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Facility ID 120179

B 1204 REC 02150067 08/02/88 13:50 \$36.00 1/012  
F 0966 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, COLEASE AGREEMENT

This Agreement made and entered into this 30th day of July, 1988, by and between Roy Dwayne Shepperd, whose address is 23 Raymer Avenue, New Raymer, Weld County, Colorado 80742, and Dorothy W. Shepperd, whose address is 411 South West Street, Fort Morgan, Morgan County, Colorado 80701, hereinafter collectively referred to as "Lessor," and Associated Natural Gas, Inc., a Colorado corporation, whose address is 1401 Seventeenth Street, Suite 600, Denver, Colorado 80202, hereinafter referred to as "Lessee."

## W I T N E S S E T H T H A T:

WHEREAS, Lessor is the owner of the real property described below and on Exhibit A attached hereto and desires to lease said real property to Lessee for business purposes as defined herein; and,

WHEREAS, Lessee desires to lease the real property described below, hereinafter referred to as the "Leased Premises," for the purposes of constructing, operating and maintaining a natural gas processing plant, together with such other materials, pipelines, equipment or apparatus deemed necessary by Lessee for the efficient operation thereof;

NOW, THEREFORE, for and in consideration of Five Thousand and 00/100 Dollars (\$5,000.00) cash in hand paid, the mutual covenants and promises herein contained, the parties hereto agree as follows:

1. LEASED PREMISES

- 1.1 Subject to the provisions hereof, Lessor hereby leases to Lessee the real property described on Exhibit A hereto which is incorporated herein by reference, together with all improvements located and constructed thereon, hereafter referred to as the "Leased Premises."
- 1.2 This Lease Agreement constitutes and evidences the lease by Lessor to Lessee of surface rights only and shall in no way be construed or imply a conveyance of any mineral rights or water rights held by Lessor underlying the Leased Premises.
- 1.3 Compressor Site Agreement. The Leases Premises includes lands heretofore conveyed to Lessee by Lessor pursuant to that certain Compressor Site Contract dated June 16, 1988 and recorded in Weld County records in Book No. 1203 at Reception No. 02148778. Notwithstanding anything to the contrary herein, this Lease Agreement shall not in any way limit Lessee's rights under the Compressor Site Contract (nor the

duration of same), and Lessee shall be permitted to utilize the lands encompassed by the Compressor Site Contract for any purpose permitted by this Lease Agreement. The Compressor Site Contract and this Lease Agreement shall not be deemed merged due to the parties' execution of this Lease Agreement.

2. PURPOSE

2.1 Lessee intends to utilize the Leased Premises to construct, operate, expand and maintain natural gas processing facilities in connection with Lessee's purchase, transmission, processing, fractionation and resale of natural gas and natural gas liquids to be carried on in the geographic area in which the Leased Premises is located, with an easement for ingress and egress to said processing facilities by Lessee's trucks and trailers and parking of the same, together with such other materials, equipment or apparatus deemed necessary by the Lessee for the proper conduct of its business, hereinafter referred in the aggregate as the "facilities."

2.2 Lessee shall have the right to make any and all improvements deemed necessary upon the Leased Premises, including, without limitation, construction and installation of such buildings, improvements, equipment, fixtures, machinery and installations on the Leased Premises as may be necessary or convenient in accomplishing the purposes of this Lease. All such improvements constructed or installed by Lessee on said Leased Premises shall remain the property of Lessee and may be removed by Lessee as provided herein.

3. UPKEEP OF PREMISES AND UTILITIES

3.1 Lessee agrees, at its expense, to maintain the Leased Premises and Lessee's facilities thereon in good condition and free from spilled hydrocarbons and debris or any other condition which may be hazardous to the operation of the facilities.

3.2 If Lessee desires to obtain any utility connections on the Leased Premises, Lessee agrees to pay all connection and meter fees as well as costs for any extension and/or maintenance of the lines. Lessor expressly authorizes Lessee to grant utility easements over or within portions of the leased premises to serve the leased premises during the lease term without the joinder of Lessor.

