

1200 No. 1441837

OIL, GAS AND MINERAL LEASE 2-1

INDEXED

THIS AGREEMENT, made this 11th day of August, 1964

between TWO E RANCHES, INC.

whose post office address is First National Bank, Greeley, Colo.

Lessor (whether one or more), and Mel C. Bedinger, P. O. Box 503, Greeley, Colorado

Lessee, WITNESS: 1. Lessor, in consideration of ten and more Dollars

(10.00) in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of testing, by any method or methods, for formations or structures, investigating, exploring, prospecting, drilling and mining for and producing oil, gas, and all other minerals, laying pipe lines, building tanks, power stations, telephone lines, and other structures thereon, to produce, save, take care of, treat, transport, and own said products, and housing its employees, and for dredging and maintaining canals, constructing and maintaining roads and bridges, and, in general, for all appliances or structures, equipment, servitudes and privileges which may be necessary, useful or convenient in connection with any such operations conducted by Lessee thereon, the following described

land in the County of Weld, State of Colorado

Township 2 North, Range 64 West Township 3 North, Range 64 West

Sec. 4: SE 1/4 Sec. 10: All Sec. 4: Lots 1 & 2, (N 1/2 N 1/2), S 1/2 N 1/2, & S 1/2 (all) Sec. 10: N 1/2

Township 2 North, Range 65 West Sec. 11: All, except 40 acres lying east of line: Beg. at NW corner of E 1/2 NE 1/4,

Sec. 12: NE 1/4, except 21 acres (Recorded Bk. 516, #1438220) thence SE-erly to SE corner of NE 1/4. (Recorded Bk. 1177, page 339, Weld Cty Rec. Weld County Records)

Township 4 North, Range 64 West Sec. 14: E 1/2 NW 1/4, W 1/2 NE 1/4, & E 1/2 E 1/4

Sec. 19: SW 1/4 Sec. 20: SW 1/4, & E 1/2

Sec. 33: All Sec. 34: W 1/2, & SE 1/4 Sec. 22: NW 1/4

For the purpose of calculating the rental payments for which provisions hereinafter is made, said land shall be treated as comprising 4737.74 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from the land hereinabove described.

3. The royalties to be paid Lessor are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the well or to the credit of Lessor into the pipe line to which the well may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance produced from said land and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold at the well the royalty shall be one-eighth of the amount realized from such sale; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty cents (50c) per long ton. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used. Lessor shall have the privilege at his risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. If operations for drilling are not commenced on said land on or before the 11th day of August, 1965, the lease shall then terminate as to both parties unless on or before such date Lessee shall pay or tender to Lessor or to the credit of Lessor in the

First National Bank at Greeley, Colo. (which bank and its successors shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or of the

rentals) the sum of \$77,100.00

(herein called rentals), which shall cover the privilege of deferring commencement of operations for drilling for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of operations for drilling may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rentals may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank or its successor on or before such date. Any check made by such bank for exchange or otherwise in connection with its services as depository shall be borne by Lessor. If such bank or any successor bank should fail, liquidate, or for any reason fail or refuse to accept rentals, Lessor shall deliver to Lessee a proper recordable instrument naming another bank to receive such rentals and in that event, Lessee shall not be held in default for failure to make such payment or tender of rentals unless and until it shall have called for fifteen (15) days after receipt of such recordable instrument to pay or tender such rentals to Lessor or to the substitute bank. The down cash payment is consideration for this lease according to its terms and shall not be allocated as more rental for a period. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering all or any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and terminate from and after the date of surrender all obligations as to the acreage surrendered, including any obligations to offset producing wells, and thereafter any rentals payable hereunder shall be reduced in the proportion that the surface acreage covered hereby is reduced by said release or releases. Should this lease be signed by more than one Lessor, Lessee may pay the rentals herein provided in the Lessees jointly until such time as the Lessees shall deliver to Lessee a recordable agreement in writing, specifying in whom and in what proportions said rentals shall be paid; or, at Lessee's option, said rentals may be paid to the Lessees severally in the proportions in which their respective interests appear of record as of the date of the lease, or as of any subsequent date as disclosed by the last certification to an abstract in Lessee's possession, supplemented by evidence of changes in ownership, furnished Lessee in accordance with the provisions of Paragraph 12 hereof. The failure of Lessee properly to pay rentals to any particular Lessor owning less than the full mineral interest shall not invalidate or affect this lease insofar as it covers the interest of other Lessors to whom rentals are properly paid.

