

THIS AGREEMENT made and entered into this 25th day of March, 1978

by and between Gilbert D. Monk and Elsie M. Monk, husband and wife

Wages Route, Yuma, Colorado 80759

lessor (whether one or more), and Kansas-Nebraska Natural Gas Company, Inc., P. O. Box 15265, Lakewood, Colorado lessee

WITNESSETH:

That the lessor, for and in consideration of \_\_\_\_\_) in hand paid, the receipt and sufficiency of which is hereby acknowledged, and the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto the said lessee, exclusively, its successors and assigns, the following described land for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling, and the drilling, mining, operating for, producing and saving of oil, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, and all other gases and their constituent parts, and other minerals produced in connection with oil and gas operations hereunder, or as a by-product of oil and gas, and the exclusive right of injecting water, brine and other fluids and substances into the subsurface strata, with rights of way and easements for laying pipe lines, telephone and telegraph lines, tanks, power houses, stations, ponds, roadways and other fixtures or structures for producing, treating and caring for such products, and any and all other rights and privileges necessary, incident to or convenient in the economical or efficient operation, alone or conjointly with other lands, of said land for the production of said products or substances and the erection of structures thereon to produce, save and take care of said products and substances and the injection of water, brine and other substances into the subsurface strata of said tract of land, together with any reversionary rights therein, said tract of land being situated in the County of

Yuma, State of Colorado and described as follows, to-wit:

See EXHIBIT "A"

Recorded May 4, 1978 at 12:30 Clock P.M.  
Reception 407233 Gary E. Stone, Recorder

of Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, together with all submerged lands, accretions, strips and gores adjacent or contiguous thereto and owned or claimed by the lessor, which land shall, for the purpose of calculating the amount of any money payment permitted or required by the terms of

this lease, be considered as containing exactly \_\_\_\_\_ acres, whether there is more or less. ten ( 10 ) TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of \_\_\_\_\_ years from this date (hereafter called "Primary Term") and as long thereafter as oil, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, and other minerals may be produced from said lease premises or operations for the drilling or production thereof are continued as hereinafter provided.

In consideration of the premises, it is hereby mutually agreed as follows:

1. To deliver, free of cost, to the lessor at the well or to the credit of lessor into the pipe line to which lessee may connect its well, an equal one-eighth (1/8th) part of all oil produced and saved from the lease premises or at the lessee's option to pay to the lessor for such one-eighth (1/8th) the market price at the wellhead for oil of a like grade and gravity prevailing on the day such oil is run into the pipe line or storage tanks.
2. On gas, gas condensate, gas distillate, casinghead gas and all other gases, including their constituent parts, produced from said land and sold or used off the lease premises or in the manufacture of gasoline or other products, lessee shall pay to lessor a sum equal to one-eighth (1/8th) of the gross proceeds received from the sale of such produced substances where the same is sold at the mouth of the well or, if not sold at the mouth of the well, then one-eighth (1/8th) of the market value thereof at the mouth of the well, but in no event more than one-eighth (1/8th) of the actual amount received by lessee for the sale thereof.
3. If gas from any well or wells on the premises capable of producing gas in commercial quantities is not sold or used off the premises or in the manufacture of gasoline for a period of one (1) year or more during which time there is no other production from the lease premises, then lessee shall become obligated to pay as royalty for such annual period a sum equal to the delay rentals provided in paragraph number 6 hereof, whether during or after the primary term. In consideration of the obligation so to pay, it shall within the meaning of all the terms of this lease, including the habendum clause, be conclusively deemed that gas is being produced from the premises during the time such gas is not sold or used.
4. On all other minerals produced and marketed, lessee shall pay one-eighth (1/8th) of the current market price at the mouth of the well, but in no event more than one-eighth (1/8th) of the actual amount received by the lessee.
5. If any gas well on the lease premises produces dry gas in excess of that needed for operations hereunder, lessor shall have the privilege, at his sole risk, cost and expense, of using such surplus gas for stoves and inside lights in the principal dwelling located upon the lease premises. Notwithstanding any of the provisions aforesaid, lessee shall have free use of oil, distillate, condensate, gas, casinghead gas, casinghead gasoline and all other petroleum products, water and other minerals and materials from the lease premises, except water from lessor's wells and tanks, for all operations hereunder.
6. If operations for the drilling of a well for oil or gas are not commenced on the lease premises on or before one (1) year from the date hereof, then this lease, except as otherwise provided, shall terminate as to both parties unless the lessee, on or before that date, shall pay or tender to lessor or to lessor's credit in the \_\_\_\_\_

