

TOWN OF WINDSOR

RESOLUTION NO. 2014-40

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 (five small parcels of land totaling 2.03 NET MINERAL ACRES, all in Section 16, 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 16, 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 2.03 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 28<sup>th</sup> day of July, 2014.

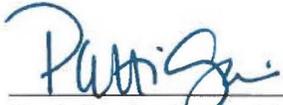
TOWN OF WINDSOR, COLORADO



By: \_\_\_\_\_

John S. Vazquez, Mayor

ATTEST:

  
\_\_\_\_\_  
Patti Garcia, Town Clerk

# OIL AND GAS LEASE

THIS AGREEMENT, dated the 9th day of July, 2014, is made and entered into by and between **Town Of Windsor, a Colorado Municipal Corporation**, whose address is 301 Walnut Street, Windsor, CO 80550, hereinafter called Lessor (whether one or more) and **Grizzly Petroleum Company, LLC**, whose address is **1801 Broadway, Suite 500, Denver, CO 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, 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:

**FOR DESCRIPTION, SEE EXHIBIT "A" ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF:**

**NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THIS IS A NO SURFACE OCCUPANCY LEASE. IT IS AGREED THAT LESSEE, ITS SUCCESSORS AND ASSIGNS SHALL NOT CONDUCT ANY DRILLING OPERATIONS OR LOCATE ANY PRODUCTION FACILITIES 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 **One (1) year** 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:

1<sup>st</sup> 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.

2<sup>nd</sup> 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.

3<sup>rd</sup> 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 (\$1.00) 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 ninety (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.

6. 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 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 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.



**EXHIBIT "A"**

This Exhibit "A" is attached to and made a part of that certain Oil and Gas Lease Between Town of Windsor, a Colorado Municipal Corporation, as Lessor and Grizzly Petroleum Company, LLC, as Lessee, dated July 9<sup>th</sup>, 2014, covering lands in Weld County, Colorado.

**TOWNSHIP 6 NORTH, RANGE 67 WEST, 6<sup>TH</sup> P.M.**

**Section 16:** Beginning at the point of intersection of The Colorado and Southern Railway Company's Northerly right-of-way line and the East line of Fifth Street produced, in the Town of Windsor, Colorado, said point being on a line radial to a 00°30' curve, 200 feet from the center line of the said Railway Company's main line track, and in the Southwest corner of Lot B in the said Town of Windsor; thence Easterly along the said Northerly right-of-way line, which is also the Southerly line of said Lot B, and is parallel with and 200 feet Northerly, radially, from the center line of the said main line track, 138.5 feet to the Southeast corner of said Lot B; thence Southeast along the produced Easterly line of said Lot B to a point 100 feet from said right-of-way line on a line radial to the said 00°30' curve; thence Westerly parallel with said right-of-way line to the said produced East line of Fifth Street; thence North to the place of beginning.

**Section 16:** Commencing at point 10.4 feet North of the Northeast corner of Block 5 of the Town of Windsor, thence in a Northwesterly direction, parallel with the North boundary of said Block 5 to a point 10.4 feet North of the Northwest corner of said Block 5, thence North 14.6 feet, thence in a Southeasterly direction parallel with the North boundary of said Block 5 to a point 25 feet North of the Northeast corner of said Block 5, thence South to point of beginning.

**Section 16:** Commencing at a point about 143.2 feet South of center of Colorado and Southern Railroad right-of-way on West line of Section 16, Township 6 North, Range 67 West, thence South to North Street, Town of Windsor, Colorado, thence East about 400 feet, thence Northwest parallel with said Colorado and Southern right-of-way, to point of beginning, being all that parcel of ground bounded on the North by railroad right-of-way, on the West by West section line of Section 16 and on the South by North Street, Town of Windsor, Colorado, less and except that parcel conveyed to the Forbes-McKay Post 109, American Legion Club by Warranty Deed recorded February 11, 1950 in Book 1262 at page 548; and less and except that parcel conveyed to the Department of Highways, State of Colorado by Quitclaim Deed recorded June 9, 1966 at Reception No. 1490800.

**Section 16:** North 50 feet of Lots 1, 3 and 5, Block 6, Town of Windsor Subdivision

**Section 16:** Block B, Lake View Addition

Containing 2.03 acres, more or less.

