1315 Main Ave, Suite 221
Durango, CO 81301
970-259-2959 telephone
johnstonland@frontier.net

JOHNSTON LAND COMPANY, INC.

Memorandum dated July 10, 2013

To Whom It May Concern:

Pertaining to Kinder Morgan CO2 Company L.P. (Kinder Morgan) Well HF-4 Data Request Form Information, Johnston Land Company, Inc. (JLC) would like to provide the following supportive evidence:

According to the Surveys provided by Kinder Morgan, the surface location and partial drill through for HF #4 is T37N-R19W-Section 1: S/2S/2SW/4 (Part of Re-Survey Tract 54). The drill through and bottom hole location is T37N-R19W-Section 12: NW/4, N/2SW/4 (Part of Re-Survey Tract 54). To clarify and support the fact that Section 1 is part of Tract 54 (as is lands in Section 11: E/2SE/4 & Section 12: NW/4, N/2SW/4) we provide copies for the below listed documents:

1. Survey Tract 54 is labeled as Tract 4-84 in The Mc Elmo Dome Unit "Exhibit B". Tract 54 is described in "Exhibit B" as Sections 1, 11 and 12 and contains 320 acres.

2. The original Survey for Township 37 North Range 19 West dated September 20, 1889

3. Patent issued to Roland R. Schneider on January 13, 1926

4. Re-survey approved on May 22, 1933 by the Bureau of Land Management.

5. Land Patent detail inventory index under the Land Patent information site of the Bureau of Land Management Department of Interior

6. BLM Oil and Gas Plat COC 028372 Determination PL 167 (Act of Cong 7/23/1955) completed May 1, 1960.

7. COGCC (Colorado Oil and Gas Conservation Commission) map displays tract 54 as including Sections 1, 11 and 12 with an acreage count of 320 acres.

8. Oil and Gas Lease issued to Mobil Oil Corporation from Donald H. Gilmore and wife Thelma W. Gilmore dated January 9, 1979 **(20% Mineral Interest)**

9. Oil and Gas Lease issued to Mobil Oil Corporation was from Schneider Memorial Scholarship Fund dated January 3, 1979 **(60% Mineral Interest).**

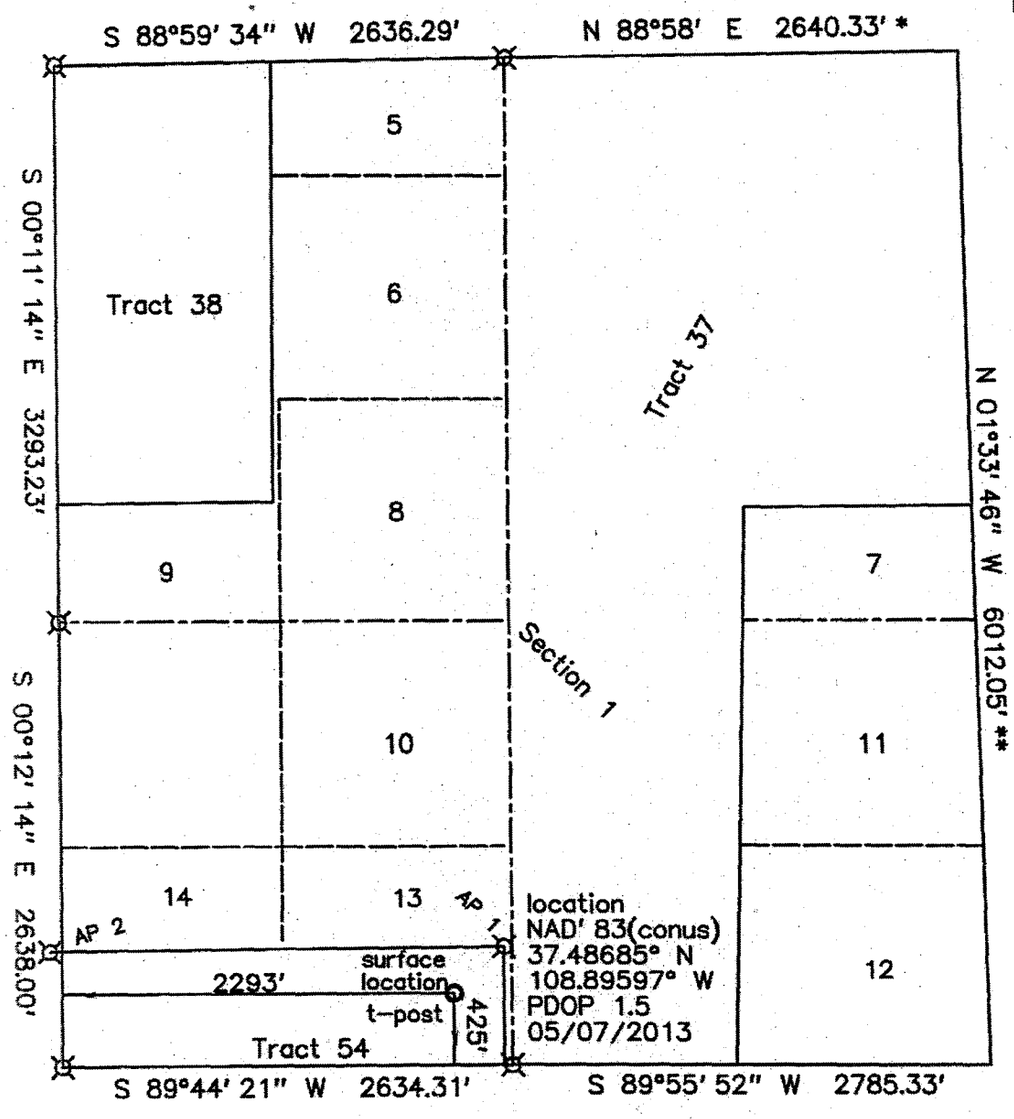
10. Oil and Gas leases contain a "Mother Hubbard" clause as described, "The land covered includes not only the land specifically described above but also all land if any contiguous to or adjoining said land and owner or claimed by lessor by limitation, prescription, possession reversion unrecorded instrument or as to which lessor has a preference right of acquisition."

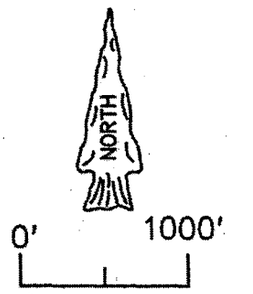
11. Title Opinions provided by Kinder Morgan reference Tract 54 and are based upon the re-survey information. The Shut –In Gas Royalty Title Opinion dated May 29, 1981 includes a brief paragraph explaining how reliance on the Mother Hubbard Clause contained within the Oil and Gas Leases is enough evidence to hold that part of Section 1 which was unintentionally left out of the land description for Tract 54 within the leases. (The "Mother Hubbard Clause" is included in lease forms to adequately cover any strips of areas of land owned by lessor continuous to the land specifically described in the lease and intended to be covered, but not properly described.)

12. The remaining **20% Mineral Interest** now held by Cortez, LLC was never leased. Kinder Morgan has confirmed this interest is committed to the McElmo Dome Unit as a working interest owner.

Sincerely,

Robert K. Johnston, President Johnston Land Company, Inc.





Scale: 1" = 1000'
Basis of bearing is assumed from GPS True North as shown.

standard GLO/BLM monument

set standard monument

* from GLO/BLM
** calculated

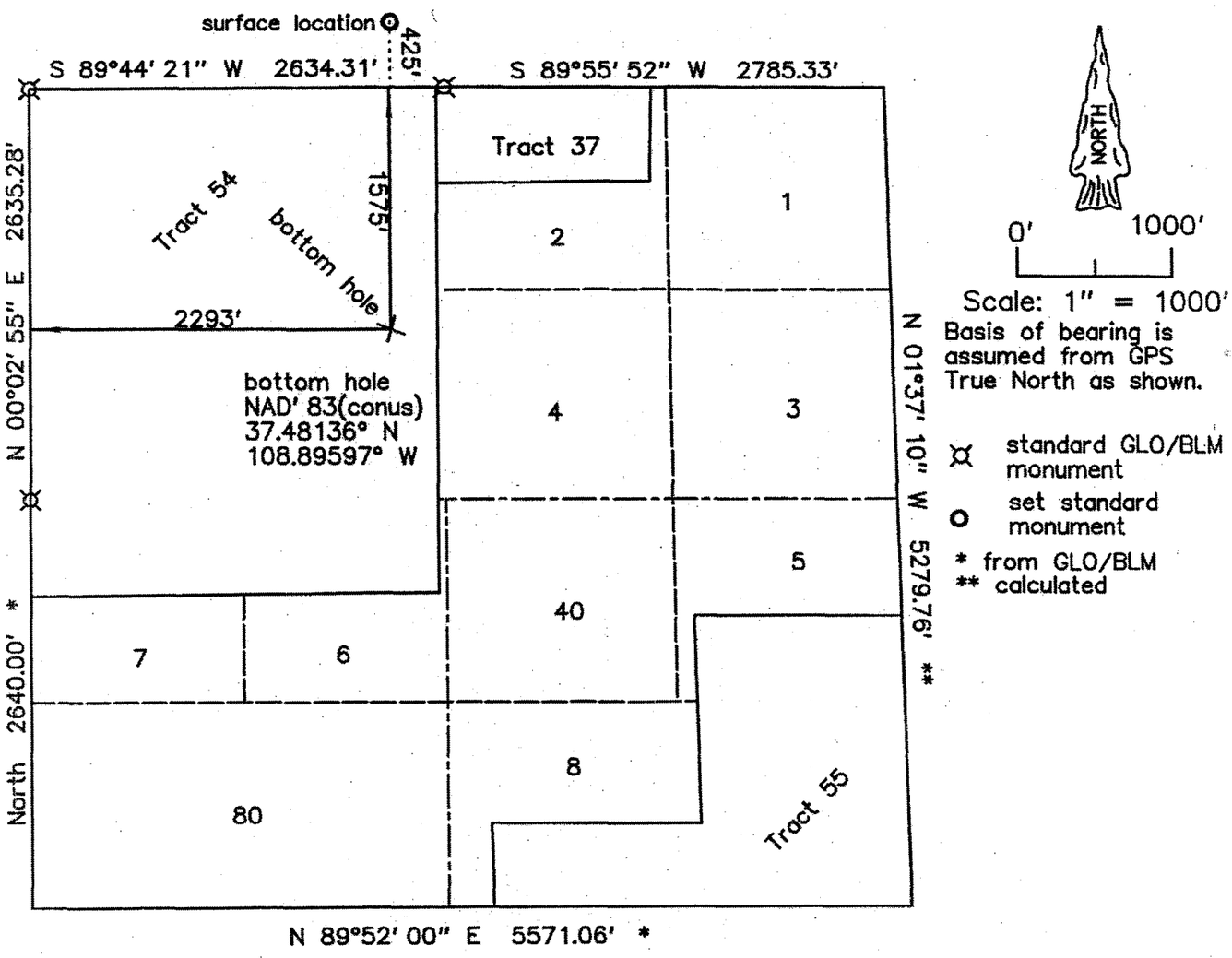
KINDER MORGAN CO2 COMPANY, LP
HF – 4
425' FSL & 2293' FWL – surface location
6247.8' grd.el. NAVD '88 (from OPUS)
Section 1, T.37 N., R.19 W., NMPM
1575' FNL & 2293' FWL – bottom hole
Section 12, T.37 N., R.19 W., NMPM
Montezuma County, CO

Notes:
1)Distances/dimensions are perpendicular to section/aliquot lines.
2)Surface use is Fee grazing/hunting.
3)GPS was corrected with OPUS, GPS operator was R.J. Caffey, CO LS 36562
4)There are no improvements within 500 feet, except a fence on property line at 282 feet and driveway at 272 feet.

date of survey : 10/18/2011
& 05/07/2013
date of plat : 05/16/2013
revised: 05/30/2013

KNOW ALL MEN BY THESE PRESENTS that I, GERALD G. HUDDLESTON, do hereby certify that this plat was prepared from field notes of an actual survey made by me or under my supervision and that the same is true and accurate to the best of my knowledge and belief.

