

533/897

CO-7816-1

RM-342 (7-71)
Producers 88-80-640 (7-71)

533 PAGE 897

OIL AND GAS LEASE

THIS AGREEMENT made this 6th day of October, 1980, between
County of Montezuma

lessor (whether one or more), whose address is: Cortez, Colorado 81321
and Shell Oil Company P.O. Box 576, Houston, Texas 77001, lessee, WITNESSETH:

1. Lessor, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil and gas, including casinghead gas, casinghead gasoline, condensate and all related hydrocarbons, and including all other products produced therewith, hereinafter referred to collectively as "said minerals", together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting said minerals produced from the land covered hereby, or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of Montezuma, State of Colorado and is described as follows:

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated October 6, 1980 by and between the County of Montezuma, as Lessor, and Shell Oil Company, as Lessee:

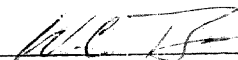
Township 36 North, Range 17 West, N.M.P.M. Township 36 North, Range 18 West, N.M.P.M.

Section 1: SE $\frac{1}{4}$ SW $\frac{1}{4}$;
Section 1: Lot 4, N 470' of SW $\frac{1}{4}$ NW $\frac{1}{4}$;
Section 1: Lot 3, SE $\frac{1}{4}$ NW $\frac{1}{4}$; NW $\frac{1}{4}$ SW $\frac{1}{4}$;
S 850' of SW $\frac{1}{4}$ NW $\frac{1}{4}$;
Section 5: Lots 9,10; SE $\frac{1}{4}$ SW $\frac{1}{4}$;
Section 8: Lot 1;
Section 12: NE $\frac{1}{4}$ SW $\frac{1}{4}$; E $\frac{1}{2}$ NW $\frac{1}{4}$; NW $\frac{1}{4}$ SE $\frac{1}{4}$;
Section 32: NW $\frac{1}{4}$ NW $\frac{1}{4}$;

Section 33: S $\frac{1}{2}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$;
Section 34: Part of N $\frac{1}{2}$ NW $\frac{1}{4}$ beginning at a point 748' E of NW/corner of NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 34, E 1542', S 945', W 158', S 375', W 1384', N 1320' to POB.
Township 37 North, Range 18 West, N.M.P.M.
Section 1: SE $\frac{1}{4}$ SE $\frac{1}{4}$;
Section 12: NE $\frac{1}{4}$;

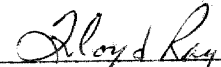
Containing 938.78 gross acres, more or less.

Signed for Identification:


W.C. Bauer, Chairman

County Board of Commissioners.

Roy Henneman, Commissioner Absent
10-19-81


Floyd Ray, Commissioner

SEE EXHIBIT "A" ATTACHED

BOOK 533 PAGE 898

*W. S. *
true* Including CO₂ (Carbon dioxide Gas)

*W. S. *
true* Lessee agrees to furnish the landowner at landowners request a supplemental abstract covering a period of time from the date of this containing all instruments Lessee may file of record through the date of a formal release recorded in said county.

For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 938.78 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ~~ten (10)~~ ^{Five (5)} years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other of said minerals produced and marketed or utilized by lessee from said land, one-tenth either in kind or the market value thereof at the well, at lessee's election. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market said minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety-day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. ~~Whereas~~ ^{Whereas} ~~the~~ ^{the} ~~land~~ ^{land} ~~is~~ ^{is} ~~located~~ ^{located} ~~in~~ ⁱⁿ ~~the~~ ^{the} ~~county~~ ^{county} ~~of~~ ^{of} ~~the~~ ^{the} ~~state~~ ^{state} ~~of~~ ^{of} ~~Colorado~~ ^{Colorado} ~~and~~ ^{and} ~~is~~ ^{is} ~~subject~~ ^{subject} ~~to~~ ^{to} ~~the~~ ^{the} ~~provisions~~ ^{provisions} ~~of~~ ^{of} ~~the~~ ^{the} ~~Public~~ ^{Public} ~~Law~~ ^{Law} ~~Number~~ ^{Number} ~~100~~ ¹⁰⁰ ~~of~~ ^{of} ~~the~~ ^{the} ~~State~~ ^{State} ~~of~~ ^{of} ~~Colorado~~ ^{Colorado} ~~and~~ ^{and} ~~is~~ ^{is} ~~subject~~ ^{subject} ~~to~~ ^{to} ~~the~~ ^{the} ~~provisions~~ ^{provisions} ~~of~~ ^{of} ~~the~~ ^{the} ~~Public~~ ^{Public} ~~Law~~ ^{Law} ~~Number~~ ^{Number} ~~100~~ ¹⁰⁰ ~~of~~ ^{of} ~~the~~ ^{the} ~~State~~ ^{State} ~~of~~ ^{of} ~~Colorado~~ ^{Colorado} ~~and~~ ^{and} ~~is~~ ^{is} ~~subject~~ ^{subject} ~~to~~ ^{to} ~~the~~ ^{the} ~~provisions~~ ^{provisions} ~~of~~ ^{of} ~~the~~ ^{the} ~~Public~~ ^{Public} ~~Law~~ ^{Law} ~~Number~~ ^{Number} 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6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall terminate on its anniversary date next following the ninetieth (90th) day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental, provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth (90th) day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operation" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or other of said minerals, or the production of oil, gas or other of said minerals, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, ~~of the land and the right to use the same for the purpose of conducting operations thereon~~ and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any of said minerals or horizons. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in the depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the right of other leasehold owners hereunder.