4. TERM

- 4.1 Subject to the provisions hereof, the Primary Term of this Lease shall be for a period of ten (10) years, commencing on August 1, 1988 and terminating July 31, 1998.
- 4.2 At Lessee's sole option, upon termination of the Primary Term or any successive Renewal Term (defined below), this Lease shall be renewable for successive Renewal Terms of ten (10) years each.
- 4.3 Lessee's option to extend this Lease for successive Renewal Terms shall be exercised by Lessee's providing Lessor with notice of such exercise at least thirty (30) days prior to the end of the Primary Term or any Renewal Term.

5. RENTAL

- 5.1 Lessee shall pay to Lessor as rent hereunder for the Primary Term hereof the sum of Three Hundred and 00/100 Dollars (\$300.00) per year, the first payment of which shall be due on the date of all parties' execution of this Lease Agreement, and subsequent payments due on the anniversary date of same. The annual rent for each Renewal Term shall be established by adjusting the previous term's rent (Primary or Renewal, as applicable) by the change in the Price Index (or successor index) during such previous term, and shall be due and payable upon commencement of the applicable Renewal Term and anniversary dates thereof. The Price Index shall mean the Price Index for rental of commercial property, as prepared and published by the United States Department of Labor in its publication "The Consumer Price Index For All Urban Consumers."

6. COMPLIANCE WITH GOVERNMENTAL AND ENVIRONMENTAL REQUIREMENTS

- 6.1 Lessee's operations and facilities on the Leased Premises shall comply with all federal, state and other governmental requirements, including but not limited to statutes, rules and regulations pertaining to safety, health and environmental protection, including county and subdivision covenants.
- 6.2 Lessee shall comply with all governmental laws, ordinances and regulations applicable to the Leased Premises, and shall promptly comply with all governmental orders and directives for correction, prevention and abatement of nuisances or prohibitive

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acts on the Leased Premises, or connected therewith,  
all at Lessee's expense.

**7. TAXES**

7.1 Lessor shall pay promptly when due all real property taxes levied against the Leased Premises, subject to the limitations set out below.

7.2 Lessee shall pay promptly when due any use or occupation tax, license or permit fee that may be payable because of Lessee's use of or operations on the Leased Premises, as well as any personal property taxes assessed against any personal property and/or fixtures placed upon the Leased Premises by Lessee.

In the event city, county or state property taxes levied against the Leased Premises are increased and such increases are attributable to Lessee's construction and operation of the facilities thereon, Lessee shall pay Lessor all such tax increases as they apply to the Leased Premises within thirty (30) days of receipt of invoice therefor from Lessor, with all supporting documentation. In the event such tax increases are assessed for a tax year extending beyond the term of this Lease, Lessee shall pay its proportionate share of such increases for the portion of said year during which Lessee occupied and utilized said Lease Premises.

**8. WARRANTY OF TITLE AND SUBROGATION**

8.1 Lessor warrants title to the Leased Premises and will defend the same against all persons, and agrees that Lessee shall have the right at any time to redeem on behalf of Lessor, by payment thereof, any debt, taxes or other liens thereon in the event of default by Lessor and be subrogated to the rights of the holder thereof and may deduct any such payments from subsequent rentals, or enforce any other rights and remedies afforded by Law.

**9. DEFAULT**

9.1 If Lessee uses the Leased Premises for illegal or unlawful purposes, is adjudged a bankrupt or files a petition in bankruptcy, or if Lessee defaults in the performance or observance of any of the terms, covenants and stipulations hereof, and if such failure or default shall continue for a period of thirty (30) days after written notice thereof by Lessor to Lessee, then and in such event, Lessor shall have the right to

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pursue such legal remedies as may be available to protect Lessor's rights and the Leased Premises.