COLORADO REGISTERED PROFESSIONAL LAND SURVEYOR GERALD G. HUDDLESTON 05 30 13 17490



KINDER MORGAN CO2 COMPANY, LP
HF – 4
425' FSL & 2293' FWL – surface location
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COLORADO REGISTERED PROFESSIONAL LAND SURVEYOR GERALD G. HUDDLESTON 05 30 13 17490

Tract fin numbering

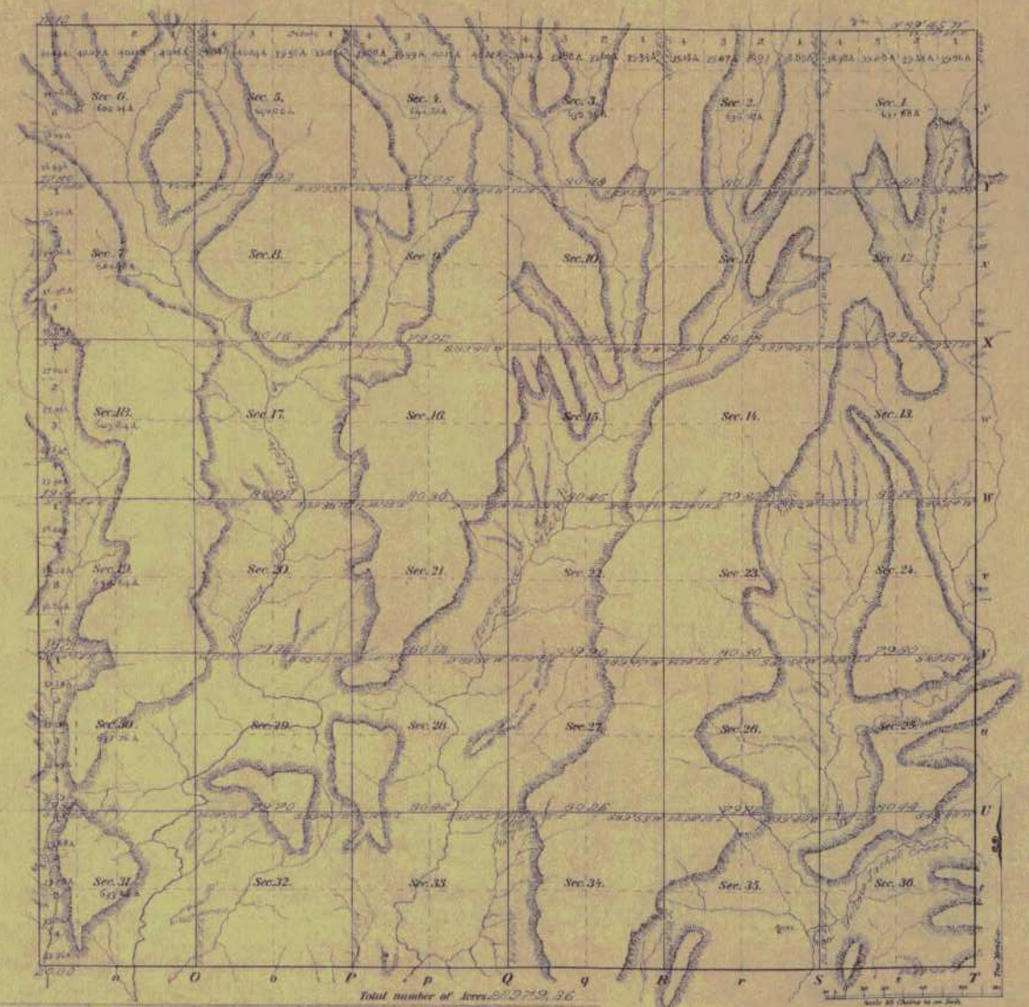
TRACT NO.	DESCRIPTION	ACRES	BASIC ROYALTY PERCENTAGE AND SERIAL NO.		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE		TRACT PARTICIPATION
			WILLIAM B. REDD	0.3125					
			MARK REDD & VERA LEE REDD	1.5625					
4-82 416	T38N-R19W, NMPM SEC. 32: E/2NE/4	80.00	MAX DURFEE & MARGARET DURFEE	6.2500	TREND RESOURCES LIMITED	6.2500	MOBIL PROD. TEX & NM, INC.	100.0000	0.0394136%
			LEWIE Q. IMEL & CARRIE LEE IMEL	6.2500					
4-83 417	T37N-R19W, NMPM SEC. 4: TRACT 49 SEC. 9: TRACT 49, A THRU H	320.00	MONTEZUMA COUNTY BOARD OF COMMISSIONERS, COUNTY OF MONTEZUMA	12.5000	NONE	0.0000	MOBIL PROD. TEX & NM, INC.	100.0000	0.1576744%
4-84 418	T37N-R19W, NMPM SEC. 1, 11, 12: TRACT 54	320.00	DUANE L. HALEY	2.5000	NONE	0.0000	BEARD OIL COMPANY	0.7565	0.1576744%
			LON L. LAYMON & WINIFRED LAYMON NL	2.5000			CHEVRON U.S.A. INC.	1.6643	
							MOBIL PROD. TEX & NM, INC.	71.5260	
			SCHNEIDER SCHOLARSHIP FUND PRESIDENT FIRST NATIONAL BANK OF CORTEZ – TRUSTEE	7.5000			SHELL WESTERN E&P INC.	[redacted]	
							UNLEASED NL	20.0000	
4-85 419	T37N-R20W, NMPM SEC. 1: SE/4NW/4, E/2SW/4, SW/4SE/4	160.00	MONTEZUMA COUNTY BOARD OF COMMISSIONERS, COUNTY OF MONTEZUMA	12.5000	NONE	0.0000	MOBIL PROD. TEX & NM, INC.	100.0000	0.0788372%

CO-8855-142

TOTALS FOR MOQUI:	
TOTAL FEDERAL ACRES	23255.20
LESS UNLEASED FEDERAL ACRES	0.00
TOTAL STATE ACRES	0.00
TOTAL PATENTED FEE ACRES	2171.97
TOTAL	25427.17

12.5287941%

Township No. 37 North, Range No. 19 West of the New Mexico Prd. Meridian



Total number of Acres 23,979.36

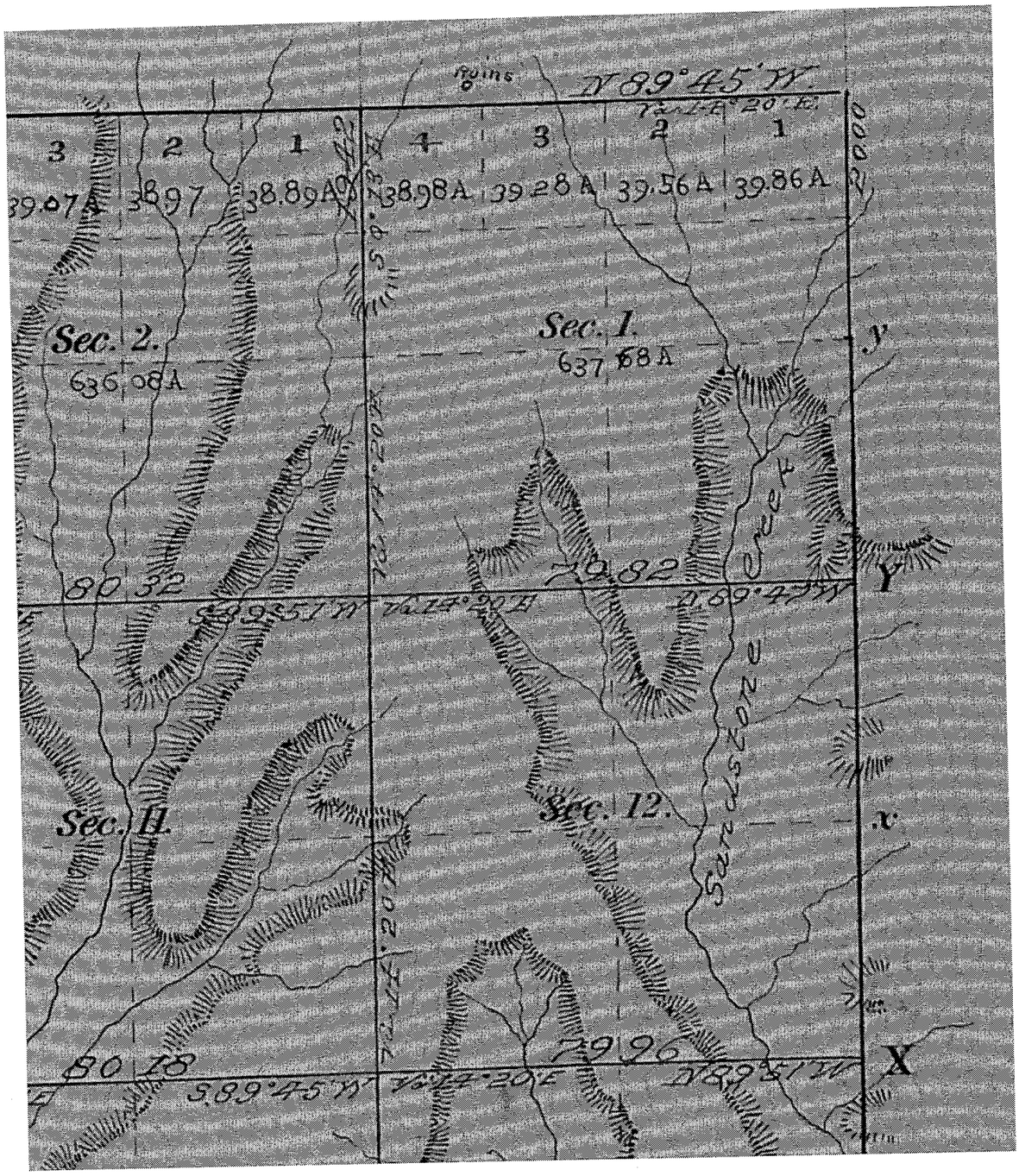
Meanders of								
Poles	Courses	Ch. Lks.	Poles	Courses	Ch. Lks.	Poles	Courses	Ch. Lks.

Surveys Designated	By Whom Surveyed	Date of Contract	Amount of Surveys M. Ch. Lk.	When Surveyed
Township lines				
Subdivisions	[illegible]	[illegible]	[illegible]	[illegible]

The above Map of Township No. 37 North of Range No. 19 West of the New Mexico Prd. Meridian in Colorado is duly conformable to the field notes of the survey thereof on file in this Office which have been examined and approved.

Surveyor Generals Office
Denver Colo. Sept. 20th 1919

Sur. Gen.


ruins
N 89° 45' W
3
2
1
4
3
2
1
39.07A
38.97
38.89A
38.98A
39.28A
39.56A
39.86A
Sec. 2.
636.08A
Sec. 1.
637.68A
80.32
79.82
Y
S 89° 45' W
N 89° 45' W
Sec. 11.
Sec. 12.
Sanascoy Creek
80.18
79.96
X
S 89° 45' W
N 89° 45' W

Durango 010000

4—1003-R.

The United States of America,

To all to whom these presents shall come, Greeting:

WHEREAS, a Certificate of the Register of the Land Office at Durango, Colorado,

has been deposited in the General Land Office, whereby it appears that, pursuant to the Act of Congress of May 20, 1862, "To Secure Homesteads to Actual Settlers on the Public Domain," and the acts supplemental thereto, the claim of

Roland R. Schneider

has been established and duly consummated, in conformity to law, for the northwest quarter and the north half of the southwest quarter of Section twelve and the east half of the southeast quarter of Section eleven in Township thirty-seven north of Range nineteen west of the New Mexico Meridian, Colorado, containing three hundred twenty acres,

according to the Official Plat of the Survey of the said Land, returned to the GENERAL LAND OFFICE by the Surveyor-General:

NOW KNOW YE, That there is, therefore, granted by the UNITED STATES unto the said claimant the tract of Land above described; TO HAVE AND TO HOLD the said tract of Land, with the appurtenances thereof, unto the said claimant and to the heirs and assigns of the said claimant forever; subject to any vested and accrued water rights for mining, agricultural, manufacturing, or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws, and decisions of courts; and there is reserved from the lands hereby granted a right of way thereon for ditches or canals constructed by the authority of the United States. This entry is made under Section 29 of the Act of February 25, 1920 (41 Stat., 437) and the patent is issued subject to the rights of prior permittees or lessees to use so much of the surface of said lands as is required for mining operations without compensation to the patentee for damages resulting from proper mining operations.

IN TESTIMONY WHEREOF, I, Calvin Coolidge,

President of the United States of America, have caused these letters to be made Patent, and the seal of the General Land Office to be hereunto affixed.

GIVEN under my hand, at the City of Washington, the THIRTIETH

(SEAL.) day of JANUARY in the year of our Lord one thousand nine hundred and TWENTY-SIX and of the Independence of the United States the one hundred and FIFTIETH

By the President: Calvin Coolidge

By Viola B. Pugh, Secretary.

M. P. LeRoy

Recorder of the General Land Office.