TOWN OF WINDSOR, A COLORADO MUNICIPAL CORPORATION

By:  \_\_\_\_\_  
John Vazquez, Mayor

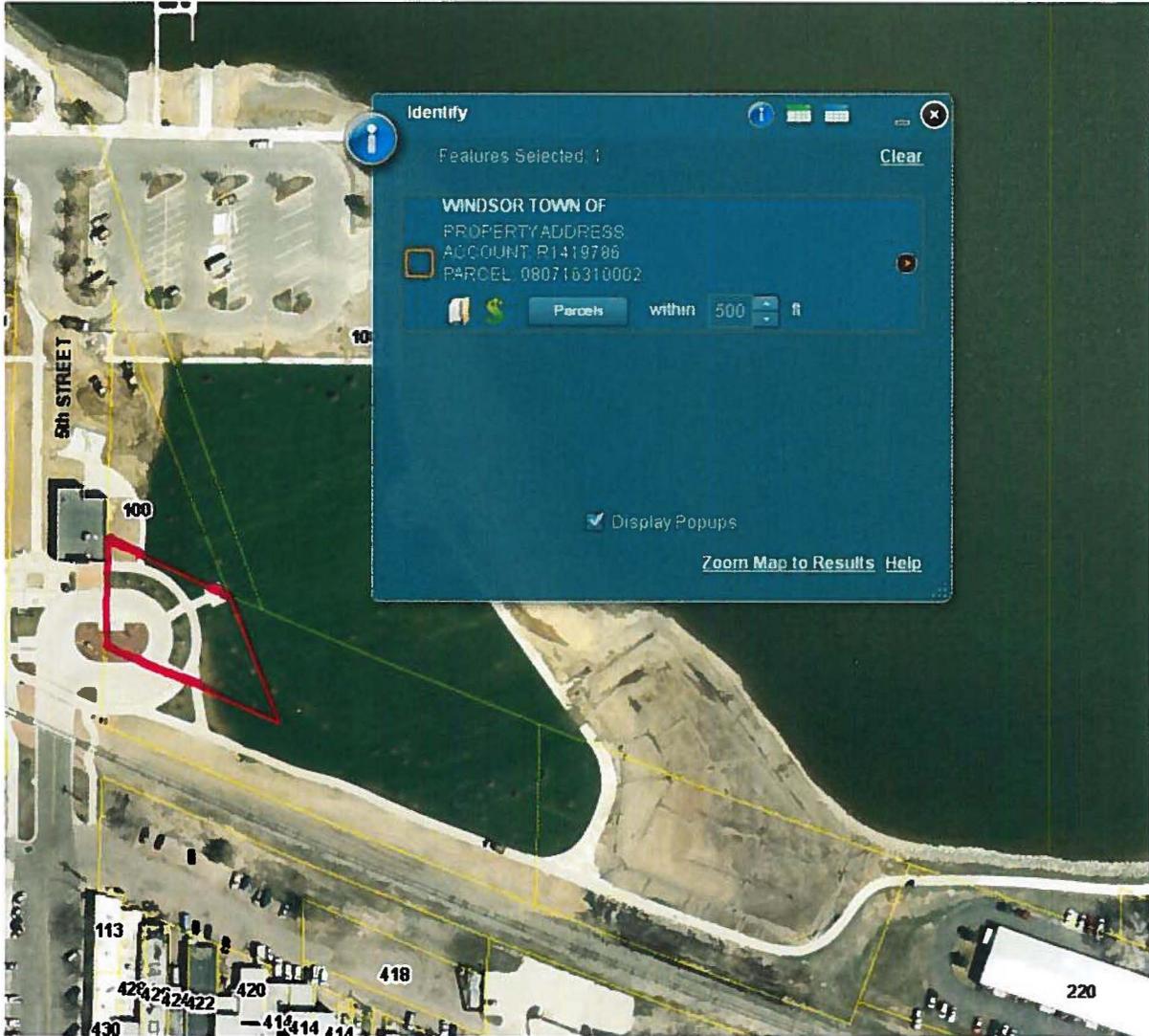
SECTION 16, T6N-R67W, 6<sup>th</sup> P.M.



