



# TRANSFER ORDER

(Oil and Casinghead Gas)

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MAY 09 1984

COLO. OIL & GAS CONS. COMM.

JUNE 4, 1982 WS

TO: UNION OIL COMPANY OF CALIFORNIA

Union 76 Division - Crude Oil Purchasing  
Hereinafter called "Union"

Equitable Bldg., Suite 810, 730 17th St., Denver CO. 80202

LEASE NO. 2-2-275-642-00

The undersigned, identified as the Seller, has sold or pledged the following interest in the proportions set out below, of all the oil and casinghead gas, produced from COUGAR PETROLEUM CORP.

lease on the SMITH # 1 farm described as:

SW/4 OF NE/4 OF SECTION 2, T-10-N, R-49-W

in LOGAN County, State of COLORADO as indicated below.

TO WHOM SOLD	DIVISION OF INTEREST	MAILING ADDRESS AND TAXPAYER ACCOUNT NO.
MARTIN KEITH SMITH	.0400000 R.I.	2208 Woodbrook Dr. Denton, TX 76201 252-02-9976
MARVIN KURT SMITH	.0400000 R.I.	2208 Woodbrook Dr. Denton, TX 76201 260-04-7577
JAMES KEVIN SMITH	.0400000 R.I.	2208 Woodbrook Dr. Denton, TX 76201 260-47-7555
KATHLEEN MARIE SMITH	.0400000 R.I.	2208 Woodbrook Dr. Denton, TX 76201 260-04-7532

\* EFFECTIVE DATE OF FIRST PURCHASE

FEDERAL LAW REQUIRES IDENTIFICATION NUMBERS AS FOLLOWS: FOR INDIVIDUALS—SOCIAL SECURITY NUMBER, OR ACCOUNT NUMBER; FOR BUSINESS—EMPLOYER ACCOUNT NUMBER. Please type or print the appropriate number along with your correct mailing address. Corporate signatures must be attested and corporate seal affixed. The lease number in the upper right hand corner will be used with our checks to identify payment for production run from this property — PLEASE KEEP A RECORD OF IT.

Union, identified as the Purchaser, will give credit to the party or parties set forth above, for the value of oil and for the proceeds of casinghead gas applicable to the division of interest shown opposite the name of each owner of interest, beginning at 7:00 A.M. on the first day of \*SEE ABOVE, 19    .

ATTEST OR WITNESS TO SIGNATURE

SIGNATURE OF SELLER

Russell Z. Buehler

Russell K. Smith

RUSSELL K. SMITH

The undersigned, to whom title to the interest set out above has been passed by recorded mineral deed or other conveyance evidencing such change in ownership, hereinafter called Owner, hereby accepts the foregoing order as being supplemental to any division order heretofore in force on the applicable lease and agrees to the division order provisions appearing on the reverse side hereof.

ATTEST OR WITNESS TO SIGNATURE

SIGNATURE OF OWNER

Russell Z. Buehler

MARTIN KEITH SMITH

MARVIN KURT SMITH

JAMES KEVIN SMITH

KATHLEEN MARIE SMITH

# DIVISION ORDER PROVISIONS

(Oil and Casinghead Gas)

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The following provisions are parts of this division order and shall be binding on the signatories hereon, hereinafter called Owners, their successors, legal representatives and assigns:

- (1) The oil received and purchased hereunder shall become the property of Union, hereinafter called Purchaser, and title to same shall pass to it as soon as the same is received and delivered to any carrier designated by the Purchaser.
- (2) The oil received under this Division Order shall be paid for by the Purchaser to the party or parties entitled thereto, according to the division of interests shown hereon, either at (a) the price posted by Union for the same kind and quality of oil in the particular field in which it is received on the day on which it is received by the Purchaser into the custody of the designated carrier, or (b) if the oil is purchased by a nominee, the price to be paid shall be the same price received from such nominee, or (c) if the Purchaser does not post a price for such oil, the price to be paid shall be the reference price shown on the face of this Division Order; provided, however, if it is necessary to transport oil hereunder by truck, then in that event the Purchaser is authorized to deduct from the applicable price under (a), (b) or (c), as the case may be, the trucking cost incurred. For the amount due on account of oil, and the proceeds from casinghead gas, received during each calendar month, payment shall be made during the next succeeding calendar month. Payments shall be made by checks mailed to the respective parties, at the addresses given, for the amount of such purchase due said parties respectively, less any taxes required by law to be deducted and paid by the Purchaser. At the option of the Purchaser, no payments shall be made to individual interest owners until the sum due on account of such interest shall amount to five dollars (\$5.00) or more.
- (3) This contract shall be subject to all laws, rules and regulations of the State or Federal Government or other regulatory body, whether valid or invalid, and the Purchaser shall not be liable for any acts done in compliance therewith.  
Quantity and quality of the oil shall be determined in accordance with conditions specified in the price posting, or reference, applying hereto, if any, and any rules and regulations prescribed by any authorized commission or other legal authority of the State in which said lease is located, or prescribed by any agency of the Federal Government having jurisdiction.  
Should all or any part of the land above described, or the production obtained from any formation underlying same, become a part of a unit, then, with respect to each Owner who shall have accepted and agreed to the terms of the Unit Agreement, or who has had his interests therein pooled or unitized by governmental order, the Purchaser is authorized and directed to be governed by the terms of the Unit Agreement or order for the purpose of arriving at quantities to be credited to all or that part of the above tract, or the formation thereunder, included in said unit in lieu of actual runs therefrom.
- (4) This contract shall continue in force for thirty (30) days and thereafter until terminated upon notice in accordance with this paragraph. It is agreed that after the expiration of said thirty (30) days from date hereof, this contract may be terminated by the Purchaser by its giving thirty (30) days written notice of its purpose to terminate; and that any of the said Owners may, by similar notice to the Purchaser terminate this contract as to his interest, without, however, affecting the same as to the interest of the other parties.
- (5) Owners severally agree to promptly notify the Purchaser of any change in ownership and to furnish Purchaser with the original and one copy of the Purchaser's regular form of Transfer Order, duly executed and witnessed and showing as the effective date thereon the first day of the calendar month in which such change in ownership occurs, together with certified copy of the recorded deed or other conveyance evidencing such change in ownership; it being further understood that any vendee or assignee of any interest in said lease, or the production therefrom, shall take same subject to the terms hereof.
- (6) Satisfactory abstracts or other evidence of title will be furnished to the Purchaser at any time on demand. In the event of failure to furnish such evidence of title, or in the event of an adverse claim or dispute concerning title, Purchaser may withhold the proceeds for all oil or casinghead gas received without being liable for interest on amount withheld, until indemnity satisfactory to the Purchaser has been furnished; and in the event any action or suit is filed in any court affecting the title to either the real property above described, or to the oil or casinghead gas produced herefrom, in which any of the Owners are parties, written notice of the filing of such action shall be immediately furnished to the Purchaser by the Owner against whom action is commenced, stating the court in which same is filed and the title of such action or suit; and the Purchaser and any carrier transporting oil for the Purchaser's account shall be held harmless from any judgment rendered in such suit, insofar as same adversely affects the interest in said property owned by said Owner, and all reasonable costs and expenses incurred in defending against such claim insofar as same adversely affects the interest of said Owner, whether in defense of the Purchaser, or in defense of the carrier transporting the oil for the Purchaser's account, and the affected Owner agrees to pay said judgment and said costs and expenses in the proportion and to the extent that the same affect his or their interest.
- (7) Where, under the foregoing provision, the proceeds of any oil received, or the proceeds from casinghead gas, are retained, Owners agree to indemnify and hold the Purchaser harmless from any liability for any tax proposed or assessed against or paid on account of such retained proceeds, together with the penalties incident thereto; and the Purchaser may deduct same from any amount owing by it to Owners.
- (8) The Purchaser is hereby relieved of any responsibility for determining when any money or other payments, payable from an interest herein set forth, has been increased, decreased, satisfied or discharged and the signatories hereto, whose interests are affected by such money or other payments, agree to give written notice by registered mail to the Purchaser of the increase, decrease, satisfaction or discharge of such money or other payments, and to hold the Purchaser harmless for all loss, cost, expense or damage that may result from any overpayment or underpayment in the absence of such written notice.
- (9) This division order shall become valid and binding on each and every Owner herein named as soon as signed by him or her regardless whether or not any of the other Owners herein named have so signed.
- (10) This division order supersedes all former division orders given on the property described herein.
- (11) Purchaser agrees to the conditions of attached addendum No. 1 that is expressively made a part of this agreement.

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ADDENDUM NO.1

COLO. OIL & GAS CONS. COMM.

This addendum is made an express part of the attached Transfer Order, dated June 4, 1982, Lease No. 2-2-275-642-00, of the Union Oil Company of California, for the purchase of gas and oil from The Cougar Petroleum Corporation Smith #1 well.

It is expressly agreed that, notwithstanding any of the other provisions of this Transfer Order, that the execution of this Transfer Order shall not void or change any of the provisions of the Lease Agreement for Oil and Gas with the Cougar Petroleum Corporation dated August 21, 1979, including provision for payment of the owners interest of ,0400000 R.I., as shown on the Transfer Order of the proceeds of market value of any and all oil and gas produced at the wellhead, with no charge or assessment for production or marketing expenses, including transportation costs, storage, pipelines, or any other expense.

WITNESS TO SIGNATURE

SIGNATURE OF OWNER

Russell L. Bughin  
June 17 1982  
Date

Marvin Kurt Smith  
Marvin Kurt Smith  
June 17, 1982  
Date