RECORD OF PATENTS: Patent Number 973660

TOWNSHIP NO. 37 NORTH, RANGE NO. 19 WEST OF THE NEW MEXICO PRINCIPAL MERIDIAN, COLORADO.

INDEPENDENT RESURVEY WITH TRACT SEGREGATIONS.

Resurvey authorized by General Land Office letter "E" dated June 28, 1928.
Note - Cedar and pinon cover the entire area
Total area of township = 23,535.76 Acres.
Total area of tract segregations and conformed entries = 6,656.98 Acres.
Total area exclusive of tract segregations and conformed entries = 16,878.78 Acres.

Scale: 40 Chains to an Inch.

All tract segregations shown hereon and all other claims shown to conform to the lines of the resurvey, whether by the original or new legal subdivisions, represent the position and form of said tracts under the original description as referred to the original survey, located as such on the ground according to the best available evidence of their true position.

Office of U.S. Supervisor of Surveys.
Denver, Colorado, November 23, 1932.

The above plat of Township No. 37 North, Range No. 19 West of the New Mexico Principal Meridian, Colorado, is strictly conformable to the field notes of the survey thereof which have been examined and approved.

Supervisor of Surveys

DEPARTMENT OF THE INTERIOR
GENERAL LAND OFFICE
Washington, D.C., May 27, 1933

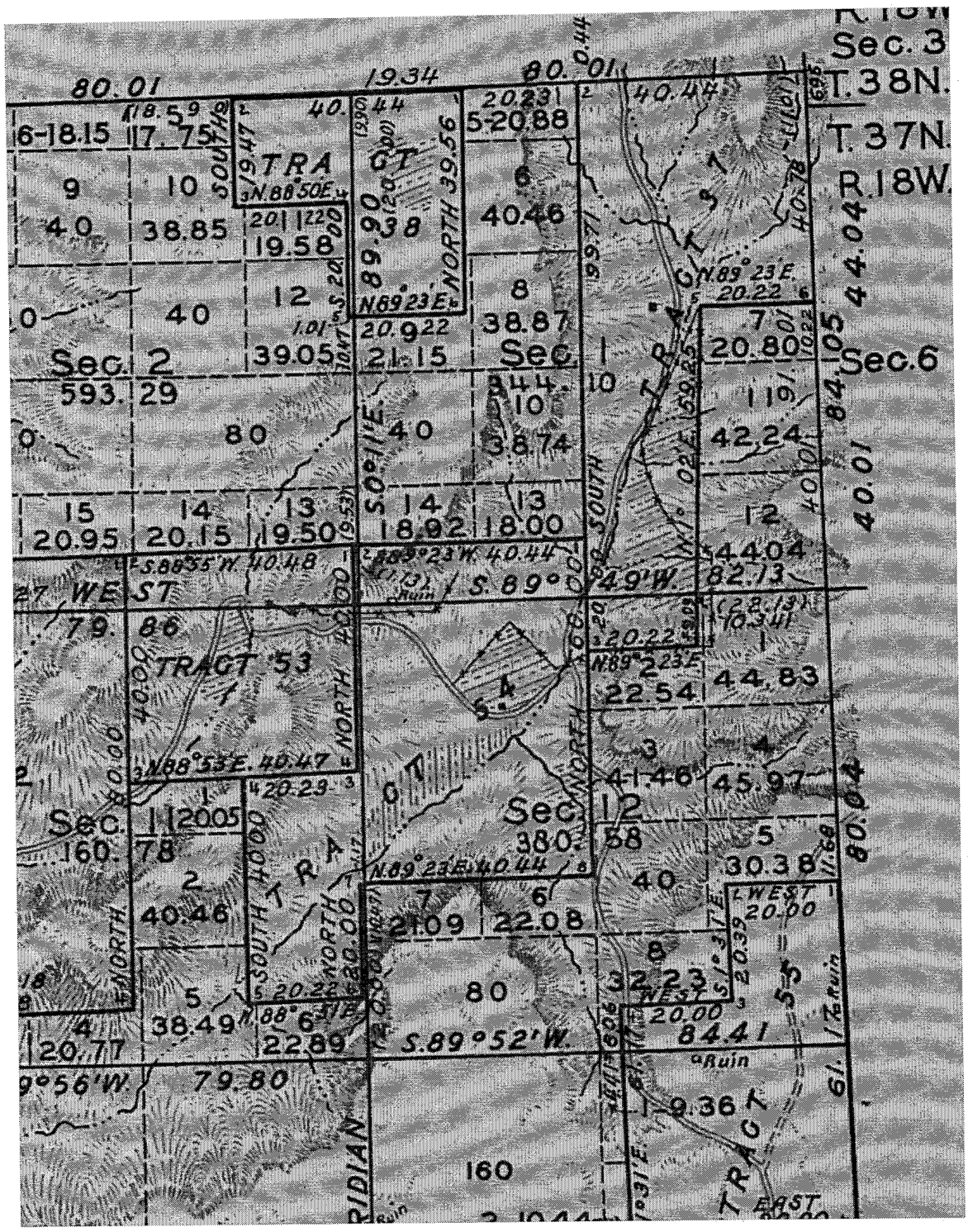
The survey represented by this plat having been correctly executed in accordance with the requirements of law and the regulations of this office, is hereby accepted.

Acting Assistant Commissioner

B.E.C. and P.D.							
Lines Designated	By Whom Surveyed	Group No.	Group Date	Mileage Mls.	Mileage Chs.	When Surveyed Begun	When Surveyed Completed
Exterior	John S. Knowles	127	Oct. 8, 1928	24	21.37	March, 1930	July 15, 1930
Subdivisional	U.S. Surveyor.			60	53.65	May 24, 1930	July 11, 1930
Notes and Bounds				57	17.25	June 4, 1930	July 22, 1930
Miscellaneous				3	76.45		

INDEX TO SEGREGATED TRACTS AND APPROPRIATED SUBDIVISIONS.

Tract No.	Tract Entry and Status	Original Survey Tp.	Rg.	Sec.	Subdivision	Appropriated Tract No.	Area	Resurvey Tp.	Rg.	Sec.	Subdivision
37	Pueblo 049844 H.E. Theodore J. Rodewald Patented	37	19	1	Lot 1						
		37	19	1	Lot 2						
		37	19	1	S½ NE¼						
		37	19	1	W½ SE¼						
		37	19	12	N½ NE¼						
38	Durango 09550, P.D.S. Theodore Rodewald, Patented	37	19	1	W½ NW¼						
		37	19	2	NE¼ NE¼						
39	Pueblo 049894 H.E. Abe Chancellor Patented	37	19	3	Lot 1						
		37	19	3	Lot 2						
		37	19	3	Lot 3						
		37	19	3	SE¼ NW¼						
		37	19	3	SW¼ NE¼						
40	Durango 09176, H.E. Pamie E. Rodman, Patented	37	19	4	Lot 2						
71	Durango 08304 H.E. Robert L. Seright Patented	37	19	4	Lot 3	A	39.99				
		37	19	4	Lot 4	B	39.98				
		37	19	4	SW¼ NW¼	C	40.00				
		37	19	4	SE¼ NW¼	D	40.00				
		37	19	4	NE¼ SW¼	E	40.00				
		37	19	4	NW¼ SW¼	F	40.00				
		37	19	4	SW¼ SW¼	G	40.00				
		37	19	4	SE¼ SW¼	H	40.00				
72	Durango 09570, P.D.S. John Q. Russell Patented	37	19	5	Lot 1						
		37	19	5	Lot 2						
		37	19	5	S½ NE¼						
73	Pueblo 049910 H.E. Henry H. Roelfs Patented	37	19	5	Lot 3						
		37	19	5	Lot 4						
		37	19	5	S½ NW¼						
		37	19	5	SW¼						
74	Durango 07162 H.E. Roy T. Deisl Patented	37	19	6	Lot 1						
		37	19	6	Lot 2						
		37	19	6	S½ NE¼						
		37	19	6	SE¼						
45	Durango 05953 H.E. Robert L. Boggan Patented	37	19	6	Lot 5						
		37	19	6	Lot 6						
		37	19	6	SE¼ NW¼						
		37	19	6	NE¼ SW¼						
49	Durango 07088 H.E. Iziva Housberry Patented	37	19	9	NE¼ NW¼	A	40.00				
		37	19	9	NW¼ NW¼	B	40.00				
		37	19	9	SW¼ NW¼	C	40.00				
		37	19	9	SE¼ NW¼	D	40.00				
		37	19	9	NE¼ SW¼	E	40.00				
		37	19	9	NW¼ SW¼	F	40.00				
		37	19	9	SW¼ SW¼	G	40.00				
		37	19	9	SE¼ SW¼	H	40.00				
50	Pueblo 051587 P.D.S. Harvey Platt Pending	37	19	9	SW¼ NE¼	A	40.00				
		37	19	9	NW¼ SE¼	B	40.00				
		37	19	9	NE¼ SE¼	C	40.00				
		37	19	9	SE¼ SE¼	D	40.00				
51	Durango 09134, P.D.S. Robert W. King, Patented	37	19	10	W½ NW¼						
		37	19	10	N½ SW¼						
52	Pueblo 049852, Stock-raising H.E. Robert W. King, Patented	37	19	10	E½						
		37	19	11	W½						
53	Durango 09549, P.D.S. Roland R. Schneider, Patented	37	19	11	NW¼						
54	Pueblo 049763, H.E. Roland R. Schneider Patented	37	19	11	E½ SE¼						
		37	19	12	NW¼						
		37	19	12	N½ SW¼						
55	Pueblo 049846, H.E. Peter J. Arnold Pending	37	19	12	SE¼ SE¼						
		37	19	13	NE¼						
		37	19	13	NW¼ SE¼						
57	Pueblo 052166, P.D.S. Cassie Smith, Pending	37	19	14	E½ NE¼						
		37	19	14	N½ SE¼						
59	Pueblo 049552 H.E. Clifford M. Alley Patented	37	19	15	NE¼ NE¼	A	40.00				
		37	19	15	NW¼ NE¼	B	40.00				
		37	19	15	SW¼ NE¼	C	40.00				
		37	19	15	SE¼ NE¼	D	40.00				
		37	19	15	NW¼ NW¼	E	40.00				
		37	19	15	SW¼ NW¼	F	40.00				
		37	19	15	Lot 1	G	40.22				
		37	19	15	Lot 2	H	40.22				
60	Pueblo 050443, P.D.S. Matthew Alley Pending	37	19	17	NW¼ SW¼	A	40.00				
		37	19	17	SW¼ SW¼	B	40.00				
		37	19	19	NW¼ NW¼	C	40.00				
		37	19	19	NE¼ NE¼	D	40.00				
62	Pueblo 052196 Hd. App. Richard L. Wallen Not yet allowed	37	19	13	SE¼ SW¼						
		37	19	13	SW¼ SE¼						
		37	19	24	W½ NE¼						
		37	19	24	E½ NW¼						
		37	19	24	NE¼ SW¼						
		37	19	24	NW¼ SE¼						
63	Durango 09324, P.D.S. Edward C. Forest, Patented	37	19	30	NE¼						
64	Durango 05186, P.D.S. Elmer Griffith, Patented	37	19	33	E½ SW¼						
		37	19	33	W½ SE¼						
65	Durango 05570, P.D.S. Roy W. Hale, Patented	37	19	35	SE¼ NE¼						
		37	19	35	E½ SE¼						
66	Pueblo 052759, P.D.S. Daniel M. Johnson, Pending	37	19	36	S½ NW¼						
		37	19	36	N½ SW¼						
67	Pueblo 052253, Hd. App. Carter Clay, Not yet allowed	37	19	36	N½ NE¼						
		37	19	36	SW¼ NE¼						
	Pueblo 049449, P.D.S. Charles L. Boulton, Patented	37	19	5	SE¼			37	19	5	S½ NE¼
								37	19	5	N½ SE¼
	Pueblo 050201 H.E. George A. Naylor Pending	37	19	7	E½ SE¼			37	19	7	SE¼ NE¼
								37	19	7	NE¼ SE¼
		37	19	8	S½ NW¼			37	19	8	W½ NW¼
		37	19	8	SW¼			37	19	8	S½ SW¼
								37	19	8	N½ SW¼
	Durango 07083, H.E. L. May Housberry Patented	37	19	8	E½			37	19	5	S½ SE¼
								37	19	8	NE¼
								37	19	8	N½ SE¼
	Durango 05985 H.E. Hugh H. Housberry Patented	37	19	17	NE¼			37	19	8	S½ SE¼
								37	19	17	N½ NE¼
		37	19	17	E½ NW¼			37	19	8	SE¼ NW¼
								37	19	17	NE¼ NW¼
		37	19	17	NE¼ SW¼			37	19	17	SE¼ NW¼
		37	19	17	NW¼ SE¼			37	19	17	SW¼ NE¼
	Durango 05246, P.D.S. Reed Onken Patented	37	19	17	S½ NW¼			37	19	17	N½ SW¼
		37	19	17	S½ SE¼			37	19	17	N½ SE¼
		37	19	20	NE¼ NW¼			37	19	17	SE¼ SW¼


