

OFFICE OF THE TOWN CLERK
WINDSOR, CO 80550
THIS IS A TRUE AND CORRECT
COPY (EXACT) OF THE ORIGINAL
DOCUMENT IN MY CUSTODY.
DATE: 12/21/17

TOWN OF WINDSOR

Patti Garcia
TOWN CLERK

RESOLUTION NO. 2017- 107

A RESOLUTION APPROVING ONE NO-SURFACE-OCCUPANCY OIL AND GAS LEASE, AND RELATED TERMS, BETWEEN THE TOWN OF WINDSOR, COLORADO, AND EXTRACTION OIL & GAS, LLC, AND AUTHORIZING THE MAYOR TO EXECUTE THE SAME (3.6819 NET MINERAL ACRES, in Sections 20 and 21, Township 6 North, Range 67 West, in Weld County, Town of Windsor).

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 within Sections 20 and 21, Township 6 North, Range 67 West, 6th P.M, Weld County, Colorado; 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 substantial 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, Extraction Oil & Gas, LLC ("Extraction") 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 3.6819 net mineral acres; and

WHEREAS, the Town's Oil and Gas Special Counsel has negotiated the proposed Lease Agreement with Extraction, 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 prior Town leases 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 11th day of December, 2017.

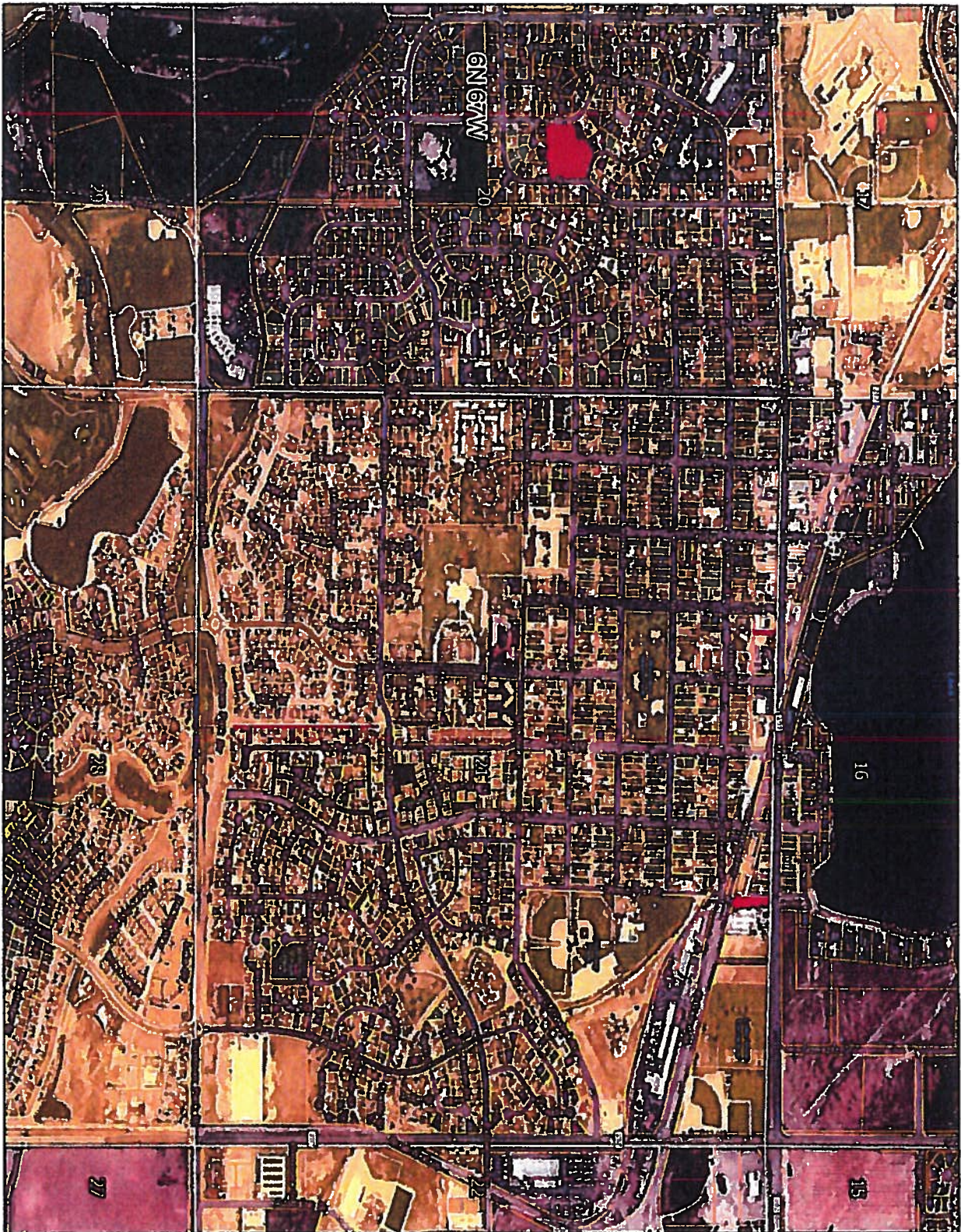
TOWN OF WINDSOR, COLORADO

By: Kristie Melendez
Kristie Melendez, Mayor

ATTEST:

Patti Garcia
Patti Garcia, Town Clerk



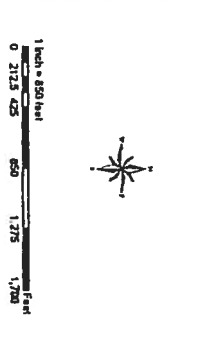


EXTRACTION

Oil & Gas

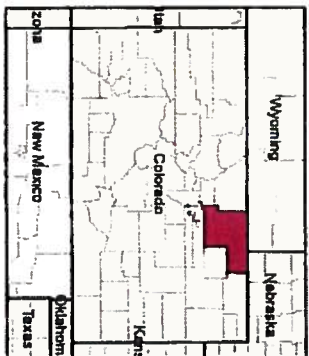
Legend

- Proposed Town of Windsor Lease
- XOG Leasehold
- Weld County Parcels



Town of Windsor
 Vicinity Map
 T8N R67W Sec. 20, 21

Scale: 1/10,200
 Date: 12/12/2017
 Author: ECP
 PJG/GCS NAD83



Extraction Oil & Gas, LLC

ORDER OF PAYMENT

Date: November 30, 2017

Extraction Oil & Gas, LLC ("Extraction") will tender payment to the Lessor identified in the Paid Up Lease ("Lease") as indicated herein by check within 60 days of Extraction's receipt of the original executed Order of Payment and the original executed Lease. Payment is conditioned upon title to the property interests leased being confirmed acceptable to Extraction, in its sole discretion. A title defect is a basis to render title unacceptable and shall include, but shall not be limited to, a prior unsubordinated mortgage, unreleased lease or delinquent property taxes. Payment may be tendered by mail or any comparable method (e.g., Federal Express), and payment is deemed complete upon mailing or dispatch. Where the due date for any payment specified herein falls on a holiday, Saturday or Sunday, payment tendered (mailed or dispatched) on the next business day is timely. Lessor shall retain a copy of this Order of Payment. No default for non-payment may be claimed by Lessor during said 60-day period.

If Lessor owns more or less than the net interest defined herein, Extraction may, without immediate notice to Lessor, increase or reduce the consideration payable hereunder proportionate to the actual interest owned by Lessor, or render title unacceptable at its sole discretion.

Extraction retains the right to surrender the Lease associated with the Order of Payment at any time and for any reason. If the Lease is surrendered before payment is due under this Order of Payment, the Lessor may retain any consideration paid at the time of signing the Lease, but Lessor is not entitled to any additional amount. If the Lease has not been surrendered or payment made by the specified due date, then Lessor shall notify Lessee in writing and Lessee shall have 30 days from receipt of such written notice to make payment or surrender the Lease without any liability.

Lessor acknowledges and agrees that the Lease is a valid and binding agreement, subject to the terms and conditions contained herein. Lessor represents he/she has a full understanding of the risks involved in leasing property for oil and gas development and that Lessor has read and understands the terms and provisions of the Lease and this Order of Payment. Lessor agrees this is an arm's length transaction entered into as a result of his/her own free act and will and Extraction or anyone acting on its behalf has made no representations of value or exerted any duress or coercion. Lessor agrees that payment made hereunder is final and will not seek to amend or modify the payment, or seek additional consideration based upon any differing terms which Extraction has or will negotiate with any other lessor/oil and gas owner. Non-acceptance by Lessor of timely payment shall not serve to void the Lease.
 PAY TO: Town of Windsor a Colorado Municipal Corporation

in the amount of
 Seven Thousand Three Hundred and Sixty-Three 80/100 ***** dollars (\$7,363.80)


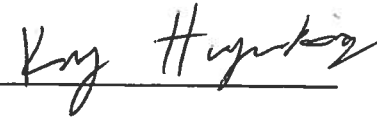
Address: 301 Walnut Street, Windsor, CO 80505

