

Producers 88 - Rocky Mountain

641

# OIL AND GAS LEASE

AGREEMENT, Made and entered into this 16 day of February, 1971  
by and between DONALD M. DREYER

LOREN E. SMITH

Party of the first part, hereinafter called lessor (whether one or more) and

Party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of One Hundred Dollars 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, leased, and let unto the said lessee, its successors and assigns, for the sole and only purposes of surveying by geological, geophysical and all other methods, mining and operating for oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well drilled by lessee on the leased premises hereinafter described, and laying pipe lines, and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situate in the County of Weld, State of Colorado, described as follows, to wit: SW 1/4, W 1/2 Sec. 28, T1 N, R 66 West, EXC.  
North 33 feet of W 1/2 Sec. 28, T1 N, R 66 West, EXC.  
East 70 Acres of S 1/2 Sec. 29, T1 N, R 66 West,  
It is expressly agreed and understood that Lessor shall receive a  
15% royalty hereunder rather than the usual one-eighth (1/8)

and containing 310 acres, more or less.

It is agreed that this lease shall remain in force for a term of years less date, and so long thereafter as oil, gas or other hydrocarbons or minerals or substances are produced from said land by the lessee, its successors and assigns.

In consideration of the premises the said lessee covenants and agrees:

First. The lessee shall deliver to the credit of lessor as royalty, free of cost in the pipe line to which lessee may connect its wells, the equal share of all oil produced and saved from the leased premises, or, at lessee's option, may buy or sell such oil at 15% royalty and pay lessor the market price for oil of like grade and gravity prevailing in the field on the day such oil is run into pipe lines or into storage tanks.

Second. To pay lessor one-eighth (1/8) of the proceeds received for gas sold from each well where gas only is found, or the market value at the well of such gas used off the premises, and lessor to have gas free of cost from any well for all steam and all inside lights in the principal dwelling house on such land during the term of this lease by making his own connections with the well at his own risk and expense.

Third. To pay lessor one-eighth (1/8) of the market value at the well for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas.

Fourth. To pay lessor one-eighth (1/8) of the proceeds received from the sale of any substance covered by this lease, other than oil and gas and the products thereof, which lessee may elect to produce, save and market from the leased premises.

If no well be commenced on said land on or before the 10 day of March, 1971, this lease shall terminate on both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the

bank of Denver or Colorado, or any bank with which it may be merged or consolidated, or which succeeds to its business or assets or any part thereof, by purchase or otherwise, which shall continue as the depository regardless of changes in the ownership of the said land, the sum of

which shall operate as a rental and cover the privilege of deferring the commencement of a well for twelve months from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the lessee, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred. Rentals may be paid by check or draft and may be remitted by mail. Mailing of rental on or before the rental-paying date shall be deemed a timely tender thereof and shall preclude termination of this lease. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

Should any well drilled on the land above described be a dry hole or cease to produce and there are no other producing well or wells on the land or drilling operations are not being conducted thereon, then and in that event if a well is not commenced before the next ensuing rental-paying date after the expiration of ninety (90) days from the date of such dry hole or cessation of production, this lease shall terminate as to both parties, unless the lessee, on or before the rental-paying date next ensuing after the expiration of ninety (90) days from the date of the completion of the dry hole or cessation of production, shall resume the payment of rentals in the same amount and in the same manner as heretofore provided, and it is effect thereof, shall continue in force as though there had been no interruption in the rental payment. If a dry hole should be drilled or if production ceases at any time subsequent to ninety (90) days prior to the beginning of the last year of the primary term, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, after the expiration of the primary term hereof, production shall cease from any cause, this lease shall not terminate. If lessee resumes operations for the drilling of a well or restoration of production within ninety (90) days from such cessation, and this lease shall remain in force and effect during the prosecution of such operations and, if production resumes thereafter, then so long as such production continues.

If at any time, either before or after the expiration of the primary term of this lease, there is any gas well on the lands covered hereby, or on other lands with which said lands are pooled or unitized, which is capable of producing in paying quantities, but which is shut-in either before or after production therefrom, and the production therefrom is not being sold or used, lessee agrees to pay or tender to the mineral owners in the depository bank named in the lease, as royalty, as provided in the above paragraph. Such payments shall be made on or before the shut-in royalty payment date, as herein defined, next occurring after the expiration of ninety (90) days from the date the well was shut-in, unless prior to such date gas from the well is produced and sold or used. In like manner, on or before each succeeding shut-in royalty payment date while such gas well remains shut-in, lessee shall make payment of shut-in gas royalty in the same amount and manner. A shut-in gas well capable of producing in paying quantities shall be considered under all provisions of this lease as a producing well and this lease shall be in force and effect in like manner as though the gas therefrom were actually being produced and sold or used. The term "gas well" shall include wells capable of producing natural gas, condensate, distillate, or any gaseous substance, and wells classified as gas wells by any governmental authority. The term "shut-in royalty payment date" shall mean the next rental-paying date of this lease if within the primary term, or any subsequent anniversary thereof, if after the primary term, or any anniversary date of this lease if no rental-paying date is specified herein.

If said lessor owns a less 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 rentals shall be increased at the next succeeding rental anniversary after lessee has been notified of any reversion having occurred to cover the interest so acquired. Any interest in the production from the above described land to which the interest of lessor may be subject shall be deducted from the royalties provided for herein.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor. 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.

Lessee shall pay for damages caused by its operations to growing crops on said lands. When requested by the lessor, lessee shall bury his pipe lines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall have the right to drill to completion with reasonable diligence and dispatch (1) any well commenced within the term of this lease and (2) any well commenced before the completion of a well which has been commenced within such term. If all and gas on either of them be found in paying quantities in any such well, this lease shall continue and be in force with like effect as if such well had been completed within the term of years herein first mentioned.

Lessee is hereby granted the right and power to pool or combine the acreage covered by this lease, or any portion thereof, with other land, lease or leases in the vicinity thereof at any time and from time to time, whether before or after production, when in Lessee's judgment it is necessary or advisable to do so for the prevention of waste and the conservation and greatest ultimate recovery of oil or gas. Such pooling shall be into a unit or units not exceeding in area the acreage prescribed or required in any Federal or State law, order, rule or regulation for the drilling or operation of one well, or for obtaining the maximum allowable production from one well, or 40 acres each for the production of oil, or 640 acres each for the production of gas, whichever is the larger, plus a tolerance over the maximum area of 40 acres for the production of oil or 640 acres for the production of gas to include additional acreage in any irregular governmental subdivision or lot or portion thereof. Such pooling shall be effected by Lessee's executing and filing in the office where this lease is recorded an instrument identifying and describing the pooled acreage. The production of pooled substances and development and operation on any portion of a unit so pooled, including the commencement, drilling, completion and operation of a well thereon, shall be considered and construed, and shall have the same effect, except for the payment of royalty, as production, development and operation on the leased premises under the terms of this lease. The royalties herein provided shall accrue and be paid to Lessor on pooled substances produced from any unit in the proportion, but only in the proportion, that Lessor's acreage interest in the land covered hereby and placed in the unit bears to the total acreage in the land placed in such unit.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a certified copy thereof; and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands which the said lessee or any assignee thereof shall make due payment of said rentals. An assignment of this lease, in whole or in part, shall as to the extent of such assignment relieve and discharge the lessee of all obligations hereunder.

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ADDENDUM TO  
OIL AND GAS LEASE

Lessor: Donald M. Dreyer  
Lessee: Loren E. Smith  
Dated: January 16, 1971

Legal:

Upon the same consideration as stated in the Oil and Gas Lease annexed, it is further agreed:

1. That this lease shall have a term of Ninety (90) days commencing April 7, 1971, and ending July 7, 1971, and shall continue as long thereafter as oil or gas is produced from said described land by the Lessee, its successors and assigns.

2. Lessee agrees to commence and complete a well on said land on or before the end of said 90 days term; in the event said well is not completed within the 90 days, the Lessee shall have an additional 15 days (until July 22, 1971) to complete said well; and if same is not fully completed by July 22, 1971, the Lessee, by 12:00 noon of July 23, 1971, shall pay to Lessor the sum of \$1,240.00 which shall continue the lease on the same terms for an additional 90 days (until October 22, 1971) and if said sum of \$1,240.00 is not so paid this lease shall thereupon terminate as to both parties and Lessee shall remove all equipment and restore the premises fully by August 1, 1971. In the event the \$1,240.00 is paid then Lessee shall have until October 22, 1971 to commence and complete the well.

3. Should the well drilled on the land described be a dry hole or cease to produce, and there are no other producing well or wells on the land, then in that event the Lessee shall have ninety (90) days from the date of such dry hole or cessation of production to commence and complete another well, otherwise this lease shall terminate as to both parties. In the event production results this lease shall continue as long thereafter as such production continues.

4. Lessor shall have gas free of cost from any well for all uses at two houses <sup>and</sup> shop ~~and elevators~~ by making his own connections with the well at his own risk and expense.

5. It is expressly agreed and understood that the location of the well or wells, road, pipelines, structures, buildings, tanks, power stations or other appurtenances pertaining to the well or

- 2 -

wells shall be at locations mutually agreeable to the parties.

6. The Lessee agrees to pay Lessor for all damages to crops, fences, livestock, or other property of Lessor, or Tenants, resulting from or in connection with Lessee's or Agent's operations hereunder, and on abandonment of any well, or termination of this lease, to fill in and level out all slush pits or excavations and level off all mounds and otherwise restore the premises to its prior condition, normal wear and tear excepted.

7. The shut-in royalty under this lease shall be \$310.00 annually, to commence 90 days after the date the well was shut-in, unless prior to such date gas from the well is produced and sold or used.

8. No facilities, structures, pipelines and the like shall be situated or installed on said described land unless same are incident to production from the described land and not related to or incident to production from other lands.

Dated this 16<sup>th</sup> day of FEB, 1971.

LESSOR:

Donald M. Dreyer  
DONALD M. DREYER

LESSEE:

Loren E. Smith  
LOREN E. SMITH