

TOWN OF WINDSOR

RESOLUTION NO. 2015-67

A RESOLUTION APPROVING ONE NO-SURFACE-OCCUPANCY OIL AND GAS LEASE, AND RELATED TERMS, BETWEEN THE TOWN OF WINDSOR, COLORADO, AND GRIZZLY PETROLEUM COMPANY, LLC, AND AUTHORIZING THE MAYOR TO EXECUTE THE SAME (one small parcel of land totaling 1.07 NET MINERAL ACRES, all in Section 29, 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 located beneath Town-owned property within Section 29, 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 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, Grizzly Petroleum Company, LLC ("Grizzly") 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 1.07 net mineral acres; and

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

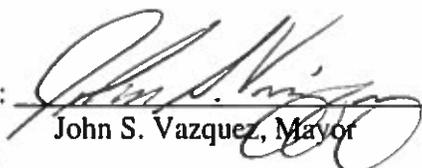
NOW, THEREFORE, BE IT RESOLVED BY THE TOWN BOARD OF THE TOWN OF WINDSOR, COLORADO as follows:

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.

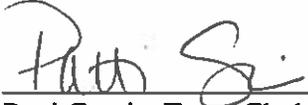
Upon motion duly made, seconded and carried, the foregoing Resolution was adopted this 9th day of November, 2015.

TOWN OF WINDSOR, COLORADO

By:


John S. Vazquez, Mayor

ATTEST:


Patti Garcia, Town Clerk



OIL AND GAS LEASE

THIS AGREEMENT, dated the 15th of July, 2015, effective July 6, 2012, made and entered into by and between Town of Windsor, a Colorado Municipal Corporation, whose address is 301 Walnut St., Windsor, Colorado 80550, hereinafter called Lessor (whether one or more) and GRIZZLY PETROLEUM COMPANY, LLC, whose address is 1801 Broadway, Ste 500, Denver, Colorado 80202, 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, (hereinafter "oil or gas"), and to produce, save, market and take care of said products, being all the certain tract(s) of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

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

Section 29: That part of the NE/4NE/4 described in a Quit Claim Deed recorded April 5, 1966 in Book 565 at Reception No. 1486952 as follows: Beginning at a point from which the Northeast corner of said Sec. 29 bears North 86°05' East, 856.65 feet, which point lies in the South right-of-way line of the County highway; thence along said South right-of-way line South 87°59' West, 185.30 feet to a point marked by an iron pin; thence by chords and distances along an irregular curve to the left and along said right-of-way line as follows: South 61°21' West, 50.00 feet, South 44°51' West 50.00 feet, South 34°55' West, 50.00 feet, South 29°24' West, 50.00 feet, South 25°31' West 50.00 feet, South 23°50' West 50.00 feet, South 22°14' West, 50.00 feet, South 19°49' West 50.00 feet, South 16°05' West 50.00 feet, South 3°30' West 121.70 feet to a point marked by an iron pin; thence in a Northeasterly direction and in a variable curve to the right forming a new right-of-way line by chords and distances as follows: North 16°59' East 50.00 feet, North 19°40' East 50.00 feet, North 22°05' East 50.00 feet, North 23°37' East 50.00 feet, North 28°24' East 50.00 feet, North 36°17' East, 50.00 feet, North 46°25' East 50.00 feet, North 54°43' East 50.00 feet, North 64°10' East 50.00 feet, North 74°14' East 50.00 feet, North 78°19' East 50.00 feet, North 80°03' East 50.00 feet to the point of beginning, Weld County, Colorado

Containing 1.07 acres, more or less.

Notwithstanding anything to the contrary contained in this lease, it is expressly understood and agreed that Lessee shall have no right hereunder to enter upon the surface of the leased premises to conduct its operations.

1. It is agreed that this lease shall remain in force for a term of Three (3) years from the effective date of July 6, 2012, 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 any 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 there-with.

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 paragraphs: (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 may 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 requiring no payment of rentals during the primary term. Unless otherwise stated herein, in consideration of the initial cash payment for entering this Lease, 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 the said 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 said land, the equal twenty percent (20.00%) part of all oil and other liquid hydrocarbons 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 percent (20.00%) 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 percent (20.00%) of such gas and casinghead gas, Lessor's interest, in either case, to bear twenty percent (20.00%) of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and twenty percent (20.00%) 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 on Lessor's property. The term "net proceeds" shall mean after deduction of Lessor's proportionate share of the costs enumerated above.

3rd To pay Lessor for gas produced from any well and used off the premises or in the manufacture of gasoline or any other product, a royalty of twenty percent (20.00%) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where oil or gas from a well capable of producing oil or 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 oil