SSN/TIN:		Send 1099 to:	
STATE CO	COUNTY Weld	SURVEY/ABSTRACT	
PROSPECT/PROJECT NAME		BONUS PER ACRE \$2000.00	
LEASE NUMBER	<input type="checkbox"/> New	<input type="checkbox"/> Renewal	

This payment is for Bonus Consideration for Oil & Gas Lease dated November 20, 2017, which covers property described as follows:

3.6819 acres of land, more or less, in Sections 20 and 21, Township 6 North, Range 67 West of the 6th P.M., Weld County, Colorado

Gross Acres: 3.6819 Net Acres: 3.6819 Mineral Interest: 100.000000%

Landowner's signature:  Witness: 

Landowner's signature: _____ (if needed) Witness: _____

Approved By: _____

Forward to:
 LAND DEPARTMENT
 EXTRACTION OIL & GAS, LLC
 370 17th St., Suite 5300
 DENVER, CO 80202

FOR INTERNAL USE ONLY	DATE PAID	DATE BY
	AMOUNT	CHECK NUMBER
	NOTE	

PRODUCERS 88-PAID UP

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into on the 11th day of December, 2017, by Town of Windsor a Colorado Municipal Corporation, whose address 301 Walnut Street, Windsor, CO 80505, hereinafter called Lessor, (whether one or more), and Extraction Oil & Gas, Inc., whose address is 370 17th Street, Suite 5300, Denver, CO 80202, hereinafter called Lessee;

WITNESSETH, That the Lessor, for and in consideration of TEN AND MORE 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, specifically including helium, carbon dioxide, and coalbed methane and any and all substances produced in association therewith from coal-bearing formations, dewatering of coalbed methane, using methods and techniques which are not restricted to current technology, including the right to conduct exclusive geophysical and other exploratory tests; with ingress and egress for rights of way and easements to construct and maintain pipelines, roads, water wells, disposal wells, injection wells, pits, tanks, ponds, electric and telephone lines, and erection of structures and other facilities thereon, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, and the injection of air, gas, water, brine, and other fluids into the subsurface strata, to produce, save and take care of said products, all upon that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

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

Section 20: 2.772 acres of land, more or less, being part of the SW/4NE/4 being more particularly described as Tract "C" of Windsor West, a subdivision of the Town of Windsor, according to the recorded plat recorded January 23, 1974 in Book 707, at Reception No. 1628902; Weld County Assessor Parcel Number: 080720118013. Including all strips and parcels of land contiguous thereto or in said Section.

Section 21: 0.63 acres of land, more or less, being Windsor Lake Outlet Ditch, also known as Lot 2 of Axtell Annexation, as more particularly depicted in that Plat dated December 19, 1991, recorded under Reception Number 2272792, all lying in the N/2N/2 of Section 21.

Section 21: 0.1563 acres of land, more or less, being Lot 24, Block 11, more particularly depicted in that certain Plat dated July 19, 1883, recorded under Reception Number 11123, in the N/2N/2 of Section 21.

Section 21: 0.0679 acres of land, more or less, being that part of a parcel that lies within the N/2S/2 of Section 21, more particularly described by metes and bounds as follows:
Commencing at the Southwest Corner of Windsor Village 4th Annex; thence N 0°21' W a distance of 60.01 feet to the Point of Beginning; thence N 0°21' W a distance of 1586.71 feet; thence S 88°45' E a distance of 4.79 feet; thence S 0°21' E a distance of 1586.71 feet; thence West to the Point of Beginning, LESS and EXCEPT the South 250 feet, more or less, deeded to Weld County at Reception No. 1843899.

Section 21: 0.0557 acres of land, more or less, being that parcel of land described as a strip of land 10 feet wide on the east side of Lot 11, Block 19, Town of Windsor, more particularly depicted in that certain Plat dated July 19, 1883, recorded under Reception Number 11123, lying in the N/2N/2 of Section 21.

Containing 3.6819 acres, more or less (the "Premises");

In addition to the lands described above, Lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, lands which are owned or claimed by Lessor by one of the following reasons: (1) all lands and rights acquired or retained by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to Lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of Lessor's ownership of the lands described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by Lessor through adverse possession or other similar statutes of the state in which the lands are located.

