ded September 3, 1974 at 8:30 O'Clo A M BOOK 489 PAGE 191
Reception 392288 S. R. ALLISON, Recorder

Producers 88
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OIL AND GAS LEASE

THIS AGREEMENT is made and entered into this 6th day of August, 19 74, by and between
Henry J. Wiltfang and Alma Wiltfang
Individually and as husband and wife
Vernon, Colorado 80755
called "Lessor" (whether one or more) and Michael E. Thrash
555 17th Street Denver, Colorado 80202
called "Lessee" (whether one or more).

1. Lessor, for and in consideration of .... dollars ($. ....) in hand paid, the royalties provided, and covenants of Lessee, grants, leases and lets exclusively to Lessee the land described below for the purpose of investigating, exploring for, drilling for, producing, saving, owning, handling, storing, treating and transporting oil and gas together with all rights, privileges and easements useful for Lessee's operations on said land and on lands in the same field with a common oil and gas reservoir, including but not limited to the rights to lay pipelines, build roads, construct tanks, pump and power stations, power and communication lines, houses for its employees, and other structures and facilities and drill for, produce and use fresh water. The phrase "oil and gas" includes all hydrocarbons and other substances produced therewith. The land included in this lease is situated in Yuma County, Colorado, and is described as:

TOWNSHIP 1 SOUTH, RANGE 44 WEST
Section 27: $NW\frac{1}{4}$, $S\frac{1}{2}$
Section 28: $SE\frac{1}{4}$, $W\frac{1}{2}$ less the town of Vernon
Section 33: $E\frac{1}{2}$

20
1260 g. net

including all oil and gas underlying lakes and streams of which all or any of the land is riparian, roads, easements and rights-of-way which traverse or adjoin said land and including all lands owned or claimed by Lessor as a part of any of said land; containing 1260.0 acres, *more or less*. This lease covers all the interest now owned by, or hereafter vested in, Lessor, and Lessor releases and waives all rights under the homestead exemption laws of this State. In calculating any payments based on acreage, Lessee may consider the land contains the acreage stated, whether it actually contains more or less. Lessee may inject water, salt water, gas or other substances into any stratum or strata under said land and not productive of fresh water.

2. This lease shall remain in force for a period of ten (10) years from this date, called "primary term," and thereafter as long as "oil and gas" is produced from said land or Lessee is engaged in *drilling or reworking operations* on said land.

3. Lessee shall pay royalties to Lessor as follows: (a) one-eighth (1/8th) of the oil produced and saved from said land, to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may, at any time or times, purchase any royalty oil, paying the market value in the field on the day it is run to the storage tanks or pipeline; (b) the market value at the wells of one-eighth (1/8th) of the gas (including casinghead gas or other gaseous substances) produced from the land and sold, provided that on gas sold at the well the royalty shall be one-eighth (1/8th) of the amount realized from such sales; (c) one-tenth (1/10th) of the amount realized from the sale of other substances produced from said land with oil or gas.

If Lessee discovers gas on the land or on land unitized with any of it, Lessee may, at any time or times *during or after the primary term*, pay Lessor a sum equal to the rental on the acreage covered by this lease which shall be a shut-in gas payment and continue this lease for a period of one year, with the year to commence on the anniversary of this lease immediately preceding such payment unless the rental which accrued on such anniversary was paid, in which event such year shall commence on the anniversary immediately following such payment. Any such payment shall be made to the Lessor and in the same manner as the payment of rental and shall be in lieu of the rental covering the same period of time, if any, but shall not be in lieu of any royalty based on actual production. Lessee may use, *free of royalty, "oil and gas"* and water produced from said land for all operations hereunder.

4. If drilling operations are not commenced on said land on or before one year(s) from this date, this lease shall terminate unless Lessee, on or before that date, shall pay or tender to Lessor or to Lessor's credit in First National Bank at Wray, Colorado 80758, or any successor, the sum of .... dollars ....) which shall extend for one (1) year the time within which such operations may be commenced. Thereafter, annually in the same manner and upon the same payment or tender, called "rental," this lease may be continued in force and such operations again deferred for successive periods of one (1) year during the primary term; provided that if any "oil and gas" shall be produced from or any drilling or reworking operations conducted on said land within ninety (90) days prior to any anniversary of this lease during the primary term, the rental accruing on such anniversary shall be excused and this lease shall continue in force as though such rental had been paid. Such operations shall be commenced when the first material is moved in or the first work done. Payments or tenders of rental may be made by mailing or delivering cash or Lessee's check or draft to Lessor or to the depository bank *on or before the date of payment*. If the depository bank fails or refuses to accept the rental, this lease shall not terminate, nor Lessee be held in default for failure to pay rental unless Lessee fails to pay such rental for thirty (30) days after Lessor has delivered to Lessee a recordable instrument designating another depository bank. Any bank designated as depository shall continue as such and as Lessor's agent regardless of changes in ownership of Lessor's interest and Lessee may pay or tender rental jointly to the credit of all parties having *any interest. All rental payments may* be made to ...., one of the parties named as Lessor. If Lessee shall, in good faith and with reasonable diligence, attempt to pay any rental but fails to pay or incorrectly pays part of the rental, this lease shall not terminate unless Lessee fails to rectify the error or failure within thirty (30) days after written notice of it. Lessee may at any time or times surrender this lease as to all or any part of the land or as to any stratum or strata by mailing or tendering to Lessor or to the depository bank or by filing of record a release or releases, and be relieved of all obligations as to the portion surrendered, after which the rental shall be reduced in the same proportion the acreage is reduced.

