



BOOK 470 PAGE 250

 RECORDED 387873 RECEIVED Nov 14, 1955  
 8:00 o'clock A. M. Donnell Lawrence, Recorder

SUPPLEMENTAL CONTRACT AND AGREEMENT

 STATE OF COLORADO  
 COUNTY OF LOGAN

WHEREAS, under date of November 8, 1954, the Kansas-Nebraska Natural Gas Company, Inc., "as Supplier", and Noble C. Ginther, H. C. Warren and W. L. Ginther, "as Operator", made and entered into that certain contract and agreement regarding the erection, ownership and operation of a plant in the Padroni Field of Logan County, Colorado, for the extraction of liquid hydrocarbons, copy of which is attached hereto and made a part hereof as Exhibit "A" for all purposes and which plant is here called the "Padroni Plant"; and

WHEREAS, said Plant has now been completed upon the following described land in Section 15, Township 9 North, Range 52 West, in Logan County, Colorado, to-wit:

A tract in the Southwest Quarter (SW/4) of Section 15, Township 9 North, Range 52 West, Logan County, Colorado, commencing at a point on the West line of said Section 15, 30 feet North of the Southwest corner of said Section 15 as a point of beginning. Thence Easterly and parallel to the South line of said Section 15 for a distance of 330 feet; thence Northerly and parallel to the West line of said Section 15 a distance of 1320 feet; thence Westerly and parallel to the South line of said Section 15 a distance of 330 feet; thence Southerly along the West line of said Section 15 for a distance of 1320 feet to the place of beginning, containing ten (10) acres of land, more or less,

which tract is herein called the "Plant Site"; and

WHEREAS, it is the desire of Supplier and Operator to supplement their November 8, 1954 Agreement in certain particulars and incident to Operator's obtaining certain mortgage financing of their share of the cost of said Plant such supplemental agreement has been required:

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the premises and the sum of TEN DOLLARS (\$10.00) in hand paid, each by the other, KANSAS-NEBRASKA NATURAL GAS COMPANY, INC., a corporation, herein called "K.N.N.G.", does hereby COVENANT and AGREE with NOBLE C. GINTHER, H. C. WARREN and W. L. GINTHER, herein called for convenience "Ginther, Warren and Ginther", as follows:

1. It is recognized and agreed that said Padroni Plant has been completed as contemplated by the Contract of November 8, 1954, and that as of the execution date of this instrument, the total cost of building said Plant was in excess of \$300,000.00, and all of said sum is recognized to be capital investment to be recouped as provided under paragraph 2 of the November 8, 1954 Contract.

2. That Ginther, Warren and Ginther's ownership of one-half (1/2) interest in the Plant (pending recoupment of capital investment) and one-third (1/3rd) interest after recoupment of their capital investment as provided in the November 8, 1954 Contract extends to the Plant Site described and identified above, as well as the Plant which has been erected thereon, and in order to reflect their said ownership of record, K. N. N. G. GRANTS, CONVEYS and ASSIGNS to Noble C. Ginther, H. C. Warren and W. L. Ginther an undivided one-half (1/2) interest in the Plant Site described above in Logan County, Colorado, with the understanding that said interest will reduce to a one-third (1/3rd) interest as provided in said Agreement when Ginther, Warren and Ginther have recouped their share of the capital expenditures over and above operating expense, all as provided and set out in said November 8, 1954, Agreement.

3. The rights of Ginther, Warren and Ginther (and each of them) under said November 8, 1954 Contract, shall be fully assignable as among themselves without regard to the preferential option of K. N. N. G. created under Paragraph 8 of said November 8, 1954 Agreement, and that their said interests may be encumbered by mortgage or deed of trust with the understanding that upon foreclosure of any said mortgage or deed of trust, the purchaser at foreclosure sale shall be entitled to substitute himself (or itself) to the position and ownership of his (or its) interest in the Plant Site, the Padroni Plant, and the contractual rights under said November 8, 1954, Contract. That while the preferential option to purchase the interest of Operator provided in paragraph 8 shall be operative in the event any purchaser at foreclosure sale should elect to sell his interest by voluntary sale, K. N. N. G. shall not have the right to purchase from the purchaser at any such foreclosure sale for the amount

of the price paid or bid at the foreclosure sale, provided, however, nothing herein contained shall prevent Kaneb from being the purchaser at any such foreclosure sale.

