

CITY COUNCIL COMMUNICATION



MEETING DATE: July 17, 2012 **ITEM NUMBER:** 11.A.
SECOND READING: N/A
TYPE OF ITEM: General Business
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SUBJECT/AGENDA TITLE: Agreements with TOP Operating Regarding Oil and Gas Leases, Property Purchase and Operating Standards

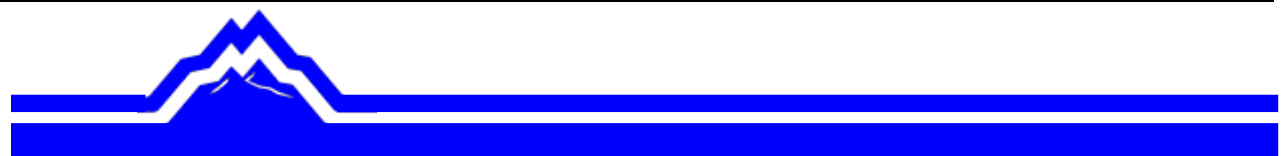
EXECUTIVE SUMMARY: The City of Longmont owns property in Weld County near Union Reservoir and property along the St. Vrain River east of County Line Road. This property has been purchased for trail use, open space and reservoir expansion. Preexisting mineral leases came along with a number of the purchased properties. In other cases the City acquired the mineral leases along with the surface interest in the property when purchased.

TOP Operating is an oil and gas exploration and production company who both owns and leases minerals around Union Reservoir and in the locations of City owned properties in Weld County south of SH Hwy 119 and east of Weld County Road #1 (WCR1). Top has indicated its intention to exercise its mineral lease rights for exploration and production of oil and gas in these locations.

The City has been negotiating the Master Contract and Operator's Agreement with TOP for the last 90 days. Concurrently, the City has been evaluating changes to its oil and gas regulations. A considerable amount of comment has been received on the oil and gas regulations update from many different sources. In particular the Colorado Oil and Gas Conservation Commission (COGCC) and Attorney General's office has provided feedback that there are operational and performance standards which should not be included in local regulations. The state has said however that environmental standards, best practices and operational standards could be put into a contract type agreement between an oil company and the City.

Consequently the City and TOP have negotiated two agreements related to land transactions, consolidated well locations, economic terms, operational standards, best management practices and environmental management.

COUNCIL OPTIONS: 1. Approve agreements as presented,
2. Approve agreements with amendments, if needed.
3. Do not approve agreements.



RECOMMENDED OPTIONS: Approve documents as presented.

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION: The water fund, open space fund and storm drainage fund will have impacts associated with the purchase of the Rider and Lindberg properties. There will be no further financial impact for a period of time until revenues become available from the Royalty Account for the City in the future.

BACKGROUND AND ISSUE ANALYSIS:

The City has negotiated two agreements with TOP Operating regarding oil and gas operations around Union Reservoir and south of Highway 119 along the St. Vrain River. TOP Operating has agreed to the terms and conditions of a Master Contract as well as an Operating Agreement with the City. Given City Council priorities, the objectives of the agreements negotiated with TOP have been to keep oil and gas facilities away from occupied residential structures and to minimize, through negotiation, the number and impact of oil and gas facilities compared to what would otherwise be granted through the Colorado Oil and Gas Conservation Commission (COGCC) process. Based on feedback from the State Attorney General's Office, operating and environmental standards for oil well operations are now part of these private contracts with the oil and gas operator as opposed to being implemented through local regulation. The State indicated that a number of areas in the City's initially proposed oil and gas regulations conflict with the state's oil and gas rules and are consequently preempted.

Master Contract Overview

A Master Contract has been prepared which addresses property purchases, consolidated drill site locations, leases and reciprocal compensation. This agreement concerns the primary economic matters between the City and TOP which include specific actions regarding properties the City owns in Weld County. Financial transactions based on this agreement occur in one of 2 ways;

1. The City agrees to pay cash for the purchasing of the Rider and Lindberg properties and in addition will pay for closure costs for the existing Rider well near the Trail Ridge Middle School.
2. TOP and the City will receive credits from a Royalty Account within which reciprocal compensation for offset directional drilling, lease payments, well replacement costs, bonus payments and royalty from production will be managed. The Royalty account will become a source of revenue for the City of Longmont from which oil and gas royalties will be paid to the City.

The Master Contract deals with 11 primary drilling locations and 2 proposed consolidated tank batteries and 2 existing tank locations where additional tanks would be located. A table has been prepared as an attachment to this communication to assist in providing a quick glance regarding the status of the properties. There are two options for the City Council to consider with regard to the Rider Property. The first option involves payment for the closure and replacement of the Rider Well. The second option for the Rider Property involves only the purchase and non disturbance provision with no replacement and cost for the Rider well closure and replacement. The rundown on the properties is as follows:

1a. Rider Property

- TOP Existing Rider Well on this property near the Trail Ridge Middle School to be closed. City contributes up to \$25,000 (cash) for closure of the existing and producing well.
- City purchases surface rights and non disturbance condition of this property for \$498,000 (cash).
- City will compensate TOP up to \$850,000 from Royalty Account for the replacement cost of re-drilling the Rider Well from east of County Line Road.
- City will pledge \$440,112 from the Royalty Account towards the cumulative offsite directional costs incurred by TOP as a result of no disturbance on the Rider Property.

1b. Rider Property

- City purchases surface rights and non disturbance condition of this property for \$498,000 (cash).
- City will pledge \$440,112 from the Royalty Account towards the cumulative offsite directional costs incurred by TOP as a result of no disturbance on the Rider Property.

2. Boggot Property

- Proposed location of consolidated well pad site on the Boggot property,
- Existing Stamp Well revenues on Boggot property reserved to Boggot family,
- Remainder of royalties from this lease to Royalty Account for City credit,

3. Upper Adrian Property

- Single well permit already approved by the state for this property (not yet drilled),
- Proposed location of a consolidated well pad,
- TOP will directionally drill to the Rider Property to access minerals from this location,
- Minerals already leased to TOP, revenues to be paid to Royalty Account for City credit,
- Well head site only, product will be piped to consolidated tank location on WCR 26.

4. Lower Adrian Property

- Proposed location of a consolidated well pad,
- New lease to TOP for minerals, 12.5% royalty paid to third parties as royalties were reserved at the time of City purchase,
- \$800 per acre lease signing bonus paid to Royalty Account for City credit,
- Well head site only on the southern part of the property,
- Consolidated tank battery on north part of the property adjacent to WCR 26.

