

SEP 8 - 1964

Ann Spencer, Recorder

## OIL, GAS AND MINERAL LEASE

INDEXED

THIS AGREEMENT, made this 11th day of August, 1964

between TWO E RANCHES, INC.

whose post office address is First National Bank, Greeley, Colo.

Lessor (whether one or more), and Mel C. Redinger, P. O. Box 503, Greeley, Colorado

Lessee, WITNESSETH:

1. Lessor, in consideration of

ten and more

Dollars

(\$ 10.00 ) in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of testing, by any method or means, for formations or structures, investigating, exploring, prospecting, drilling and mining for and producing oil, gas, and all other minerals, laying pipe lines, building tanks, power stations, telephone lines, and other structures thereon, and mining for and producing oil, gas, and all other minerals, and housing its employees, and maintaining and repairing canals, constructing and maintaining canals and bridges and, in general, for all appliances or structures, equipment, services and privileges which may be necessary, useful or convenient in connection with any such operations conducted by Lessee thereon, the following described

Colorado

land in the County of Weld, State of Colorado, to-wit:

Township 2 North, Range 64 West

Township 3 North, Range 64 West

Sec. 4: SE $\frac{1}{4}$   
Sec. 10: AllSec. 4: Lots 1 & 2, (N $\frac{1}{2}$ N $\frac{1}{2}$ ), S $\frac{1}{2}$ N $\frac{1}{2}$ , & S $\frac{1}{2}$  (all)Sec. 10: N $\frac{1}{2}$ 

Township 2 North, Range 65 West

Sec. 11: All, except 40 acres lying east of line: Beg. at NW corner of E $\frac{1}{2}$ N $\frac{1}{2}$ , thence SE-erly to SE corner of NE $\frac{1}{4}$ .Sec. 12: NE $\frac{1}{4}$ , except 21 acres (Recorded Bk. 516, #1438220) (Weld County Records)

(Recorded Bk. 1177, page 339, Weld Cty Rec.)

Township 4 North, Range 64 West

Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ N $\frac{1}{2}$ , & E $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 19: S $\frac{1}{2}$ 

Sec. 33: All

Sec. 20: SW $\frac{1}{4}$ , & E $\frac{1}{2}$ Sec. 34: W $\frac{1}{2}$ , & SE $\frac{1}{4}$ Sec. 22: NW $\frac{1}{4}$ 

For the purpose of calculating the rental payments for which provisions hereinafter is made, said land shall be treated as comprising 4737.74 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil or other minerals are produced from the land hereinabove described.

3. The royalties to be paid Lessor are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the well or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase and convey all to its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substances produced from said land and sold or used for the purposes or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold at the well the royalty shall be one-eighth of the economic value of the gas at the well; and (c) on all other minerals, oil, gas, and other minerals, one-half either in kind or value at the well or mine. Lessee's election, except that from such sale; and (d) on all other minerals, oil, gas, and other minerals, one-half either in kind or value at the well or mine. Lessee's election, except that from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be paid after deducting any as usual, Lessee electing to have the privilege of the gas and coal sold from any gas well on said land for storage and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. If operations for drilling are not commenced on said land on or before the 11th day of August, 1965, the lease shall then terminate as to both parties unless on or before such date Lessee shall pay at least to Lessor or to the credit of Lessor in the

First National Bank at Greeley, Colo. (which bank and its successors shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or of the rentals) the sum of two thousand, three hundred and sixty eight and 87/100-----Dollars

