



RECEPTION NO. 585528 RECORDED FEB 25 1974
8:00 O'CLOCK M. CLIFFORD D. GARVER, JR., RECORDER

GAS PROCESSING AGREEMENT

(Roundup Area - Morgan County, Colorado) BOOK 742 PAGE 341

THIS AGREEMENT made and entered into this 11th day of December, 1973, by and between HALLIBURTON RESOURCE MANAGEMENT, INC., a Delaware corporation, with principal place of business at 211 North Ervay Street, Suite 1100, Dallas, Texas (hereinafter called "CONTRACTOR") and THOMAS G. VESSELS, an individual, whose business address is 2nd Floor, 9 Flags, 180 Cook Street, Denver, Colorado 80206 (hereinafter called "OWNER").

W I T N E S S E T H:

WHEREAS, OWNER and CONTRACTOR have this date entered into an agreement (hereinafter called the "Acquisition Contract") wherein OWNER agrees to sell to CONTRACTOR and CONTRACTOR agrees to purchase from OWNER that certain gas processing plant located in Morgan County, Colorado, commonly known as the "Roundup Gas Processing Plant," together with the gas pipeline gathering system serving said gas processing plant;

WHEREAS, OWNER has acquired and assumed any and all rights and obligations of the "Seller" under that certain Gas Purchase Agreement, by and between Colorado Interstate Gas Company, as Buyer, and Pan American Petroleum Corporation, as Seller, Roundup Field, Morgan County, Colorado, dated May 1, 1968, marked for identification as Contract No. 68651, (hereinafter referred to as the "CIG Agreement"), said CIG Agreement having been recorded in the Office of the County Recorder of Morgan County, Colorado, in Book 708 at Page 361.

WHEREAS, OWNER has acquired the oil and gas leases and leasehold estates, which are committed to the CIG Agreement, reference being made to the CIG Agreement and the record thereof for a more particular description of said oil and gas leases and leasehold estates;

WHEREAS, under the CIG Agreement, OWNER is obligated to sell to said Colorado Interstate Gas Company (hereinafter referred to as "CIG") and CIG is obligated to purchase from OWNER certain gas produced from the oil and gas leases and leasehold estates committed to the CIG Agreement;

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WHEREAS, OWNER desires for CONTRACTOR to perform the following work:

1. Process in and through the Roundup Gas Processing Plant the above described gas for the extraction of liquid and liquefiable hydrocarbons and removal of foreign matter, including water vapor, as may be required to meet the specifications of the CIG Agreement;
2. Compress said gas as may be required by the CIG Agreement so as to make said gas deliverable to CIG's facilities; and
3. Furnish the necessary personnel, equipment and materials to do the foregoing.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by both parties, the parties hereby agree as follows and in accordance with the General Conditions attached hereto and made a part hereof and marked Exhibit "A":

ARTICLE I

1.1 OWNER herewith dedicates and commits to the performance of this Agreement all of its right, title and interest in and to the following:

- a. The CIG Agreement; together with the oil and gas leases and leasehold estates committed thereto;
- b. the gas sold thereunder and produced therefrom;
- c. the gas proceeds and the LPG proceeds;
- d. any and all other rights that OWNER has in said gas, either before or after said gas is produced and processed; and
- e. any other gas rights, which shall include, without limitation, the rights of the same type as are set out in a. through d. of this paragraph, that OWNER now owns or may hereafter acquire in the area described on the Exhibit "C," which is attached hereto and made a part hereof.

The gas subject to the CIG Agreement, the gas purchased and sold thereunder and the gas subject to OWNER's rights, as described in subparagraphs d. and e. of this paragraph 1.1, shall herein be collectively referred to as "the gas dedicated to this Agreement."

1.2 The gas dedicated to this Agreement includes both gas well gas and casinghead gas.

1.3 OWNER hereby represents and warrants that the CIG Agreement is a valid and subsisting agreement in full force and effect. OWNER agrees that it will not terminate, amend or modify the CIG Agreement without the written consent of CONTRACTOR.