5. Koester Property

- Proposed location of a consolidated well pad including tank battery,
- New lease to TOP for minerals, 16% royalty paid to Royalty Account for City credit,
- \$800 per acre lease signing bonus paid to Royalty Account for City credit.

6. Lindberg Property

- City purchases Lindberg property from TOP for \$324,000. Cash purchase.
- City will provide TOP with alternative drilling locations to access their mineral rights under Union Reservoir,
- Non disturbance agreement for Lindberg surface,
- TOP has 3 year repurchase period for Lindberg property and may repurchase if:
 - i. City annexes within 3 years,
 - ii. City prevents TOP from accessing minerals from other nearby lease sites,
 - iii. Top gives 60 day notice of intent to repurchase,
- Repurchase expires at the end of 3 years or when TOP drills a well from an alternate location to access minerals under Union Reservoir.

7. Hernor Facilities Site

- Three (3) well sites provided in lieu of TOP drilling from the Lindberg Property to include:
 - i. Peitzak Drill Site,
 - ii. Hernor Drill Site,
 - iii. Dwork Drill Site,
- Drill sites are well head locations only, no additional equipment,
- Consolidated tank battery location “Hernor Facilities Site”.

8. Northern Shores Property

- Northern Shores Property comprised of the “Keltner”, “Smith” and “Mountain Shores” properties,
- New mineral lease to TOP, 16% royalty and \$800 per acre lease bonus paid to the Royalty Account for City credit,
- Consolidated well and equipment site on the Smith property,
- Non disturbance on the Keltner and Mountain Shores properties.

9. Sandstone Ranch Sites

- Consolidated well and tank facilities below sport field areas and northwest of Coffin House,
- City to reimburse from Royalty Account the cost of additional distance for pipeline connection in an amount of \$60,000.
- City and TOP agree to cooperate on fill material, if needed, in order to maintain the drill pad and facilities locations the setback distances from nearby structures, water bodies and sport fields.

10. Peschell Property

- City owns jointly with Boulder County,
- City agrees to ratify lease which TOP holds,
- Non disturbance on this site,
- TOP must obtain any consents needed from Boulder County.

11. Sherwood Property

- Property currently under lease to TOP,
- Minerals were retained by Donald Sherwood when City purchased,
- City agrees to correct deed for mineral rights that belong to Sherwood,
- Top will use existing location of Sherwood well for additional consolidated well head site,
- TOP will use existing tank battery ¼ mile east of well site and immediately northwest of Serafini well.

12. Collins Property

- City recently purchased Collins property for open space and agricultural preservation,
- City acquired mineral rights and will receive into Royalty Account any royalties associated with gas and oil production from this property,
- Non disturbance for this property.

13. Royalty Account

- Cash transactions in the Master Contract are limited to property purchases and actual costs to close the Rider Well, if the City chooses the “Rider Well Option 1.a.”,
- All other compensation related to directional drilling offset costs, lease signing bonuses, royalties and other payments are managed through a Royalty Account,
- Initially the Royalty Account will note credits due to each party as a consequence of this agreement which include:
 - i. Credit to TOP for \$850,000 for Rider Replacement Well costs,
 - ii. \$440,112 credit to TOP to compensate for offsite drilling relocated from the Rider Property to other lease sites east of County Line Road,
 - iii. signing bonuses for new leases Credit to City – approximately \$252,160,
 - iv. \$241,816 credit to City to compensate for relocation of drilling activities from other nearby drilling sites(Hernor Facilities) as opposed to drilling from the Lindberg Property,
 - v. When royalty payments have been sufficient to pay the net difference between credits for TOP and the City, royalties will then be paid directly to the City.

14. Designated Outside Activity Areas

- The City has 2 applications for Designated Outside Activity Areas (DOAA) with the Colorado Oil and Gas Conservation Commission (COGCC) for areas around Union Reservoir and additional areas around Sandstone Ranch and the St. Vrain Greenway,
- The DOAA’s, if approved by the COGCC, will establish setback requirements for any oil and gas operations near these areas,
- Through the Master Contract, TOP will file a statement with the COGCC that TOP agrees and consents to the City’s DOAA applications.

Operator's Agreement Overview

The Operator's Agreement also identifies these sites planned for future oil and gas operations negotiated with TOP. The Operator's Agreement focuses more on the operational and performance standards of the oil and gas facilities. The Operator's Agreement has been drafted to reflect enhanced standards and operational requirements the City believes are necessary for responsible oil and gas operations in the City of Longmont. By agreeing to the standards of the Operator's Agreement, the City and TOP can implement greater setbacks, closed loop systems, water quality monitoring programs, floodplain regulations and other performance standards that might otherwise be inconsistent with COGCC rules. Some of the operational and environmental standards initially proposed for the land development code are now found in the Operator's Agreement.

The performance standards of the Operator's Agreement between TOP and the City will apply not only to the sites noted in this agreement but on all sites in the City where TOP may conduct future oil and gas operations. The City intends for the performance standards of the Operator's Agreement to also be a standard for other oil and gas companies who would conduct oil and gas operations in the City.

The Operator's Agreement includes these main features;

1. Eight (8) consolidated well locations around Union Reservoir in lieu of multiple well locations if processed under the COGCC rules,
2. Three (3) new consolidated well sites south of Sandstone Ranch instead of multiple well locations if processed under COGCC rules.
3. Maximum limit on oil and gas site size,
4. 750' setback from occupied structures (existing or imminently planned),
5. Access road provisions,
6. Non disturbance provisions,
7. Closed loop provisions and waste disposal prohibited,
8. Water quality monitoring,
9. Other performance and operation standards.

The City has received a letter from Chris and Linda Cain who are planning on building a retirement home on the 10 acre Hernor Outlot on Weld County Road 26. This property can be found on the contract exhibit 1E. The Cain's request that oil and gas facilities be located at least 750' or preferably 1000' from the proposed location of their residence. The Hernor Facilities exhibit 1E, shows the nearest oil and gas equipment facility will be located at least 750' from the proposed Cain residence. A copy of the correspondence the Cain's sent to the City is an attachment to this packet item. Some of the photographs send in their package to the City cannot be electronically reproduced but will be available for the Council to look at on Tuesday night.

Exhibits related to the proposed well and equipment sites are attached to this communication.