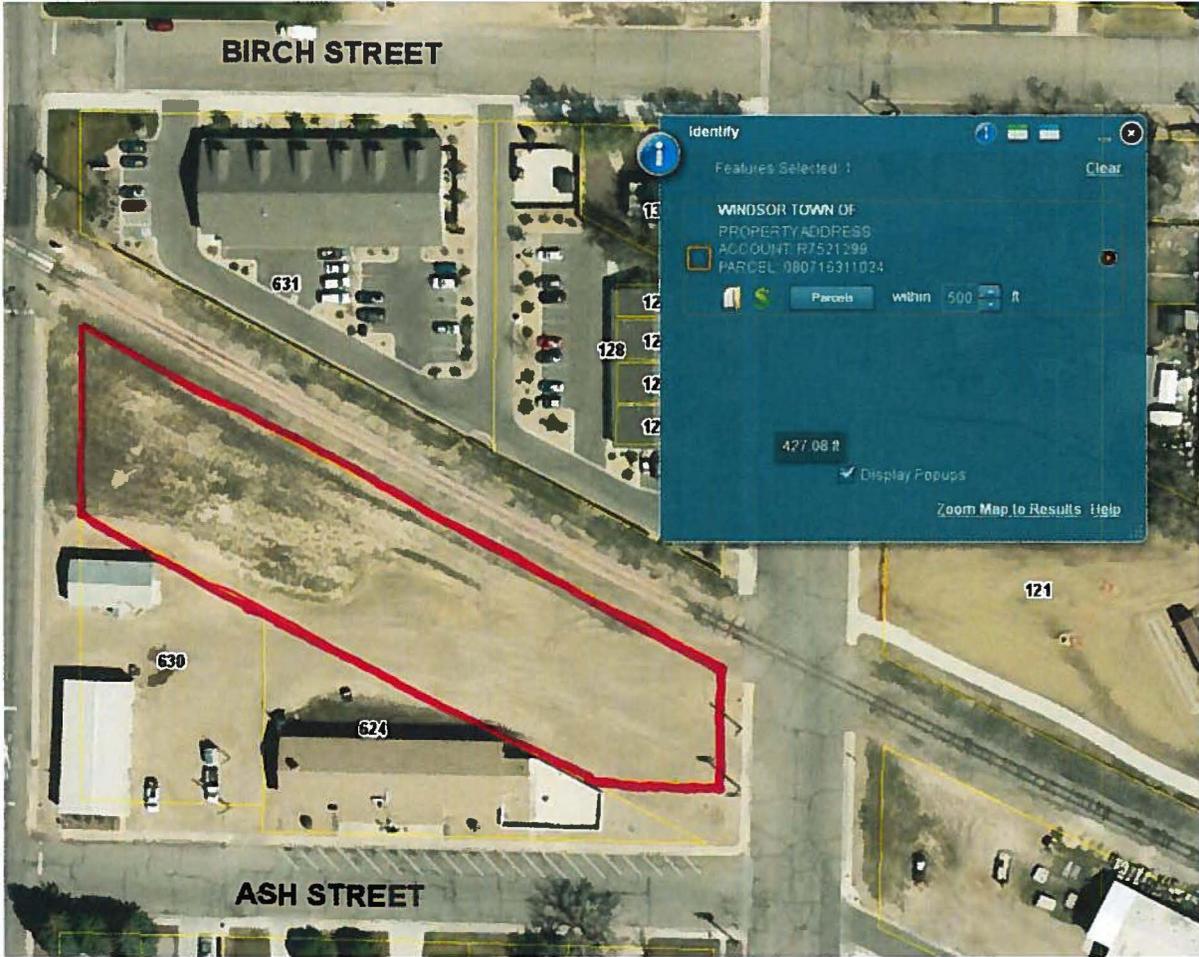
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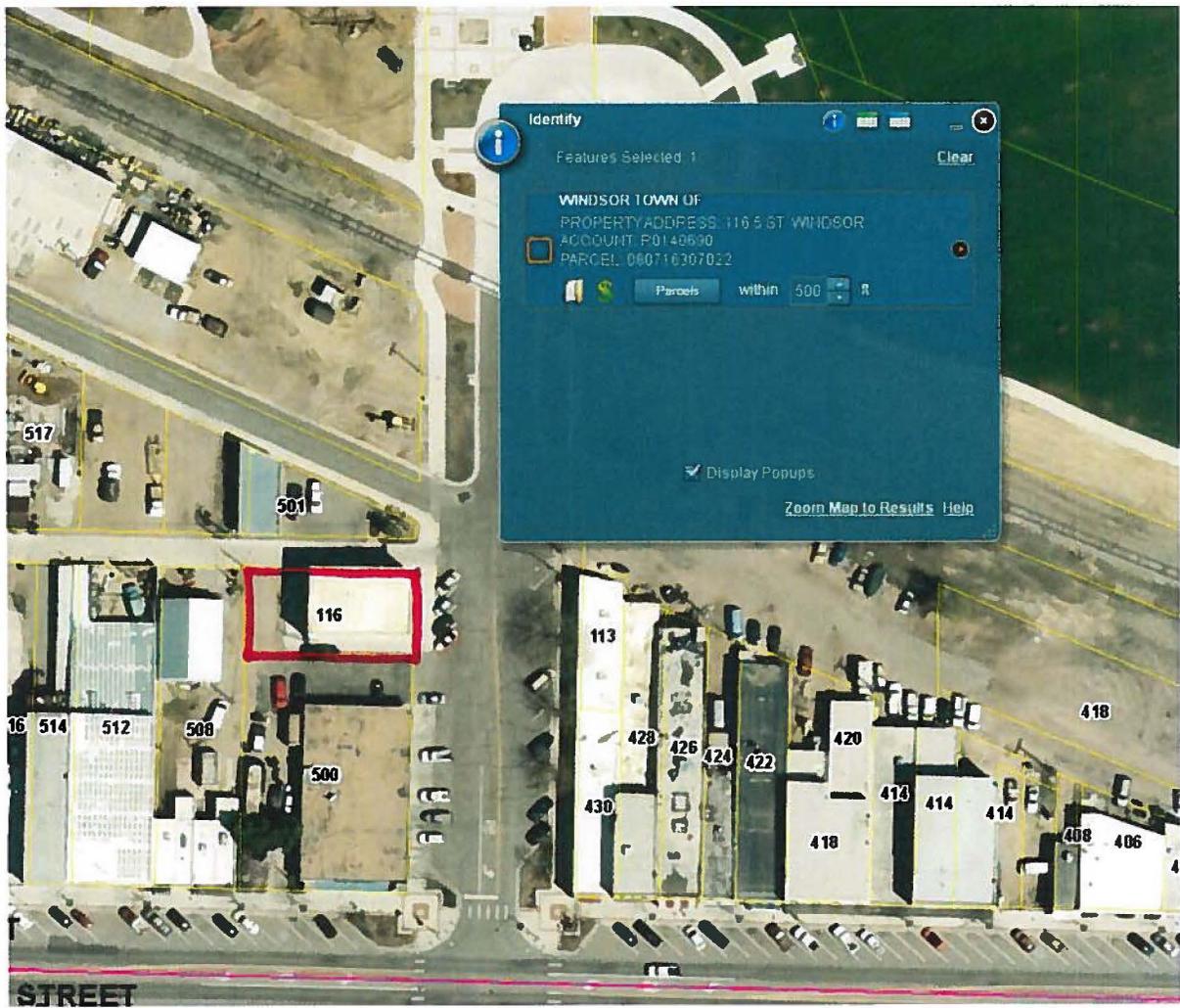
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