ARTICLE II

2.1 CONTRACTOR agrees to process in and through the processing plant the gas dedicated to this Agreement, as may be necessary for the removal of the following therefrom:

- a. liquid and liquefiable hydrocarbons so that the dew point specifications set out in the CIG Agreement are complied with;
- b. foreign materials such as dirt, dust, iron particles and other similar matter; and
- c. a sufficient amount of water so that the residue gas contains no more than five (5) pounds of water per million cubic feet.

2.2 The gas dedicated to this Agreement shall not be processed by OWNER or by any other party prior to delivery to the processing plant. To this end OWNER shall operate, at its expense, the indirect oil and gas heater at the wellheads so as to prevent, insofar as possible, condensation of liquefiable hydrocarbons prior to delivery to CONTRACTOR. Moreover, any necessary separating equipment shall be the responsibility and expense of OWNER.

2.3 CONTRACTOR agrees to compress the gas dedicated to this Agreement as may be required by the CIG Agreement so as to make said gas deliverable to CIG's facilities. CONTRACTOR shall furnish the necessary personnel, material and equipment to compress said gas, which shall be operated and maintained by CONTRACTOR. Provided, however, CONTRACTOR shall in no event be required to reduce the suction pressure upstream of the processing plant below 75 psig.

2.4 Any and all equipment, material and facilities that may be constructed or used by CONTRACTOR in performing this Agreement, including without limitation the processing plant, the pipeline gathering system and gas compressors, shall remain the property of CONTRACTOR. The type, capability and amount of equipment and materials that shall be required for CONTRACTOR to perform this Agreement, shall be at the discretion of CONTRACTOR. Provided, however, in any event CONTRACTOR's

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discretion must be exercised subject to CONTRACTOR's obligation as set out below in Article III, paragraph 3.1 hereof.

ARTICLE III

3.1 The obligations of CONTRACTOR to process and compress the gas dedicated to this Agreement shall hereinafter sometimes be referred to as "Said Work." CONTRACTOR agrees to perform Said Work in a good and workmanlike manner in accordance with the general standards prevailing in the oil and gas industry.

3.2 OWNER herewith acknowledges that he is familiar with the design of said processing plant and agrees that said design will satisfy the specifications for the processed gas as set out in the CIG Agreement.

3.3 In the performance of Said Work, it is agreed that CONTRACTOR shall be an independent contractor and that OWNER will have no right of direction, supervision or control over CONTRACTOR or its employees, except in the results to be obtained. The relationship between OWNER and CONTRACTOR created by this Agreement is stated in the immediately preceding sentence. Accordingly, nothing contained in this Agreement shall be construed or interpreted so as to establish a partnership, mining partnership, agency or joint venture between OWNER and CONTRACTOR.

3.4 CONTRACTOR shall use its best efforts to increase the efficiency of the operation of the processing plant over and above the existing efficiency level. The action to be taken in attempting to increase said efficiency level shall be in the sole judgment and discretion of CONTRACTOR. Provided, however, that CONTRACTOR shall take such action as will lower the suction pressure at the compressor upstream of the processing plant to 75 psig, although CONTRACTOR shall have no obligation with respect to wellhead pressure.

3.5 Except as provided in paragraph 3.4 above, modification, expansion or additions to the processing plant, the gathering system or compression facilities, including without limitation increasing the capacity of the processing plant with respect to the volume of gas to be

processed in a given amount of time, shall be upon such terms and conditions as the OWNER and CONTRACTOR shall mutually agree to in writing. Provided, however, CONTRACTOR may decrease the processing plant capacity and compression as CONTRACTOR in its sole discretion sees fit having due regard for such factors as decreases in the expected volume of gas dedicated to this Agreement and the efficiency of the processing plant, and the components thereof, as well as compression facilities.

ARTICLE IV

4.1 CONTRACTOR agrees to deliver the residue gas to CIG for the account of OWNER as required by the CIG Agreement. Provided, however, CONTRACTOR shall not so deliver to CIG that portion of the residue gas that is reserved by OWNER under the CIG Agreement. CONTRACTOR agrees to deliver the LPG, at the plant site, in such quantities, for such prices and to such persons as may be directed by OWNER. Provided, however, it is understood and agreed that CONTRACTOR shall not be obligated to store LPG at any time in excess of a volume equivalent to the average daily output of the processing plant times a factor of six (6). As used herein the term "average daily output" shall mean the cumulative production for the previous month divided by the number thirty (30). CONTRACTOR shall periodically advise OWNER in writing, but not less than once a month, of the amount of LPG in storage.