ATTACHMENTS:

Master Contract

Operator's Agreement

Master Contract and Operator's Agreement Site Exhibits 1A – 1H,

Overview Map of Proposed Consolidated Drill Sites with information layers,
Master Contract Reference Table
Letter and materials from Chris and Linda Cain

**MASTER CONTRACT CONCERNING CONSOLIDATED OIL AND GAS
EXPLORATION AND PRODUCTION FACILITIES, PROPERTY
PURCHASE, OIL AND GAS MINERAL LEASES AND RECIPROCAL
COMPENSATION**

This Master Contract Concerning Consolidated Oil And Gas Exploration And Production Facilities, Property Purchase, Oil And Gas Mineral Leases And Reciprocal Compensation (“Contract”) is effective this _____ day of _____, 2012 (“Effective Date”), and is by and among the City of Longmont, Colorado, a municipal corporation (referred to hereinafter as “City”) with an address of 350 Kimbark Street, Longmont, Colorado 80501, and TOP Operating Co. with an address of 10881 West Asbury Avenue, Ste. 230, Lakewood, Colorado 80227 (referred to hereinafter as “Company”). The City and the Company may be collectively referred to herein as the “Parties” or individually as a “Party”.

RECITALS

WHEREAS, the City owns all or a portion of the surface and mineral estates in Sections 29, 30, 31 and 32, T3N, R68W, and in Sections 5, 6, 7, 8, 17 and 18, T2N, R68W, all located within the County of Weld, Colorado, which lands shall be collectively referred to herein as the “Property”; and

WHEREAS, the City uses the Property for Open Space, education, recreation, agriculture and other uses; and

WHEREAS, the Company may own certain surface, mineral and leasehold rights in portions of the Property or in adjacent lands; and

WHEREAS the City and the Company have made agreements with each other concerning the ownership and use of the Property; and

WHEREAS, the Parties have agreed on where any operations related to oil and gas exploration and development may occur on the Property, including, without limitation, where well sites, surface facilities, tank batteries, access roads, gathering lines and other equipment that may be located on the Property; and

WHEREAS, the Parties wish to enter into this Contract to provide for the coexistence and development of the surface and mineral estates on the Property in a manner consistent with and protective of the rights of the City and its citizens and of the Company’s interests; and

WHEREAS, the Parties wish to delineate and accommodate the rights of each other with respect to the ownership and development of the surface and mineral estates, to protect residential uses and the health, safety and welfare of the City’s citizens, to minimize the overall

number of well locations on the Property, and to preserve the surface and subsurface of the Property from degradation and pollution to the maximum extent possible.

NOW THEREFORE, in consideration of the covenants, consideration and mutual promises set forth in this Contract, including those in the Recitals herein, the Parties agree as follows:

1. Operator's Agreement. Attached to this Contract as Attachment "1" is the Operator's Agreement ("OA") between the Parties, which shall be executed substantially in that form contemporaneously with this Contract. All operations on the Property and on other lands within the boundaries and jurisdiction of the City shall be governed by the OA, to the extent that the OA is not inconsistent with this Contract. In the event of any inconsistencies between this Contract and the OA, the terms and provisions of this Contract shall apply. Any well or surface facility which exists on the Property as of the Effective Date shall be subject to the OA only when and if the existing use or location of said well or surface facility is changed. Operations at any existing well or surface facility shall, to the maximum extent possible, conform to the requirements of the OA.

2. Rider Property and Well. The Rider Property and the Rider # 1 Well are owned by the Company and are located approximately in the NE/4SE/4 of Section 36 Township 3 North (T3N), Range 69 West (R69W). As to the Rider Property and Rider Well, the Parties agree as follows:

a. The Company represents that it owns the Rider Well and the surface and mineral interests in the Rider Property, which contains approximately 34 surface acres. The Company further represents that the only oil and gas operations on the Rider Property are those related to the Rider Well. The Company agrees to commence and complete operations to plug and abandon the Rider Well in accordance with the standards of the Colorado Oil and Gas Conservation Commission ("COGCC") during the 2012-2013 Christmas vacation or the 2013 summer break for the St. Vrain School District. The Company shall also comply with any reclamation and remediation orders which the COGCC may impose or which may be required by other applicable laws or regulations, within the time frames set forth therein. Notwithstanding anything herein to the contrary, the Company shall indemnify and hold the City harmless from any claim, loss, damage, suit or obligation arising out of the drilling, operation, remediation, reclamation or abandonment of the Rider Well. After it has properly plugged and abandoned the Rider Well, the provisions of paragraph 2.d. of this Contract shall apply.

b. At Closing, the Company shall convey all of the right, title and interest in the surface estate for the Rider Property to the City by

warranty deed in a form acceptable to the City, for a purchase price of \$15,000.00 per acre, or approximately \$498,000.00 (the exact cost to be determined based upon a survey of the Rider Property). The purchase price of the surface rights for the Rider Property shall be paid to the Company at Closing.

c. Other than performing normal operations prior to commencing operations to plug and abandon the Rider Well, and to reclaim and remediate the Rider Property, the Company shall not disturb or enter upon the Rider Property for any reason after Closing. The Company may drill wells directionally from well pads at the “Bogott Site”, the “Upper Adrian Site”, and the “Lower Adrian Site” as shown in Exhibits 1A, 1B and 1C hereto, respectively, which wells may have a bottom hole location under the Rider Property if permitted by the COGCC.

d. The Company has agreed to close, plug, abandon, and remediate the currently producing Rider Well and its associated facilities, and to conduct no further operations on that property. In exchange, the Parties have agreed that the Company may drill a well from one of the Sites described in paragraph 2.c. herein, directionally to a bottom hole location under the Rider Property to replace the Rider Well (“Rider Replacement Well”). The cost of the Rider Replacement Well shall be paid by the City to the Company out of the Royalty Account described in paragraph 18 herein (“Royalty Account”), up to a maximum amount of \$850,000.00; but in no event shall the Company receive any amount for the Rider Replacement Well greater than the actual cost which it pays and it shall receive such reimbursement only from the Royalty Account as, if, and when it drills and completes the Rider Replacement Well.

e. The City agrees that the Company shall be entitled to \$25,000.00 or the invoice amount, whichever is less, exclusively from the Royalty Account for its cost to plug, abandon, remediate and reclaim the Rider Well, subject to verification of its actual costs.

f. The Company shall also be entitled to receive \$160,000.00 for additional directional bore drilling costs and \$280,112 for additional offset pipe and casing material commodity costs from the Royalty Account to compensate the Company for any and all additional costs which the Company may incur as a result of drilling and completing wells directionally from the Bogott Site, or the Upper and Lower Adrian Sites to a bottom hole location beneath the Rider Property. Total offset drilling Royalty account credit - \$440,112.