5. Lessee may at any time or times pool any part or *all of said land and lease, or as to any stratum or strata*, with other lands and leases in the same field so as to constitute a spacing unit to facilitate an orderly or uniform well spacing pattern or to comply with any order, rule or regulation of the State or Federal regulatory or conservation agency having jurisdiction. Such pooling shall be accomplished or terminated by filing of record a declaration of pooling or declaration of termination of pooling and by mailing or tendering a copy to Lessor or to the depository bank. Drilling or reworking operations upon or production from any part of such spacing unit shall be, for all purposes of this lease, such operations or production from this lease. Lessee shall allocate to this lease the proportionate share of production which the acreage in this lease included in any such spacing unit bears to the total acreage in such spacing unit.

6. If at any time or times after the primary term or before expiration of the primary term, all operations and *all production shall cease for any cause*, this lease shall not terminate if Lessee commences or resumes drilling or reworking operations or production within ninety (90) days after such cessation; provided payment of rental (as provided in paragraph 4) is resumed if such cessation occurs during the primary term, which rental shall be in addition to any royalties paid. Lessee may, in the interest of economy, commingle (or mix) production from this lease with production from one or more leases in the same field provided a method of measurement, in accordance with good engineering practices, is used to determine the production and to allocate the production to the respective leases commingled.

7. *Lessee shall pay* for damages caused by Lessee's operations to growing crops, buildings, irrigation ditches and fences. When requested by the surface owner, Lessee shall bury pipelines below ordinary plow depth across cultivated land. No well shall be drilled within two hundred (200) feet of any residence or barn now on the land without the consent of the surface owner. Lessee shall have the right at any time to remove all Lessee's property and fixtures, including the right to draw and remove all casing. Lessee shall drill any well which a reasonably prudent operator would drill under the same or similar circumstances to prevent substantial drainage from said land by wells located on adjoining land not owned by Lessor, when such drainage is not compensated by counterdrainage. No default of Lessee with respect to any well or part of the land shall impair Lessee's rights to any other well or part.

8. The rights of Lessor and Lessee *may be assigned in whole or in part. No change in ownership* of Lessor's interest shall be binding or Lessee until after Lessee has been given notice consisting of certified copies of recorded instruments or documents necessary to establish a complete chain of record title from Lessor. No other type of notice, whether actual or constructive, shall be binding on Lessee and Lessee may continue to make payments as if no change had occurred. No present or future division of Lessor's ownership as to all or any part of said land shall enlarge the obligations or diminish the rights of Lessee, and Lessee may disregard any such division. If all or any part of Lessee's interest is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental shall not affect the rights of others; rental is apportionable in proportion to acreage owned by each leasehold owner.

9. Whenever, as a result of any cause reasonably beyond Lessee's control such as *fire, flood, windstorm or other Act of God; law, order, rule or regulation* of any local, State or Federal government or governmental agency; or inability to secure men, material or transportation, Lessee is prevented from complying with any express or implied obligation of this lease, Lessee shall not be liable for damages or forfeiture of this lease and Lessee's obligations shall be suspended so long as such cause persists and Lessee shall have ninety (90) days after cessation of such cause in which to resume performance.

10. Lessee may at any time or times unitize all or any part of said land and lease, or as to any stratum or strata, with other lands and leases in the same *field so as to constitute a* unit or units whenever, in Lessee's judgment, required to prevent waste or promote or encourage the conservation of oil and gas by any cooperative or unit plan of development or operation; or by a cycling, pressure-maintenance, repressuring or secondary recovery program. Any such unit formed shall comply with the local, State and Federal laws and with the orders, rules and regulations of State or Federal regulatory or conservation agency having jurisdiction. The size of any such unit may be increased by including acreage believed to be productive and decreased by excluding acreage believed to be unproductive or owners of which do not join the unit, but any such change resulting in an increase or decrease of Lessor's royalty shall not be retroactive. Any such unit may be established, enlarged or diminished and, in the absence of production from the unit area, may be abolished and dissolved by filing of record an instrument so declaring and mailing or *tendering to Lessor or the depository bank a copy* of such instrument. Drilling or reworking operations upon or production from any part of such unit shall be, for all purposes of this lease, such operations or production from this lease. Lessee shall allocate to the portion of this lease included in any such unit, a fractional part of all production from such unit on any one of the following basis: (a) the ratio between the participating acreage in this lease in such unit and the total of all participating acreage in the unit; or (b) the ratio between the quantity of recoverable production from the land in this lease in such unit and the total of all recoverable production from all of such unit; or (c) any basis approved by State or Federal authorities having jurisdiction. Lessor shall be entitled to the royalties in this lease on the part of the unit production so allocated to that part of this lease included in such unit, and no more.

11. Lessor warrants and agrees to defend the title to said land *as to Lessor's interest. The royalties and rental provided are determined* with respect to the entire mineral estate in oil and gas (including all previously reserved or conveyed non-participating royalty) and if Lessor owns a lesser interest, the royalty and rental to be paid Lessor shall be reduced proportionately. Lessee may purchase or discharge in whole or in part any tax, mortgage or other lien upon said land, or redeem the land from any purchaser at any tax sale or adjudication and shall be subrogated to such lien with the right to enforce it, and may reimburse itself from any rentals and royalties accruing to the land.

12. This lease shall be binding upon all who execute it, whether they are named in the granting clause and whether all parties named in the granting clause execute this lease. All provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, *successors and assigns of Lessor* and Lessee.

10/30 ORIGINAL SENT FOR TORRENS RECORDING WITH DON MILLER

This instrument is executed as of the day first above written.

Do. Kon.

Henry J. Wiltfang (signature)
Henry J. Wiltfang

Alma Wiltfang (signature)
Alma Wiltfang

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