Sec. 3
T. 38N.
T. 37N.
R. 18W.
Sec. 6
Sec. 2
Sec. 1
Sec. 12
TRACT 53
TRACT
S. 89° 52' W.
N. 89° 23' E.
N. 88° 50' E.
N. 88° 53' E.
S. 88° 35' W.
S. 89° 23' W.
S. 89° 00'
NORTH 39.56
SOUTH 40.00
NORTH 40.00
SOUTH 40.00
NORTH 40.00
WEST
EAST
Ruin

Land Patent Details

Accession Nr: 973660 Document Type: Serial Patent State: Colorado Issue Date: 1/30/1926 Cancelled: No

Names On Document

P SCHNEIDER, ROLAND R	
Military Rank:	---

Miscellaneous Information

Land Office:	Durango
US Reservations:	Yes
Mineral Reservations:	No
Tribe:	---
Militia:	---
State In Favor Of:	---
Authority:	May 20, 1862: Homestead EntryOriginal (12 Stat. 392)

Document Numbers

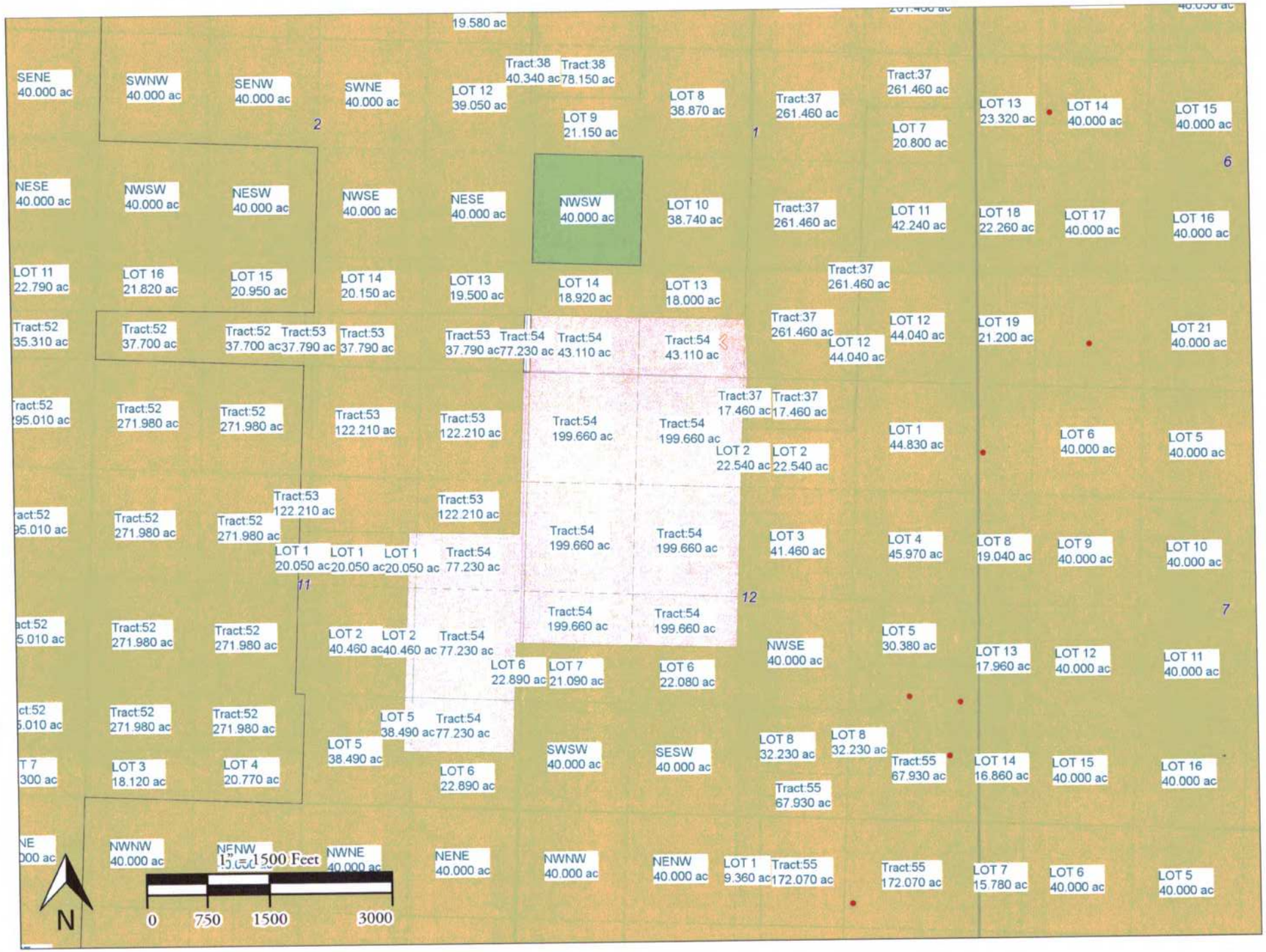
Document Nr:	010000
Misc. Doc. Nr:	0
BLM Serial Nr:	CODR 0010000
Indian Allot. Nr:	---

Survey Information

Total Acres:	320.00
Survey Date:	---
Geographic Name:	---
Metes/Bounds:	No

Land Descriptions

State	Meridian	Twp - Rng	Aliquots	Section	Survey #	County
CO	New Mexico PM	037N - 019W	Lot/Trct 54	1		Montezuma
REMARKS: SUBJECT TO RIGHTS OF PRIOR PERMITTEES OR LESSEES TO SUBSURFACE FOR MINING OPERATIONS						
CO	New Mexico PM	037N - 019W	Lot/Trct 54	11		Montezuma
REMARKS: SUBJECT TO RIGHTS OF PRIOR PERMITTEES OR LESSEES TO SUBSURFACE FOR MINING OPERATIONS						
CO	New Mexico PM	037N - 019W	Lot/Trct 54	12		Montezuma
REMARKS: SUBJECT TO RIGHTS OF PRIOR PERMITTEES OR LESSEES TO SUBSURFACE FOR MINING OPERATIONS						


SENE 40.000 ac
SWNW 40.000 ac
SENW 40.000 ac
SWNE 40.000 ac
LOT 12 39.050 ac
19.580 ac
Tract:38 40.340 ac
Tract:38 78.150 ac
LOT 9 21.150 ac
LOT 8 38.870 ac
Tract:37 261.460 ac
Tract:37 261.460 ac
LOT 7 20.800 ac
LOT 13 23.320 ac
LOT 14 40.000 ac
LOT 15 40.000 ac
2
1
6
NESE 40.000 ac
NWSW 40.000 ac
NESW 40.000 ac
NWSE 40.000 ac
NESE 40.000 ac
NWSW 40.000 ac
LOT 10 38.740 ac
Tract:37 261.460 ac
LOT 11 42.240 ac
LOT 18 22.260 ac
LOT 17 40.000 ac
LOT 16 40.000 ac
LOT 11 22.790 ac
LOT 16 21.820 ac
LOT 15 20.950 ac
LOT 14 20.150 ac
LOT 13 19.500 ac
LOT 14 18.920 ac
LOT 13 18.000 ac
Tract:37 261.460 ac
Tract:52 35.310 ac
Tract:52 37.700 ac
Tract:52 37.700 ac
Tract:53 37.790 ac
Tract:53 37.790 ac
Tract:53 37.790 ac
Tract:54 77.230 ac
Tract:54 43.110 ac
Tract:54 43.110 ac
Tract:37 261.460 ac
LOT 12 44.040 ac
LOT 12 44.040 ac
LOT 19 21.200 ac
LOT 21 40.000 ac
Tract:52 95.010 ac
Tract:52 271.980 ac
Tract:52 271.980 ac
Tract:53 122.210 ac
Tract:53 122.210 ac
Tract:54 199.660 ac
Tract:54 199.660 ac
Tract:37 17.460 ac
Tract:37 17.460 ac
LOT 2 22.540 ac
LOT 2 22.540 ac
LOT 1 44.830 ac
LOT 6 40.000 ac
LOT 5 40.000 ac
Tract:53 122.210 ac
Tract:53 122.210 ac
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Tract:52 271.980 ac
LOT 1 20.050 ac
LOT 1 20.050 ac
LOT 1 20.050 ac
Tract:54 77.230 ac
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Tract:54 199.660 ac
LOT 3 41.460 ac
LOT 4 45.970 ac
LOT 8 19.040 ac
LOT 9 40.000 ac
LOT 10 40.000 ac
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Tract:52 5.010 ac
Tract:52 271.980 ac
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Tract:54 77.230 ac
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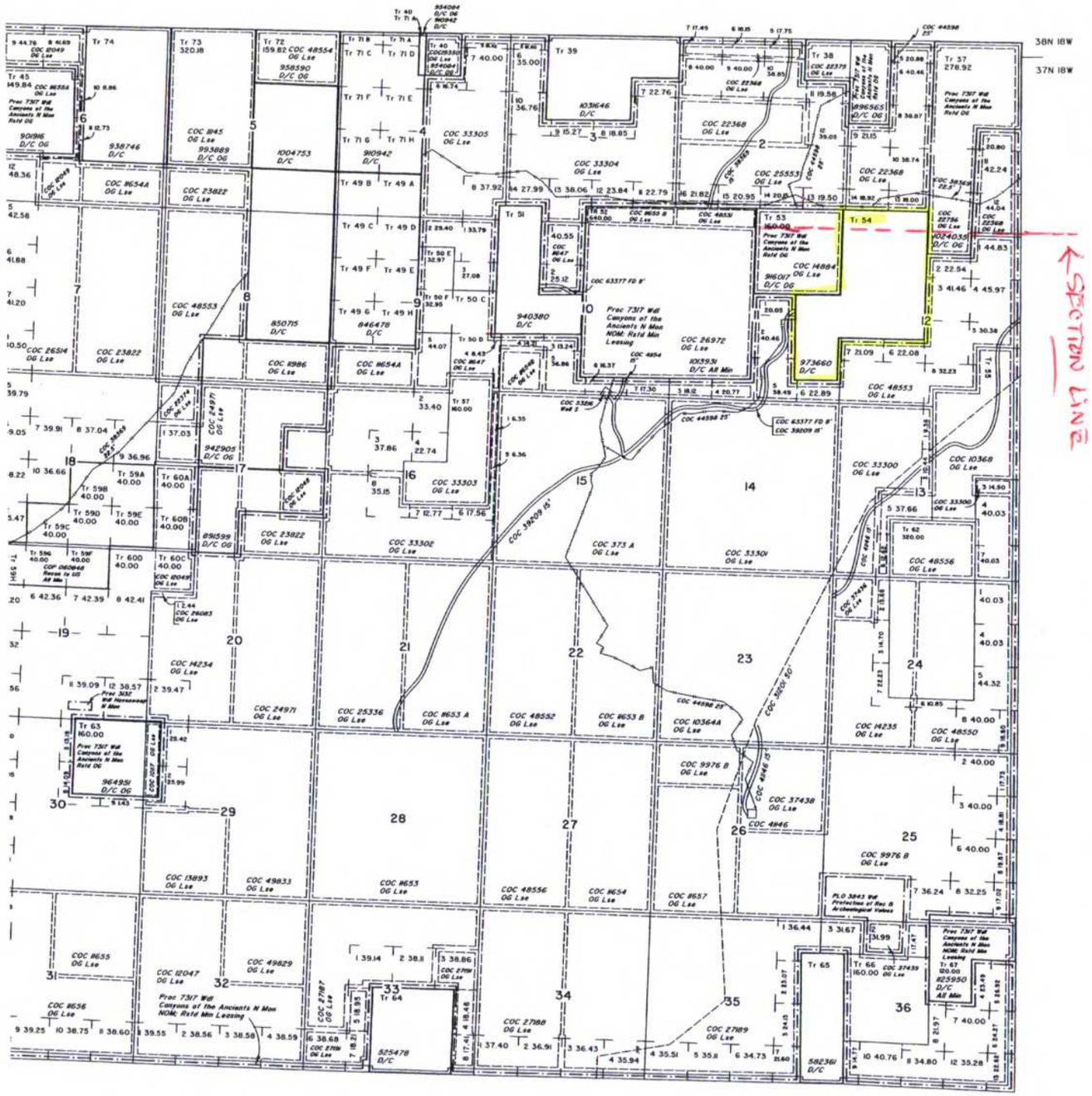
Tract:54 199.660 ac
LOT 6 22.890 ac
LOT 7 21.090 ac
LOT 6 22.080 ac
NWSE 40.000 ac
LOT 5 30.380 ac
LOT 13 17.960 ac
LOT 12 40.000 ac
LOT 11 40.000 ac
Tract:52 5.010 ac
Tract:52 271.980 ac
Tract:52 271.980 ac
LOT 5 38.490 ac
Tract:54 77.230 ac
LOT 5 38.490 ac
LOT 6 22.890 ac
SWSW 40.000 ac
SESW 40.000 ac
LOT 8 32.230 ac
LOT 8 32.230 ac
Tract:55 67.930 ac
Tract:55 67.930 ac
LOT 14 16.860 ac
LOT 15 40.000 ac
LOT 16 40.000 ac
T 7 300 ac
LOT 3 18.120 ac
LOT 4 20.770 ac
NE 000 ac
NWNW 40.000 ac
NENW 15.000 ac
NWNE 40.000 ac
NENE 40.000 ac
NWNW 40.000 ac
NENW 40.000 ac
LOT 1 9.360 ac
Tract:55 172.070 ac
Tract:55 172.070 ac
LOT 7 15.780 ac
LOT 6 40.000 ac
LOT 5 40.000 ac
N
1" = 1500 Feet
0
750
1500
3000