3. Bogott Property. The Bogott Property is located in approximately the NW/4 of Section 31, T3N, R68W. The City owns the surface and minerals of the Bogott Property, which is currently under Lease to the Company. The Company's 31-2CS Stamp Well is located on the Bogott Site, which is shown on Exhibit 1A hereto. All royalties attributable to production from the Stamp 31-2C Well only have been reserved to the Bogott family; however, all other royalties and mineral rights have been reserved to and are owned by the City. Royalties from the remainder of mineral rights which the City has retained shall be paid into the Royalty Account. The Company may continue to operate the Stamp 31-2C Well at the Bogott Site, and shall locate any new operations and surface facilities on the Bogott Property only at the Bogott Site.

4. Upper Adrian Property. The Upper Adrian Property is located generally in the S/2SW/4 of Section 31, T3N, R68W. The City owns the surface and mineral rights to this property, and has the right to receive all royalty payments therefrom, which shall be paid to and disbursed from the Royalty Account. The Company will locate all of its operations and surface facilities on the Upper Adrian Property at the Upper Adrian Site, which is shown on Exhibit 1B hereto. The Upper Adrian Property is currently under lease to the Company, and the right to receive royalties from any well located on the Upper Adrian Property is owned by the City.

5. Lower Adrian Properties. The City owns the surface and mineral estates to the Lower Adrian Property, which is located generally in the NW/4 of Section 6, T2N, R68W. The Lower Adrian Property is not currently under lease; however, the Parties have agreed that the City shall lease the Lower Adrian Properties to the Company at or prior to Closing, and that all the Company's operations and surface facilities on the Lower Adrian Properties shall be limited to the area shown as the Lower Adrian Site on Exhibit 1C hereto. The terms of the said Lease shall include, but shall not be limited to, the following: 5-year primary term, 12.5% royalty rate (with no deductions for post-production costs, except to the extent that such deductions result in enhanced value and payment to the City of an amount at least equal to the costs of such deductions), \$800.00 per net mineral acres bonus payable to the Royalty Account, and indemnification provisions whereby the Company shall indemnify and hold the City harmless from any loss, claim, suit or damage or any nature relating to operations on the Lower Adrian Properties. All royalties from production attributable to the Lower Adrian Properties have been reserved and shall be paid to the appropriate parties, and the Company shall be solely responsible for such payments.

6. Koester Property. The Koester Property is located in the S/2NE/4 of Section 6, T2N, R68W, and is not currently under lease; however, the Parties have agreed that the City shall lease the Koester Property to the Company at or prior to Closing. The terms of the said Lease shall include, but shall not be limited to, the following: 5-year primary term, 16% royalty rate (with no deductions for post-production costs, except to the extent that such deductions result in enhanced value to royalty owners at least equal to the costs of such deductions), \$800.00 per net mineral acres bonus, and indemnification provisions whereby the Company shall indemnify and hold the

City harmless from any loss, claim, suit or damage or any nature relating to operations on the Koester Property. The City owns the surface and mineral estates in the Koester Property and shall be entitled to receive all royalties and bonus payments under the lease, which shall be paid to the Royalty Account and governed by paragraph 18 herein. All of the Company's operations and surface facilities on the Koester property shall be limited to the area shown as the Koester Site on Exhibit 1D hereto.

7. Lindberg Property. The Lindberg Property is generally located adjacent to the Union Reservoir in S/2SE/4 of Section 32, T3N, R68W. The Company represents that it owns the surface and mineral estates to the Lindberg Property, and shall convey the surface rights in the Lindberg Property to the City at Closing, using a warranty deed in a form acceptable to the City, reserving the mineral rights to the Company. The purchase price shall be \$324,000.00 and shall be paid to the Company by the City at Closing. The deed to the City shall provide that the Company will not disturb or conduct operations on the Lindberg Property.

The Company shall have the right to repurchase the Lindberg Property from the City for three (3) years after the date of Closing ("Repurchase Period") by paying \$324,000.00 to the City. The Company's right to repurchase the Lindberg Property during the Repurchase Period shall be available only if (1) the Lindberg Property is annexed by the City during the Repurchase Period, or (2) the Company is prevented by the City from drilling for and producing any mineral rights which it may have under Union Reservoir from the Pietrzak, Hernor or Dworak well sites that are identified on Exhibit 1E hereto, and (3) the Company provides at least 60 days advance notice of its intent to repurchase the Lindberg Property. The Repurchase Period shall expire automatically if, prior to the end of the said three-year period, the Company drills a well from either the Hernor, Pietrzak or Dworak Well Sites or during the Repurchase Period was in no way prevented by the City from drilling a well from such sites. The City owns the surface and mineral rights for the Pietrzak Drill Site, the Hernor Drill Site and the Dworak Drill Site, and for the Hernor Facilities Site. All tank batteries and other equipment, with the exception of the wellheads for the Pietrzak, Hernor and Dworak Well Sites, shall be located at the Hernor Facility Site on Exhibit 1E hereto. In consideration of its agreements in this paragraph, the City shall receive \$90,000.00 for additional directional bore drilling costs and \$151,816 for additional offset pipe and casing material commodity costs from the Company, which shall be paid by the Company to the Royalty Account as a credit to the City. The Company may drill from the Dworak, Hernor and Pietrzak well Sites to access its leasehold rights under Union Reservoir. The Dworak well site is located on the French lease. Total offset drilling Royalty account credit - \$241,816.

8. Northern Shores Property. The Northern Shores Site is comprised of three properties known as "Keltner", "Smith", and "Mountain Shores", all of which are owned by the City. These properties are generally located in the S/2 of Section 30, T3N, R68W. At or prior to Closing, the City will lease the Northern Shores Property to the Company under a lease which shall include, but not be limited to the following terms: 5-year primary term, 16% royalty rate

(with no deductions for post-production costs, except to the extent that such deductions result in enhanced value to royalty owners at least equal to the costs of such deductions), \$800.00 per net mineral acres bonus payable to the Royalty Account for the benefit of the City, and indemnification provisions whereby the Company shall indemnify and hold the City harmless from any loss, claim, suit or damage or any nature relating to operations on the Northern Shores Property. All of the Company's operations on the Northern Shores Property shall be limited to the Smith Site as shown on Exhibit 1F hereto.