4. That wherever the term "Operator" is used in said Contract of November 8, 1954, such term shall be deemed to include any successor in interest of the original Operator. It is understood and agreed that if any person or corporation other than Noble C. Ginther, H. C. Warren, or W. L. Ginther are ever acting as operator under said contract of November 8, 1954, Kaneb may, at its option, elect to become operator under said contract.

IN WITNESS WHEREOF, this supplement to the Contract of November 8, 1954, is executed in four (4) parts, each of which said executed copies shall be deemed an original for all purposes, this the 28th day of September, A.D. 1955.

KANSAS-NEBRASKA NATURAL GAS COMPANY, INC.

By S. D. Whitman  
President

SECRETARY  
W. L. Ginther  
Secretary

SUPPLIER

Noble C. Ginther  
NOBLE C. GINTHER

H. C. Warren  
H. C. WARREN

W. L. Ginther  
W. L. GINTHER

OPERATOR

THE STATE OF Nebraska )  
COUNTY OF Adams ) ss

The foregoing instrument was acknowledged before me this the 28th day of September, 1955, by S. D. Whitman, Vice President of KANSAS-NEBRASKA NATURAL GAS COMPANY, INC.

WITNESS my hand and official seal.

JACOB J. JACKSON  
NOTARY PUBLIC  
My Commission Expires: July 27, 1958

E. J. Jackson  
Notary Public in and for  
Adams County, Nebraska

THE STATE OF TEXAS |  
COUNTY OF HARRIS |

The foregoing instrument was acknowledged before me this the 27th day of September, 1955, by NOBLE C. GINTHER, H. C. WARREN and W. L. GINTHER.

WITNESS my hand and official seal.

My Commission Expires: June 1, 1957

J. D. [Signature]  
Notary Public in and for  
Harris County, Texas

## EXHIBIT "A"

AGREEMENT

CONTRACT made and entered into effective this 25 day of November, 1954, by and between KANSAS-NEBRASKA NATURAL GAS COMPANY, INC., hereinafter called "Supplier" and NOBLE C. GINTHER, H. C. WARREN and W. L. GINTHER, hereinafter designated as "Operator",

WHEREAS, Supplier is assisting certain producers in Northeastern Colorado in the conservation of gas produced in association with oil (commonly called casinghead gas) by purchasing said gas and providing a usual market therefor, and

WHEREAS, said gas appears to contain an excess of hydrocarbons over and above those usually contained in the natural gas which Supplier normally transmits through its pipeline system; and

WHEREAS, said hydrocarbons are dropping out in Supplier's pipeline, filling drips, meters, valves, etc., and otherwise creating a serious operating problem for Supplier; and

WHEREAS, Supplier desires to erect a plant near the Padroni Field, Logan County, Colorado for the purpose of extracting certain of the hydrocarbons so that said gas can be transported through its pipeline without such difficulties; and

WHEREAS, Operator is experienced in operating such a plant and is willing to join in the construction thereof and to operate said plant to process Supplier's gas therein.

NOW THEREFORE, it is hereby understood and agreed as follows:

## PART I

CONSTRUCTION AND OWNERSHIP OF PLANT1. CONSTRUCTION OF PLANT:

Supplier has under date of                      November 2, 1954,

executed a contract with Pringle, Buhler, Crump - Parkersburg Acme Gasoline Plant Group, hereinafter called "Parkersburg" for the construction of a plant for the purpose of extracting certain of the hydrocarbons from certain of the gas purchased by Supplier prior to its transmission through Supplier's pipeline, said plant to be constructed at a point to be designated by Supplier in the vicinity of the Padrent field, Logan County, Colorado, a copy of which contract has been furnished Operator. Supplier does hereby assign, transfer and convey to Operator an undivided one-half (1/2) interest in Supplier's rights and obligations under said contract dated November 2, 1954, between Supplier and Parkersburg, subject to the provisions of this Agreement. Operator hereby acknowledges receipt of a copy of said contract and by execution of this Agreement, Operator does hereby ratify, confirm and adopt all of the terms, conditions and obligations of said Contract of November 2, 1954 between Supplier and Parkersburg to the extent of Operator's interest therein as the same may exist from time to time and agrees to be bound thereby in the same manner and to the same extent as though originally a party to said contract.

In addition to the foregoing Operator agrees to operate said plant upon its completion in accordance with the provisions of Part II of this Agreement and subject to the terms and conditions of Part I of this agreement.

#### 1. OWNERSHIP OF PLANT:

Subject to the provisions of Section 3 hereof, it is agreed that the total cost of building the plant provided for in the Contract between Supplier and Parkersburg, dated November 2, 1954 and placing same in operation shall be borne one-half (1/2) by Supplier and one-half (1/2) by Operator and shall be owned by said parties in the same proportions. From the monthly proceeds received from the sale of the hydrocarbons extracted in said plant, Operator shall deduct the

direct monthly operating expenses of the plant and shall distribute the balance of said proceeds equally to Supplier and Operator. When the proceeds thus distributed equal the capital investment of Supplier and Operator said plant shall thereafter be owned in the proportions of two-thirds (2/3) by Supplier and one-third (1/3) by Operator and the monthly proceeds from the sale of hydrocarbons extracted in said plant shall be distributed in the same proportions after first deducting the direct monthly operating expenses of said plant. For the purposes of this Agreement the direct monthly operating expenses of said plant shall not include any part of Operator's executive or general administrative salaries or expenses but shall include the applicable portion of the overhead expense of Operator's Houston, Texas office.

5. OWNERSHIP OF THIRD PARTIES:

It is expressly understood by Operator that certain of the Gas Purchase Contracts under which Supplier purchases the gas that will be processed in said plant reserve to the Sellers therein the right to extract hydrocarbons from gas sold to Supplier thereunder or to share in the cost and ownership of a plant built by Supplier to process gas purchased from Seller thereunder. Operator specifically authorizes Supplier to negotiate with said Sellers concerning their participation in said plant and agree to be bound by whatever terms Supplier agrees to with said Sellers. It is understood and agreed, however, that any agreement with said Sellers shall provide: (A) That each Seller shall immediately pay his or its proportionate share of the cost of said plant, and (B) Operator shall be the Operator of said plant and shall operate it in accordance with the provisions of Part II of this Agreement. It is further understood and agreed that any such agreement with said Sellers shall not cause the operation herein contemplated to be initially unprofitable.

It is further understood and agreed that if it becomes necessary to permit any or all of said Sellers to participate in the ownership and operation of a portion of said plant, the proportionate ownership of Supplier

and Operator set out in section 2 hereinabove shall apply to the balance of said plant. It is further agreed that in the event Supplier agrees to the payment of royalty to a Seller on hydrocarbons extracted from gas purchased by Supplier from said Seller in lieu of said Seller's participation in said plant, said royalty shall be included in the direct operating expenses of said plant provided for in section 2 hereinabove.

4. ENLARGEMENT OF PLANT:

If, at any time, in Supplier's opinion it is necessary to enlarge the capacity of said plant to process additional volumes of gas purchased or owned by Supplier, it is agreed that such additional capacity shall be promptly built. In the event the construction of such additional capacity is commenced before the parties have recovered their initial capital investment as provided in Section 2 hereinabove, the cost of said enlargement shall be paid one-half (1/2) by Supplier and one-half (1/2) by Operator and shall be added to the initial capital investment of the parties to be recovered in the same manner as is provided for recovery of said initial capital investment. In the event the construction of said additional capacity is commenced after the parties have recovered their initial capital investment as provided in section 2 hereinabove, the cost of said additional capacity shall, nevertheless, be borne one-half (1/2) by Supplier and one-half (1/2) by Operator. Operator shall monthly distribute the proceeds from the sale of hydrocarbons extracted from Supplier's gas processed in said plant equally to Supplier and Operator after first deducting the direct monthly operating costs until the parties' capital investment in said additional capacity has been recovered. Thereafter said additional capacity shall be owned two-thirds (2/3) by Supplier and one-third (1/3) by Operator in the same manner as is provided in section 2 hereinabove after recovery of the initial capital investment in the plant.