TOWNSHIP 37 NORTH RANGE 19 WEST OF THE NEW MEXICO PRINCIPAL MERIDIAN, COLORADO

MONTEZUMA COUNTY 083



STATUS OF PUBLIC DOMAIN
LAND AND MINERAL TITLES
AND ACQUIRED LANDS AND MINS

OG PLAT

INDEX TO SEGREGATED TRACTS				
RESURVEY	ORIGINAL SURVEY			
TRACT No	T	R	SEC	SUBDIVISION

FOR ORDERS EFFECTING DISPOSAL OR USE OF UNIDENTIFIED LANDS WITHDRAWN FOR CLASSIFICATION, MINERALS, WATER AND/OR OTHER PUBLIC PURPOSES, REFER TO INDEX OF MISCELLANEOUS DOCUMENTS

COC 028372 Determination PL 167 (Act of Cong 7/23/1955) completed 5/1/1960. All PD surface mgmt by BLM

KGS, Sand Canyon
Sec 1 thru 17: All
Sec 20 thru 29: All
Sec 31 thru 36: All

UA, McElmo Dome (Leadville)
Sec 1 thru 17: All
Sec 20 thru 29: All
Sec 31 thru 36: All

UA, Island Butte II Addition
Sec 1: All Excluding lands in Tr 54
Sec 2: Tr 38
Sec 3: Tr 37
Sec 19, 20, 21: All
Sec 22: W1/2
Sec 27: W1/2
Sec 28, 29, 30: All
Sec 31: Lots 10, 11, NE1/4, NE1/4SE1/4
Sec 32, 33: All
Sec 34: Lots 1, 2, NW1/4, N1/2SW1/4

UA, Tower (Shallow) Unit
Sec 19, 20, 21: All
Sec 22: W1/2
Sec 27: W1/2
Sec 28, 29, 30: All
Sec 31: E1/2
Sec 32, 33: All
Sec 34: W1/2

UA, Cutthroat
Sec 3, 4: All
Sec 9: E1/2
Sec 10: All
Sec 11: W1/2
Sec 15: All
Sec 22: E1/2
Sec 23: All
Sec 24: W1/2
Sec 25, 26: All
Sec 27: E1/2
Sec 34: E1/2
Sec 35, 36: All

See supplemental note sheet

SCALE

1/2 0 1/2 1

mile

WARNING STATEMENT

This plat is the Bureau's Record of Title, and should be used only as a graphic display of the township survey data. Records indicate do not reflect the changes which may have been effected by lateral accretions of stream or other bodies of water. Refer to the cadastral surveys for related survey information.

C 358i, IL Review 4/27/1976

CURRENT TO	BY
JUL 27 2010	

M DO 03
SJ RAO

NM Prin Mer
T 37 N
R 19 W

OIL, GAS, CARBON DIOXIDE AND MINERAL LEASE

BOOK 501 PAGE 136

THIS AGREEMENT made this 9th day of January 19 79 between

Donald H. Gilmore, and wife, Thelma W. Gilmore

of Drawer FF, Cortez, Colorado 81321
(Post Office Address)

herein called lessor (whether one or more) and Mobil Oil Corporation of

Nine Greenway Plaza - Suite 2700, Houston, Texas 77046 lessee

1. Lessor, in consideration of **********TEN AND NO/100********** Dollars ($ 10.00) in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee the land covered hereby for the purpose of investigating, exploring, prospecting, drilling, mining ~~including pit and strip mining~~ and operating for and producing oil, gas, sulphur, fissionable material and all other minerals (whether or not similar to those mentioned), injecting gas, water, other fluids and air into subsurface strata, establishing and utilizing facilities for the disposition of salt water, laying pipe lines, storing oil, building roads, bridges, tanks, power lines, telephone lines and any other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, together with such rights and easements in said land necessary or useful in lessee's oil, gas and mineral operations on said land and adjacent land and with the right of ingress and egress to and from said land for such purposes across any adjacent and contiguous lands of lessor by use of existing roads or otherwise. The land covered hereby (including but not limited to all of lessor's future, remainder and reversionary rights therein) herein called "said land," is located in

Montezuma County, Colorado and is described as follows:

Township 37 North, Range 19 West, NMPM:

Section 11: Tract 54, also described as the E/2 SE/4,
Section 12: Tract 54, also described as the NW/4, N/2 SW/4,

and includes not only the land specifically described above, but also all land, if any, contiguous to or adjoining said land and owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or as to which lessor has a preference right of acquisition. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of ~~[illegible]~~ five (5) years from this date (called "primary term") and as long thereafter as oil, gas, sulphur, fissionable material or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are:

(a) on oil and other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected. Lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude. Lessee may, at its option, from time to time purchase any royalty oil or liquid hydrocarbons, paying the market price therefor prevailing for the field where produced for oil or liquid hydrocarbons of like kind and quality on the date of purchase and lessee may sell any royalty oil or liquid hydrocarbons in its possession and pay lessor the price received by lessee for such oil and/or liquid hydrocarbons computed at the well;

(b) on gas and casinghead gas produced from said land:

(1) when sold or used by lessee for the extraction of gasoline or other products therefrom, one-eighth of the market value at the well of the gas so sold or used, provided that the market value shall not exceed the net amount realized by lessee from the sale of gas and extracted products, including gasoline and residue gas ("net amount realized" being defined as proceeds received by lessee from the sale less all costs and expenses incurred by lessee from the mouth of the well through sale, excluding normal field separation expense which lessee alone shall bear). In the event the gas is processed in a plant in which lessee owns an interest, lessee may include as expense amortization of its investment in pipelines, the plant and its facilities plus a reasonable rate of return thereon. The use by lessee of all or any part of the extracted products, including gasoline and residue gas, for its own account shall for the purposes hereof be deemed a sale at the market price prevailing at the plant at the time of use by lessee, provided, however, if the price of any product, gasoline or gas is regulated by any governmental agency, market price of such product, gasoline or gas for the purposes of computing royalty on such product, gasoline or gas used by lessee shall not be in excess of the price permitted by such regulations. If a refund of a portion of the proceeds derived from the sale of gas may be required under any order, rule or regulation of the Federal Power Commission or other governmental agency having jurisdiction thereof, net amount realized shall be calculated on the basis of the unsuspended and/or unconditional certificated price for such gas which lessee receives (i.e., he may hold without interest the portion of any proceeds subject to possible refund until the amount of refund, if any, is determined by final unappealable order of the Federal Power Commission or other governmental agency);

(2) when used by lessee for any purpose other than the extraction of gasoline or other products therefrom and those permitted by numbered paragraph 7, one-eighth of the market value at the mouth of the well of such gas or casinghead gas, provided, however, that lessee shall in no event be required to determine and change market value more often than once every calendar year. Changes made shall be prospective only. If the price of gas or casinghead gas is regulated by any governmental agency, the market value for the purposes of computing royalty hereunder shall not be in excess of the price permitted by such regulations;

(c) on fissionable material and all other minerals mined or marketed, one-tenth either in kind or value at the well or mine, at lessee's election, except that on sulphur mined and marketed the royalty shall be One Dollar ($1.00) per long ton; and

(d) If lessee drills a well on said land or on land pooled therewith, which well is capable of producing oil or gas in paying quantities but such well is not being produced and this lease is not being maintained otherwise as provided herein, this lease shall not terminate, whether it be during or after the primary term (unless released by lessee) and it shall nevertheless be considered that oil or gas in paying quantities is being produced from the land covered by this lease. When the lease is continued in force in this manner, lessee shall pay or tender as royalty, to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing or deposit to their credit in the depository bank as hereinafter provided a sum equal to one-twelfth of the amount of the annual rental payable in lieu of drilling operations during the primary term on the number of acres subject to this lease at the time such payment is made for each calendar month, or portion thereof, during which said well is situated on said land, or on land pooled therewith, and this lease is not otherwise maintained or this lease is not released by lessee as to the land on which or the horizon, zone, or formation in which the well is completed. The first payment of such sum shall be made on or before the first day of the calendar month after expiration of ninety (90) days from the date the lease is not otherwise maintained for all accruals to such date and thereafter on or before the first day of each third calendar month for all accruals to such date. Lessee's failure to pay or tender or to properly or timely pay or tender any such sum as royalty shall render lessee liable for the amount due but it shall not operate to terminate this lease.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one year from the date hereof, this lease shall terminate as to both parties unless on or before such date lessee shall pay or tender (or make a bona fide attempt to pay or tender) to lessor, or to the credit of lessor in [redacted] Bank at [redacted] the sum of **********[redacted]********** Dollars ($ [redacted]) (herein called "rental"), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payment or tender annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months, each during the primary term. The payment or tender of rental under this paragraph and of royalty under Paragraph 3 on any well which is not being produced, hereinafter referred to as "shut-in royalty," may be made by check or draft of lessee mailed or delivered to the parties entitled thereto or to said bank on or before the date of payment. Such bank and its successors are lessor's agent and shall continue as depository for all rental and shut-in royalty payable hereunder regardless of changes in ownership of said land, rental or shut-in royalty. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank or for any reason fail or refuse to accept rental or shut-in royalty, lessee shall not be held in default for failure to make such payment or tender of rental or shut-in royalty until thirty (30) days after the party or parties entitled thereto shall deliver to lessee a proper recordable instrument naming another bank as agent to receive such payment or tender. If lessee shall make a bona fide attempt on or before any payment date to pay or deposit rental to a party or parties entitled thereto, according to lessee's records, or to a party or parties who, prior to such attempted payment or deposit, have given lessee notice in accordance with subsequent provisions of this lease of their right to receive rental and if such payment or deposit shall be ineffective or erroneous in any regard, this lease shall not terminate but shall be maintained in the same manner as if such erroneous or ineffective rental payment or deposit had been properly made, provided that the erroneous or ineffective rental payment or deposit be corrected within thirty (30) days after receipt by lessee of written notice by such party or parties of such error accompanied by such instruments as are necessary to enable lessee to make proper payment. Failure to make proper payment or deposit of delay rental as to any interest in said land shall not affect this lease as to any interest therein as to which proper payment or deposit is made.