4.2 In order to implement the provisions of paragraph 4.3 below, OWNER herewith assigns to CONTRACTOR any and all gas proceeds and any and all LPG proceeds. OWNER agrees to notify CIG and all purchasers of LPG to pay to CONTRACTOR for the account of OWNER all gas proceeds and LPG proceeds, respectively. If any such proceeds should be paid to OWNER, then OWNER agrees to deliver, immediately, such proceeds to CONTRACTOR.

4.3 The gas proceeds and the LPG proceeds that are received by CONTRACTOR shall be disbursed monthly by CONTRACTOR for the account of OWNER within ten (10) days of the receipt thereof in the following order:

Handwritten signature and initials in the bottom right corner of the page.

- a. To the extent that such taxes have not been paid by CIG, first for payment of all production (including advalorem type production taxes) gathering, delivery, sales, severance or other excise taxes or assessments upon the gas dedicated to this Agreement as produced and delivered hereunder, now in existence or authorized for collection by the State or other governmental agency or duly constituted authority, either directly or indirectly from OWNER; and
- b. Then, to CONTRACTOR as reimbursement for the payment of any and all taxes based upon the ownership, possession, use or purchase of any and all equipment and materials furnished by CONTRACTOR hereunder, including without limitation, the processing plant and any compressors;
- c. Then to CONTRACTOR for the payment of the monthly fees provided for in Article V, paragraph 5.1 hereof; and
- d. Then the balance to OWNER.

4.4 OWNER agrees and does hereby warrant for itself, its successors and assigns, that it has good title to all gas dedicated to this Agreement, free and clear of all liens, encumbrances, and claims whatsoever; that it has good right and title to sell said gas; and that it will indemnify CONTRACTOR and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, and expense arising from or out of adverse claims of any or all persons to said gas or to royalties, taxes, license fees, or charges thereon. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, CONTRACTOR may retain the gas proceeds and LPG proceeds attributable thereto up to the amount of such claim without interest until such claim has been fully determined, as security for the performance of OWNER'S obligations with respect to such claim under this Article, or until OWNER shall have furnished bond to CONTRACTOR, in an amount and with sureties satisfactory to CONTRACTOR, conditioned for the protection of CONTRACTOR with respect to such claim. In addition, if CONTRACTOR is made the party to any suit, claim, or demand in respect to the title to the gas dedicated to this Agreement, CONTRACTOR, at its option, may require OWNER to defend the same in its stead or to reimburse CONTRACTOR for all costs, fees, and other expenses incident to said defense.

4.5 OWNER agrees and warrants that the gas dedicated to this Agreement shall be used or sold for use only within the State of Colorado.

5.1 For the performance of Said Work, OWNER agrees to pay to CONTRACTOR a monthly fee. Said monthly fee shall commence with the month in which this Agreement is effective. The fee for each month shall be due and payable on the 20th of the following month. The basis for calculating said fee is set out in Article V paragraph 5.1 of the two duplicate originals of this Agreement that are being retained by OWNER and CONTRACTOR, i.e., one each. Said fee is, as a general proposition, calculated as a percentage of the net income from the processing plant. However, the specific basis for calculating said fee is omitted herewith in order to protect the confidentiality of the fee arrangement hereunder between OWNER and CONTRACTOR in as much as this duplicate original shall be placed of record in order to give third parties notice of the contents thereof.

5.2 It is understood and agreed that shrinkage will occur with respect to a given volume of gas between the processing meter and the CIG meter. It is further understood and agreed that CONTRACTOR makes no warranties or representations as to the extent of said shrinkage and CONTRACTOR shall have no liability therefor.

5.3 The monthly fee provided for above in paragraph 5.1 shall become due and payable irrespective of whether or not CIG has paid the gas proceeds to CONTRACTOR for a given month. In the event CONTRACTOR does not receive gas proceeds for a given month, CONTRACTOR shall notify OWNER in writing and within ten (10) days from the giving of said notice OWNER shall pay to CONTRACTOR said monthly fee. Late payments shall be subject to interest at the rate of 10% per annum.