5. ADDITIONS TO PLANT:

It is agreed that Operator shall make no capital additions to

said plant without supplier's consent first had and obtained.

6. PRIOR OPTION TO PURCHASE PRODUCTS.

It is understood that Supplier or one or more of its customers may from time to time desire to have liquefied petroleum gas available as a substitute for or as a supplement to Supplier's natural gas service. It is therefore understood and agreed that Supplier shall have the prior right and option, exercisable at any time and from time to time to purchase all or a part of Operator's share of the liquid hydrocarbons extracted from gas produced by Supplier in said plant at the price at which Supplier is then offering to sell same.

7. ABANDONMENT OF PROCESSING.

In the event Operator desires to abandon the further processing of gas in said plant and Supplier does not, Supplier shall tender to Operator a sum equal to Operator's share of the average value of said gas. Upon receipt of said sum, Operator shall convey to Supplier all of its right, title and interest in said plant and all of Operator's right, title and interest therein shall thereafter be owned and held by Supplier. Provided, however, Operator shall, if so requested by Supplier, continue to operate said plant for the amount of the direct monthly operating cost defined in Section 2 hereinabove, but which, for the purposes of this section 7, shall also include that portion of Operator's executive or general administrative salaries and expenses applicable thereto.

8. OPTION TO PURCHASE.

If Operator desires to dispose of all or a part of its interest in said plant, and has found a bonafide buyer who is willing and able to purchase such interest, then and in such event Operator shall so notify Supplier in writing, whereupon Supplier shall, for a period of thirty (30) days after receipt of said notice, have the option and exclusive right to purchase such interest at the price offered. If said option is not exercised by Supplier within said thirty (30) days period, then Operator may dispose of its interest to such buyer at the price offered; provided, how-

over, that the provisions of this Section 8 shall not apply to a sale or transfer between the parties who constitute the Operator hereunder, nor to an affiliated company therewith.

PART II

OPERATING PROVISIONS

9. OPERATOR:

N. C. Glinther, H. C. Warren and W. L. Glinther, doing business as Glinther, Warren and Glinther are hereby designated Operator of the plant herein provided for to be located in the vicinity of the Padron Field, Logan County, Colorado. Operator shall process through said plant, all of the gas or liquid hydrocarbons delivered to said plant by Supplier from Supplier's pipeline, subject to the terms and conditions of this Agreement.

10. MEASUREMENT:

The unit of measurement of gas hereunder shall be acubic foot of gas and the term cubic foot of gas wherever used in this contract shall be computed on a pressure base of fifteen point eight two five (15.025) pounds per square inch absolute and on a temperature base of sixty degrees (60°) Fahrenheit. The volume of gas delivered hereunder, as measured at recorded temperatures and pressures, shall be computed from the meter records and converted into the units of measurement and shall be assumed to obey Boyle's Law without any correction for deviation, unless Supplier deviates in field purchases.

Adjustment for Inaccuracy: If any meter is found to be inoperative or inaccurate, it shall be adjusted to register correctly. The amount of error shall be determined by the most accurate method found feasible and if the inaccuracy shall have resulted in an error more than three per cent (3%) in the measurement of gas, then the calculated deliveries of gas through such meter shall be adjusted to per accuracy to compensate for such error. Such adjustment shall be made for each period

of inaccuracy as may be definitely known, or if not known, then for one-half the period since the date of the last meter test. In no event, however, shall any correction extend back beyond one month from the date the error was first made known by either party hereto to the other. If any meter registers within three per cent (3%) of accuracy, it shall be considered correct, but adjusted to register accurately.