5. Lessee is hereby granted the right and power at any time and from time to time to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas, or any other minerals. The unit may include either oil or gas (including condensate) or any other mineral and may be limited to one or more subsurface strata. Units pooled for oil hereunder shall not exceed forty (40) acres in surface area plus a tolerance of ten percent (10%) thereof and units pooled for gas (including condensate) hereunder shall not exceed six hundred forty (640) acres in surface area plus a tolerance of ten percent (10%) thereof, provided that if any Federal or State law, Executive order, rule, or regulation shall prescribe or permit a spacing pattern for the development of the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed, permitted or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. The unit shall become effective on the date provided in the designation or, if the designation makes no such provision, it shall become effective upon the date it is filed for record. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral ownership or leasehold interest in lands within the unit which are not effectively pooled or unitized. Such units may be designated any time either before or after the completion of a well or wells or production therefrom and lessee may reduce, enlarge, modify or dissolve such unit or units at any time prior to the discovery of oil, gas or other minerals on the pooled acreage, or, after discovery of same, at any time subsequent to the cessation of production thereof, by filing a written declaration to such effect in the same county. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

6. If, prior to discovery of oil, gas or other minerals on said land or land pooled therewith, lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, gas or other minerals, the production thereof should cease from any cause, this lease shall not terminate if lessee commences reworking or additional drilling or mining operations within sixty (60) days thereafter, or if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling, mining or reworking 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 a dry hole is completed and abandoned at any time during the last fifteen (15) months of the primary term and prior to discovery of oil, gas or other mineral on said land or land pooled therewith, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other mineral is not being produced on said land or land pooled therewith but lessee is then engaged in operations for drilling, mining or reworking any well or mine thereon, this lease shall remain in force so long as drilling, mining or reworking operations are prosecuted (whether on the same or different wells or mines) with no cessation of more than sixty (60) consecutive days and, if they result in production, so long thereafter as oil, gas or other mineral 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 wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the lessee, when not fraudulently exercised, in carrying out the purposes of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, including repressuring, pressure maintenance, cycling and secondary recovery operations and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. Unless otherwise expressly provided herein, the only limitations on lessee's use of the surface (including sub-surface, air space and any materials constituting a part of the surface estate) of said land for any operations required or permitted under this lease are: (1) lessee shall conduct such operations in a non-negligent manner and (2) lessee shall not use more of the lateral surface than is reasonably necessary in connection therewith. Any additions to, changes or relocations of lessor's facilities made at lessor's request shall be at lessor's cost and expense. No well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part as to said land or any mineral or subsurface interval or any depth thereunder and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals or shut-in royalty payments payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each and default in payment by one shall not affect the rights of other leasehold owners hereunder. Any assignment shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and if lessee or assignee of part or parts hereof shall fail or make default in payment of the proportionate part of the rentals or shut-in royalty payments due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall make payment of said rentals or shut-in royalty payments. If six or more parties become entitled to royalty hereunder, lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

C 2141

9. Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant hereunder due to force majeure. The term "force majeure" as employed herein shall mean: any act of God including but not limited to storms, floods, washouts, landslides and lightning; acts of the public enemy; wars, blockades, insurrections or riots, strikes or lockouts, epidemics or quarantine regulations, laws, acts, orders or requests of federal, state, municipal or other governments or governmental officers or agents under color of authority; freight embargoes or failures; exhaustion or unavailability or delays in delivery of any product, labor, service or material. If lessee is required, ordered or directed by any Federal, State or municipal law, Executive order, rule, regulation or request enacted or promulgated under color of authority to cease drilling operations, mining operations, reworking operations or producing operations on the land covered by this lease, or if lessee by force majeure is prevented from conducting drilling operations, mining operations, reworking operations or producing operations, then until such time as such law, order, rule, regulation, request or force majeure is terminated and for a period of ninety (90) days after such termination each and every provision of this lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this lease shall continue in full force. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land and, in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that if lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid lessor shall be reduced proportionately; should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee its/his successors and assigns may at any time, and from time to time, execute and deliver to lessor or to the depository bank, or file for record a release or releases of this lease, as to any part or all of said land or any mineral or subsurface interval or any depths thereunder and thereby be relieved of all obligations as to the released land, mineral horizon, zone or formation. If this lease is released as to all minerals, horizons, zones and formations under a portion of said land, the delay rental, shut-in royalty and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

12. Other provisions hereof notwithstanding, this lease does not cover minerals other than oil, other liquid hydrocarbons (including sulphur components produced therewith), gas and their constituent elements. As used herein, the term "gas" means all gases (combustible and non-combustible), including, but not limited to, all gaseous hydrocarbons, gaseous compounds, carbon dioxide and helium.

13. Beginning with the first anniversary date of this lease next ensuing after production of oil and/or gas is obtained, for each year this lease is continued in force by production, if the total royalty paid by Lessee for such year is less than a sum equal to one dollar ($1.00) per acre for each acre on which the lease is in force at the beginning of the particular year, Lessor shall be paid the difference as additional royalty following expiration of each such year. In consideration of such additional royalty, it shall be construed that such production during the lease year for which such additional royalty is paid was in paying quantities. Payment, or tender, may be made in the same manner as provided in this lease for payment of delay rentals.

IN WITNESS WHEREOF, we sign the day and the year first above written.

SSN: [redacted]

Donald H. Gilmore

Donald H. Gilmore

SSN: [redacted]

Thelma W. Gilmore

Thelma W. Gilmore

STATE OF ~~TEXAS~~ ~~ARIZONA~~ NEW MEXICO

County of Sierra

INDIVIDUAL ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this 2nd day of ~~January~~ FEBRUARY, 19 79 by Donald H. Gilmore, and wife, Thelma W. Gilmore.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires 11-24, 19 79

Carmen Hyuck
Notary Public

STATE OF COLORADO

County of

INDIVIDUAL ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this day of, 19 by.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission expires, 19.

Notary Public

STATE OF COLORADO

County of

CORPORATION ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this day of, 19 by, partner (or agent) on behalf of, a partnership.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

Notary Public

No. C 2141 336576

OIL, GAS AND MINERAL LEASE

Donald H. Gilmore

Thelma W. Gilmore

TO

Mobil Oil Corporation

Filed for Record this the MAY 22 1979 day of A.D. 19 at 8:30 o'clock A. M.

Jean DeBraff County Clerk.

By Ed. Deputy.

Recorded A.D. 19 in County Record of Page Book

County Clerk. By Deputy.

RETURN TO
MOBIL OIL CORPORATION
TITLE RECORDS SECTION
NINE GREENWAY PLAZA
SUITE 2700
HOUSTON, TEXAS 77046

OIL, GAS, CARBON DIOXIDE AND MINERAL LEASE

BOOK 502 PAGE 655

THIS AGREEMENT made this 3rd day of January 1979 between

Edwin A. Hagerman, President of the First National Bank of Cortez, Colorado, Trustee of Roland R. Schneider Memorial Scholarship Fund, P.O. Drawer A, Cortez, Colorado 81321 (Post Office Address)

herein called lessor (whether one or more), and Mobil Oil Corporation of

Nine Greenway Plaza - Suite 2700, Houston, Texas 77046 lessee

1. Lessor, in consideration of ---Ten and No/100---------- Dollars ($ 10.00) in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee the land covered hereby for the purpose of investigating, exploring, prospecting, drilling, mining ~~(excluding pit and strip mining)~~ and operating for and producing oil, gas, sulphur, fissionable material and all other minerals (whether or not similar to those mentioned), injecting gas, waters, other fluids and air into subsurface strata, establishing and utilizing facilities for the disposition of salt water, laying pipe lines, storing oil, building roads, bridges, tanks, power lines, telephone lines and any other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, together with such rights and easements in said land necessary or useful in lessee's oil, gas and mineral operations on said land and adjacent land and with the right of ingress and egress to and from said land for such purposes across any adjacent and contiguous lands of lessor by use of existing roads or otherwise. The land covered hereby (including but not limited to all of lessor's future, remainder and reversionary rights therein), herein called "said land," is located in

Montezuma County Colorado and is described as follows

Township 37 North, Range 19 West, NMPM:

Section 11: Tract 54 (also described as E/2 SE/4)
Section 12: Tract 54 (also described as NW/4, N/2 SW/4),

and includes not only the land specifically described above but also all land, if any, contiguous to or adjoining said land and owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or as to which lessor has a preference right of acquisition. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320.00 acres, whether it actually comprises more or less.

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, gas, sulphur, fissionable material or other mineral is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are:

(a) on oil and other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected. Lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude. Lessee may, at its option, from time to time purchase any royalty oil or liquid hydrocarbons, paying the market price thereto prevailing for the field where produced for oil or liquid hydrocarbons of like kind and quality on the date of purchase and lessee may sell any royalty oil or liquid hydrocarbons in its possession and pay lessor the price received by lessee for such oil and/or liquid hydrocarbons computed at the well;

(b) on gas and casinghead gas produced from said land:

(1) when sold or used by lessee for the extraction of gasoline or other products therefrom, one-eighth of the market value at the well of the gas so sold or used, provided that the market value shall not exceed the net amount realized by lessee from the sale of gas and extracted products, including gasoline and residue gas ("net amount realized" being defined as proceeds received by lessee from the sale less all cost and expenses incurred by lessee from the mouth of the well through sale, excluding normal field separation expense which lessee alone shall bear). In the event the gas is processed in a plant in which lessee owns an interest, lessee may include as expense amortization of its investment in pipelines, the plant and its facilities plus a reasonable rate of return thereon. The use by lessee of all or any part of the extracted products, including gasoline and residue gas, for its own account, all for the purposes hereof be deemed a sale at the market price prevailing at the plant at the time of use by lessee, provided, however, if the price of any product, gasoline or gas is regulated by any governmental agency, market price of such product, gasoline or gas for the purposes of computing royalty on such product, gasoline or gas used by lessee shall not be in excess of the price permitted by such regulations. If a refund of a portion of the proceeds derived from the sale of gas may be required under any order, rule or regulation of the Federal Power Commission or other governmental agency having jurisdiction thereof, net amount realized shall be calculated on the basis of the unsuspended and/or unconditional certificated price for such gas which lessee receives. Lessee may hold without interest the portion of any proceeds subject to possible refund until the amount of refund, if any, is determined by final unappealable order of the Federal Power Commission or other governmental agency;

(2) when used by lessee for any purpose other than the extraction of gasoline or other products therefrom and those permitted by numbered paragraph 7, one-eighth of the market value at the mouth of the well of such gas or casinghead gas, provided, however, that lessee shall in no event be required to determine and change market value more often than once every calendar year. Changes made shall be prospective only. If the price of gas or casinghead gas is regulated by any governmental agency, the market value for the purposes of computing royalty hereunder shall not be in excess of the price permitted by such regulations;

(c) on fissionable material and all other minerals mined or marketed, one-tenth either in kind or value at the well or mine, at lessee's election, except that on sulphur mined and marketed the royalty shall be One Dollar ($1.00) per long ton; and

(d) If lessee drills a well on said land or on land pooled therewith, which well is capable of producing oil or gas in paying quantities but such well is not being produced and this lease is not being maintained otherwise as provided herein, this lease shall not terminate, whether it be during or after the primary term (unless released by lessee) and it shall nevertheless be considered that oil or gas in paying quantities is being produced from the land covered by this lease. When the lease is continued in force in this manner, lessee shall pay or tender as royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing or deposit to their credit in the depository bank as hereinafter provided a sum equal to one-twelfth of the amount of the annual rental payable in lieu of drilling operations during the primary term on the number of acres subject to this lease at the time such payment is made for each calendar month, or portion thereof, during which said well is situated on said land, or on land pooled therewith, and this lease is not otherwise maintained, or this lease is not released by lessee as to the land on which or the horizon, zone, or formation in which the well is completed. The first payment of such sum shall be made on or before the first day of the calendar month after expiration of ninety (90) days from the date the lease is not otherwise maintained for all accruals to such date and thereafter on or before the first day of each third calendar month for all accruals to each such date. Lessee's failure to pay or tender or to properly or timely pay or tender any such sum as royalty shall render lessee liable for the amount due but it shall not operate to terminate this lease.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one year from the date hereof, this lease shall terminate as to both parties unless on or before such date lessee shall pay or tender (or make a bona fide attempt to pay or tender) to lessor or to the credit of lessor in

First National Bank at Cortez, Colorado 81321

the sum of [redacted] Dollars ($ [redacted]) (herein called "rental"), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payment or tender annually, the commencement of drilling operations may be further deferred for successive periods of twelve (12) months, each during the primary term. The payment or tender of rental under this paragraph and of royalty under Paragraph 3 on any well which is not being produced, hereinafter referred to as "shut-in royalty," may be made by check or draft of lessee mailed or delivered to the parties entitled thereto or to said bank on or before the date of payment. Such bank and its successors are lessor's agent and shall continue as depository for all rental and shut-in royalty payable hereunder regardless of changes in ownership of said land, rental or shut-in royalty. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank or for any reason fail or refuse to accept rental or shut-in royalty, lessee shall not be held in default for failure to make such payment or tender of rental or shut-in royalty until thirty (30) days after the party or parties entitled thereto shall deliver to lessee a proper recordable instrument naming another bank as agent to receive such payment or tender. If lessee shall make a bona fide attempt on or before any payment date to pay or deposit rental to a party or parties entitled thereto, according to lessee's records, or to a party or parties who, prior to such attempted payment or deposit, have given lessee notice in accordance with subsequent provisions of this lease of their right to receive rental, and if such payment or deposit shall be ineffective or erroneous in any regard, this lease shall not terminate but shall be maintained in the same manner as if such erroneous or ineffective rental payment or deposit had been properly made, provided that the erroneous or ineffective rental payment or deposit be corrected within thirty (30) days after receipt by lessee of written notice by such party or parties of such error accompanied by such instruments as are necessary to enable lessee to make proper payment. Failure to make proper payment or deposit of delay rental as to any interest in said land shall not affect this lease as to any interest therein as to which proper payment or deposit is made.