Farmers State

Bank at

Yuma, Colorado 80759

(or to any bank designated in writing by lessor whether or not such written designation is recorded), or its successor or successors, which bank and its successors are lessor's agents and shall continue as the depository bank regardless of changes in the ownership of said land or the right to receive rentals, the sum of \_\_\_\_\_

operations for the drilling of said well for a period of one (1) year from said date. In a like manner and upon like payments or tenders, the commencement of operations for the drilling of said well may be further deferred for like periods successively. It is understood and agreed that the consideration first recited herein, the down payment, covers all the privileges, options and other rights conferred upon the lessee. Lessee may, at any time, execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises, as to any or all horizons, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the portion surrendered, and where a part or portion of this lease is released as to all horizons, then rentals thereafter payable hereunder may be reduced in the proportion that the acreage covered by this lease is reduced by said release or releases. Payment or tender of rental may be made by draft or check of the lessee, transmitted, delivered or mailed to the authorized depository bank or to the lessor at his last known address (as shown by lessee's records) on or before the rental date, and the payment or tender shall be deemed to have been made when the check or draft is so transmitted, delivered or mailed.

7. It is expressly agreed that if lessee shall commence operations for the drilling of a well at any time while its lease is in force, this lease shall remain in force and its term shall continue for so long as such operations are prosecuted and, if production results therefrom, then so long as such production may continue. Should the first well drilled on the above described land be a dry hole or fail to establish production, then and in that event if a second well is not commenced on said land within twelve (12) months following the expiration of the last rental period for which rental has been paid (or within twelve (12) months from the first anniversary of this lease if such well is drilled during the first year of the primary term), this lease shall terminate as to both parties unless the lessee on or before the expiration of said twelve (12) months shall resume or commence the payment of rentals in the same amount and in the same manner as hereinabove provided. If, within the primary term of this lease, production on the lease premises shall cease from any cause (other than a cessation contemplated in paragraph 3), this lease shall not terminate provided operations for the drilling or reworking of a well shall be commenced before or on the next ensuing rental paying date falling more than ninety (90) days after such cessation; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the lease premises shall cease from any cause (other than a cessation contemplated in paragraph 3), this lease shall not terminate provided lessee resumes or commences operations for the drilling or reworking of a well within ninety (90) days from the date of such cessation, and this lease shall remain in force and effect during the prosecution of such operations, and if production results therefrom, then as long as such production continues or the well or wells are capable of producing.

8. Where required by lessor, lessee shall bury all pipe lines below ordinary plow depth in cultivated land. Lessee shall pay lessor for damages caused by lessee's operations to all cultivated crops growing on said land. Lessee shall have the right, but shall not be obligated, at any time, either before or after expiration of this lease, to remove all fixtures and other property placed by lessee on the lease premises, including the right to draw and remove all casing. Any structures and facilities placed on the lease premises by lessee for operations hereunder and any well or wells on the lease premises drilled or used for the injection of salt water or other fluids may also be used for lessee's operation on other lands in the same area; the right to so use such facilities may be continued beyond the term of this lease by payment in advance of the sum of One Hundred Dollars (\$100.00) per year. No well shall be drilled nearer than 200 feet to any house or barn now on the premises without the consent of lessor.