- 9.2 In the event Lessor fails to comply with or perform in accordance with the terms, covenants and stipulations contained herein, such failure shall constitute an event of default on the part of Lessor.

10. SURRENDER OF LEASED PREMISES

- 10.1 Upon termination of this Lease, Lessee shall surrender the Leased Premises to Lessor peaceably in as good condition as when received by Lessee, usual wear and tear excepted. If Lessee regrades the site for purposes of its operations on the Leased Premises, Lessee shall not be required to restore the site to its previous contours at termination. Lessee shall remove the personal property, fixtures or other improvements placed or constructed on Leased Premises by Lessee, as provided herein, within one hundred eighty (180) days from the effective date of such termination.

- 10.2 In the event Lessee abandons the Leased Premises for a period of twelve (12) consecutive months, this Agreement shall be deemed terminated and Lessee shall be required to take those actions required above regarding surrender of the Leased Premises upon termination.

11. INSURANCE AND INDEMNIFICATION

- 11.1 Lessee, during the base term hereof and any renewals or extensions thereto, shall obtain and maintain in force and effect adequate property and personal liability insurance coverage relating to its operations to be carried out upon the Leased Premises.
- 11.2 Lessor shall not be liable either to Lessee or to Lessee's employees, agents or invitees, or to any other person whomsoever, for any death, injury to person or damage to property on or about the Leased Premises when caused solely by Lessee's use and occupation thereof and activities thereon; and Lessee shall and hereby does agree to indemnify, save and hold harmless Lessor of and from any and all claims, demands, actions or causes of action of whatsoever kind stemming from or arising out of Lessee's use and occupation of and activities carried out upon the Leased Premises.

12. OTHER PROVISIONS

12.1 Fences. Lessee will fence that portion of the Leased Premises enclosing Lessee's facilities. Any fence constructed by Lessee shall be of good and sufficient character capable of turning livestock of ordinary disposition, and Lessee will maintain such fence in a good state of repair during the lease term. Lessor reserves the right on termination of this Lease to require Lessee to tear down any fence so constructed or retaining the same for Lessor's future use and benefit.

12.2 Force Majeure. It is expressly understood and agreed that if the curing of any default (other than the failure to pay rent) or the performance of any other covenant, agreement, obligation or undertaking herein contained is delayed by reason of war, civil commotion, act of God, governmental restrictions, regulations or interference, fire or other casualty, or any circumstance beyond Lessee's control or beyond the control of the party obligated or permitted under the terms hereof to do or perform the same, regardless of whether any such circumstances similar to any of those enumerated or not, each such party shall be excused from doing or performing the same during such period of delay.

12.3 Water Supply.

- a) Lessor shall supply Lessee with Lessee's water requirements for the Leased Premises at an average rate of three (3) gallons per minute.
- b) Lessor shall provide the well, pump, motor, electricity, and all other fittings and appurtenances necessary to supply water to Lessee, including a water tap (the "Tap"), all of which shall be located at Lessor's existing well (the "Well"), located on Lessor's contiguous tract to the Leased Premises. Lessee shall construct the necessary pipeline from the Tap to bring water to the Leased Premises. It is the intent of the parties that Lessee shall not be required to provide any facilities to provide water delivery to the Leased Premises, except for construction of the aforesaid pipe.
- c) Water shall be delivered to Lessee at the Tap at a pressure of between 30 and 60 psig.

- d) Lessor hereby grants and conveys unto Lessee an easement (the "Easement") to construct, own, operate, maintain, repair and replace a pipeline from the Tap to the Leased Premises, which Easement shall be nonexclusive. Lessee agrees to bury its pipeline below plow depth. The Easement's location shall provide as direct a route as possible to the Leased Premises, and shall be established by reasonable, mutual agreement of the parties, without further consideration.
- e) Lessor represents and warrants that it has water available to supply to Lessee under the terms of this Agreement. The provisions of this Section 12.3 shall be a covenant running with Lessor's land upon which the Well and the Easement are located.
- f) If Lessor is prevented from supplying water to Lessee as set forth in this Section 12.3 due to governmental action or otherwise, notwithstanding anything to the contrary herein, Lessee shall have the right to apply for and drill a well to provide water to the Leased Premises, based on the acreage of the Leased Premises. Upon termination of this Lease Agreement, the water rights corresponding to the Leased Premises' acreage shall become the property of Lessor.