5. If prior to discovery of oil, gas or other mineral on said land Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral all wells thereon should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for reworking within sixty (60) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of dry hole or cessation of production. If at the expiration of the primary term there is no well upon said land capable of producing oil, gas or other mineral, but Lessee has commenced operations for drilling or reworking thereon, the lease shall remain in force so long as operations are prosecuted with no cessation of more than thirty (30) consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas or other mineral is produced from said land. Production under the terms of this lease in order to continue the same in force, whether during or subsequent to the primary term, need not be in paying quantities; provided, however, that Lessee shall not be obligated to, but may at its option produce any well which does not yield operating costs plus a reasonable profit.

6. Lessee is granted the right and option to consolidate the lands covered hereby, or any portion or portions thereof, with other lands, and Lessee may consolidate any stratum or strata under said lands with the same stratum or strata in and under other lands, to form a unit for the production of (1) oil and casinghead gas, (2) dry or gas well gas, and (3) condensate or distillate, or any or more of such three substances, the unit or units to be in such shape and of such dimensions as Lessee may elect; provided that such unit or units when completed shall be composed of tracts each of which is contiguous to, touches or corners with some one or more of the other tracts in the unit in such manner as to form one connected tract or unit, and provided further that any tracts included in such unit or units separated only by a road, highway, street, railroad right of way, river, canal, or a strip of land having an average width not greater than six hundred (600) feet the title to which strip of land or the minerals therein or any part thereof is in the state or the United States, shall be considered as contiguous, cornering or touching within the meaning of this paragraph. Any unit formed for the production of oil and casinghead gas shall not exceed forty-three (43) acres in surface area; any such unit for the production of dry or gas well gas shall not exceed sixty (60) acres in surface area; and any such unit for the production of condensate or distillate shall be of such surface area as may be prescribed by state or federal regulation at the time such unit is formed, or in the absence of any such state or federal regulation at the time such unit is formed, such unit shall not exceed three hundred thirty (330) acres in surface area.

7. Lessee may exercise its right and option to consolidate said land or any part thereof as authorized in Paragraph 6 hereof at any time during the term of this lease by executing an instrument in writing describing the consolidated unit, specifying the purpose for which such consolidation is made, and mailing or delivering to the Lessor a copy thereof, or by filing same for record in the County where such land is located. Separate consolidations may be made at the same or at different times, for the purposes of (1) oil and casinghead gas, (2) dry or gas well gas, (3) condensate and distillate, and the inclusion of a particular area in a unit for one purpose shall not preclude the inclusion of such area or any part thereof in another unit for another purpose. The lands, stratum, strata or estates so consolidated shall be developed and operated as one tract as if said consolidated tract had been originally covered by one lease for the purposes for which the consolidation is made. Any well or wells of the type covered by the consolidation (i. e., oil, gas, or condensate or distillate wells) that may have been commenced or completed prior to, or that may be commenced and completed after, the consolidation, on any portion of the consolidated tract, regardless of where located thereon, shall be deemed to have been drilled under the terms of this lease on lands covered hereby for all purposes except for the payment of royalties on production. In lieu of royalties specified elsewhere herein, Lessor shall receive on production from a consolidated tract subsequent to effective date of consolidation only such portion of the royalties stipulated in Paragraph 3 hereof as his net royalty acreage interest in the lands, stratum or strata placed in the consolidated tract bears to the total surface area of the lands, stratum or strata comprising the consolidated tract. The consolidation shall not have the effect of changing the ownership of any rental which may become payable under the provisions of this lease.

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8. If as a result of act of God, fire, storm, flood, war, insurrection, rebellion, riot, labor troubles, or requisition or order of any government authority of agency, including but not limited to the exercise of rights of priority by any governmental authority or agency for national defense purposes, said Lessee is unable to or is prevented from commencing, drilling, completing or reworking any well or wells for oil, gas or other mineral on the leased premises, then in any such event Lessee shall be relieved, during the continuance of such preventing cause, and for sixty (60) days thereafter, from all obligations in this lease contained, if any, either express or implied, to commence, drill, complete or rework any well or wells on the leased premises.

