

December

lessor (whether

one or more), and Ed Pendleton, 324 Patterson Building, Denver, Colorado 80202, lessor.

WITNESSETH:

WITNESSETH:

Dolores State of Colorado

and described as follows, to-wit:

Section 18: Lots 5, 6, 7, 8, 9, 10.

THIS lease, be considered as containing exactly 247.00 acres, whether there is more or less. five ( 5 )  
 TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of five ( 5 )  
 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 ( $\frac{1}{8}$ )th 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 ( $\frac{1}{8}$ )th the market price at the wellhead for oil of a like grade and gravity

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 the value of such produced substances at the time of sale.

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, then the obligation to pay shall be provided for in paragraph number 6 hereof, whether during or after the primary term. Consideration of the obligation so to pay, it shall within the meaning of the above, be deemed to be a sale of the gas from the premises.

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.

[illegible]

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

wise provide, 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 \_\_\_\_\_  
Dove Creek State Bank at Dove Creek, Colorado 81324  
 \_\_\_\_\_ (or to any bank designated in writing by lessor whether or not such written designation is recorded) \_\_\_\_\_ 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 Two hundred  
forty-nine and 80/100--- Dollars (\$ 249.80 ), which shall operate as a rental and cover the privilege of deferring the commencement of

**forty-nine and 80/100--- Dollars (\$ 249.80)** which shall operate as a rental and cover the privilege of commencing 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 bears to the total acreage. Payment or tender of rental may be made by draft or check, delivered or mailed to the authorized depository bank 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 transmitted, delivered or mailed.

7. It is expressly agreed that if Lessee shall commence operations for the drilling of 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 such production, then in the 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, then within twelve (12) months from the first day of such expiration, this lease shall terminate (at the end of the term), this lease shall terminate as to both parties unless the lease is 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 of operations) for a period of 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 commences operations on the above described land within twelve (12) months after the expiration of the primary term of this lease, and the force and effect of this lease shall be the same as if it had been renewed. If, after the expiration of the primary term of this lease, production 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 lay 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 improvements on the land, and to remove all pipe lines, and to remove all structures on the same area; 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 lessor'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 lessed no more than 200 feet to any hole or barn now on the premises without the consent of lessor. If, for any reason, the land covered by this lease is not drilled or completed within the term of this lease, then this lease is in force, to pool into separate units, or for any part of the land covered by this lease with other lands or leases, or interest there (whether such pooling or unitization be on the part of the owner thereof or by the exercise of a right to pool by the lessees thereof), when in lessee's judgment it is necessary or advisable in order to preserve 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 following: oil, gas, water, steam, geothermal energy, or any other substance capable of being produced in paying quantities from the land and interests to be pooled. The unit 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, 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 the governmental regulation or order. The 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 pooling declaration, shall be specified as the portion of the royalties to be paid to the owner of the land in the 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 other drilling operations, the completion or abandonment of a well, 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 on, the land owned by lessor. Lessor shall be deemed to have accepted the pooling of the land covered by this lease with other 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

10. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change of director

any rights or interests of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division of ownership shall be necessary to bind the assignee hereunder. The obligations and burdens of the lessee, or diminishing or extinguishing the same, shall not be affected by any change of ownership of the leased premises. If the ownership of the leased premises or the ownership of any part thereof shall 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 the date of recording of the assignment or other instrument purporting to transfer the ownership or interest in the leased premises. The lessor shall be deemed to have constructive notice of any assignment or other instrument purporting to transfer the ownership or interest in the leased premises. Such notice shall be supported by original or certified copies of the recorded documents or other instruments purporting to transfer the ownership or interest in the leased premises. 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, devise, 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 leased premises, the lessor shall reserve and reserve unto himself and his heirs and assigns all leasehold owners (including sublessees) ratably according to the surface area of each, and in default in the rental payment by one shall not affect the rights of the other leasehold owners.

13. In the event lessor considers that 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 a copy 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, lessor shall not be deemed in default hereunder.

12. If lessor owns a 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.

1) All provisions herein shall be deemed to be subject to the laws, rules and regulations of all governmental agencies administering the same and interpretations thereof by such agencies or courts having jurisdiction. If the lease shall not be terminated wholly by the lessee or labor 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 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 funding of the lease.

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, OF ANY MORTGAGE LOAN OR OTHER DEBT OBLIGATION 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. LESSOR HEREBY AGREES THAT ANY 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 LESSOR UNDER THE TERMS OF THIS LEASE.

IN WITNESS WHEREOF, we sign this as of the day and year first above written

Frank D. Armstrong

Bannie E. Armstrong  
Bannie E. Armstrong



STATE OF Colorado } ss. ACKNOWLEDGMENT FOR IND DUAL (Kans., Okla., and Colo.)  
COUNTY OF Dolores

Before me, the undersigned, a Notary Public, within and for said county and state, on this 14th  
day of December, 1971, personally appeared Frank D. Armstrong  
and Bennie E. Armstrong, husband and wife  
to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me  
that they 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 official seal the day and year last above written.  
My commission expires October 8, 1975 Laketa J. Dale  
Notary Public.

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF COLORADO)  
COUNTY OF Dolores SS.

I, the undersigned Notary Public, do hereby certify that on the  
24th day of January, 1972, personally and in person appeared  
Frank D. Armstrong, the signer of the above instrument, and personally  
known to me to be the person described in and who executed the fore-  
going instrument by making his mark and whose name is subscribed thereto  
and duly acknowledged to me that he freely and voluntarily signed, sealed,  
executed and delivered the same as his free and voluntary act and deed  
for the uses and purposes therein specified and set forth.

Given under my hand and official Notarial seal this 24th day of

January, 1972.

My Commission Expires: \_\_\_\_\_

My Commission Expires Jan. 21, 1973

William D. Thompson  
Notary Public, whose place of  
residence is 200 RR Home  
Dolores, Colorado

No. 8815	OIL AND G	PRO	Urbano D. & Board	TC	Ed Pando	Date	Section	Twp	No. of Acres	STATE OF Colorado	County of Dolores	This instrument was	24th	day of	at 2:30 o'clock	in Book 127	the records of this office	By	When recorded, return to	234 Patterson Bldg	Dolores, Colo	THE KANSAS B	PHOTOSTAT SERVICE
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NOTE: When signature by mark in Kansas, said mark to be witnessed by at least one person and also acknowledged.  
For acknowledgment by mark, use regular Kansas acknowledgment.

STATE OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)  
COUNTY OF \_\_\_\_\_

Before me, the undersigned, a Notary Public, within and for said county and state, on this \_\_\_\_\_

Recorded at 8:30 o'clock A.M. Jan 31, 1972  
Reception No. 89314 Wada Wood Recorder  
Book 123 Page 34-35 RP

Page 34  
INDEXED

Recorded at 8:30 o'clock A.M. Dec 27, 1971  
Reception No. 89180 Wada Wood Recorder  
Book 137 Page 272-273 RP

Page 372  
INDEXED