5. Lessee is hereby granted the right and power at any time and from time to time to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas, or any other minerals. The unit may include either oil or gas (including condensate) or any other mineral and may be limited to one or more subsurface strata. Units pooled for oil hereunder shall not exceed forty (40) acres in surface area plus a tolerance of ten percent (10%) thereof and units pooled for gas (including condensate) hereunder shall not exceed six hundred forty (640) acres in surface area plus a tolerance of ten percent (10%) thereof, provided that if any Federal or State law, Executive order, rule, or regulation shall prescribe or permit a spacing pattern for the development of the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed, permitted or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. The unit shall become effective on the date provided in the designation or, if the designation makes no such provision, it shall become effective upon the date it is filed for record. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty or leasehold interests in lands within the unit which are not effectively pooled or unitized. Such units may be designated any time either before or after the completion of a well or wells or production therefrom and lessee may reduce, enlarge, modify or dissolve such unit or units at any time prior to the discovery of oil, gas or other minerals on the pooled acreage, or after discovery of same, at any time subsequent to the cessation of production thereof by filing a written declaration to such effect in the same county. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

6. If, prior to discovery of oil, gas or other minerals on said land or land pooled therewith, lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, gas or other minerals, the production thereof should cease from any cause, this lease shall not terminate if lessee commences reworking or additional drilling or mining operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling, mining or reworking 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 a dry hole is completed and abandoned at any time during the last fifteen (15) months of the primary term and prior to discovery of oil, gas or other mineral on said land or land pooled therewith, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other mineral is not being produced on said land or land pooled therewith but lessee is then engaged in operations for drilling, mining or reworking any well or mine thereon, this lease shall remain in force so long as drilling, mining or reworking operations are prosecuted (whether on the same or different wells or mines) with no cessation of more than sixty (60) consecutive days and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities shall 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 wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the lessee, when not fraudulently exercised, in carrying out the purposes of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, including repressuring, pressure maintenance, cycling and secondary recovery operations and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. Unless otherwise expressly provided herein, the only limitations on lessee's use of the surface (including sub-surface, air space and any materials constituting a part of the surface estate) of said land for any operations required or permitted under this lease are: (1) lessee shall conduct such operations in a non-negligent manner and (2) lessee shall not use more of the lateral surface than is reasonably necessary in connection therewith. Any additions to, changes or relocations of lessee's facilities made at lessor's request shall be at lessor's cost and expense. No well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part as to said land or any mineral or subsurface interval or any depth thereunder and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns. But no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals or shut-in royalty payments payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each and default in payment by one shall not affect the rights of other leasehold owners hereunder. Any assignment shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and if lessee or assignee of part or parts hereof shall fail or make default in payment of the proportionate part of the rentals or shut-in royalty payments due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall make payment of said rentals or shut-in royalty payments. If six or more parties become entitled to royalty hereunder, lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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BOOK 502 PAGE 656

9. Lessee shall not be liable for delays or failure in its performance of any agreement or covenant hereunder due to force majeure. The term "force majeure" as employed herein shall mean any act of God including but not limited to storms, floods, washouts, landslides and lightning; acts of the public enemy; wars, blockades, insurrections or riots, strikes or lockouts, epidemics or quarantine regulations, laws, acts, orders or requests of federal, state, municipal or other governments or governmental officers or agents or under color of authority; freight embargoes or failures, exhaustion or unavailability or delays in delivery of any product, labor, service or material. If lessee is required, ordered or directed by any Federal, State or municipal law, Executive order, rule, regulation or request enacted or promulgated under color of authority to cease drilling operations, mining operations, reworking operations or producing operations on the land covered by this lease, or if lessee by force majeure is prevented from conducting drilling operations, mining operations, reworking operations or producing operations, then until such time as such law, order, rule, regulation, request or force majeure is terminated and for a period of ninety (90) days after such termination each and every provision of this lease that might operate to terminate it or the estate conveyed by it shall be suspended and inoperative and this lease shall continue in full force. If any period of suspension occurs during the primary term, the time thereof shall be added to such term.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land and, in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that if lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid lessor shall be reduced proportionately, should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its his successors and assigns may at any time, and from time to time, execute and deliver to lessor or to the depository bank, or file for record a release or releases of this lease as to any part or all of said land or any mineral or subsurface interval or any depths thereunder and thereby be relieved of all obligations as to the released land, mineral horizon, zone or formation. If this lease is released as to all minerals, horizons, zones and formations under a portion of said land, the delay rental, shut-in royalty and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

12. Other provisions hereof notwithstanding, this lease does not cover minerals other than oil, other liquid hydrocarbons (including sulphur components produced therewith), gas and their constituent elements. As used herein, the term "gas" means all gases (combustible and non-combustible), including, but not limited to, all gaseous hydrocarbons, gaseous compounds, carbon dioxide and helium.

13. Beginning with the first anniversary date of this lease next ensuing after production of oil and/or gas is obtained, for each year this lease is continued in force by production, if the total royalty paid by Lessee for such year is less than a sum equal to one dollar ($1.00) per acre for each acre on which the lease is in force at the beginning of the particular year, Lessor shall be paid the difference as additional royalty following expiration of each such year. In consideration of such additional royalty, it shall be construed that such production during the lease year for which such additional royalty is paid was in paying quantities. Payment, or tender, may be made in the same manner as provided in this lease for payment of delay rentals.

IN WITNESS WHEREOF, we sign the day and the year first above written.

Edwin A. Hagerman, President of the First National Bank of Cortez, Colorado, Trustee of the Roland R. Schneider Memorial Scholarship Fund.

STATE OF COLORADO
County of MONTEZUMA

INDIVIDUAL ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this 17 day of January, 19 79 by Edwin A. Hagerman, President of the First Nat. Bank of Cortez, Colorado, Trustee of the Roland R. Schneider Memorial Scholarship Fund.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission expires 1-10, 19 80 Blanche Rucker Notary Public

STATE OF COLORADO
County of _____

INDIVIDUAL ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission expires _____, 19____ Notary Public

STATE OF COLORADO
County of _____

CORPORATION ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____, partner (or agent) on behalf of _____, a partnership.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires: _____ Notary Public

No. C2141B 337634

OIL, GAS AND MINERAL LEASE

Roland R. Schneider Memorial Scholarship Fund by Edwin A. Hagerman, Pres. 1st Nat'l Bk. Trustee

TO

Mobil Oil Corporation

Filed for Record this the 29 day of JUN 1979 A.D. 19 at 8:45 o'clock A. M. Mean DeGraff County Clerk. By Ella Deputy.

Recorded A.D. 19 County in Record of Book Page County Clerk. By Deputy.

RETURN TO
MOBIL OIL CORPORATION
TITLE RECORDS SECTION
NINE GREENWAY PLAZA
SUITE 2700
HOUSTON, TEXAS 77046

WORK COPY FOR FS

4-84
502/658
501/136

LAW OFFICES
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SUITE ONE THOUSAND
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MILAM RANDOLPH PHARO
LAURA L. PAYNE

TELEPHONE 303/861-4400
CABLE ADDRESS: POPDEN

OF COUNSEL
A. T. SMITH
JAMES W. CAMPBELL

May 29, 1981

SHUT-IN GAS ROYALTY TITLE OPINION

Mobil Oil Corporation
Nine Greenway Plaza
Suite 2700
Houston, Texas 77046

Attention: Mr. Gordon D. Loomis
Land Representative

C-2141

CO-8855 FILE BWM

37

Re: Resurvey Tract 54 in
T. 54 N., R. 19 W.
Montezuma County, Colorado
Moqui Unit Tract 84

Gentlemen:

Pursuant to your request, we have examined title to the following described lands located in Montezuma County, Colorado, for payment of shut-in gas royalty purposes, and give you our opinion thereon as follows:

DESCRIPTION

Township 37 North, Range 19 West, NMPM
Resurvey Tract 54

Containing 320.00 acres, more or less

MATERIALS EXAMINED

1. Lease Purchase Title Opinion dated January 8, 1979, prepared by this law firm, covering all the subject lands, and based in turn upon examination of an Abstract covering said lands for the period of time from inception of records to December 7, 1978, at 8:00 A.M. This Opinion was supplemented by a Supplemental Lease Purchase Title Opinion dated April 8, 1979, based upon

materials from the General Land Office Records now in the National Archives in Washington, D.C.

2. Personal examination of the records of the Clerk and Recorder of Montezuma County, Colorado, conducted by the undersigned in Cortez, Colorado, covering the subject lands for the period of time from December 7, 1978, at 8:00 A.M. to March 15, 1981, at 8:00 A.M. This examination was based entirely upon title chains furnished by Montezuma-Dolores Title Company, Cortez, Colorado, purporting to cover the subject lands for the above period of time.

3. Personal examination of the records of the Montezuma County District Court Clerk and County Treasurer, for the same period of time, insofar as these records cover the lands under examination and the owners thereof.

OWNERSHIP

Surface

Lon L. Laymon and Winifred Laymon, tenants in common	All

Oil, Gas and Other Minerals

The President of the First National Bank of Cortez, Colorado, Trustee of the Roland R. Schneider Memorial Scholarship Fund	60%
Donald H. Gilmore and Thelma W. Gilmore, joint tenants	20%
Lon L. Laymon and Winifred Laymon, as tenants in common	20%*

*See Title Comment and Requirement No. 3 from our Opinion of January 8, 1979, status which is set out below.

Oil and Gas Leasehold

Landowner's Royalty Interest

The President of the First National Bank of Cortez, Colorado, Trustee of the Roland R. Schneider Memorial Scholarship Fund	7.5%

Donald H. Gilmore and Thelma W. Gilmore, as joint tenants	2.5%

Overriding Royalty Interest

None

Working Interest

Mobil Oil Corporation	73.22075%
Shell Oil Company	4.84260%
Gulf Oil Corporation	1.33142%
Beard Oil Company	0.60523%
Unleased interest	20.00000%

SHUT-IN GAS ROYALTY PAYMENTS

No shut-in gas royalty payments are due at this time. You have advised that two carbon dioxide gas wells have been drilled on lands covered by the Moqui Unit, and were shut-in on October 26, 1978 and April 5, 1979, respectively. You have further advised that you have made application for the establishment of a participating area covering the entire Moqui Unit, but that said application has not yet been approved. At such time as the participating area is established, and subject to the Title Comments and Requirements set out below, shut-in gas royalty payments will be due and payable, commencing on the first day of the calendar month after the expiration of 90 days from the date the Lease is not otherwise maintained, to the following parties in the following amounts:

The President of the First National Bank of Cortez, Colorado, Trustee of the Roland R. Schneider Memorial Scholarship Fund	$16.00 per month
Donald H. Gilmore and Thelma W. Gilmore, as joint tenants	$ 5.84 per month

Further, at such time, such shut-in gas royalty payments will be due and payable on a monthly basis, until such time as the first shut-in gas well has been placed on production. In the interim, delay rental payments should be continued under the terms of the subject Leases.

TAXES

None delinquent.

EASEMENTS AND RIGHTS-OF-WAY GRANTED SUBSEQUENT TO OUR OPINION OF JANUARY 8, 1979

None of record.

LIENS AND ENCUMBRANCES

None of record.

