

## **GRAZING LEASE**

This Grazing Lease ("Lease") is entered into between **Seven Brothers Ranches, Inc.**, a Wyoming corporation, of P.O. Box 5601, Bismark, North Dakota 58506, as Lessor, and **Trembath Land Company, LLC**, a Wyoming limited liability company, of 845 Absaraka Street, Sheridan, Wyoming 82801, as Lessee.

### **I. LEASE**

Lessor hereby leases to Lessee the following described real property, subject to the exclusions set forth below, for the purposes and subject to the terms and conditions set forth in this Lease:

State of Wyoming, County of Sheridan

Township 58 North, Range 83 West, 6th P.M.

Section 24: That portion of the SW $\frac{1}{4}$ SE $\frac{1}{4}$  and the S $\frac{1}{2}$ SW $\frac{1}{4}$  lying south of the Burlington Northern Santa Fe Railroad right-of-way and Sheridan County Road No. 1211, known as the Lower Prairie Dog Road

Section 25: W $\frac{1}{2}$ NE $\frac{1}{4}$

### **II. TERM**

This lease shall continue until such time as Lessor, Fidelity Exploration & Production Company, Inc., or their respective successors and assigns no longer uses the leased premises for the storage of water produced from coalbed methane gas wells located on or adjacent to the lands.

### **III. RENTAL**

This is a fully paid up lease and no rental shall be due.

### **IV. TAXES AND EXPENSES**

A. All real estate taxes and other governmental assessments with respect to the premises shall be paid by Lessor.

B. As the lands leased constitute vacant grazing lands, neither party shall assume the obligation to pay utilities pertaining to the leased premises.

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AUDREY KOLTISKA, SHERIDAN COUNTY CLERK

C. All costs of fence maintenance and weed control on the premises shall be paid by Lessee.

D. All other day-to-day operating expenses incurred by Lessee in the use of the premises shall be paid by Lessee

#### **V. PURPOSES AND USES**

A. Lessee shall use the leased premises solely for livestock grazing, purposes.

B. At no time shall the Lessee engage in any practices which result, or could result, in over grazing. If at any time, in Lessor's sole opinion and at Lessor's sole discretion, over grazing is taking place, Lessor shall so notify Lessee in writing, and Lessee shall have 30 days from the date of such notice within which to reduce the number of livestock grazing on the land pursuant to Lessor's desires. In the event Lessee does not comply with the livestock reduction requested by Lessor, Lessee agrees that Lessor may terminate this lease.

C. At all times, the Lessee shall use the leased premises in a manner which is in compliance with all applicable federal, state and local laws and regulations governing the operations of Lessee with respect to all matters, including, but not limited to environmental laws and regulations governing the release or discharge or any material into the air, ground or water.

D. Lessor, on behalf of itself and its successors and assigns, hereby expressly reserves all rights to conduct any and all operations or activities related to coalbed natural gas development and/or other oil and gas operations it deems necessary or convenient on any of the described lands, without any obligation to compensate Lessee therefor.

#### **VI. IMPROVEMENTS AND MAINTENANCE**

A. The Lessee shall have the right to use all fences and improvements on the premises during the term of this Lease. Lessee shall maintain all improvements in their present condition, ordinary wear and tear excepted, and the improvements shall be returned to the Lessor without damage, ordinary wear and tear excepted, at the expiration of the term of this Lease.

B. Lessee shall make no capital improvements without the prior written consent of the Lessor. All capital improvements shall be the property of the Lessor.

C. The Lessee shall prevent any lien or obligation from being created against or imposed on the leased premises. In the event that a lien is placed upon the leased premises, arising out of or related to the Lessee's use of the premises or work performed upon or for the benefit of the leased premises at request of the Lessee, the Lessee shall immediately pay such lien or charges and shall secure a release of such lien within thirty (30) days of its filing, or file a bond to secure the payment of such lien claim in compliance with Wyoming law.

