereunder shall be issued by insurance companies satisfactory to CDOT.
	2. (j) In order for this lease to be executed, the Lessee, or as applicable, their Contractor, shall provide certificates showing insurance coverage required by this Lease to CDOT prior to the execution of this lease. No later than 30 days prior to the expiration date of any such coverage, the Lessee or Contractor shall deliver to the Notice Address of CDOT certificates of insurance evidencing renewals thereof. At any time during the term of this Lease, CDOT may request in writing, and the Lessee or Contractor shall thereupon within 10 days supply to CDOT, evidence satisfactory to CDOT of compliance with the provisions of this section. Insurance coverage must be in effect or this lease is in default.
	3. (k) Notwithstanding subsection (a.) of this section, if the Lessee is a “public entity” within the meaning of the Colorado Governmental Immunity Act CRS 24-10-101, et seq., as amended (“Act’), the Lessee shall at all times during the term of this Lease maintain only such liability insurance, by commercial policy or self-insurance, as is necessary to meet its liabilities under the Act. Upon request by CDOT, the Lessee shall show proof of such insurance satisfactory to CDOT. Public entity Lessees are not required to name CDOT as an Additional Insured.
	4. (l) If the Lessee engages a Contractor to act independently from the Lessee on the Premises, that Contractor shall be required to provide an endorsement naming CDOT as an Additional Insured on their Commercial General Liability, and Umbrella or Excess Liability policies.

15. ADDITIONAL PROVISIONS.

IN WITNESS WHEREOF, the parties hereto have executed this lease agreement on the day and year first above written.

LESSEE:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Full Legal Name)

(If Corporation) By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Attest (Seal) (Name)

Title\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Secretary Federal Tax Identification Number

STATE OF COLORADO )

) ss

COUNTY OF )

The foregoing instrument was subscribed and sworn to before me this day of , , by .

Witness my hand and official seal.

My commission expires .

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Notary Public

Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

LESSOR:

ATTEST: COLORADO DEPARTMENT OF

TRANSPORTATION

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Andrea Griner Stephen Harelson, P.E.

Chief Clerk-Property Management Chief Engineer