

TOWN OF WINDSOR

RESOLUTION NO. 2012-63

A RESOLUTION APPROVING A NO-SURFACE-OCCUPANCY OIL AND GAS LEASE, AND RELATED TERMS, BETWEEN THE TOWN OF WINDSOR, COLORADO, AND TEKTON WINDSOR, LLC, AND AUTHORIZING THE MAYOR TO EXECUTE SAME (VARIOUS 7.427 ACRES)

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 Sections 29 and 32, 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 interest to oil and gas extraction firms; and

WHEREAS, Tekton Windsor, LLC ("Tekton") has approached the Town with terms and conditions for the leasing of Town-owned oil and gas rights beneath Town-owned property, consisting of approximately 7.427 net mineral acres; and

WHEREAS, the Town's Oil and Gas Special Counsel has negotiated a proposed Lease Agreement with Tekton, 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.

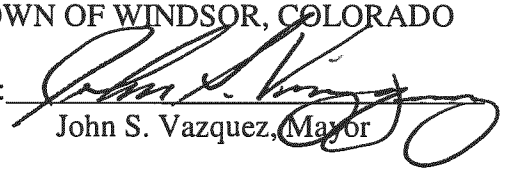
NOW, THEREFORE, BE IT RESOLVED BY THE TOWN BOARD OF THE TOWN OF WINDSOR, COLORADO as follows:

1. The attached Oil and Gas Lease is hereby approved.
2. The Mayor 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 22nd day of October, 2012.

TOWN OF WINDSOR, COLORADO

By: _____


John S. Vazquez, Mayor

ATTEST:


Patti Garcia, Town Clerk



OIL AND GAS LEASE NO SURFACE OCCUPANCY

This Oil and Gas Lease ("Lease") is made this 17th day of September, 2012 by and between the Town of Windsor, a Colorado municipal corporation whose address is 301 Walnut Street, Windsor, CO 80550 ("Lessor"), (whether one or more) and Tekton Windsor, LLC with a mailing address of 640 Plaza Drive, Suite 290, Highlands Ranch, CO 80129 ("Lessee")

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, its successors and assigns, with the exclusive rights for the purposes of drilling (including but not limited to straight, directional or horizontal wells), mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, including the injection of water, brine and other substances into the subsurface, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, State of Colorado, described to wit

SEE EXHIBIT 'A' ATTACHED HERETO AND MADE A PART HEREOF FOR DESCRIPTION OF PREMISES

together with all lakes, streams, roads, easements, and rights-of-way which traverse or adjoin said lands owned or claimed by Lessor, or which may hereinafter be established to be owned by Lessor, and also in addition to the above described lands and rights, any and all strips or parcels of land other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land owned or claimed by Lessor, all of the above described lands being hereinafter referred to as (the "Premises") and containing 7.427 acres, more or less

1 It is agreed that this Lease shall remain in full force for a term of three (3) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever volume, nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) 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 the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within one hundred eighty (180) days from date of cessation of production or from date of completion of a 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, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith. If at the expiration of this Lease, Lessee has in use surface or subsurface easements granted to Lessee pursuant to the terms hereof, such easements shall survive the termination of this Lease for as long thereafter as so utilized by Lessee.

2 This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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 obligations thereafter accruing as to the acreage surrendered.

3 The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, seventeen and one half percent (17.5%) of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected, Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase, (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of seventeen and one half percent (17.5%) of the product sold or used. On product sold at the well, the royalty shall be seventeen and one half percent (17.5%) of the net proceeds realized from such sale. All royalties paid on gas sold or used off the Premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be seventeen and one half percent (17.5%) of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

4 Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above Five Dollar (\$5.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of one hundred twenty (120) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

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

6 Lessee shall have the right to use, free of cost, gas, oil ~~and water~~ produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

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 the Premises without written consent of Lessor.

9 Lessee shall pay for damages caused by Lessee's operations ~~to growing crops~~ on the Premises.

10 Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11 The rights of the 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 the Premises 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 of 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 Premises and as to any one or more of the formations thereunder, 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, reworking or dewatering 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, reworking or dewatering 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 royalties on production from such unit 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. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this Lease, expressed or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or

EXHIBIT "A"

This "EXHIBIT A" is attached to and made a part of that certain Oil and Gas Lease, dated September 17, 2012, by and between Town of Windsor, a Colorado municipal corporation, as Lessor, Tekton Windsor, LLC, as Lessee. Said oil and Gas Lease covering lands situated in Weld County, Colorado, and being more particularly described as follows to-wit:

The Premises

Township 6 North, Range 67 West, 6th P.M.

Section 29: Tract G, Poudre Heights Subdivision Second Filing, a subdivision of the town of Windsor, Weld County, State of Colorado containing 5.223 acres, more or less. Weld County Assessor Parcel No.080729410001.

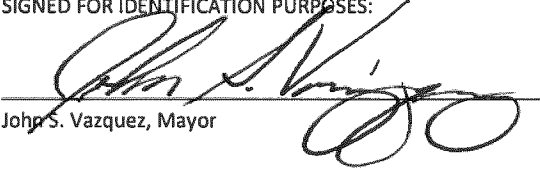
Section 32: Portion of Northwest Quarter as described in Warranty Deed of October 20, 2000 from Martin Lind, Theodore Lind, and Steve Freeman to Town of Windsor recorded at Book 1602, Page 851, Reception No. 2454841 of the records of Weld County, Colorado containing 1.56 acres, more or less.

Section 32: That parcel described in the Warranty Deed recorded in Book 796, Page 225 in the records of Weld County, Colorado (less the 1.06 acre portion thereof described in the Special Warranty Deed recorded at Reception No. 3340774 (being a portion of Lot 1 of the South Hill Subdivision), as follows:

Beginning at the North quarter corner of Section 32, T6N, R67W; thence S89°55' E. a distance of 2,266.5 feet to point No. 1 which is point of actual beginning; thence S55°0' E. a distance of 442.7 feet to point No.2; thence S2°40' E. a distance of 284.2 feet to point No.3; thence N48°36' W. a distance of 419.2 feet to point No.4; thence N14°39' W. a distance of 262.5 feet to point No.1 or place of beginning containing 0.95 acres, more or less.

SAID OIL AND GAS LEASE CONTAINING 7.427 ACRES, MORE OR LESS.

SIGNED FOR IDENTIFICATION PURPOSES:


John S. Vazquez, Mayor