9. Sandstone Ranch. Sandstone Ranch is a community and district park that is owned by the City and is located in Sections 7 and 8, T2N, R68W. The City owns the surface and a portion of the mineral rights under Sandstone Ranch, which are currently under lease to the Company. The Company shall be allowed to drill additional wells as permitted by the COGCC only on the Sandstone Site as noted on Exhibit 1G hereto. The Company shall receive \$60,000.00 exclusively from the Royalty Account to compensate the Company for the cost of moving and/or extending a gathering line to the Sandstone Site. The City agrees to provide fill, if needed, by the Company when the Company constructs the pad at the Sandstone Site if, and only if, the City has available fill from an ongoing or nearby project which exceeds its needs. The Parties will negotiate in good faith to determine who will pay for the cost of moving any fill.

10. Peschell Property. The Peschell Property is located generally in the SW/4 of Section 7, T2N, R68W. The surface and mineral estates are owned equally by the City and Boulder County. At or prior to Closing City will ratify any existing leases in which the Company holds an interest on the Peschell Property. The Company agrees that it will not conduct any operations on the surface of the Peschell Property. The Company also acknowledges that Boulder County owns a 50% interest in the surface and mineral estates for the Peschell Property, and that the Company may need to obtain consents from Boulder County to extract minerals from the Peschell Property.

11. Sherwood Property. The City owns the surface estate to the Sherwood Property, which is generally located in the S/2SE/4 of Section 7, N/2 of Section 18, and the NW/4 of Section 17, T2N, R68W. The Company represents that it holds a lease to the minerals of the Sherwood Property. At or prior to Closing the City shall convey by quit claim or correction deed minerals reserved to Mr. Donald Sherwood as provided for in the purchase agreement for the Sherwood Property. The Company agrees that there shall be no further disturbance of the surface of the Sherwood property, except for operations which may occur exclusively at the Sherwood Site which is described in Exhibit 1H hereto or at the existing Serafini tank battery site.

12. Collins Property. The City owns the surface and mineral estates in the Collins Property, which is currently under lease to the Company. At or prior to Closing the City will ratify the existing lease which covers the Collins Property. The Company shall conduct no operations on, and shall not disturb the surface of, the Collins Property for any purpose. The Company may access the minerals underlying the Collins Property from the Sandstone Site which is identified

in Exhibit 1G hereto. All royalties payable to the City for production from the Collins Property shall be paid to and disbursed in accordance with the provisions of paragraph 18 herein.

13. Use of Sites. The Company shall be allowed to install and use at the above Well Sites production and/or marketing facilities which may include tank batteries, separators and dehydrators, compressors, pump jacks, vapor recovery, any other facility reasonably necessary or approved by the COGCC, and gas, water and oil flow lines contained within the Sites specified in Exhibits 1A -H. The Company may use such Sites to access and drill multiple bottom hole locations underneath the surface of the Site and bottom hole locations that lie outside of the particular Site. The Company may drill vertical, directional or horizontal wells. The number of wells located on any Site shall not exceed the maximum allowed by the COGCC. Any compression equipment proposed for any Site shall be approved by the City, such approval not to be unreasonably withheld, and shall be surrounded by adequate acoustically insulating material or housing and shall meet COGCC standards for noise mitigation. The Company shall not have the right to commingle at the above facilities gas, water and/or oil produced from minerals not owned by the City or not from Oil and Gas Leases given by the City to the Company.

14. Land Use Review Process. The Company acknowledges that it shall be subject to and shall comply with all applicable terms and provisions of the City's Land Development Code. The Company acknowledges and agrees that all well sites and surface facilities on the Property must be located at least 750 feet from any occupied residential building.

15. Closing and Additional Documents. The fulfillment of this Contract will require subsequent execution of additional documents by the Parties including, but not limited to: purchase agreements, deeds, lease agreements and lease ratifications. The parties have exchanged draft documents related to these activities and agree to work in good faith to execute these documents within the timeframe set forth by this section. Closing shall occur no later than 90 days from the Effective Date of this Contract. By mutual agreement, the Closing Date may be extended by 30 days. At or before Closing, all documents required by this Contract shall be executed by the Parties.

16. Designated Outside Activity Areas. The City has filed two Applications to have a Designated Outside Activity Area ("DOAA") created by the COGCC at Sandstone Ranch and near the Union Reservoir. The Company has received a copy of the City's DOAA Applications and shall file a statement with the COGCC by no later than July 20, 2012 stating that the Company consents to and agrees that the City's DOAA Applications should be granted by the COGCC. Further, the Company agrees not to object to any other DOAA application, conservation easement or similar designation which may be submitted by the City respecting other portions of the Property, so long as said requests do not materially interfere with any rights of the Company under this Contract.

17. Land Development Code. This Contract, the OA and all attachments hereto, are entered into by the City solely in its capacity as an owner of the surface and/or minerals estates for the

Property. Any requirements in the City's Land Development Code shall be in addition to the Parties' agreements set forth herein and in the OA.

18. Royalty Account. The Company shall establish and maintain a segregated Royalty Account which shall be in the names of, and shall be accessible by, both the Company and the City. All royalties from production and all lease bonus payments which may be owed to the City under this Contract or any lease with the Company, shall be paid into this Royalty Account and the Company shall account for same as a credit for the benefit of the City against any payments that may be owed to the Company under this Contract. All payments, credits or compensation to which the Company may be entitled under this Contract, except for the payments described in paragraphs 2 and 7 herein, shall be paid to the Company in accordance with and upon presentation of paid invoices, solely out of the royalties, bonus and other payments which are received into the Royalty Account for the benefit of and as a credit to the City. At the point in time when the Company has received all compensation and payments to which it is entitled under the terms of this contract, the Company shall then pay directly to the City any royalty or other compensation due to the City under the terms of this contract or any lease. Except for the payments required to be made directly to the Company at Closing under paragraphs 2 and 7 herein, the City shall have no obligation to pay the Company if the payments to the Royalty Account for the City's benefit are not sufficient to pay any amounts owed to the Company under this Contract, and the Company shall look solely to the Royalty Account for payment of amounts owed to it. The Company shall provide the City with a monthly accounting of all payments received and disbursements made from the Royalty Account, and with copies of any invoices under which monies are disbursed. The City may audit the Royalty Account upon 30 days advance notice to the Company.

19. Other Operations and Lessees. The Property may be subject to other leases (oil and gas, agricultural, or otherwise) which may affect the rights granted to the Company herein. It shall be the Company's sole obligation to obtain any consents which may be needed from third parties for it to conduct operations on the Property from any other mineral, surface, or leasehold owner.

20. Authority to Execute Contract. Each Party represents that it has the full right and authority to enter into this Contract and the SUA, including without limitation, the Party's agreement with respect to surface and mineral rights, or oil and gas leasehold interests that it owns in the Property, as applicable.