9. Lessee is granted the right, from time to time while this lease is in force, to pool into a separate operating unit or units all or any part of the land covered by this lease with other land, lease or leases, or interest therein (whether such other interests are pooled by a voluntary agreement on the part of the owners thereof or by the exercise of a right to pool by the lessee), when in lessee's judgment it is necessary or advisable in order to promote conservation, to properly develop or operate the land and interests to be pooled, or to obtain a multiple production allowable from any governmental agency having control over such matters. Any pooling hereunder may cover all oil and gas, or any one or more of the substances covered by this lease, and may cover one or more or all zones or formations underlying all or any portion or portions of the lease premises. Any unit formed by such pooling shall be of abutting or cornering tracts and shall not exceed 640 acres for gas, gas distillate or gas condensate and shall not exceed 80 acres for any other substance covered by this lease; provided that if any governmental regulation or order shall prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be permitted in such allocation of allowable. The area pooled and the zones or formations and substances pooled shall be set forth by lessee in a "declaration of pooling" filed for record in the county or counties in which the pooled area is located. Such pooling shall be effective on the date such declaration is filed unless a later effective date is specified in such declaration. In lieu of the royalties elsewhere herein specified, except shut-in gas well royalties, lessor shall receive on production from an area so pooled only such portion of the royalties which, in the absence of such pooling, would be payable hereunder to lessor on production from the land covered by this lease which is placed in the pooled area as the amount of the surface acreage in the land covered by this lease which is placed in the pooled area bears to the amount of the surface acreage of the entire pooled area. Nothing herein contained shall authorize or effect any transfer of any title to any leasehold, royalty or other interest pooled pursuant hereto. The commencement of a well, the conduct of their drilling operations, the completion of a well or of a dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except for royalty purposes) the same as if said well were located on, or such drilling operations were conducted upon, the lands covered by this lease whether or not such well is located upon, or such drilling operations are conducted upon, said lands. Lessee may terminate any pooling effected pursuant hereto at any time the pooled unit is not capable of producing and no drilling operations are being conducted thereon by executing and filing of record in the county or counties in which the pooled area is located a written declaration of the termination of such pooling, provided that the pooling of all interests not covered by this lease which comprise a part of such pooled unit be also terminated in some effective manner.

10. The rights of either party hereunder may be assigned in whole, in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate or be construed so as to enlarge or increase the obligations or burdens of the lessee, or diminish its rights. Specifically, but not by way of limitation of the foregoing, the lessee shall not be required to offset wells on separate tracts into which the land covered by this lease may hereafter be divided, or to furnish separate measuring or receiving tanks. Notwithstanding any actual or constructive knowledge of or notice to the lessee, no change in the ownership of said land or the right to receive rentals or royalties hereunder, or any interest therein, however accomplished, shall be binding on the lessee (except at lessee's option) until thirty (30) days after lessee has been furnished with written notice thereof, together with the supporting information hereinafter referred to, by the party claiming as the result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all recorded documents and other instruments and proceedings necessary in lessee's opinion to establish the ownership of the claiming party. All advance payments of rentals made hereunder within thirty (30) days after receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, heir or successor to the lessor. In the event of an assignment or sublease of this lease as to segregated portions of the land above described the rental payments hereunder shall be apportioned as to the several leasehold owners (including sublessees) ratably according to the surface area of each, and default in the rental payment by one shall not affect the rights of the other leasehold owners.

11. In the event lessor considers that the lessee has failed to comply with any obligation hereunder, express or implied, lessor shall notify lessee in writing, specifying in what respect lessor claims lessee has breached this lease. The service of such notice and lapse of sixty (60) days without lessee meeting or commencing to meet the alleged breaches shall be a condition precedent to any action by lessor for any cause. If, within sixty (60) days after the receipt of such notice lessee shall meet or commence to meet the breaches alleged by lessor, lessee shall not be deemed in default hereunder.

12. If lessor owns a less interest than the entire fee or mineral estate (whether or not a lesser interest is stated above), the rentals and royalties herein provided shall be paid to lessor only in the proportion that his interest bears to the entire fee or mineral estate. If, however, during the term of this lease any reversion of interest to lessor should occur, then and in that event on the next succeeding rental anniversary after lessor shall have notified lessee of the occurrence of such reversion and shall have furnished lessee with satisfactory proof thereof, the rental shall be increased to cover the additional interest so acquired by the lessor.

13. All provisions hereof express or implied shall be subject to all federal and state laws and the orders, rules and regulations of all governmental agencies administering the same (and interpretations thereof by such agencies or courts having jurisdiction), and this lease shall not in any way be terminated wholly or partially nor shall the lessee be liable in damages for failure to comply with any of the express or implied covenants hereof if such failure is caused by any such laws, orders, rules or regulations or interpretations thereof by said agencies or courts having jurisdiction. If lessee should be prevented during the last six (6) months of the primary term hereof from drilling a well hereunder by the order of any duly constituted authority having or asserting jurisdiction thereover, or if lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling or completion thereof not being available from any cause, the primary term of this lease shall continue until six (6) months after said order is suspended and/or said equipment is available.