5.4 Nothing contained in this Agreement shall be construed as obligating CONTRACTOR to take any action, legal or otherwise, against CIG or any purchaser of LP for the collection of gas proceeds or LPG

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proceeds, respectively, although CONTRACTOR may take such action if CONTRACTOR, in its sole discretion, so elects.

5.5 OWNER shall have no liability to CONTRACTOR in the event that CONTRACTOR does not recoup from the fees hereunder the Net Acquisition Cost or the Net Modification Cost. Similarly, OWNER shall have no liability to CONTRACTOR in the event that the processing plant is operated at a loss, although as provided below, CONTRACTOR shall have the right to terminate this agreement if in the sole opinion of CONTRACTOR said plant is or becomes uneconomical to operate.

ARTICLE VI

6.1 This Agreement shall be effective as of October 1, 1973, and shall continue until the expiration of any gas purchase agreement covering in whole or in part the oil and gas leases described in the CIG Agreement, including without limitation said CIG Agreement, or covering in whole or in part any gas dedicated to this Agreement, but in no event shall the primary term of this Agreement be less than fifteen (15) years from the effective date.

6.2 CONTRACTOR shall have the option to terminate this Agreement on the basis set out in paragraph 5.5, or upon the filing of a petition in bankruptcy affecting OWNER, or the adjudication of insolvency of OWNER or an assignment for the benefit of creditors by OWNER, or upon the death of OWNER. Said option to terminate this Agreement shall be exercised by the giving of thirty (30) days written notice by CONTRACTOR to OWNER.

ARTICLE VII

7.1 In the event that either party hereto is rendered unable, wholly or in part, by force majeure or other causes herein specified, to carry out its obligations under the Agreement, other than OWNER's obligation to make payments of amounts due hereunder for CONTRACTOR's fees as set out in Article V, paragraph 5.1 hereof, it is agreed that on such party's giving notice and reasonably full particulars of such force majeure in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure or other causes herein specified, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall so far as possible be remedied with all reasonable dispatch.

7.2 The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, act of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of the Government, either Federal or State, civil or military, civil disturbances, explosions, sabotage, malicious mischief, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, temporary failure of gas supply, inability of any party hereto to obtain necessary materials, supplies or permits, due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both Federal and State), including both civil and military, and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.

7.3 It is understood and agreed that the settlement of strikes or other labor difficulties shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of labor difficulties by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE VIII

8.1 CONTRACTOR agrees at his own expense to procure and keep in force insurance listed below and to furnish OWNER certificates evidencing such insurance. All certificates of insurance must be attested by a duly authorized representative of the Insurance Company and contain a statement that the insurance shall not be cancelled without ten (10) days written notice to OWNER. CONTRACTOR shall take out and maintain during the life of this contract such Bodily Injury Liability and Property Damage Liability Insurance as shall protect it and any subcontractor performing work covered by this Agreement from claims for damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from operations under this Agreement whether such operations be by CONTRACTOR or by any subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than:

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- a. Bodily Injury Liability Insurance, in an amount not less than \$100,000.00 for injuries, including wrongful death to any one person, and subject to the same limit for each person in an amount not less than \$300,000.00 on account of one accident.
- b. Property Damage Insurance in an amount not less than \$100,000.00 for damages on account of any one accident.

8.2 With respect to OWNER's operations in or on the property where Said Work is being performed by CONTRACTOR, OWNER agrees to carry the same insurance as set out in paragraph 8.1 above and, similarly, to furnish CONTRACTOR certificates of insurance.

ARTICLE IX

9.1 OWNER agrees that CONTRACTOR will not be liable for damage to property of OWNER arising out of or in any way resulting from the performance by CONTRACTOR of Said Work or from the equipment and materials furnished by CONTRACTOR in connection therewith, unless such damages are caused by the gross negligence or willful misconduct of CONTRACTOR, its agents, servants or employees.

9.2 OWNER agrees to indemnify and hold CONTRACTOR free and harmless from and against any and all claims for personal injury, death or property damage sustained by OWNER, its agents, servants, employees and subcontractors, arising out of or in any way resulting from any act or omission of OWNER, its agents, servants, employees and subcontractors.