12.4 Right of First Refusal. If Lessor elects to convey the Leased Premises, or any interest therein, during the term of this Lease Agreement, Lessor agrees to give Lessee the right to purchase the Leased Premises (or interest therein) upon the same terms and conditions as offered by a third party in a bona fide offer, which option shall be exercised as follows: Lessor shall provide Lessee prompt notice of such bona fide third-party offer to purchase the Leased Premises (or interest therein) with full particulars, whereupon Lessee shall have thirty (30) days to notify Lessor whether Lessee agrees to match the terms of said third-party offer. Lessor shall not convey the Leased Premises (or interest therein) to any third party except pursuant to this Section 12.4, or on terms more favorable to such third party than as disclosed in Lessor's notice to Lessee.

13. ENTIRE AGREEMENT

13.1 This Lease Agreement constitutes the entire agreement between the parties and no amendments, additions,

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deletions, or modifications may be made thereto except as mutually agreed upon in writing between the parties hereto.

- 13.2 The terms, conditions and covenants contained herein shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, executors, successors and assigns.

14. NOTICES

- 14.1 All notices required or permitted to be given hereunder shall be deemed properly given upon delivering the same to the party to be notified, or upon mailing the notice by registered or certified mail, return receipt requested, to the party to be notified at such party's address set forth below, or to such other address as the party to be notified may have designated prior thereto by written notice to the other:

LESSOR:  
Roy Dwayne Shepperd  
23 Raymer Avenue  
New Raymer, Colorado 80742

and to:

Dorothy W. Shepperd  
411 South West Street  
Fort Morgan, Colorado 80701

LESSEE:  
Associated Natural Gas, Inc.  
1401 Seventeenth Street, Suite 600  
Denver, Colorado 80202  
Attn: J. Roger Grace

15. CONSTRUCTION OF AGREEMENT

- 15.1 This Agreement shall be construed and governed by the laws of the State of Colorado.

IN WITNESS WHEREOF, this instrument has been executed by the parties hereto as of the day and year first above written.

LESSOR:

  
ROY DWAYNE SHEPPERD

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LESSOR:

Dorothy W. Shepperd  
DOROTHY W. SHEPPERD

ATTEST:

SEAL

Erik B. Carlson  
ERIK B. CARLSON, SECRETARY

LESSEE:

ASSOCIATED NATURAL GAS, INC., A  
COLORADO CORPORATION

BY:

J. C. deGRAFFENRIED  
J. C. deGRAFFENRIED, PRESIDENT

STATE OF COLORADO)  
MORGAN ) ss:  
COUNTY OF WELD )

Before me, Susan J. Miller, a Notary Public in and for  
said County and State, on this 30th day of July, 1988,  
personally appeared Roy Dwayne Shepperd, known to me to be the  
individual stated above and acknowledged to me that he executed  
this Lease Agreement for the considerations and purposes therein  
set forth.

Given under my hand and seal of office this 30th day of July,

Susan J. Miller  
NOTARY PUBLIC

My COMMISSION EXPIRES:  
2/2/91

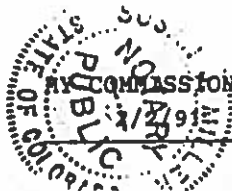
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STATE OF COLORADO )  
 ) ss:  
COUNTY OF MORGAN )

Before me, Susan J. Miller, a Notary Public in and for said County and State, on this 30th day of July, 1988, personally appeared Dorothy W. Shepperd, known to me to be the individual stated above and acknowledged to me that he executed this Lease Agreement for the considerations and purposes therein set forth.

