

BOOK 933 8:00 o'clock 4 APR 13 1981
Recorded at

Rec. No. 1854888 May/June/September '80
4/1

State of Colorado, Weld County Clerk & Recorder

2501000

Form 45-1 (Producers)
Kan., Okla., & Colo., 1957

C (Rev 1972) OIL AND GAS LEASE

81

THIS AGREEMENT, entered into this the 2nd day of February

between Noffsinger Manufacturing Co., Inc.
500-6th Avenue
Greeley, CO 80632

and W. E. Andrau, 666 Houston Natural Gas Bldg., Houston TX.

hereinafter called lessor, does witness:

I, That lessor, for and in consideration of the sum of Ten (\$10.00), dollars in hand paid and of the covenants and agreements hereinbefore contained to be performed by lessor, and for other good and valuable consideration, do hereby grant and convey unto lessee all the interest of lessor in and to the hereinabove described land, and with the right to extract from any part thereof with other oil and gas "royalts" as to all oil or gas wells of the lands covered thereto as hereinafter provided for the purpose of exploring on geological, geophysical and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing, and causing all of the oil and gas produced, gas, compressed gasoline and all other gases and their by-products, natural and otherwise, and for constructing roads, laying pipe lines, building tanks, storing oil, building power stations, telephone lines, and other structures necessary for a government for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture oil or such substances, and for housing and boarding employees, and tract of land with any reservations rights therein being situated in the county of Weld,

State of Colorado, and described as follows:

TOWNSHIP 6 NORTH, RANGE 65 WEST 6th PM

SECTION 25: That part of the SW^{1/4} described as Lot B in the exemption recorded at Book 857 Rec. #1778584 less that part conveyed to Union Pacific Railroad Company by instrument recorded at Book 314, Page 26 thru 29 of the Weld County records

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and containing 149.02 acres, more or less.

3. It is agreed that this lease shall remain in full force for a term of five (5) years from this date and as long thereafter as oil or gas or either of them, is produced from said land, or from lands with which said land is consolidated, or the premises are being developed or operated.

3. In consideration of the premises the said lessor covenants and agrees To deliver to the credit of lessor, free of cost, in the pipe line to which lessor may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the lessor's premises

4. The lessor shall monthly pay lessor \$10.00 per acre for each well which is found, one-eighth (1/8) of the proceeds if sold as the well, or if marketed by lessor, of the total production from each well, up to the market value at the well. The lessor shall pay the lessor ten months in advance of the market value of the gas produced from any oil well, the one-eighth (1/8) part of the value at the mouth of the well, computed at the prevailing market price of the compressed gas produced from any oil well and used by lessor off the leased premises for any purpose or used on the leased premises by the lessor for purpose other than the development and operation thereof. Lessor shall have the privilege of his own risk and expense of using gas lines and gas well on said tract for storage and direct sale in the principal drilling location on the leased premises by making his own connections thereto.

5. Whichever gas from a well or wells, natural or produced gas only, is not sold or used for a period of one year, lessor shall pay or render as royalty, an amount equal to the daily rental as provided in paragraph 15, payable annually on the anniversary date of this lease following the end of each such year during which such gas is not sold or used, and while said royalty is so paid or rendered, this lease shall be held as a producing property under paragraph numbered two herein.

6. If operations for the drilling of a well for oil or gas are not commenced on said land on or before the 2nd day of February, in the year of the lease shall terminate as to both parties, unless the lease shall run or before said date pay or render to the lessor for the lessor's credit in the Greeley National Bank, Name at Greeley, Colorado 80632, or its successors, which bank and its successors are the lessor's agent and shall continue as the drawers of any and all sums payable under this lease regardless of changes of ownership in said

land or in the oil and gas or in the rentals to accrue thereon, the sum of One Hundred Forty Nine and 00/100 Dollars (\$149.00), which shall operate as a rental and cover the privilege of deferring the commencement of operations for drilling for a period of one year. In the event, and upon the payment of lessors or tenders for drilling for a period of one year, whether made directly or indirectly, all payments or tenders may be made by check or draft of lessor, or by cashier's check or money order, delivered to the lessor, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid but also the lessor's option of extending that period as aforesaid and any and all other rights conferred. Lessor may at any time exercise and deliver to lessor or place of record, a release or releases covering any portion or portions of the above described premises and thereby terminating this lease as to such portion or portions and be relieved of all obligations as to the areas so terminated, and thereafter the rentals payable hereunder shall be reduced in proportion to the acreage covered thereby as is reduced by said release or releases.

7. Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessor on or before the expiration of said period makes payment of the same in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the assumption of the payment of rentals as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the entire thereof shall continue in force just as though there had been no interruption in the rental payments.

8. If said lessor owns a fee interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

9. The lessor shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessor shall drill, or cause to be drilled, to the bottom of new wells on said premises without written consent of the lessor. Lessor shall have the right at any time, during, or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to drag and remove all casing. Lessor agrees, upon the completion of any well as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.

10. If the estate of either party hereto is extinguished the privilege of assigning in whole or in part is expressly allowed, the covenants herein shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rents or royalties or any sum due under this lease shall be binding on the lessor until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and on the probate of such will, or a duly certified copy of the will of any administrator for the estate of any deceased owner, whichever is earlier, and in the event of any such change in title, all original recorded instruments of conveyance or duly certified copies thereof necessary to change the title of the lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, successor, or heir of lessor.

11. It is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described land and the holder or lessee of any such part or parts shall make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect that lessor's interest as to those parts of said land upon which the trustee or any successor hereof shall make due payment of said rentals.

12. Lessor hereby grants to the lessee, at its option, the right to pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or imposed on or against the above described lands and, in event it forecloses such option, it shall be subrogated to the rights of any holder or holders thereof and may commence itself by applying to the discharge of any such mortgage, tax or other lien, any lottery or scrip existing thereon.

13. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessor shall commence operations for drilling as set forth while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom then as long as production continues.

14. Within the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessor begins or resumes the payment of rentals in the manner and amount hereinbefore provided. 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 lessor resumes operations for drilling as set forth while this lease is in force during the prosecution of such operations and, if production results therefrom then as long as production continues.

15. Lessee is hereby expressly granted the right and privilege which lessor may exercise at any time either before or after production has been obtained upon these premises or any premises contiguous thereto, to consolidate herewith the oil household credits created by the execution and delivery of this lease, and to lease such additional lands or estates or tracts or in form of oil or gas operating units or to exceed approximately 100 acres, subject to the limitation that no unit shall be created by lessor, lessor agreed to accept and shall receive out of the gas production from each such unit such portion of the gas royalty as the number of acres out of this lease placed in such unit bears to the total number of acres included in such unit. The commencement, or completion of a well, or the continued operation or production of gas from an existing well, shall not prevent the lessor from drilling another well or wells in the same unit, or in any other unit or units, so long as the production of gas from a well or wells in such unit or units does not exceed the maximum production of gas from the well or wells in such unit or units. Lessor shall not be liable for the production of gas from a well or wells in such unit or units if the production of gas from such well or wells is offset by the production of gas from another well or wells in such unit or units. The provisions of this paragraph shall not affect the payment of non-payment of rentals, or any other portion of this provision not included in this lease. Lessor shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the consolidated acreage.

16. This instrument all its terms, conditions and stipulations shall extend to, and be binding on each of the parties who signs this lease, regardless of whether such lessor is named above and regardless of whether it is signed by any of the other parties herein named as lessee. This lease may be signed in counterparts, each to have the same effect as the original instrument.

17. We, the parties herein, do sign the day and year first above written.

Witness:

W. E. Andrau

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