ARTICLE X

10.1 This Agreement contains the entire Agreement between the parties hereto with respect to transactions contemplated herein. No modification, alteration or amendment of this Agreement shall be valid or effective unless in writing and executed by all parties hereto.

10.2 Should any clause, paragraph or article of this Agreement be held judicially to be invalid, unenforceable or void, such holding shall not have the effect of invalidating or voiding the remainder of this Agreement and the parties hereby agree that the part or parts which may be held to be invalid, unenforceable or void shall be deemed to have been stricken herefrom with the same force and effect as if they had never been included in this Agreement.

10.3 Notices permitted or required by this Agreement shall be deemed given when placed in the regular course of certified air mail, postage prepaid, addressed to CONTRACTOR at P. O. Box 1411, Dallas, Texas 75221 and to OWNER at 2nd floor, 9 Flags, 180 Cook Street, Denver, Colorado 80206.

10.4 No waiver by either party of any one or more defaults by the other party in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults whether of a like or of a different character.

10.5 This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Colorado.

10.6 In order to properly place third parties on notice of the covenants and provisions of this Agreement, OWNER agrees, that this Agreement may be placed of record in the office of the County Clerk of Morgan County, Colorado, by CONTRACTOR.

10.7 It is understood and agreed by both parties that CONTRACTOR is in the business of performing for others in exchange for compensation the kind of work that is described herein as Said Work. Accordingly, except as to the gas dedicated to this Agreement, nothing contained in this Agreement shall be construed to prohibit CONTRACTOR from performing such work for any third party in exchange for compensation with respect to gas produced from any area.

10.8 OWNER herewith assigns to CONTRACTOR any and all rights, claims and indemnities that OWNER may have against CIG under the CIG Agreement, relating to damage to any equipment or material used or furnished by CONTRACTOR in connection with this Agreement or injury to or death of employees of CONTRACTOR employed in connection with this Agreement.

10.9 A condition precedent to the performance by CONTRACTOR of the obligations contained herein to be performed by it, shall be the closing of the purchase of the processing plant and other property by CONTRACTOR pursuant to the Acquisition Contract.

EXHIBIT "A" TO
GAS PROCESSING AGREEMENT DATED DECEMBER 11, 1973
BETWEEN HALLIBURTON RESOURCE MANAGEMENT, INC. AND
THOMAS G. VESSELS, ROUNDUP GAS PROCESSING PLANT,
MORGAN COUNTY, COLORADO

GENERAL CONDITIONS

ARTICLE I

Except where the context expressly states another meaning, the following terms when used in the Gas Processing Agreement and in these General Conditions shall have the following meanings:

1.1 DAY - The term "day" shall mean a period of 24 consecutive hours beginning and ending at eight o'clock a.m. standard time at the point of purchase.

1.2 MONTH - The term "month" shall mean the period beginning at eight o'clock a.m. on the first day of the calendar month and ending at eight o'clock a.m. on the first day of the next succeeding calendar month.

1.3 YEAR - The term "year" shall mean a period of twelve consecutive months.

1.4 NET ACQUISITION COST - The term "Net Acquisition Cost" shall mean that sum of money equal to the purchase price as set out in the Acquisition Agreement minus the mutually agreed upon salvage value for the processing plant and pipeline gathering system.

1.5 NET MODIFICATION COST - The term "Net Modification Cost" shall mean that sum of money equal to the direct cost incurred by CONTRACTOR in making the modifications provided for in Article III, paragraphs 3.4 and 3.5 of the Gas Processing Agreement minus the mutually agreed upon salvage for said modifications.

1.6 GAS - The term "gas" shall mean natural gas and shall include, without limitation, gas well gas and casinghead gas.

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1.7 NATURAL GAS - The term "natural gas" shall mean hydrocarbons which at atmospheric conditions of temperature and pressure are in a gaseous phase.