Given under my hand and seal of office this 30th day of July, 1988.

Susan J. Miller  
NOTARY PUBLIC



MY COMMISSION EXPIRES: \_\_\_\_\_

STATE OF COLORADO )  
 ) ss:  
CITY AND COUNTY OF DENVER )

Before me, Yvette A. Greenberg, a Notary Public in and for said County and State, on this 30th day of July, 1988, personally appeared J. C. deGraffenried and Erik B. Carlson, known to me to be the President and Secretary, respectively, of Associated Natural Gas, Inc., a Colorado corporation, on behalf of said corporation and acknowledged to me that they executed this Guaranty for the considerations and purposes therein set forth.

Given under my hand and seal of office this 30th day of July, 1988.

Yvette A. Greenberg  
NOTARY PUBLIC



MY COMMISSION EXPIRES: \_\_\_\_\_

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F 0976 MARY ANN FEUERSTEIN CLERK & RECORDER WELD CO, CO

EXHIBIT "A"

LEGAL DESCRIPTION

A parcel of land being part of the Northwest Quarter (NW1/4) of Section Eight (8), Township Seven (7) North, Range Fifty-eighth (58) West of the Sixth Principal Meridian (6th P.M.), Weld County, Colorado, and being more particularly described as follows:

BEGINNING at the Northwest Corner (NW Cor) of said Section 8 and assuming the West line of said NW1/4 as bearing South 00°23'35" West as indicated on deed recorded June 24, 1983 in Book 1000 under Reception Number 01931378 of the records of the Weld County Clerk and Recorders:

Thence South 00°23'35" West along said West line, 110.1 feet to the TRUE POINT OF BEGINNING:

Thence along the Southerly Right-of-Way (ROW) line of the Colorado Department of Highways by the following three (3) courses and distances

South 87°18'15" East, 30.0 feet

North 46°32'40" East, 69.3 feet

South 87°18'15" East, 369.54 feet

Thence South 00°23'35" West, 481.95 feet;


Thence North 89°36'25" West, 449.20 feet to a point on the West line of said NW1/4;

Thence North 00°23'35" East along said West line, 450.00 feet to the TRUE POINT OF BEGINNING.

Said described parcel of land contains 4.000 acres, more or less, and is subject to any rights-of-way or other easements as granted or reserved by instruments of record or as now existing on said described parcel of land.

SURVEYOR'S CERTIFICATE

I hereby certify that this legal description was prepared under my personal supervision and that it is true and correct to the best of my knowledge and belief.

  
Charles B. Jones  
Colorado Registered Professional  
Land Surveyor #22098



Project Number: 1988-106B  
Date: July 26, 1988

JONES-WININGER Professional Surveyors, Inc. Greeley, Colorado

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A D D E N D U M

THIS ADDENDUM made and entered into this 30th day of July, 1988, by and between Roy Dwayne Shepperd, Dorothy W. Shepperd and Associated Natural Gas, Inc., by an Addendum to the attached to the attached Lease Agreement bearing same date.

12.3 Water Supply

- 9) Lessee shall pay unto the Lessor the sum of \$300.00 per year as rent for the water furnished under this agreement, the first payment of which shall be due upon the date of the execution of the Lease Agreement and subsequent payments due on the anniversary date of the same. It is also agreed that upon termination of the subject Lease for any reason, the water pipeline referred to in this Section 12.3 shall become the property of the Lessor.

LESSOR:

Roy Dwayne Shepperd  
Roy Dwayne Shepperd

LESSOR:

Dorothy W. Shepperd  
Dorothy W. Shepperd

LESSEE:

ASSOCIATED NATURAL GAS, INC., A  
COLORADO CORPORATION

By: C. deGRAFFENRIED  
C. deGRAFFENRIED, PRESIDENT