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DEC 31 1968

COLO. OIL & GAS CONSV. COMM.



AGREEMENT

THIS AGREEMENT is made October 22, 1968  
between THE CITY OF STERLING, COLORADO, a municipal corporation,  
hereinafter termed "City," and REX MONAHAN, hereinafter  
termed "Monahan."

W I T N E S S E T H :

WHEREAS, Monahan has an Oil and Gas Lease from the  
State of Colorado on the N/2 of Section 34, Township 8 North,  
Range 52 West of the 6th P.M., Logan County, Colorado, the  
surface of which is owned by the City and the minerals are  
owned by the State of Colorado; and

WHEREAS, Monahan desires to enter into an Oil and  
Gas Lease with the City on certain property on which the City  
owns the minerals and the surface, a copy of which said proposed  
Oil and Gas Lease, marked "Exhibit A," is attached to  
and made a part of this Agreement; and

WHEREAS, the City has certain water wells for the  
municipal water supply which said wells must be protected  
from any damage from oil and gas exploration, drilling, or  
production;

NOW, THEREFORE, in consideration of the premises and  
for the execution by the City of the Proposed Oil and Gas  
Lease, Monahan covenants and agrees as follows:



1. On any oil and gas wells drilled by Monahan on the N/2 of said Section 34 by the terms of the Oil and Gas Lease which Monahan holds from the State of Colorado, or upon the property which is the subject of the aforesaid Oil and Gas Lease from the City of Sterling, "Exhibit A," which comprises approximately 149 acres, that:

(a) No wells shall be drilled within 660 feet of the City's water wells.

(b) The surface casing shall be set with a rotary drilling rig using a pressure of less than 300 pounds per square inch.

(c) That said surface casing shall be set to a depth of 500 feet.

(d) The water wells of the City will be protected from any and all damages from all exploration, drilling, and production operations by Monahan for oil and gas on said premises, and Monahan shall be liable for any damages to said wells resulting from said operations.

(e) Monahan shall pay for damages to crops, fences, timber, livestock, and other personal property of the City caused by Monahan in all exploration, drilling, and production operations by Monahan. If the amount of damages is not agreed upon, it shall be determined by a panel of three persons, one appointed by the City, one by Monahan, and the third by the two so appointed; and the determination of said amount by the three, or any two thereof, shall be final and conclusive.

(f) On any dry holes, the surface casing will be left in place for use by the City for a water well, and all dry holes shall be plugged in the presence of a representative of the Engineering Department of the City and in the presence of the State Plugging Engineer with a certified copy of the plugging data to be furnished to the City by the State Engineer.

(g) In addition to the payment in Subparagraph (e) above, Monahan shall pay to the City, before beginning any drilling operations, the sum of \$100.00 for surface damage.



(h) On any well for which there is production, Monahan will pay to the City an annual surface rent of \$150.00 for the use of the surface for said production.

2. No assent, express or implied, to any breach of any one or more of these covenants shall be deemed a waiver of any succeeding or other breach.

3. This Agreement shall be binding upon and inure to the heirs, personal representatives, successors or assigns of the parties.

IN WITNESS WHEREOF, the parties have set their hands and seals the day and year first above written at Sterling, Colorado.

THE CITY OF STERLING, COLORADO

By

Eberhart

Mayor

Attest:

James H. Chisholm

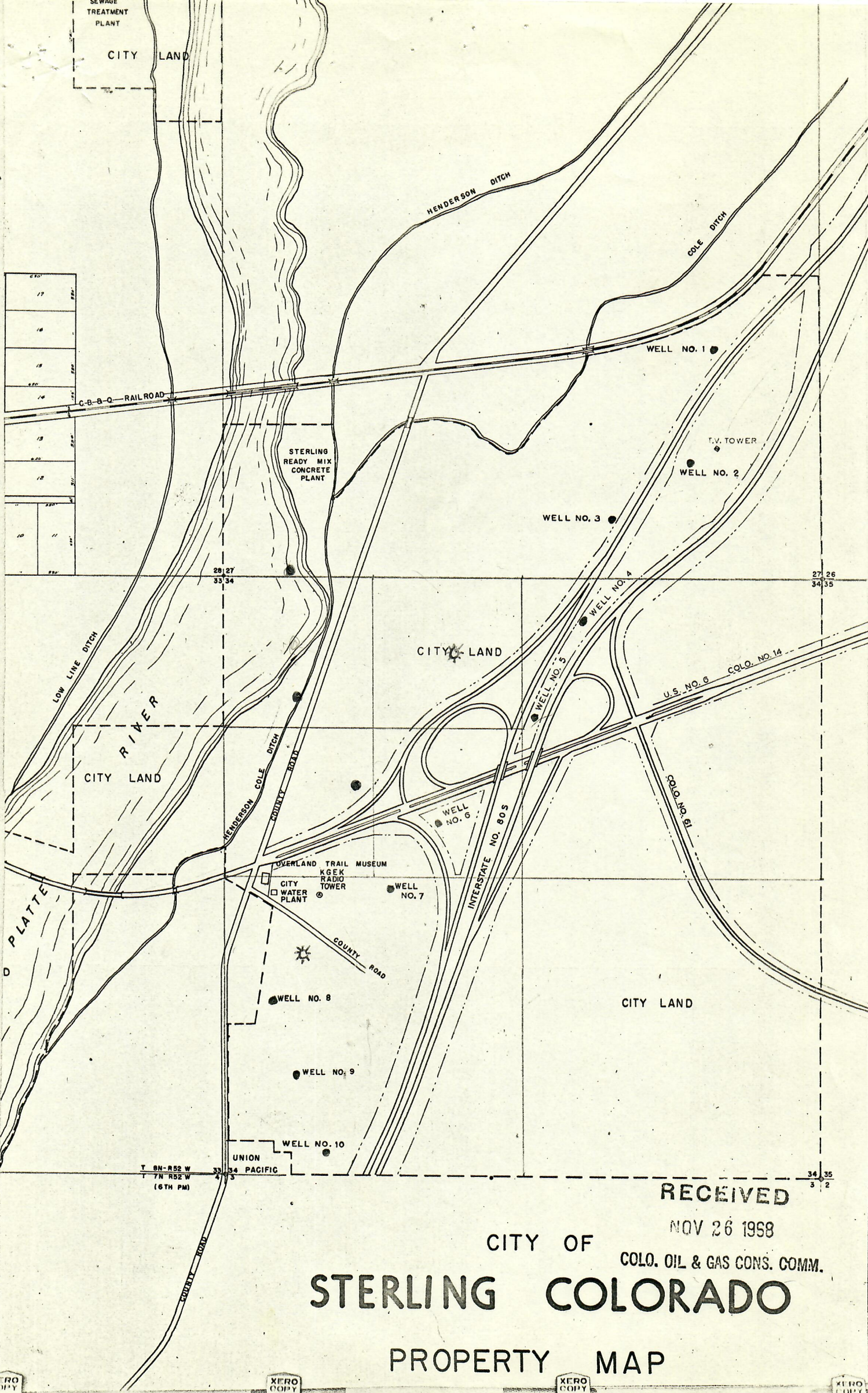
Director of Finance and  
Ex-Officio City Clerk

APPROVED AS TO FORM

J. J. Edwards  
CITY ATTORNEY

Rex Monahan  
Rex Monahan





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