1. It is agreed that this Lease shall remain in force for a primary term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled, communitized or unitized 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 Premises or on acreage pooled, communitized or unitized therewith but Lessee is then engaged in drilling, re-working, or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted on the Premises or on acreage pooled, communitized or unitized therewith; and such operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive 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, communitized 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, or re-working operations within one hundred twenty (120) days from the date of cessation of production, or from the 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 of this Lease, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled, communitized or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the cash down 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 obligations thereafter accruing as to the acreage surrendered.
3. In consideration of the Premises, Lessee covenants and agrees:
 - 1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on the Premises, the equal 20% part of all oil produced and saved from the Premises.
 - 2nd. To pay Lessor as royalty, on gas and the constituents thereof produced from the Premises and sold or used off the Premises or in the manufacture of products therefrom, the market value at the wellhead of 20% of the product sold or used. All royalties paid on gas sold by Lessee or used off the Premises or used 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 excise, production, and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing costs. On product sold at the well, the royalty shall be 20% 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.
 - 3rd. In calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, as well as other post-production costs, as described above.
4. If after the primary term one or more wells on the Premises or lands pooled, communitized, or unitized therewith, are capable of producing oil or gas or other substances covered hereby, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing for the purpose of maintaining this Lease. If for a period of ninety (90) consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, including dewatering of coalbed gas, the Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this Lease, such payment to be made to Lessor on or before the anniversary date of this Lease next ensuing after the expiration of the said ninety (90) day period and thereafter on or before each anniversary of date of this Lease while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this Lease is in its primary term or otherwise being maintained by operations, or if production is being sold by Lessee from another well on the Leased Premises or lands pooled, communitized or unitized therewith, no shut-in royalty shall be due until end of the next following anniversary date of this Lease that cessation of such operation or production occurs, as the case may be. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this Lease.
5. If said Lessor owns a less interest in the Leased Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in royalty) herein provided for shall be paid the 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 and oil produced on the Leased Premises for Lessee's operation thereon.
7. The rights of Lessor and Lessee hereunder may be assigned in whole or part, by area or depth or zone and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty (60) days after Lessee has been furnished with notice 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. In the event of death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of the decedent or the decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons either jointly, or separately in proportion to the interest which each owns. If Lessee transfers a full or undivided interest in all or any portion of the Premises, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and transferee in proportion to the net acreage interest in this Lease then held by each. If Lessee transfers or assigns its interest hereunder in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of the Lessee with respect to any interest not so transferred. 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.
8. 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 anyone or more of the formations hereunder to pool, communitize 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 formation. The forming or reforming of any unit, pooled area or communitized area shall be accomplished by Lessee executing and filing of record a declaration of such unitization, pooling or communitization or reformation, which declaration shall describe the unit, pooled area or communitized area. Any unit, pooled area, or communitized area may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production,

drilling, dewatering or reworking operations or a well shut in for want of a market anywhere on a unit, pooled area or communitized area which includes all or a part of this Lease shall be treated as if it were production, drilling, dewatering 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, area or communitized area, royalties only on the portion of such production allocated to this Lease; such allocation shall be that proportion of the unit, pooled area or communitized area production that the total number of surface acres covered by this Lease and included in the unit, pooled area, or communitized area bears to the total number of surface acres in such unit, pooled area, or communitized area. In addition to the foregoing, Lessee shall have the right to unitize, communitize, pool, or combine all or any part of the Leased Premises as to one or more of the formations hereunder 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, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this Lease shall not terminate or expire during the life of such plan or agreement. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

9. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this Lease.

10. Lessee's obligations under this Lease shall be subject to all applicable laws, rules, regulations and orders of any government authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas or other substance covered hereby. This Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

11. When drilling, reworking, production or other operations or obligations under this Lease are prevented or delayed by laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services material, water, electricity, fuel, access or easements, or by an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, explosion, fracking bans, governmental action, governmental delay, restraint or inaction, or by inability to obtain a satisfactory market for production in Lessee's opinion, or failure of purchasers or carriers to take or transport such production, or by any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within control of the Lessee, this Lease shall not terminate because of such prevention or delay and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provision or implied covenants of this Lease when drilling, production, or other operations are so prevented or delayed.

12. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such time period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this Lease shall not be forfeited or cancelled in whole or in part unless Lessee is given reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. Notwithstanding anything to the contrary herein contained, this lease is a limited "No Surface Occupancy" Oil and Gas Lease. It is understood that Lessee, its successors or assigns shall not be allowed any other access to the surface of the leased lands without written consent of Lessor, which shall not be unreasonably withheld. It is further agreed that while Lessee is not entitled to use Lessor's surface for any new drilling, Lessee shall have the right to drill and operate directional wells through and under said land irrespective of the bottom hole locations of said wells.

14. 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.

15. Lessor 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 Lessors, for themselves and their 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. If Lessee redeems any such lien, Lessee may recover any amount expended out of Lessor royalties or shut-in royalties.

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

Town of Windsor, a Colorado Municipal Corporation:

