

Recorded at 10:00 o'clock A.M. Sept 5, 1975  
Reception No. 74394 Book 177 Page 394-397  
Vada Wood, Recorder, Dolores Co., Colorado 748

## OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 4th day of September, 1975 by and between:

Robert Todd and Rena Todd, H/V

hereinafter called the lessor (whether one or more), whose Post Office address is Dove Creek, Colorado 81324

and MOUNTAIN FUEL SUPPLY COMPANY, a Utah corporation at 180 East 1st South, Salt Lake City, Utah 84111 hereinafter called the lessee:

## WITNESSETH:

1. That the Lessor, for and in consideration of the sum of Ten and More Dollars in hand paid by the Lessee, the receipt and sufficiency of which is hereby acknowledged, and of the covenants and agreements herein contained on the part of the Lessee to be paid, kept and performed, by these presents does grant, demise, lease and let exclusively unto the Lessee, its successors and assigns, for the purpose of investigating, exploring by geological, geophysical, and other methods, prospecting, drilling, mining, and operating for and producing oil, liquid hydrocarbons, all gases (including without limitation, hydrogen sulfide gas), and their respective constituent products, including gas, water, other fluids, and air into subsurface strata and conducting secondary recovery operations, laying pipelines, storing oil, building tanks, power stations, roads, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases, and their respective constituent products and other products manufactured therefrom, and all other rights and privileges necessary, incident or convenient for the economical operation of said lands, alone or conjointly with neighboring lands, the following described premises, situate in Township 40 North, Range 18 West, County of Dolores, State of Colorado, to wit:

Section 11: W1/4SW1, S1/4SW1

Section 14: NW1/4E1, NW1/4E2, SW1/4E1, E1/4E1, NE1/4E1

Section 15: SE1/4E1

Section 22: NE1/4E1, SW1/4E1, NE1/4E2

containing 300.00 acres, more or less, hereby releasing all rights under and by virtue of the Homestead Exemption Laws of said state.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Five (5) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is or can be produced from said lands or land with which said land is pooled by the lessee.

3. The royalties to be paid by lessee here (a) on oil, and other than liquid hydrocarbons saved at the well, one-eighth (1/8) of that produced and saved from said land, same to be delivered at the well or to the credit lessor in the pipeline to which the wells may be connected, or lessee, at its option, may pay to lessor for such one-eighth (1/8) royalty, the market price at the well for oil of like grade and gravity prevailing at the time of production; (b) on gas, including casinghead gas and all gaseous substances produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of one-eighth (1/8) of the gas so sold or used, provided that on gas sold at the well the royalty shall be one-eighth (1/8) of the amount realized from such sale; and (c) at any time, either before or after the expiration of the primary term of this lease, if there is a gas well or wells on the above land (and for the purposes of this clause (c) 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 government authority) and such well or wells are shut in before or after production therefrom, lessee and any assignee hereunder may pay or tender an advance annual royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and if such payment or tender is made, it shall be considered under all provisions of this lease that gas is being produced from the leased premises in paying quantities for one (1) year from the date such payment or tender is made, and in the manner subsequent advance annual royalty payments may be made or tendered and it will be considered, under all provisions of this lease that gas is being produced from the leased premises during any annual period for which advance royalty is paid or tendered. Such advance royalty may be paid or tendered in the same manner as provided herein for the payment or tender of delay rentals. Royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment. When there is a shut-in gas well or wells on the leased premises, if this lease is not continued in force under some other provision hereof, it shall nevertheless continue in force for a period of ninety (90) days from the last date on which a gas well located on the leased premises is shut in, or for ninety (90) days following the date to which this lease is continued in force by some other provision hereof, as the case may be, within which ninety-day period lessee or any assignee hereunder may commence or resume the payment or tender of the advance royalty as herein provided.

4. If operations for the drilling of a well are not commenced on said lands on or before one (1) year from the date hereof this lease shall terminate unless the lessee shall, on or before one (1) year from the date hereof, pay or tender to the lessor or for the lessor's credit in the

Bank at Dove Creek State Bank

or its successors, which bank, or its successors, shall be the lessor's agent and shall continue as the depository of any and all sums payable under this lease,

regardless of ownership in said lands or in the oil and gas, or in the rentals to accrue thereunder, the sum of Eight Hundred and no/100 0000 Dollars (\$ 800.00) which shall operate as rental and cover the privilege of deferring the commencement of

drilling operations for the further period of one (1) year, in like manner and upon like payment or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check of lessee, or any assignee thereof, mailed to the post office address of the lessor as hereinabove set forth or delivered on or before the rental paying period. Provided, however, the lessee shall be granted a thirty (30) day grace period within which to make payments and this lease shall not be forfeited if such payments are made within said thirty (30) day grace period after the time for payment as provided in this paragraph. If at any time more than six persons shall be entitled to participate in the rentals or royalties hereunder, lessee at its election may pay all rentals and royalties therefor accruing to the credit of this lease in the depository bank last designated by lessee as herein provided, or lessee may withhold payment unless and until such persons shall designate, in a recordable instrument to be filed with the lessee, a common agent or trustee to receive all payments hereunder, and to execute and deliver rental receipts, division orders and/or transfer orders on behalf of said persons and their respective successors in interest.

5. If prior to discovery of oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, on said land or on land pooled therewith, lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, the production hereof should cease from any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter, or (if it be 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 three (3) months from date of completion and abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term, oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is not being produced on said land or land pooled therewith but lessee is then engaged in operations for drilling or reworking of any well or wells thereon, this lease shall remain in force so long as such operations or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than sixty (60) consecutive days, and, if they result in production, so long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within three hundred thirty (330) feet of and draining the leased premises, lessee agrees to drill such offset well as a reasonably prudent operator would drill under the same or similar circumstances.

6. Lessee may use oil, gas or water found on said lands free of cost, for operation purposes. It not water from lessor's wells: lessee to have free gas for stoves and inside heat in the principal dwelling house on said lands from any well thereon producing gas only, by making his own connection therewith, the use of such gas to be at the sole risk and expense of the lessor. Gas, including casinghead gas and residue gas, produced from any oil or gas well unrelated only last, or which may be used by the lessee in any process for recovering oil or other liquid hydrocarbons from the leased premises, or returned to the ground, whether through wells located on the leased premises or elsewhere, shall not be deemed to have been sold or used off the premises within the meaning, express or implied, of any part of this lease. When requested by lessee, the lessee shall bury its pipeline below ordinary plow depth, and also pay damages caused by its operations to cultivated agricultural crops on said land. No well shall be drilled within two hundred (200) feet of any residence or barn now on said premises, without the consent of the lessor. Lessee shall have the right at any time during or within a reasonable time after the expiration, or other termination of this lease, to remove all machinery, fixtures, houses, buildings, and any and all structures, placed on said premises, including the right to draw and remove all casing.

7. The rights of either party hereunder may be assigned in whole or part, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enhance the obligations or diminish the rights of lessee. No such change or division in the ownership of the land,



*James A. Miller*  
Notary Public