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OIL & GAS
CONSERVATION COMMISSION

AGREEMENT FOR CONSOLIDATED GAS UNIT

THIS AGREEMENT, Made and entered into this 5th day of April, 1961, between FRANKFORT OIL COMPANY, a division of Joseph E. Seagram & Sons, Inc., whose address is PO Box 747, Dallas 21, Texas, hereafter called "Lease Owner", as First Party, and THE STATE OF COLORADO, acting by and through the State Board of Land Commissioners, hereafter called "State" or "Royalty Owner", as Second Party,

WITNESSETH:

SCANNED

WHEREAS, Lease Owner is the owner and holder of the following described oil and gas leases covering the following described lands located in Bent County, Colorado, to wit:

1. That certain oil and gas lease dated September 30, 1952 executed by P. K. Franzman, as Lessor, recorded October 22, 1952 in Book 225 at Page 511 covering the following lands:

T. 21 S., R. 48 W.

Sec. 9: SE $\frac{1}{4}$

2. That certain oil and gas lease dated January 2, 1961 executed by the State of Colorado acting by and through the State Board of Land Commissioners, as Lessor, bearing Serial No. 61/6069, covering the following described lands:

T. 21 S., R. 48 W.

Sec. 9: N $\frac{1}{2}$, SW $\frac{1}{4}$

and

WHEREAS, Lease Owner pursuant to the provisions of Paragraph 9 of the first described lease set forth above, has heretofore executed and filed its Designation of Consolidated Gas Unit dated March 23, 1961 and recorded April 3, 1961 in Reception No. 194171 of the records of said county and state, designating all of the lands above described, being the entire Sec. 9 of T. 21 S., R. 48 W., as a consolidated gas unit; and

WHEREAS, it is the desire of the parties hereto to consolidate, pool and unitize Royalty Owner's and Lease Owner's interests in and to the said Colorado State Oil and Gas Lease described as Lease No. 2 above so that the said lands covered and described in said oil and gas lease may be developed and operated as a single unit, as consolidated and pooled with the said lease and lands described above as Lease No. 1, for the production of gas therein and thereunder; and

WHEREAS, under and by virtue of Sec. 112-3-15 CRS (1953), the State Board of Land Commissioners is fully authorized and empowered to enter into this unitization agreement on behalf of the State of Colorado.

NOW THEREFORE, in consideration of the premises and of the mutual benefits to be derived and the agreements herein contained to be kept and performed, the parties hereto, do hereby declare and agree that effective as of 7:00 a. m. March 23, 1961, the Colorado State Oil and Gas Lease as described above, be, and the same is, hereby consolidated, pooled, combined and unitized as to the gas therein and gas rights thereunder so that the

same shall form together with the oil and gas lease above described as Lease No. 1, a single gas unit, and so that the leasehold rights with respect thereto shall be owned, developed, managed and operated for the production of gas from said gas unit comprised of the entire Sec. 9, T. 21 S., R. 48 W. as if covered by and included in a single oil and gas mineral lease executed by both of the said Lessors named in the said oil and gas leases above described, and their successors and assigns.

It is further agreed that for the purpose of making royalty payments for gas produced and saved from said unit and from the certain gas well which has heretofore been drilled and completed by Lease Owner in the ~~SE~~^{SE1/4} of said Sec. 9, there shall be allocated to said Colorado State Lease described above that percentage of the gas produced and saved therefrom, except any part thereof unavoidably lost or used for production or development purposes hereunder, which the surface area of the lands of said lease within the said consolidated gas unit bears to the total surface area of all lands within the said unit; that royalty on account of production so allocated to said lease shall be paid and delivered to Royalty Owner under said lease in conformity with the provisions thereof as if such allocated production came from a non-unit well on the leased premises.

The commencement, completion or operation of a well on any part of the said consolidated gas unit for the production of gas therefrom shall be construed and considered as the commencement, completion, operation or production of a well within the terms and provisions of said Colorado State Lease on, or from that portion of, the lands covered thereby lying within the said unit, and shall maintain said lease in force as though such well were located on the lands covered thereby.

The provisions hereof relating to the said consolidated gas unit shall not apply to the casinghead gas produced from any well or wells classified as an oil well, nor shall apply to production of oil from said unit.

Except as herein changed or modified, said Colorado State Oil and Gas Lease above described shall be and remain in force and effect as originally written.

This agreement shall be subject to all valid orders, rules and regulations of any duly constituted authority having jurisdiction in the premises, and shall extend to and be binding upon the parties hereto, their respective successors and assigns, and shall remain in force so long as gas is or can be produced from any well in said consolidated gas unit, or so long as said leases above described are kept in force by payment of delay rentals or otherwise.

The State of Colorado does hereby authorize, consent and agree to the foregoing consolidation, pooling and unitization in accordance with the terms and provisions hereinabove set forth, and agree that the said Colorado State Oil and Gas Lease shall be deemed to be amended, modified and extended to conform to the provisions hereof, and to permit and authorize the foregoing consolidation or pooling; that the State of Colorado does hereby further consent to and approve Lease Owner's Designation of Consolidated Gas Unit above referred to as it affects and commits the other Royalty Owner's interests in and to the said consolidated gas unit above described in conformity with the terms and conditions of this agreement.

EXECUTED in multiple copies, each copy for all purposes being deemed an original, the day and year first hereinabove written.

ATTEST:

Transaction Agree
 Legal Agree FRANKFORT OIL COMPANY, a division of
 Land Agree Joseph E. Seagram & Sons, Inc.
 Production Agree
 Accounting Agree By [Signature]
 Secretary [Signature] ATTORNEY-IN-FACT