21. Successors and Assigns. The Company may not assign its rights under this Contract without the advance written consent of the City, which consent shall not be unreasonably withheld. This Contract and all of the covenants in it shall be binding upon the subsequent lessees and assignees of the Company, and also upon the personal and legal representatives, heirs, successors and assigns of all of the Parties. This Contract and all of the covenants in it shall be covenants running with the land.

22. Recording. The Company shall record this Contract with the Clerk and Recorder of the Counties of Boulder and Weld, Colorado and provide evidence to the City of the recording.

23. Governing Law. The validity, interpretation and performance of this Contract shall be governed and construed in accordance with the laws of the State of Colorado, without reference to its conflicts of law provisions. This Contract and the Parties' performance shall be subject to all applicable local, state and federal laws.

24. Severability. If any part of this Contract is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it conflicts with such laws; however, the remainder of this Contract shall be in full force and effect. In the event that any part of this Contract would otherwise be unenforceable or in conflict with applicable laws due to the term or period for which such part is in effect, the term or period for which such part of this Contract shall be in effect shall be limited to the longest period allowable which does not cause such part to be unenforceable or in conflict with applicable laws.

25. Construction. The Parties have participated jointly in the negotiating and drafting of this Contract. In the event ambiguity or question of intent or interpretation arises, this Contract shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Parties by virtue of the authorship of any of the provisions of this Contract. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including, without limitation.

26. Notices and Payments. Any notice or communication required or permitted by this Contract shall be given in writing either by: i) personal delivery; ii) expedited delivery service with proof of delivery; iii) United States mail, postage prepaid, and registered or certified mail with return receipt requested; or iv) prepaid telecopy or fax (if not involving a payment), the receipt of which shall be acknowledged, addressed as follows:

The Company: TOP OPERATING CO.
 10881 West Asbury Avenue, Ste. 230
 Lakewood, Colorado 80227
 Attn: Rodney Herring

The City: City of Longmont, Colorado
 350 Kimbark Street
 Longmont, Colorado 80501
 Attn: City Manager

Any Party may, by written notice as provided in this section, change the address of the individual to whom delivery of notices shall be made thereafter.

27. Access Rights. The City shall have the right to access and inspect the Property and all operations thereon upon reasonable advance notice to the Company, unless an emergency or other exigent circumstance exists. In such cases, the City shall have the right of immediate access to the Property in order to protect public health, safety and welfare.

28. Reserved Rights. The Parties reserve all of their rights and interests in the Property, except as specifically set forth in this Contract.

29. Dispute Resolution and Arbitration.

a. Dispute Resolution. In the event of any dispute, disagreement or controversy arising out of, relating to or connected with this Contract including but not limited to Claims, claims for compensation or damages, and the location of any well, surface sites or facilities, access roads, utility lines or pipelines, the Parties shall use reasonable, good faith efforts to settle such dispute or claim through negotiations with each other.

b. Mediation. If such negotiations fail to produce a mutually acceptable resolution to the matter in dispute, the Parties will submit the same to non-binding mediation before a sole mediator. The mediation will be conducted by the Judicial Arbitrator Group, Inc., 1601 Blake St, Suite 400, Denver, CO 80202 (“JAG”). The matter in dispute will be submitted to mediation within fifteen (15) days of a written demand for mediation from one party to the other. If the mediation is not successful, the matter in dispute shall be submitted for final and binding arbitration by the same mediator to be held no later than thirty (30) days after the conclusion of the mediation, as signified by a written notice from the mediator that mediation has terminated. Within five (5) days of the date of the mediator’s notice, any party desiring arbitration shall concisely state the matter(s) in dispute, the position of the party with respect to such matter(s) and the party’s proposed resolution of the same.

c. Record of Negotiations. During any negotiations conducted pursuant to this Contract, the Parties will keep and maintain a record of all issues upon which agreement has been reached. To narrow and focus the issues that may need to be resolved in an arbitration proceeding, each of the submittals by the Parties shall include all points that have been agreed to by the Parties during their negotiations.

d. Arbitration. Any arbitration proceeding shall be conducted in accordance with the Uniform Arbitration Act found at C.R.S. §13-22-201 *et seq.* (or a successor statute). The purpose of the arbitrator's role is to produce a final decision of any matter submitted for arbitration to which

the Parties herein agree to be bound. The place of arbitration shall be at the offices of JAG in Denver, Colorado.

e. Arbitrator. Ideally, but not necessarily, the JAG mediator/arbitrator, shall be possessed of demonstrated experience in matters pertaining to the law of oil and gas development, and, at a minimum, Colorado law of real property governing the use and enjoyment of surface and subsurface estates. If the Parties cannot reach agreement on the choice of JAG mediator/arbitrator within ten (10) calendar days of the original demand for arbitration (or such other time as may be agreed to by the Parties), they shall abide by the assignment of JAG mediator/arbitrator made by the JAG President or Administrator.

f. Jurisdiction. For any matter requiring judicial resolution in connection with the arbitration, including the enforcement of any award, enforcement of this Contract to arbitrate, or injunctive relief to preserve the status quo pending arbitration, the Parties agree to the exclusive jurisdiction of the State District Court in the County in which the surface of the property in dispute is located.

g. Fees and Costs. The Parties shall share equally in the cost of retaining the services of JAG for any mediation or arbitration conducted hereunder and each shall be solely responsible for its own costs and expenses (including fees for attorneys, consultants, and experts) of preparing for and pursuing any mediation or arbitration, and for converting any arbitration award into a judgment.

h. Exclusion. Notwithstanding the foregoing, the following types of disputes shall expressly be excluded from the provisions of this Section 32: (i) Environmental Claims; and (ii) Claims in which persons not bound by or consenting to these arbitration provisions are indispensable Parties. Such Environmental Claims and other claims shall be subject to the jurisdiction of the State District Court in the County in which the surface of the property in dispute is located.

30. Injunctive Relief. The Parties agree that the State District Court for the County in which the surface of the property in dispute is located shall have exclusive jurisdiction over any dispute arising from this Contract or the OA. The Company acknowledges and agrees that in the event of a breach of this Contract, that any remedy at law may be inadequate and that the Parties would suffer immediate and irreparable injury, loss and damage; and, to the fullest extent not prohibited by applicable laws, any action brought for such relief may be brought by either Party upon ex parte application and without notice or posting of any bond, and the other Party expressly

waives any requirement for notice or the posting of any bond. Any such relief or remedy shall not be exclusive, but shall be in addition to all remedies available at law or in equity.