(\$ 2368.87 ) (herein called rentals), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months, in like manner and upon like payments or tenders annually thereafter. The payment or tender of rentals may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank or its successor on or before such date. Any charge made by such bank for exchange or otherwise in connection with its services as depository shall be borne by Lessee. If such bank (or any successor bank) should fail, liquidate, or for any reason fail or refuse to accept rentals, Lessor shall deliver to Lessee a proper recordable instrument naming another bank to receive such rentals, and, in that event, Lessee shall not be held in default for failure to make such payment or tender of rentals unless and until it shall have failed for fifteen (15) days after receipt of such recordable instrument to pay or tender such rentals to Lessor or to the substitute bank. The above cash payment is consideration for the lease according to its terms and shall not be allocated as more rental for a period. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering all or any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and terminate from and after the date of surrender all obligations as to the acreage surrendered, including any obligations to other producers or lessees. Should this lease be signed by more than one Lessor, Lessee may pay the rentals herein provided to the Lessees jointly and severally, or to the Lessees jointly and severally, or to the Lessees severally in the proportions in which their respective interests appear of record as of the date of the lease, or as at any subsequent date as disclosed by the last certification to an abstract in Lessee's possession, supplemented by evidence of changes in ownership furnished Lessee in accordance with the provisions of Paragraph 12 hereof. The failure of Lessee properly to pay rentals to any particular Lessor owning less than the full mineral interest shall not invalidate or affect this lease insofar as it covers the interest of other Lessees to whose rentals are properly paid.

5. If prior to discovery of oil, gas or other mineral on said land Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral all wells thereon should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for reworking within sixty (60) days thereafter or (if it is within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of dry hole or cessation of production. If at the expiration of the primary term there is no well upon said land capable of producing oil, gas or other mineral, but Lessee has commenced operations for drilling or reworking thereon, the lease shall remain in force so long as operations are prosecuted with no cessation of more than thirty (30) consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas or other mineral is produced from said land. Production under the terms of this lease in order to continue the same in force, whether during or subsequent to the primary term, need not be in paying quantities; provided, however, that Lessee shall not be obligated to, but may at its option produce any well which does not yield operating costs plus a reasonable profit.

6. Lessee is granted the right and option to consolidate the lands covered hereby, or any portion or portions thereof, with other lands, and Lessee may consolidate any stratum or strata under said lands with the same stratum or strata in and under other lands, to form a unit for the production of (1) oil and casinghead gas, (2) dry or gas well gas, and (3) condensate or distillate, or any or more of such three substances. The unit or units to be formed in such case and of such dimensions as Lessee may elect; provided that such unit or units when completed shall be composed of tracts each of which is contiguous to, touches or corners with some one or more of the other tracts in the unit in such manner as to form one connected tract or tract or tracts, and provided further that any acre included in such unit or units covered only by a road, highway, street, railroad right of way, river, canal, or a strip of land having an average width not greater than six hundred (600) feet the title to which strip of land or the minerals thereon or any part thereof is in the state of the United States, shall be considered as contiguous, connecting or touching within the meaning of this paragraph. Any unit formed for the production of oil and casinghead gas shall not exceed forty acres (40) acres in surface area; any such unit for the production of condensate or distillate shall be of such surface area as may be prescribed by state or federal regulation at the time such unit is formed; or in the absence of any such state or federal regulation at the time such unit is formed, such unit shall not exceed one hundred thirty (130) acres in surface area.

7. Lessee may exercise its right and option to consolidate said land or any part thereof as authorized in Paragraph 6 hereof at any time during the term of this lease by executing an instrument in writing describing the consolidated tract, specifying the purposes for which such consolidation is made, and setting out or delivering to the Lessor a copy thereof or its substance, to be recorded in the County where such land is located. Lessee's exercise of this right to consolidate shall be made at the same or at different times for the purposes of (1) oil and casinghead gas, (2) dry or gas well gas, (3) condensate and distillate, and the inclusion of a particular area in a unit for any purpose shall not preclude the inclusion of such area or any part thereof in another unit for another purpose. The lease, uniting, consolidating or communitizing of lands shall be deemed to be a consolidation of one tract as if said consolidated tract had been acquired by one lease for the purposes for which the consolidation is made. Any well or wells of the type covered by the consolidation (1) oil, gas, or condensate or distillate wells) that may have been commenced or completed prior to, or at, the time of consolidation shall be deemed to have been drilled under the terms of this lease on all any portion of the consolidated tract. Lessee's exercise of this right to consolidate shall be deemed to be a consolidation of one tract as if said consolidated tract had been acquired by one lease for the purposes for which the consolidation is made. In the event of consolidation, the consolidated tract shall be deemed to be a consolidated tract subsequent to the date of consolidation, and the consolidated tract shall be deemed to be a consolidated tract subsequent to the date of consolidation. The consolidated tract shall not have the effect of changing the ownership of any rental which may become payable under the provisions of this lease.

375