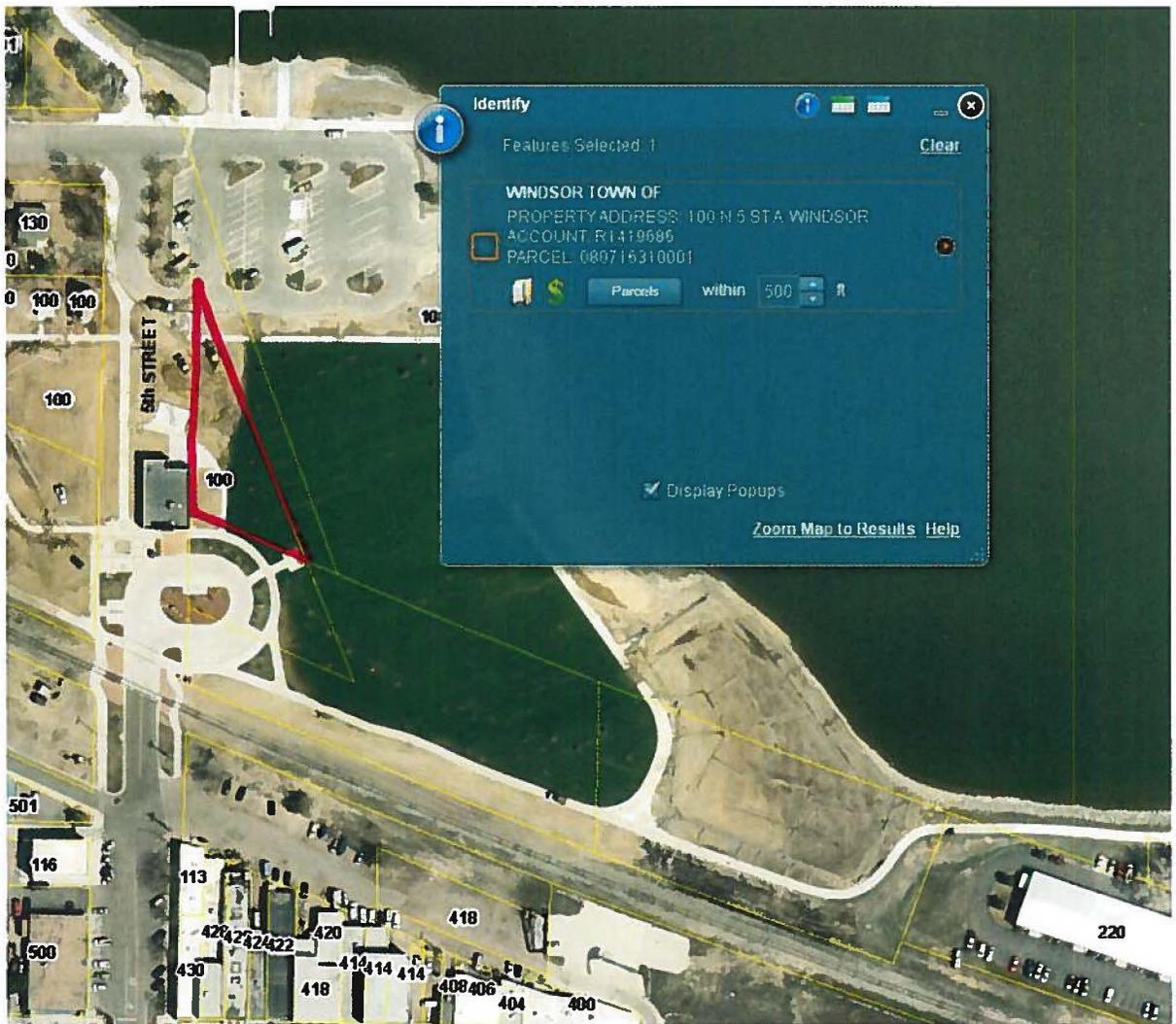
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North 50 feet of Lots 1, 3 and 5, Block 6, Town of Windsor Subdivision



