

TOWN OF WINDSOR

RESOLUTION NO. 2011-34

A RESOLUTION APPROVING AN OIL AND GAS LEASE, AND RELATED TERMS, BETWEEN THE TOWN OF WINDSOR, COLORADO, AND GREAT WESTERN LEASING, LLC, AND AUTHORIZING THE MAYOR TO EXECUTE SAME (DIAMOND VALLEY SITE)

WHEREAS, the Town of Windsor (“Town”) is a Colorado Home Rule Municipality, with all powers and authority vested pursuant to law; and

WHEREAS, the Town is the owner of certain mineral interests located beneath Town-owned property within the south half of Section 22, Township 6, Range 67 West, 6th P.M; and

WHEREAS, under Colorado law, the owners of mineral interests have a right to exploit, extract and put to beneficial use all minerals beneath the surface of the land; and

WHEREAS, the oil and gas deposits located within Weld County have drawn increasing interest from oil and gas extraction firms; and

WHEREAS, as is the case within Weld County, the Town’s oil and gas interests have become a source of particular interest to oil and gas extraction firms; and

WHEREAS, Great Western Leasing, LLC (“GW”) has approached the Town with terms and conditions for the leasing of Town-owned oil and gas rights beneath the property commonly known as the “Diamond Valley Park Site”, consisting of approximately 100 acres; and

WHEREAS, the Town’s Oil and Gas Special Counsel has negotiated a proposed Lease Agreement with GW, the terms and conditions of which are set forth in the attached “Oil and Gas Lease”, incorporated herein by this reference as if set forth fully; and

WHEREAS, the terms and conditions of the attached Oil and Gas Lease are consistent with the market and with prevailing oil and gas exploration practices within Weld County; and

WHEREAS, the attached Oil and Gas Lease specifically provides that no oil and gas activity will take place on the surface of any Town-owned property; and

WHEREAS, the Town’s Oil and Gas Special Counsel has recommended that the attached Oil and Gas Lease be approved by the Town Board; and

WHEREAS, the Town Board has concluded that the attached Oil and Gas Lease is beneficial to the public interest, in that it allows the Town to derive revenue from existing Town-owned resources; and

WHEREAS, the within Resolution is deemed to promote the public health, safety and welfare.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN BOARD OF THE TOWN OF WINDSOR, COLORADO as follows:

1. The attached Oil and Gas Lease is hereby approved.
2. The Mayor or, as necessary, Mayor *Pro Tem*, is hereby authorized to execute the attached Oil and Gas Lease on behalf of the Town.

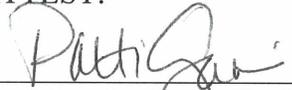
Upon motion duly made, seconded and carried, the foregoing Resolution was adopted this 12th day of September, 2011.

TOWN OF WINDSOR, COLORADO

By:


~~John S. Vazquez, Mayor~~ *Pro-Tem*
Matthew A. O'Neill

ATTEST:


Patti Garcia, Town Clerk



OIL AND GAS LEASE

THIS AGREEMENT, dated the 22nd day of August, 2011, is made and entered into by and between **Town Of Windsor, a Colorado Municipal Corporation**, whose address is 301 Walnut Street, Windsor, Colorado 80550, hereinafter called Lessor (whether one or more) and **Great Western Leasing, LLC**, whose address is 1700 Broadway, Suite 650, Denver, CO 80290-1170, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of TEN AND MORE (\$10.00+) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for roads, laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

Lot One (1), Block Two (2), Diamond Valley Subdivision, Town of Windsor and all dedicated streets, roads and alleys, being in the S/2 of Section 22, Township 6 North, Range 67 West, 6th P.M.
Containing 100.54 acres, more or less.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THIS IS A NO SURFACE OCCUPANCY LEASE. IT IS AGREED THAT LESSEE, ITS SUCCSSORS AND ASSIGNS SHALL NOT CONDUCT ANY DRILLING OPERATIONS OR LOCATE ANY PRODUCTION FACILITES UPON THE LEASED LANDS, NOR WILL ANY ACCESS TO THE SURFACE OF THE LEASED LANDS BE PERMITTED WITHOUT EXPRESS WRITTEN CONSENT OF LESSOR.

1. It is agreed that this lease shall remain in force for a term of **Fifteen (15) months** from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph. (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal **Twenty per-cent (20%)** part of all oil produced and saved from the leased premises.

2nd To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, **Twenty per-cent (20%)** of the net proceeds derived from such sale 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 **Twenty per-cent (20%)** of such gas and casinghead gas, Lessor's interest, in either case, to bear **Twenty per-cent (20%)** of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and **Twenty per-cent (20%)** of the cost of gathering and transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.

3rd To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product, a royalty of **Twenty per-cent (20%)** of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission or any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit.

13. When operations or production are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to furnish transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary notwithstanding.

14. Lessor hereby agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessor, for itself and its heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

16. Lessee agrees to drill a minimum of seven (7) wells in which the Lessor holds mineral interest, which may include Windsor 22-22-13, Windsor 22-32-12, Windsor 22-33, Windsor 22-43, Windsor 22-23-18, Windsor 22-54, Windsor 22-34, Windsor 22-44 and Windsor 22-44-22, as shown on attached Exhibit "A". Such wells shall be brought to completion (or dry hole) in the target Formation and be equipped for production of leased substances. Lessee will commence continuous drilling operations within 90 days subsequent to the completion of title work and permitting processes. This Lease shall remain in full force and effect so long as Lessee conducts continuous operations for the drilling of wells on the Subject Lands with no cessation of longer than seven (7) days between the conclusion of drilling operations (whether as a dry hole or producer) of one well and the commencement of drilling operations on a succeeding well.

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

Town Of Windsor, a Colorado Municipal Corporation

By: Matthew O'Neill
Matthew O'Neill, Mayor Pro-Tem

ATTESTED: Patti Garcia
BY: Patti Garcia, Town Clerk

STATE OF COLORADO)
)§
COUNTY OF WELD)

ACKNOWLEDGMENT--CORPORATION

The foregoing instrument was acknowledged before me this 16th day of September, 2011 by Matthew O'Neill, Mayor Pro-Tem for Town Of Windsor, a Colorado Municipal Corporation and Patti Garcia, Town Clerk for the Town Of Windsor, a Colorado Municipal Corporation.

WITNESS my hand and official seal.

My Commission Expires: 12-16-2013

Judy Morris
Notary Public

After recording return to: Great Western Oil & Gas Company
Attn: Royce Allen
1700 Broadway, Suite 650
Denver, CO 80290-1700

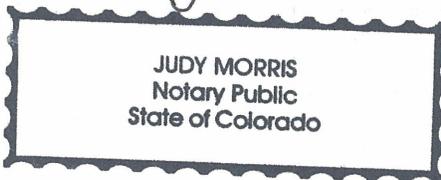


EXHIBIT "A"

This Exhibit "A" is attached to that certain Oil and Gas Lease between the Town Of Windsor, a Colorado Municipal Corporation, as Lessor and Great Western Leasing, LLC, dated August 22, 2011.

Township 6 North, Range 67 West, 6th P.M.
Section 22: Part of the S/2