OIL AND GAS LEASES

Lease No. 1

Lessor:	Edwin A. Hagerman, President of the First National Bank of Cortez, Colorado, Trustee of Roland R. Schneider Memorial Scholarship Fund
Lessee:	Mobil Oil Corporation
Date:	January 3, 1975
Term:	5 years and as long thereafter
Description:	T. 37 N., R. 19 W., NMPM Section 11: Tract 54 (also described as E/2 SE/4) Section 12: Tract 54 (also described as NW/4, N/2 SW/4) Containing 320.00 acres, more or less
Royalty:	1/8th
Delay Rentals:	$320.00 per annum
Depository Bank:	First National Bank Cortez, Colorado 81321
Lease Form:	Mobil's Form No printer specified

Lesser Interest Clause:	Yes
Entireties Clause:	No
Shut-In Gas Royalty Clause:	Yes; as printed to require monthly payment in a sum of 1/12th of the delay rentals commencing on the first day of the calendar month after the expiration of 90 days from which the Leases are not otherwise maintained for all accruals to such date and thereafter on or before the first day of each third calendar month.
Pooling or Unitization Clause:	Yes; the printed form provides for unitization of the 40/640 plus 10% type, or to conform with governmental spacing.
Special Provisions:	The Lease contains the following special provisions: Other provisions hereof notwithstanding, this lease does not cover minerals other than oil, other liquid hydrocarbons (including sulphur components produced therewith), gas and their constituent elements. As used herein, the term "gas" means all gases (combustible and non-combustible), including, but not limited to, all gaseous hydrocarbons, gaseous compounds, carbon dioxide and helium. Beginning with the first anniversary date of this lease next ensuing after production of oil and/or gas is obtained, for each year this lease is continued in force by production, if the total royalty paid by Lessee for such year is less than a sum equal to one dollar

($1.00) per acre for each acre on which the lease is in force at the beginning of the particular year, Lessor shall be paid the difference as additional royalty following expiration of each such year. In consideration of such additional royalty, it shall be construed that such production during the lease year for which such additional royalty is paid was in paying quantities. Payment, or tender, may be made in the same manner as provided in this lease for payment of delay rentals.

Recording Data: Recorded June 28, 1979, in Book 502 at page 656 of the county records. Actually 655

Lease No. 2

Lessor: Donald H. Gilmore, and wife, Thelma W. Gilmore

Lessee: Mobil Oil Corporation

Date: January 9, 1979

Description: T. 37 N., R. 19 W., NMPM
Section 11: Tract 54, also described as the E/2 SE/4
Section 12: Tract 54, also described as the NW/4, N/2 SW/4

Containing 320.00 acres, more or less

Term: 5 years and as long thereafter

Royalty: 1/8th

Delay Rentals: $320.00

Depository Bank: First National Bank
Cortez, Colorado

Lease Form:	Mobil's Form No printer specified
Lesser Interest Clause:	Yes
Entireties Clause:	No
Shut-In Gas Royalty Clause:	Yes; as printed to require monthly payment in a sum of 1/12th of the delay rentals commencing on the first of the calendar month after the expiration of 90 days from which the Leases are not otherwise maintained for all accruals to such date and thereafter on or before the first day of each third calendar month.
Pooling or Unitization Clause:	Yes; the printed form provides for unitization of the 40/640 plus 10% type, or to conform with governmental spacing.
Special Provisions:	The Lease contains the following special provisions: Other provisions hereof notwithstanding, this lease does not cover minerals other than oil, other liquid hydrocarbons (including sulphur components produced therewith), gas and their constituent elements. As used herein, the term "gas" means all gases (combustible and non-combustible), including, but not limited to, all gaseous hydrocarbons, gaseous compounds, carbon dioxide and helium. Beginning with the first anniversary date of this lease next ensuing after production of oil and/or gas is obtained, for each year this lease is continued in force by production, if the total royalty paid

by Lessee for such year is less than a sum equal to one dollar ($1.00) per acre for each acre on which the lease is in force at the beginning of the particular year, Lessor shall be paid the difference as additional royalty following expiration of each such year. In consideration of such additional royalty, it shall be construed that such production during the lease year for which such additional royalty is paid was in paying quantities. Payment, or tender, may be made in the same manner as provided in this lease for payment of delay rentals.

Recording Data: Recorded May 22, 1979, in Book 501 at page 136 of the county records.

ASSIGNMENTS OF OIL AND GAS LEASES

1. By Partial Assignment of Oil, Gas and Carbon Dioxide Leases, dated November 28, 1979, recorded January 15, 1980, in Book 510 at page 282 of the county records, Mobil Oil Corporation assigned unto Beard Oil Company an undivided 0.756532% of 100% interest in and to the subject Oil and Gas Leases. The Assignment contains a 30-day reassignment obligation.

2. By Partial Assignment of Oil, Gas and Carbon Dioxide Leases, dated November 28, 1979, recorded February 8, 1980, in Book 510 at page 955 of the county records, Mobil Oil Corporation assigned unto Gulf Oil Corporation an undivided 1.664275% of 100% interest in and to the subject Oil and Gas Leases. The Assignment contains a 30-day reassignment obligation.

3. By Partial Assignment of Oil, Gas and Carbon Dioxide Leases, dated November 28, 1979, recorded February 19, 1980, in Book 511 at page 113 of the county records, Mobil Oil Corporation assigned unto Shell Oil Company an undivided 6.053246% of 100% interest in and to the subject Oil and Gas Leases. The Assignment contains a 30-day reassignment obligation.

STATUS OF TITLE COMMENTS AND REQUIREMENTS FROM OUR OPINION OF JANUARY 8, 1979

1. Satisfied.

2. Satisfied.

3. Not satisfied from the materials examined. This Title Comment concerned the surface estate and 20% of the mineral interest which were acquired by Lon L. Laymon and Winifred Laymon by Public Trustee's Deed dated October 7, 1977, recorded October 17, 1977, in Book 484 at page 200. The period for redemption of agricultural real estate sold under foreclosure of a deed of trust in Colorado is six months [CRS 38-39-102(2)]. Because this is such a recent foreclosure and because the Abstracter has not included in the Abstract the Notice of Election and Demand for Sale, which the Certificate of Purchase recites as being recorded in Book 476 at page 257 (Reception No. 319443), the Abstracter should be requested to furnish for examination and possible further comment the following:

(i) Notice of Election and Demand, recorded in Book 476 at page 257; Satisfied

(ii) Proof of Service of Notice of Election and Demand served on Charles McComb and Mary Ellen McComb, North Routh, Cortez, Colorado, from the Records of the Public Trustee as required by CRS 38-37-113; and Satisfied.

(iii) Proof of Publication of Notice of Election and Demand as required by CRS 38-37-118. Satisfied.

Requirement: As set out above.

4. Satisfied.

5. Advisory only.

6. Satisfied.

7. This Comment concerned the rights of parties in possession, matters of survey and other matters not reflected in the materials examined.

Requirement: Not satisfied.

ADDITIONAL TITLE COMMENTS AND REQUIREMENTS

8. Your attention is invited to the fact that the undivided 20% interest in the oil, gas and other minerals underlying

the subject lands which is vested in Lon L. Laymon and Winifred Laymon, is not leased for oil and gas development purposes.

<u>Requirement</u>: If you desire complete leasehold coverage, you should obtain an Oil and Gas Lease from Lon L. Laymon and Winifred Laymon, and the same should be filed for record in Montezuma County, Colorado. This Lease should contain a provision including carbon dioxide gas within its coverage.

9. Title to the subject lands was vested in Roland R. Schneider. By Warranty Deed dated September 10, 1965, recorded September 16, 1965, in Book 351 at page 174 of the county records, Roland R. Schneider conveyed the lands to Donald H. Gilmore and Thelma W. Gilmore, as joint tenants. This Deed reserved an undivided 60% of all "oil, gas and other minerals".

Thereafter, by Warranty Deed dated April 16, 1969, recorded April 17, 1969, in Book 393 at page 49 of the county records, Donald H. Gilmore and Thelma W. Gilmore, his wife, conveyed the subject lands to Charles A. McComb and Mary Ellen McComb, as joint tenants. That Deed reserved a total of 80% of the "oil, gas and mineral estate". The surface and the remaining 20% of the mineral estate passed by Public Trustee's Deed as described in Title Comment and Requirement No. 3, above.

The above transactions raise the question as to the ownership of the carbon dioxide gas; that is, whether carbon dioxide gas is included within the term "oil, gas and other minerals". Extensive research has been conducted by this firm and others on this subject and we are not able to find any cases directly on point relating to carbon dioxide gas. Various theories have been formulated as to whether other sources are included with "oil, gas and other minerals", and the courts seem equally divided on whether or not the term is inclusive of these substances. In fact, we are aware of at least one major oil company which is active in the development of carbon dioxide gas in Colorado, which has conducted extensive in-house research on this subject, with inconclusive results.

Accordingly, it is our opinion that in order to properly and appropriately distribute shut-in gas royalty payments or rentals and proceeds of production, it will be necessary to take corrective action.

Requirement: Prior to the distribution of any shut-in gas royalty payments, you should obtain a stipulation and cross-conveyance executed by all of the owners of the surface and the "oil, gas and other minerals" underlying the lands under examination, which should specifically recite whether carbon dioxide gas is included in their ownership of the "oil, gas and other minerals", and which cross-conveys the carbon dioxide gas so as to effectuate the intention of the parties. Further, if the stipulation and cross-conveyance differs than the Ownership schedule as we have set out above, you should obtain ratifications from each of these parties as to the prior payments under the terms of the subject Leases, which ratifications should include rentals, royalty and shut-in gas royalty division orders which appropriately designate how future payments should be made. Each of said instruments should be filed for record with the Clerk and Recorder of Montezuma County, Colorado.

10. The subject Leases and lands are included within the Moqui Unit Agreement dated June 1, 1978, approved by Certification and Determination dated August 10, 1978, as Contract No. 14-08-0001-16907, and recorded October 30, 1978, in Book 495 at page 431 of the Montezuma Records. The owners of the interest covered by Oil and Gas Lease No. 1 have ratified and joined the Unit Agreement by instrument recorded in Book 502 at page 654 of the county records. However, the owners of the interest covered by Oil and Gas Lease No. 2 have not ratified the Unit Agreement.

Requirement: You should obtain from the lessors and owners of the royalty interests for Oil and Gas Lease No. 2, ratification and consent of the Unit Agreement, which should be filed for record with the Clerk and Recorder of Montezuma County, Colorado.

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11. As indicated above, you have informed us that carbon dioxide gas wells were drilled on lands covered by the Moqui Unit Agreement and that said wells were shut-in on October 26, 1978 and April 5, 1979, respectively. Both Leases Nos. 1 and 2 cover and include carbon dioxide gas.

Assuming that you are able to resolve the question as to whether carbon dioxide gas is included within the definition of "oil, gas and other minerals", and have obtained the ratification and joinder of the Unit Agreement called for above, the question is raised as to whether and when the shut-in gas royalty payments will become due and payable. For a more detailed discussion of this subject, reference is made to our Letter Opinion to you dated December 8, 1978. Applying the opinion contained in that Letter specifically to the subject Leases, and upon the assumption that all of the mineral owners agree that carbon dioxide gas is included within the definition "oil, gas and other minerals", we have set out the shut-in gas royalty payments which will be due and payable under that topic above. As noted, no shut-in gas royalty payments will be due your lessors until such time as a participating area is established, including the lands covered by the subject Leases, based upon the determination that a well drilled in the subject Unit is a Unit well. At that time, shut-in gas royalties will be due and payable as specified above, and will be payable in that amount monthly thereafter until such well is actually producing.

<u>Requirement</u>: Your records should be noted so as to immediately commence payment of shut-in gas royalties on the subject Leases in accordance with the schedule set out above, as soon as the participating area is established which covers both the Unit well and the land covered by the subject Leases.

12. We have not examined evidence of the payment of delay rentals and are not able to determine whether the same have been timely and properly paid. However, your attention is invited to the fact that until such time as shut-in gas royalty payments are commenced, delay rentals will be due and payable under the terms of the subject Leases, on or before each anniversary date therof.

<u>Requirement</u>: You should be satisfied from examination of company records that all

delay rentals necessary to maintain the subject Leases to date have been timely and properly paid; and your records should be noted so that such delay rental payments continue in the future until such time as shut-in gas royalty payments are commenced.

13. Your attention is invited to the descriptions contained under the subject Oil and Gas Leases above, although they specify the portions of Tract 54 contained in Sections 11 and 12, and although Tract 54 also extends into Section 1, the Lease also contains a "Mother Hubbard" clause which included all contiguous and adjoining land. In our opinion, this solves any description problem which might otherwise arise.

Requirement: None; advisory only.

14. Your attention is specifically invited to the fact that our examination of title to the subject lands is based upon title chains furnished by Montezuma-Dolores Title Company, and that in many instances we have found these title chains to be incomplete. Necessarily, our examination and this Opinion are limited by the materials examined.

Requirement: None; advisory only. However, unless you are willing to rely upon the completeness of these title chains, complete Abstract coverage should be obtained for further examination, clarification and verification of this Opinion.

Subject to the Title Comments and Requirements set out above, it is our opinion that shut-in gas royalty payments should be made in accordance with the directions set out under that topic of this Opinion.

Very truly yours,

POULSON, ODELL & PETERSON

Peter A. Bjork

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