Block B, Lake View Addition



1801 Broadway  
Suite 400  
Denver, Colorado 80202



Lee Michael  
Contract Landman  
Tel: 303-534-3628 ext. 107  
[lee@buschmymetals.com](mailto:lee@buschmymetals.com)

July 9, 2014

## ORDER OF PAYMENT

On approval of the agreement associated herewith and on approval of title to same, Great Western Oil and Gas Company, LLC will make payment as indicated herein by check within 45 banking days of receipt of said agreement. No default shall be declared for failure to make payment until 15 days after receipt by Great Western Oil and Gas Company, LLC of written notice of Payee's intention to declare such default. In the event title research reveals that the Payee owns less than the full and undivided 100% interest in the property covered by the agreement, it is understood and agreed that the amount referenced below shall be proportionately reduced according to the percentage of the interest that the payee owns.

PAYEE: Town of Windsor

Address: 301 Walnut Street  
Windsor, CO 80550

PHONE NUMBER: \_\_\_\_\_

AMOUNT: Two Thousand Four Hundred Thirty-Six and 00/100

**\$2,436.00**

This payment is for the following Agreement, which covers property described as follows:

**Township 6 North, Range 67 West of the 6<sup>th</sup> P.M.**

**Section 16: Multiple tracts, see lease for full descriptions.**

Agreement Type: Oil and Gas Lease  
Dated: July 9, 2014  
Gross Acres: 2.03  
Percentage Owned: 100%  
Consideration: \$1,200.00 per net mineral acre  
Term: 1 Year  
Royalty: 20.00%

Completed by:

Lee Michael

Acknowledged by:

Mayor  
Town of Windsor

For Office Use Only:  
Sent via Certified mail on \_\_\_\_\_  
Check # \_\_\_\_\_ in the amount of \$ \_\_\_\_\_