1.8 GAS WELL GAS - The term "gas well gas" shall mean gas produced from a gas well, which is any well:

- a. which produces natural gas not associated with crude petroleum oil at the time of production, or
- b. which produces more than one hundred thousand (100,000) cubic feet of natural gas to each barrel of crude petroleum oil from the same producing horizon, or
- c. which produces natural gas from a formation or producing horizon productive of gas only encountered in a well bore through which crude petroleum oil also is produced through the inside of another string of casing, or
- d. classified as a gas well by the regulatory agency having jurisdiction over the subject well.

1.9 CASINGHEAD GAS - The term "casinghead gas" shall mean gas produced with oil in oil wells, the gas being taken from the well through the casinghead at the top of the well, as distinguished from gas well gas.

1.10 MCF - The term "MCF" shall mean one thousand (1,000) cubic feet, at the standard conditions set out in Article III, paragraph 3.1 of the General Conditions.

1.11 PROCESSING PLANT - The term "processing plant" shall mean the Roundup Gas Processing Plant presently located on the plant site, as hereinafter defined, Morgan County, Colorado.

1.12 PLANT SITE - The term "plant site" shall mean the real estate described in that certain surface lease dated May 8, 1968 from Ruth Midcap, Lessor, to Pan American Petroleum Corporation, Lessee, covering five acres, more or less, of land located in Morgan County, Colorado, said lease being recorded in the Office of the County Clerk of Morgan County, Colorado, in Book 707 at page 583, reference being made to said lease and the record thereof for a more particular description of said real estate.

1.13 LPG - The term "LPG" shall mean the liquid and liquefiable hydrocarbons removed from the gas dedicated to this Agreement by processing said gas through the processing plant and shall include but not be limited to liquefied propanes and butanes separately or in mixtures.

1.14 RESIDUE GAS - The term "residue gas" shall mean the gas remaining after removal of the LPG by processing the gas dedicated to this Agreement through the processing plant.

1.15 PROCESSING METER - The term "processing meter" is the meter or meters through which the gas dedicated to this Agreement shall be measured before said gas is processed by CONTRACTOR as provided in this Agreement.

1.16 CIG METER - The term "CIG meter" is the meter through which the residue gas that is sold to CIG shall be measured upon delivery to CIG as provided in the CIG Agreement.

1.17 GAS PROCEEDS - The term "gas proceeds" shall mean proceeds from the sale of the residue gas to CIG under the CIG Agreement.

1.18 LPG PROCEEDS - The term "LPG proceeds" shall mean the proceeds from the sale of LPG.

1.19 WELL - The term "well" shall mean any hole drilled and created in a single reservoir or in multiple reservoirs, which is carried on the production schedule or records of the regulatory agency having jurisdiction over the production of the well. For the purposes of this Agreement, each single completion shall be considered as a well.

ARTICLE II

2.1 CONTRACTOR will install, maintain, and operate at its own expense, the processing meter or meters for the accurate measurement of the gas. All meters shall be equipped with recording devices. An orifice meter or meters shall be installed and shall be operated in accordance with the specifications prescribed in Gas Measurement Committee Report Number 3, dated April 1955, including the Appendix thereto, of the American Gas Association. CONTRACTOR will cause said meter or meters to be read at regular periods which are consistent with accurate measurement. OWNER shall have access to the measuring equipment at all reasonable times, but the reading, calibrating and adjusting thereof, and the changing of charts shall be done only by the employees or agents of CONTRACTOR.

2.2 At least once each three months CONTRACTOR shall calibrate its measuring equipment and, if installed, temperature recorders in the presence of representatives of OWNER, if OWNER chooses to be represented, and the parties shall jointly observe any adjustments which are made in the measuring equipment should such adjustments be necessary.

If either party at any time desires a special test of any measuring equipment, it will promptly notify the other party, and the parties will then cooperate to secure an immediate calibration test and a joint observation of any adjustments, at the expense of the party making such request, and the measuring equipment shall then be adjusted to accuracy.