9. If for any period or periods of time after discovery of oil, gas, or other mineral, no oil, gas or other mineral is produced from the leased premises but there is located thereon a gas well, a bradenhead well, or a condensate or a distillate well, from which the gas is not sold or used off the premises or in the manufacture of gasoline or other products, or there is located on said premises an oil well which is not produced on account of any of the causes stated in Paragraph 8 hereof, it shall be deemed, nevertheless, that oil or gas is being produced from the leased premises for the purpose of continuing this lease in effect as long as there remain upon the leased premises one or more wells capable of producing oil or gas. If Lessee shall commence or resume the payment of rentals (whether during or subsequent to the primary term hereof) in like amount and in like manner as is provided in Paragraph 4 hereof, and continue the payment of such rentals annually until production of oil, gas or other mineral is commenced or resumed, or this lease is surrendered, provided that the first rental under the provisions of this paragraph shall be payable on or before the anniversary of the rental paying date of this lease next ensuing after the expiration of sixty (60) days from cessation of all production on the leased premises, or from date of completion of a well which is not produced where there is no other production on the leased lands, and subsequent rentals shall be payable annually thereafter.

10. If, at the expiration of the primary term hereof there shall be no well producing or capable of producing oil, gas, or other mineral and if drilling or reworking operations are not being carried on, and if Lessee shall be prevented during the last sixty (60) days of the primary term from commencing, drilling or completing any well or wells on the leased premises for any of the causes specified in Paragraph 8 hereof, this lease shall continue in force during the period of time that such preventing causes remain in effect and for sixty (60) days thereafter, and if operations for drilling or reworking shall be commenced within said sixty (60) days, this lease shall continue in force as long as drilling or reworking operations continue without cessation for more than thirty (30) consecutive days, and in the event oil, gas, or other mineral is discovered, then as long as the same is produced from the leased premises; provided, however, that this paragraph shall not become effective unless Lessee shall pay rentals in the amount and in the manner specified in Paragraph 4 hereof on or before the last day of the primary term and annually thereafter while the provisions of this paragraph are invoked by Lessee.

11. If oil, gas, or other mineral shall be discovered on the leased premises and if, in the judgement of Lessee, it shall become unprofitable or uneconomical to produce the same due to the low price obtainable for such products or due to the restricted allowable production under the laws of the state in which the land is situated, under any federal law, or under the orders or regulations of the appropriate governing bodies, and if, in the judgement of Lessee, such unprofitable or uneconomical conditions are temporary, then Lessee may shut in and cease producing during the existence of such unprofitable or uneconomical conditions, for a period not in excess of two (2) years, during which time it shall be deemed that oil or gas is being produced and this lease shall continue in effect, if Lessee shall pay to Lessor annually during such period rentals in like amount and in like manner as provided in Paragraph 4 hereof. Nothing herein contained shall be construed to require the payment of rentals covering the same period for which rentals are paid under the provisions of Paragraph 9.

12. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns of the parties hereto. Notwithstanding any actual or constructive knowledge of or notice to Lessee, no change or division in the ownership of the lands, royalties, or rentals, however accomplished, shall be binding upon the Lessee (except at Lessee's option in any particular case), until thirty (30) days after Lessee shall have been furnished with the original, a copy certified by the official recorder of the county where the land or some part thereof is located, or a photostat of the recorded instrument or instruments evidencing the change or transfer, including any intermediate transfer from the Lessor or his assigns not theretofore furnished to Lessee, and such change or transfer shall not affect any payments made prior to said date whether or not due. In case of death of any person entitled to receive royalties or rentals, the evidence of change in ownership shall consist of letters of administration or final decree of distribution of the estate of the decedent issued by a court of competent jurisdiction of the decedent's estate including his interest in the lands above described. Lessee may until such date continue to pay such royalties and rentals as if such change or transfer had not been made, or may pay the same according to the interests of record as disclosed by the last certification of an abstract in Lessee's possession subsequent to the date of the lease, or at Lessee's option, may suspend the payment thereof until thirty (30) days after such evidence is received. No change or division in the ownership of the land, royalties or rentals shall operate to enlarge the obligations or diminish the rights of the Lessee. No division of royalties shall be made effective except at the end of a calendar month. If the ownership of royalties becomes changed into separate divided portions of said land and the owner of any such royalty desires separate gauges for production from such separate tracts, he shall request the Lessee to set separate measuring and receiving tanks and pay to the Lessee in advance the Lessee's estimated cost of procuring and setting such tanks and making the connections therefor; and unless and until such is done, Lessee may pay such royalties to the separate owners jointly or may suspend payment until such time as said separate owners shall agree in writing upon an apportionment of such royalties and furnish Lessee with the original agreement. In event of assignment of this lease as to a segregated portion or portions of said land, all rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. The acreage included in any assignment as recited therein in good faith shall be conclusive for the purpose of payment of rentals. Whether or not this lease be owned by one party or by two or more different parties, production under the terms of this lease, or drilling or reworking operations on any portion of the land above described, shall keep this lease in effect upon all the land herein leased. The Lessee shall not be liable for the failure of any subsequent owner of this lease, in whole or in part, to perform the terms, conditions and obligations of this lease, express or implied. Offsetting shall never be required to protect one portion of the leased premises against drainage through a well or wells on another portion of the leased premises. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating a trustee to receive payment for all.

13. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on and land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury pipe lines below ordinary plow depth.

14. The Lessee agrees to pay for damages to crops or improvements caused by operations of Lessee.

15. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.

16. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in event Lessee does so, Lessee shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. The application of any rentals or royalties to the payment of any tax or any lien which appears of record against said land, or for the reimbursement of Lessee for the payment of any such tax or lien, shall constitute full and complete payment of such sum, in like manner as if such payment had been made to Lessor or to the depository herein named, whether or not such tax or other lien constitutes a valid lien against said land. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns a less interest in the above described land, or any part thereof, then the entire undivided fee simple estate therein, whether or not this lease purports to cover the whole or a fractional interest, then the royalties and rentals to be paid Lessor shall be only in the proportion that his interests bears to the whole and undivided fee and in accordance with the nature of the estate of which he is seized. Lessee shall have the right to accept leases or conveyances from others owning or claiming to own interests in the land or minerals covered hereby adverse to the rights of Lessor herein. Provided, that nothing herein contained shall be construed to deprive Lessee of any right or remedy for breach of warranty afforded by law, including, but not limited to, the marshaling of assets in the event of a foreclosure of any lien or encumbrance.

17. This agreement covers the entire understanding of the parties. There are no oral agreements, promises or representations inconsistent with or supplementary to the agreement herein expressed.

18. In the event oil, gas, or other mineral is produced from the land described herein and covered by this lease at the time of such production and the royalty payments due the Lessor in any one year under the provisions of Paragraph 3 of this lease are less than the Lessor would be entitled to under the Rental provisions of Paragraph 4, the Lessee shall pay to Lessor, in the nature of rental the difference between what the rental would have been during said year, in the absence of production, and the royalty payments actually made to the Lessor.

WITNESS our hands and seals on the 31 day of August, 1964.

WITNESSES:
ATTEST: Robert M. Gilbert
Secretary

TWO E RANCHES, INC. (L. S.)
by --- J.C. Brown (L. S.)
President

Mel C. Bedinger
Mel C. Bedinger, Lessee (L. S.)

(L. S.)
(L. S.)
(L. S.)
(L. S.)
(L. S.)

SINGLE ACKNOWLEDGEMENT

THE STATE OF _____ }
County of _____ }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____
known to me to be the person whose name subscribed to the foregoing
instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____ A. D., 19 _____

(L. S.)

Notary Public in and for _____ County,

WIFE'S SEPARATE ACKNOWLEDGEMENT

THE STATE OF _____ }
County of _____ }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____
_____, Wife of _____, known
to me to be the person whose name is subscribed to the foregoing instruments, and having been examined by me privily and apart from her
husband, and having the same fully explained to her, she, the said _____, acknowledged
such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein
expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____ A. D., 19 _____

(L. S.)

Notary Public in and for _____ County,

JOINT ACKNOWLEDGEMENT

THE STATE OF _____ }
County of _____ }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____
and _____, his wife,
both known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they each
executed the same for the purposes and consideration therein expressed and, the said _____, wife
of the said _____, having been
examined by me privily and apart from her husband, and having the same fully explained to her, she, the said _____
acknowledged such instrument to be her act and deed, and she declared that she had will-
ingly signed the same for the purpose and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____ A. D., 19 _____

(L. S.)

Notary Public in and for _____ County,

CORPORATION ACKNOWLEDGEMENT

THE STATE OF Colorado }
County of Weld }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____
F. C. Brown, President, known to me to be the person and officer whose name is subscribed to the
foregoing instrument, and acknowledged to me that the same was the act of the said Two E. Ranches, Inc.
_____, a corporation, and that he executed the same as the act of such corporation for
the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this day _____ day of August A. D., 19 64



Harold L. Hyde
Notary Public in and for _____ County,