14. This lease and all of its terms and conditions shall be binding upon all successors of the lessors and the lessees. Should any one or more of the parties above named as lessors fail to execute this lease, it shall nevertheless be binding upon all lessors who do execute it. Notwithstanding any language herein to the contrary, it is expressly understood and agreed that any payment or payments made by the lessee to the owner of any interest subject to this lease shall be sufficient payment hereunder as to such interest notwithstanding the joinder herein of the spouse of any such party as a party-lessor for the purpose of waiving homestead, dower or inchoate rights of inheritance, if any.

15. Lessor hereby warrants and agrees to defend the title to the land above described and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgage, taxes or other liens on the above described land in the event of default of payment by the lessor and the lessee shall be subrogated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee for the lessor may, at lessee's option, be deducted from any amounts of money which may become due or payable to the lessor under the terms of this lease.

IN WITNESS WHEREOF, we sign this \_\_\_\_\_ day of \_\_\_\_\_ and year first above written.

Gilbert D. Monk  
Gilbert D. Monk

Elsie M. Monk  
Elsie M. Monk

907-0044-02-AAA

C-2357

STATE OF COLORADO }  
COUNTY OF YUMA } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT - INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 25th day of March, 1978, personally appeared Gilbert D. Monk and Elsie M. Monk,

and husband and wife

to me known to be the identical persons, described in and who executed the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written. My Commission Expires November 8, 1981. John W. Tark Notary Public.

STATE OF }  
COUNTY OF } ss.

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,  
Nebraska, North Dakota, South Dakota  
ACKNOWLEDGMENT - INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this day of 19, personally appeared

and to me known to be the identical person, described in and who executed the within and foregoing instrument of writing and acknowledged to me that duly executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written. My Commission Expires Notary Public.

State of }  
County of } ss.

ACKNOWLEDGMENT (For use by Corporation)

On this day of A. D. 19, before me personally appeared to me personally known, who, being by me duly sworn, did say that he is the of and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this day of A. D. 19. (SEAL) Notary Public.

My Commission expires

INDEXED

407233

No. 407233

Oil and Gas Lease

FROM

GILBERT D. MONK, ETUX

ELSIE M. MONK

TO

KANSAS-NEBRASKA NATURAL GAS

COMPANY, INC.

Dated 19

No. Acres

County

Term

This instrument was filed for record on the 4 day of May 19 78 at

12:30 o'clock P. M. and duly recorded in

Volume 526 Page 476

of the records of this office.

Mary E. Stone

County Clerk

By Margie Espertone Deputy

When recorded return to

P.O. Box 15265 KNNH-Laboratory 80215

6.00 fee

Township 3 North, Range 46 West of the 6th P. M.  
Section 30: Lots 3, 4,  $E\frac{1}{2}SW\frac{1}{4}$

Township 4 North, Range 46 West of the 6th P. M.

Section 5:  $SW\frac{1}{4}$

Section 6: Lot 7,  $S\frac{1}{2}NE\frac{1}{4}$ ,  $SE\frac{1}{4}SW\frac{1}{4}$ ,  $SE\frac{1}{4}$ , except a tract of land described as follows: Commencing at the Southwest corner of the  $SW\frac{1}{4}$  of Section 6, thence North 10 rods, thence East 16 rods, thence South 10 rods, thence West 16 rods to the point of beginning, containing one acre, more or less.

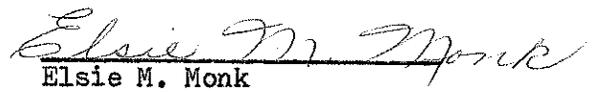
Section 7:  $E\frac{1}{2}$

Township 4 North, Range 47 West of the 6th P. M.

Section 12:  $E\frac{1}{2}$

Section 13:  $N\frac{1}{2}$

  
Gilbert D. Monk

  
Elsie M. Monk