2.3 CONTRACTOR shall give to OWNER notice of the time of all regular tests of measuring equipment and other tests called for herein sufficiently in advance of the holding of tests so that OWNER may conveniently have its representative present. If, upon any test, any measuring equipment is found to be inaccurate by 2 percent or more, registrations thereof shall be corrected at the rate of such inaccuracy for any period which is definitely known and agreed upon, but in case the period is not definitely known and agreed upon, then for a period extending back one-half of the time elapsed since the last date of calibration. Following any test, measuring equipment found inaccurate shall immediately be restored as closely as possible to a condition of accuracy. If for any reason measuring equipment is out of service and/or out of repair so that the amount of gas delivered cannot be ascertained or computed from the reading thereof, the gas delivered during the period such measuring equipment is out of service and/or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

- a. By correcting the error, if the percentage of error is ascertainable by calibration, test, or mathematical calculation.
- b. By using the registration of any check measuring equipment, if installed and accurately registering.
- c. By estimating the quantity of delivery by deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

2.4 OWNER may, at its option and expense, install and operate check meters to check CONTRACTORS measuring equipment, but measurements of gas for the purpose of the Agreement shall be by CONTRACTORS measuring equipment only, except in cases herein specifically provided to the

contrary. Check meters shall be subject at all reasonable times to inspection or examination by CONTRACTOR, but the reading, calibration and adjustment thereof, and changing of charts shall be done only by OWNER.

2.5 CONTRACTOR, upon request, shall furnish to OWNER at the earliest practicable time all charts upon which CONTRACTOR has based the statement of gas measured through the processing meter. OWNER shall return to CONTRACTOR all charts after a 30-day period. OWNER shall have access to CONTRACTOR's records and books at all reasonable hours so far as they affect measurement and settlement for the gas dedicated to this agreement.

2.6 CONTRACTOR shall furnish OWNER a statement of all gas measured through the processing meter; the residue gas sold to CIG; the residue gas returned to the leases covered by the respective gas Purchase Agreements; the LPG sold; the gas and LPG proceeds received and the disbursement of said proceeds. In the event an error or errors are discovered in said statement, such error shall be adjusted within 30 days of determination thereof, provided that claim therefor shall have been made within 12 months from the date of such statement. Said statement shall be furnished for such transactions for each month during the term of this Agreement and shall be furnished by the end of the following month:

ARTICLE III

3.1 The unit of measurement for gas through the processing meter shall be 1,000 cubic feet (MCF) of gas at a base temperature of 60 degrees Fahrenheit and at a base pressure of 14.65 pounds per square inch absolute. Unless otherwise stated, all quantities given herein are in terms of such unit.

3.2 An Orifice meter or its equivalent shall be used for the processing meter. The volumes of gas measured through said meter shall be computed in accordance with the specifications published April 1965, as Gas Measurement Committee Report Number 3 of the American Gas Association. Factors required in the computations to be made in accordance with said Report Number 3 shall be determined from the following information:

- a. The temperature of the gas flowing through the meter is assumed to be 60 degrees Fahrenheit; provided, however, if it is indicated that a significant volume change would result from the use of recording thermometers, then and in that event CONTRACTOR shall install recording thermometers to properly record the temperature of the flowing gas. In the event recording thermometers are installed, the arithmetical average of the temperatures so recorded during the time gas was flowing shall be used in computing measurements.
- b. Upon the OWNER'S reasonable request, such requests not to be at intervals more frequent than every six months, unless reason exists otherwise for more frequent intervals, the specific gravity of the gas shall be determined. The regular test shall determine the specific gravity to be used in computations in the measurement of gas deliveries until the next regular test, or until changed by special test. In the event the specific gravity has not been determined, then the specific gravity shall be .6.
- c. The Reynolds Number, Manometer Factor, and Expansion Factor are assumed to be one (1) irrespective of the actual values of these factors.

ARTICLE IV

4.1 THE CIG AGREEMENT - The term "CIG Agreement" as used in both the Gas Processing Agreement and these General Conditions shall include any and all amendments to said CIG Agreement, including without limitation amendments affecting the price to be paid by CIG for the gas purchased thereunder.

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EXHIBIT "C" TO
GAS PROCESSING AGREEMENT DATED DECEMBER 11, 1973
BETWEEN HALLIBURTON RESOURCE MANAGEMENT, INC. AND
THOMAS G. VESSELS, ROUNDUP GAS PROCESSING PLANT,
MORGAN COUNTY, COLORADO

The area contained within a six (6) mile radius of the present location of the Roundup Gas Processing Plant, i.e., Section 27, T2N, R60W, Morgan County, Colorado.

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