11. DETERMINATION OF PLANT SHRINKAGE:

Plant shrinkage shall be determined by mathematical calculations and shall be the resultant of the product of the plant products recovered multiplied by mutually approved constants, to determine the equivalent gas volumes.

12. REIMBURSEMENT FOR SHRINKAGE:

The actual plant shrinkage, calculated in accordance with the provisions of Section 11 above, shall be considered to be gas consumed in the operation of said plant and for all gas so consumed Operator shall reimburse Supplier an amount equal to the cost of natural gas in the area to Supplier at the wellhead from time to time under Natural Gas Purchase Contracts wherein Supplier is Buyer, (presently 14¢ per thousand cubic feet) plus one cent (1¢) per thousand cubic feet for gathering said gas. Where the Natural Gas (as defined in contracts between Supplier and Producers) so consumed requires compression before delivery to Operator, Supplier shall be reimbursed an additional one cent (1¢) per thousand cubic feet for each stage of compression required. In this connection it is understood and agreed that as the cost of gas in the area to Supplier or at the wellhead increases or decreases, the reimbursement to be made by Operator to Supplier for said gas shall be increased or decreased the identical amount. Any production, severance, gathering or sales tax or other excise taxes, or taxes or assessments of a similar nature imposed or levied on said gas before or at the time of its delivery to Operator shall also increase the amount of the reimbursement to be made by Operator to Supplier for said gas by the amount of any such tax so paid by Supplier.

13. QUALITY:

Operator agrees that any gas processed by it shall have its heating value reduced as requested by Supplier within the capabilities of the plant.

14. STATEMENTS:

Operator shall furnish to Supplier, on or before the 25th day of each calendar month, a report or statement disclosing information necessary to enable Supplier to make reasonable and accurate statistical and accounting entries upon its books, concerning all phases of this agreement, related to the preceding month. Each party shall have the right, during reasonable hours, to examine the books, records, charts and original test data of the other party to the extent necessary to verify the accuracy of any statement, charge, credit, computation, test or delivery made pursuant to any provision hereof. If any such examination reveals any inaccuracy in any such statement, charge, credit, computation, test or delivery, the necessary adjustment shall be promptly made.

15. DISPOSITION OF PRODUCTS:

Each party shall own and shall take in kind or separately dispose of its share of the liquid hydrocarbons which may be extracted in said plant. Each party shall have the right to use a portion of the plant storage capacity each month equal to the percent of such party's then existing ownership in said plant. Any extra expenditure incurred by the taking in kind or the separate disposition by any party shall be borne by said party.

16. TAXES:

Supplier shall pay all severance and gathering taxes, assessments and other charges levied or assessed against the gas delivered by Supplier hereunder, against Supplier's residue gas, and against the sale thereof, and all taxes and statutory charges levied or assessed against any of the Supplier's properties, facilities or operations. Operator shall pay all taxes and

statutory charges levied or assessed against the plant facilities and operations, and any tax levied or assessed against and applicable to the plant products derived from Supplier's gas.

17. POSSESSION AND RESPONSIBILITY:

Neither Supplier nor Operator shall have any responsibility with respect to gas deliverable or delivered hereunder, plant products derived therefrom, and residue gas, or on account of anything which may be done, happen, or arise with respect thereto during such time as said gas, plant products, and residue gas is in the control and possession of the other party as hereinbefore provided.

18. WARRANTY:

Supplier warrants the title to all gas delivered by Supplier to Operator hereunder, the right to enter into this agreement with reference to such gas, and that such gas is free from all liens and adverse claims. Supplier agrees to make settlement for all royalties and interests of third parties due and payable on the gas delivered to Operator hereunder, the liquid hydrocarbons extracted and saved therefrom, and the sale and disposition of the residue thereof, all in accordance with the terms of said lease, applicable instruments of title, and all amendments thereto.