#### **VII. ASSIGNMENT AND SUBLEASE**

The rights of Lessee under this Lease shall not be assigned or subleased to any party without the prior written consent of the Lessor, which consent shall not unreasonably be withheld.

#### **VIII. INSPECTION**

Lessor and Lessor's agents shall have unlimited rights of access and inspection of the leased premises during the term of this Lease, so long as the exercise of such rights is not inconsistent with the rights granted to Lessee under this lease agreement.

#### **IX. LEASE TERMINATION**

A. This Lease shall terminate at such time as Lessor, or its successors and assigns, no longer uses the described lands for the storage of water produced from coalbed methane gas wells located on the leased premises or on lands adjacent thereto, or, if earlier, the failure of the Lessee to comply with any of the terms or conditions of this Lease.

B. In the event of a breach or default by the Lessee under the terms of this Lease, the Lessor shall give Lessee thirty (30) days after receipt of written notice of such breach or default in which to cure such breach or default. If Lessee does not cure such breach or default within such thirty (30) day period, Lessor shall have the following rights:

1. Lessor shall have the right, but not the obligation, to terminate this Lease, as well as all of the right, title and interest of Lessee hereunder.

2. Lessor may elect, but shall not be obligated, to make any payment required of Lessee herein or comply with any agreement, term, or condition required hereby to be performed by Lessee, and Lessor shall have the right to enter the leased premises for the purpose of correcting or remedying any such default and to remain until the default has been corrected or remedied.

3. Lessor may re-enter the premises immediately and immediately terminate the Lease.

4. The remedies herein given to Lessor shall be cumulative and the exercise of any one remedy by Lessor shall not be to the exclusion of any other remedy.

C. The Lessor's waiver of any of the terms and conditions of this Lease shall be limited to the particular instance and shall not be deemed to waive any other breaches of such terms or conditions, present or future.

#### X. BINDING EFFECT

This agreement shall inure to the benefit of and be binding upon the parties and their representatives, heirs, successors, and approved assigns.

#### XI. GOVERNING LAW

This agreement shall be governed by the laws of the State of Wyoming.

DATED effective the 12<sup>th</sup> day of <sup>August</sup>~~July~~, 2005.

**LESSOR:**

Seven Brothers Ranches, Inc.,  
a Wyoming corporation

By:

Michael C. Caskey  
Michael C. Caskey

Title:

Exec. V. P. + COO

**LESSEE:**

Trembath Land Company, LLC  
a Wyoming limited liability company

By:

Paul Lantieri

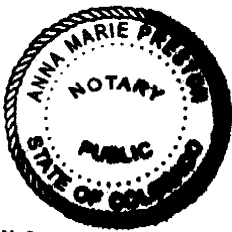
Title:

Manager

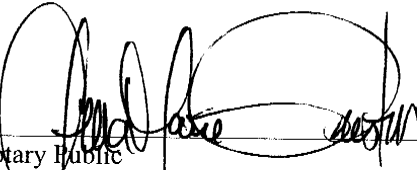
STATE OF Colorado )  
City And ) ss.  
COUNTY OF Denver )

The foregoing Grazing Lease was acknowledged before me this 12th day of August, 2005, by Michael C. Caskey, the Exec VP and COO of Seven Brothers Ranches, Inc.

Witness my hand and official seal.



My Commission Expires 02/28/2008

  
Notary Public

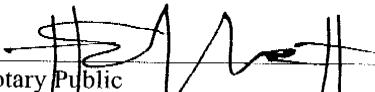
My commission expires: 6/21/08

STATE OF WYOMING )  
 ) ss.  
COUNTY OF SHERIDAN )

The foregoing Grazing Lease was acknowledged before me this 24 day of August, 2005, by FRED TREMBATH, the MANAGER of Trembath Land Company, LLC.

Witness my hand and official seal.



  
Notary Public

My commission expires: \_\_\_\_\_