31. Covenant Not to Sue. The Company agrees not to sue and hereby waives and releases any right, claim or action which it has or may have at any time in the future to sue or request relief from or against the City, on account of or arising from amendments to the City's Land Development Code adopted during 2012 pertaining to Oil and Gas exploration and production. However, this covenant shall not apply if the City amends its laws in a manner that effectively prevents or prohibits the Company from engaging in oil and gas operations pursuant to and in compliance with the terms of this Contract.

32. Force Majeure. In the event that circumstances outside of the control of the Company occur, such as fire, flood, explosions, strikes, labor disputes, which prevent the Company from commencing drilling operations on the designated Well Sites within the time period prescribed herein or in a lease granted under this Contract, the Parties agree that the Company's time to commence operations shall be extended until the circumstances are such that the Company is able to perform such operations. In the event that such a force majeure situation arises, the Company shall promptly notify the City in writing of such situation, shall use its best efforts to remedy its inability to perform, and shall notify the City if and when the situation is resolved.

33. Incorporation by Reference. Exhibits 1A - 1H are incorporated into this Contract by this reference, as it may be amended from time to time. Every term, condition or requirement set forth in each Exhibit, as well as the location of Oil and Gas Operations Areas, roads, and rights-of-way, shall be part of this Contract as if they were set forth in the body of the Contract.

33. Entire Contract. This Contract, the OA, and the agreements required hereunder between the parties set forth the entire understanding among the Parties and supersede any previous communications, representations or agreements, whether oral or written. No change of any of the terms or conditions herein shall be valid or binding on any Party unless in writing and signed by an authorized representative of each Party.

35. Counterpart Executions. This Contract may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

36. Modifications and Waivers. If the Company demonstrates to the satisfaction of the City that it is not able to comply with certain requirements as provided herein, the City agrees to negotiate in good faith with the Company in order to determine appropriate modifications or waivers of such requirements.

IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed by duly authorized representatives on the dates set forth in the acknowledgments, but to be effective on the date first above written.

TOP OPERATING CO.

By: _____

Its: _____

THE CITY OF LONGMONT

A municipal corporation

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY _____ DATE

PROOF READ _____ DATE

APPROVED AS TO FORM AND SUBSTANCE:

DIRECTOR OF PUBLIC WORKS AND _____ DATE
NATURAL RESOURCES

APPROVED AS TO INSURANCE PROVISIONS

RISK MANAGER _____ DATE

ACKNOWLEDGMENTS

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2012, by _____ as _____ for _____.

Witness my hand and official seal.

My Commission expires: _____

Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2012, by _____, as _____ for _____.

Witness my hand and official seal.

My Commission expires: _____

Notary Public

OPERATOR'S AGREEMENT

THIS OPERATOR'S AGREEMENT ("Agreement") is effective this ____ day of _____, 2012 ("Effective Date"), by and among TOP Operating Co. with an address of 10881 West Asbury Avenue, Ste. 230, Lakewood, CO 80227 (referred to hereinafter as "Company"), and The City of Longmont, Colorado (referred to hereinafter as "City") with an address of 408 Third Avenue, Longmont, CO 80501, which may be collectively referred to herein as the "Parties" or individually as a "Party".

WHEREAS,

The City and the Company have entered into a Master Contract Concerning Consolidated Oil and Gas Exploration and Production Facilities, Property Purchase, Oil and Gas Mineral Leases and Reciprocal Compensation on this date ("Contract") which provides that they will also sign this Agreement to address oil and gas operations on the Property (as defined in the said Contract).

NOW THEREFORE, in consideration of the covenants and mutual promises set forth in this Agreement, including in the recitals, the Parties agree as follows:

1. Oil and Gas Operations Sites.

- a. The Company agrees that it shall drill and/or operate oil and/or gas wells and associated surface facilities as specified on the Property exclusively to the location or locations identified in Exhibits 1A – 1H, to the Contract and 1A – 1H hereto (the "Sites"). All operations on the Property shall be conducted strictly in accordance with this Agreement, the Contract and all Exhibits thereto. The City and Company accept that minor changes to site locations, configuration and equipment areas may be necessary to implement the intent and purpose of this agreement and the Contract. The City agrees to cooperatively work with the Company related to any minor site changes and will not unreasonably withhold its approval to said minor changes provided that such changes maintain the setback specified in subsection 1. f. of this Agreement.
- b. Subject to the terms and conditions of the Contract and this Agreement, the Sites shall be made available to the Company for its use and in their present condition for all oil and gas operations to be conducted by the Company in accordance with this Agreement and the Contract, which operations may include, but are not limited to, drilling, completion, and maintenance of wells and equipment, production operations, workovers, well recompletions and deepenings, fracturing, re-fracturing, twinning, and drilling of replacement wells and the location of associated oil and gas production and drilling equipment and facilities ("Operations"); provided, however, that any Company use or operation on the Property shall fully and strictly comply with all standards, terms and conditions of this Agreement and Contract, and with all applicable federal, state and local laws, rules and regulations. The Company understands and agrees that there may be existing or future uses of the Sites for City purposes, including the installation of utilities by the City and utility easements by third Parties, which shall be allowed in the Sites if those uses do not materially conflict with the use of the Sites by the Company. In addition to the indemnity provisions in Section 6 of this Agreement, the Company shall be liable for and shall indemnify and hold the City harmless from, any damage, loss, suit, claim, injury, pollution, or harm to the Property or to the environment arising in relation to the Company's or its agents' operations anywhere on, under, or in the vicinity of the Property.
- c. For use on a permanent basis, the Sites shall be limited in size to the maximum extent practical. The initial size of sites shall be 3 acres and, if it shown to be necessary, may be expanded up to no more than eight (8) contiguous acres for

oil and gas wells and associated surface facilities, with locations and configurations that are depicted as the Sites on Exhibit 1A-H. The Company and City will work cooperatively to manage Site sizes and locations to minimize the impact of the Sites. The Company may also use up to ten (10) acres of land as reasonably necessary on a temporary basis for preparation, drilling, completion, recompletion and other temporary operations associated with a Site. The number of wells located on any Site shall not exceed the maximum allowed by the COGCC for the appropriate spacing unit in which the bottom-hole of any well is located. With the consent of the City, Sites may be utilized by the Company for Operations associated with wells that have bottom-hole locations in spacing units outside the boundaries of the spacing unit in which the surface hole is located. Any portion of a Site that has not been used for sixty (60) days shall be reclaimed in accordance with the interim reclamation rules of the COGCC. Any change to the location of any Site shall require the mutual written consent of the Parties.