19. FORCE MAJEURE:

In the event of any party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than to make payments due hereunder, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible 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, 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. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics,

landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery, plant facilities, or lines of pipe, the necessity for making repairs to or alterations of machinery, plant facilities, or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells, and any other causes, whether of the kind herein enumerated or otherwise, not within control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to prevent or overcome. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirements that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

20. INSURANCE:

Operator agrees to purchase and maintain Workmen's Compensation Insurance in accordance with the laws of Colorado; adequate Public Liability, Property Damage Liability and Automobile Public Liability and Property Damage Insurance, and adequate and sufficient fire, windstorm and explosion insurance coverage of the facilities built by Processor hereunder.

21. TERM:

Subject to the other provisions hereof, this agreement shall be and remain in force and effect during the operation of the supplier's pipe line or until such time as Supplier and/or Operator deems it uneconomical to continue processing gas at said plant.

22. LAWS AND REGULATIONS:

This agreement and provisions hereof shall be subject to all applicable State and Federal laws, and all rules, regulations, orders, and dir-

atives of any Federal or State governmental authority, agency, commission, or regulatory body in connection with any and all matters and things under or incident to this agreement.

**23. REDELIVERY PRESSURE AND DEWPOINT:**

Operator agrees its operation of said plant will not result in a pressure drop of said gas through said plant in excess of the design pressure drop as confirmed in the acceptance tests of said plant.

Operator further agrees that all gas redelivered by it to Supplier shall not have a dew point in excess of twenty-five degrees (25°) Fahrenheit at a pressure of eight hundred (800) pounds per square inch gauge.

**24. MISCELLANEOUS:**

No waiver by either party of any one or more defaults by the other in the performance 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.

This agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

Any notice, request, demand, statement or bill provided for in this contract shall be in writing directed to the party to whom given, made or delivered at such party's address as follows:

**SUPPLIER:** Kansas-Nebraska Natural Gas Company, Inc.  
300 North St. Joseph Avenue  
Hastings, Nebraska

**OPERATOR:** Ginther, Warren & Ginther  
1714 Esperson Building  
Houston, Texas

or such other post office address as such party shall, from time to time, designate as the address for such purpose by registered letter addressed to the other party.

IN WITNESS WHEREOF, this instrument is executed as of the date

first above mentioned.

ATTEST:

*[Signature]*  
Assistant Secretary

SUPPLIER  
KANSAS-NEBRASKA NATURAL GAS  
COMPANY, INC.

By *[Signature]*  
President

OPERATOR

[Signature]  
H. C. Warren

[Signature]  
H. C. Warren

[Signature]  
W. L. Gentry

STATE OF NEBRASKA )  
COUNTY OF ADAMS )

The foregoing instrument was acknowledged before me this  
11th day of November, 1954, by S. B. Whitman, President  
of KANSAS-NEBRASKA NATURAL GAS COMPANY, INC.

WITNESS my hand and notarial seal the date last aforesaid.

[Signature]  
Notary Public

My Commission Expires:

5 1958

STATE OF TEXAS )  
COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this  
7 day of November, 1954, by H. C. GENTNER, H. C.  
WARREN and W. L. GENTNER.

WITNESS my hand and official seal.

[Signature]  
Notary Public

My Commission Expires:

[Signature]

OPERATOR

[Signature]  
H. C. Glendon

[Signature]  
H. C. Warren

[Signature]  
W. L. Glendon

STATE OF NEBRASKA )  
COUNTY OF ADAMS )

The foregoing instrument was acknowledged before me this  
11th day of November, 1944, by S. D. Whitman, President  
of KANSAS-NEBRASKA NATURAL GAS COMPANY, INC.

WITNESS my hand and notarial seal the date last aforesaid.

[Signature]  
Notary Public

My Commission Expires:

June 6, 1958

STATE OF TEXAS )  
COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this  
7th day of April, 1944, by H. C. GENTNER, H. C.  
WARREN and W. L. GENTNER.

WITNESS My hand and official seal.

[Signature]  
Notary Public

My Commission Expires:

[Signature]