9. In the event lessor complies 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. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require, and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have easements on said land as are necessary to operations on the acreage so retained.

10. ~~LESSOR'S RIGHTS AND INTERESTS HEREUNDER SHALL BE CHARGED PRIMARILY WITH ANY MORTGAGES, TAXES OR OTHER LIENS OR INTEREST AND OTHER CHARGES ON SAID LAND, BUT LESSOR AGREES THAT LESSEE SHALL HAVE THE RIGHT AT ANY TIME TO PAY OR REDUCE SAME FOR LESSOR, EITHER BEFORE OR AFTER MATURITY, AND BE SUBROGATED TO THE RIGHTS OF THE HOLDER THEREOF AND TO DEDUCT AMOUNTS SO PAID FROM ROYALTIES OR OTHER PAYMENTS PAYABLE OR WHICH MAY BECOME PAYABLE TO LESSOR AND/OR ASSIGNS UNDER THIS LEASE. IF THIS LEASE COVERS A LESS INTEREST IN SAID MINERALS, OR ANY OF THEM, IN ALL OR ANY PART OF SAID LAND THAN THE ENTIRE AND UNDIVIDED FEE SIMPLE ESTATE (WHETHER LESSOR'S INTEREST IS HEREIN SPECIFIED OR NOT), OR NO INTEREST THEREIN, THEN THE ROYALTIES, DELAY RENTAL, AND OTHER MONEYS ACCRUING FROM ANY PART AS TO WHICH THIS LEASE COVERS LESS THAN SUCH FULL INTEREST, SHALL BE PAID ONLY IN THE PROPORTION WHICH THE INTEREST THEREIN, IF ANY, COVERED BY THIS LEASE, BEARS TO THE WHOLE AND UNDIVIDED FEE SIMPLE ESTATE THEREIN. ALL ROYALTY INTEREST COVERED BY THIS LEASE (WHETHER OR NOT OWNED BY LESSOR) SHALL BE PAID OUT OF THE ROYALTY HEREIN PROVIDED. THIS LEASE SHALL BE BINDING UPON EACH PARTY WHO EXECUTES IT WITHOUT REGARD TO WHETHER IT IS EXECUTED BY ALL THOSE NAMED HEREIN AS LESSOR.~~

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessor is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessor hereby expressly relinquishes dower and releases and waives all rights under and by virtue of the homestead exemption laws insofar as they may in any way affect the purpose for which this lease is made.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Attest: [Signature]
Social Security or I.D. Number: _____
Montezuma County Court Clerk
Social Security or I.D. Number: _____

Social Security or I.D. Number: _____
Social Security or I.D. Number: _____

by [Signature]
Social Security or I.D. Number: W.C. Bauer
Social Security or I.D. Number: Roy Henneman
Social Security or I.D. Number: Floyd Ray
County Board of Commissioners
Social Security or I.D. Number: _____

STATE OF COLORADO

COUNTY OF MONTEZUMA

The foregoing instrument was acknowledged before me this 19th day of October, 1981, by W.C. Bauer, Roy Henneman, and Floyd Ray as members of the Board of County Commissioners of Montezuma County, Colorado.

My Commission Expires: 10/19/82
[Signature]
Notary Public in and for
Montezuma County, Colorado

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STATE OF Colorado)
COUNTY OF Montezuma) SS. **533 PAGE 901**

63-004-0133
INDIVIDUAL ACKNOWLEDGMENT

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that W.C. Bauer, Roy Henderson,
and Floyd Ray to me personally known, and known to me to be the same persons described in and who
executed the foregoing instrument, appeared before me this day in person and acknowledged to me that they executed and delivered the same as
their free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this 19th day of October, 1981.

My Commission Expires: Aug. 8, 1982 Notary Public in and for said County and State, residing at
Box 895, Cortez, Colo 81321

STATE OF _____)
COUNTY OF _____) SS. **INDIVIDUAL ACKNOWLEDGMENT**

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that _____
and _____ to me personally known, and known to me to be the same person described in and who
executed the foregoing instrument, appeared before me this day in person and acknowledged to me that _____ he _____ executed and delivered the same as
_____ free and voluntary act and deed, for the uses, purposes and consideration therein expressed, including the relinquishment of dower and homestead.

Given under my hand and official seal this _____ day of _____, 19____.

My Commission Expires: _____ Notary Public in and for said County and State, residing at
This instrument signed on behalf of Shell Oil Company by Joseph P. Grinnan, Jr. Agent

WHEN RECORDED RETURN TO:

This instrument was filed for record on the _____ day of
JAN 08 1982, 19____ at 9:13 o'clock A. M.,
and duly recorded in Book 533, Page 897 of the
_____ records of this office.
County of Montezuma State of Colo County Clerk
15.00 PL.