- d. If the Company has not drilled and completed at least one (1) well on each Site within 5 (five) years following the execution of this Agreement, then it shall have no right to add additional operations to that Site, unless the Parties agree otherwise.
- e. The Company shall also have the right to install, repair and maintain any oil and gas drilling and production equipment and facilities within the Sites, unless the City consents in writing to a different location. All such equipment shall meet or exceed the American Petroleum Institute's safety and operation standards and shall meet or exceed any standard imposed by the COGCC and any other applicable law, rule or regulation. The Company agrees not to locate any injection wells of any kind, on the Property without the prior consent of the City. Any compressor equipment proposed for any Site location shall be approved by the City, such approval not to be unreasonably withheld, and shall be surrounded by acoustically insulating material or housing and meet COGCC standards for noise mitigation.
- f. The Company shall comply fully with the Longmont Municipal Code and all applicable local, state and federal laws as they may be amended from time to time, which are incorporated into and made a part of this Agreement. The Company acknowledges and agrees that all well sites and surface facilities must be located at least 750 feet from any occupied building or occupied building permitted for construction or platted residential lots.

2. Access Roads.

- a. Access to the Sites shall be via existing roads or rights of way at the locations denoted as "Access Road" on the attached Exhibits 1A-H hereto, or to other rights-of-way or locations agreed to by the City in writing. During surface construction by the Company on the Property, the Parties may mutually agree in writing upon different Access Roads and thereafter to permanent Access Roads; provided, however, all costs and expenses for relocations or changes to temporary Access Roads and permanent Access Roads shall be borne by the Company. Any temporary Access Road shall be reclaimed in accordance with COGCC regulations.
- b. No Party shall unreasonably interfere with the use by the other of a temporary or permanent Access Road.
- c. The Company shall keep any permanent or temporary Access Road in good condition and repair at its sole expense. Any damage which the Company believes was caused by the City's use or by the City's agents' use thereof shall be

promptly brought to the City's attention, and the City shall take such reasonable action to address the damage as it deems appropriate.

- d. The Parties shall work together to coordinate their activities on the Property. Should one Party need the other Party to relocate any equipment or facility that has been installed, the Party requesting the relocation shall bear the cost of the relocation. The City shall have the right to use the Access Roads as long as such uses do not unreasonably interfere with the Company's use. The City shall also have the right to construct roads that cross over the Company's flowlines, pipelines and other easements on the Property, and if the pipelines and flowlines are constructed first, the City shall bear any cost to sleeve or protect the portions of the pipelines and flowlines that are to be crossed by such roads. The City shall not install the portion of an Access Road that crosses a pipeline or flowline until reasonable advance notice has been provided to the Company to give the Company an opportunity to sleeve or protect the pipeline or flowline.
- e. The Company shall obtain and pay for curb cut permits and curb cuts as reasonably required by the City. Curb cuts to be thirty (30) feet or less in width.

3. Pipelines, Flowlines and Pipeline Easements, and Utilities.

- a. The location of any pipelines, flowlines and pipeline easements, which are outside of the Sites as set forth on Exhibit 1A-H attached hereto, and the location of any lines or easements not indicated on such exhibits, shall be agreed to in writing by the City before they are installed, such consent not to unreasonably withheld.
- b. Existing locations of pipelines, flowlines and utilities or associated easements may only be changed by the advance written agreement of the City, such consent not to be unreasonably withheld. The cost of installing or relocating pipelines, necessary utilities and flowlines, and of maintaining such easements, shall be borne by the party requesting a change to the existing locations.
- c. The Company understands and agrees that there may be existing and future use of the areas used for the Company's pipelines, flowlines, utilities and associated easements for City purposes, including utilities of the City and utility easements to third Parties, which will be allowed if those uses do not unreasonably interfere with the use by the Company.
- d. The City reserves the right to install and maintain easements which cross the Company's Access Roads, pipelines, flowlines, pipeline easements, and utilities at approximately right angles, and the City shall also have the right to install and maintain easements that are adjacent to or within the easements identified herein, for utility lines, including, but not limited to those for water, gas, sewer, electric, telephone, cable, television, fiber optics, and other uses or utilities; provided, however: i) any new underground facility which travels along a pipeline easement identified herein shall be located a distance horizontally of at least ten (10) feet from parallel existing pipelines; ii) any new underground facility which crosses any existing underground facility shall have at least twenty-four (24) inches of vertical clearance between such new facility and an approved pipeline; and iii) any overhead power lines shall be at least twenty (20) feet above the ground. The Parties shall negotiate in good faith to agree upon the location of all such easements. If the Parties are unable to reach agreement the matter shall be submitted to mediation and arbitration in accordance with per Section 34 of this Agreement. The Parties shall make underground facilities known to the Utility Notification Center of Colorado.

- e. In addition to the standards, terms and conditions of this Agreement, the Company shall comply with the City's engineering standards and specifications and with all other applicable portions of the Longmont Municipal Code. The Company shall require its contractor to do the same and to coordinate and protect any and all public and private installations. The manner in which the Company elects to protect its underground facilities shall be communicated to City after the Company has been made aware of work in the area by the request for locates and specific protections needed based on the proposed work.
4. Notice of Oil and Gas Operations. The Company shall provide the City with notice of its initial drilling operations and of all subsequent well operations in accordance with COGCC rules and regulations. To the extent practicable, the City shall use the Local Government Designee process to address any concerns or objections it may have to a proposed operation.
5. Nondisturbance. Other than the uses specifically allowed by the Contract or by this Agreement, including Exhibits 1A-H hereto, the Company shall not disturb or enter on any part of surface of the Property unless it has obtained the prior written consent of the City, which the City may withhold in its sole discretion. Further, except as specifically allowed this Agreement or the Contract, or by additional written consent of the City, the Company shall not undertake any activity or operation on the surface of the Property, nor shall it allow any of its agents, employees or representatives to do so. Except as otherwise provided in this Agreement or the contract, the Company and its employees, agents and invitees shall not disturb, use or travel on any part of the surface of the Property without the City's prior written consent which may also be withheld in the City's sole discretion. The Parties shall enter into a separate agreement in the event any seismic exploration activities are proposed on the Property.
6. Indemnification and Insurance.
 - a. Without limiting the Company's obligations under any other provision of this Agreement or the Contract and unless any injury, death, or damage is the result of the City's gross negligence or willful misconduct,, the Company shall be and remain responsible for all losses, claims, damages, demands, suits, causes of action, fines, penalties, expenses and liabilities, including without limitation attorneys' fees and other costs associated therewith (all of the aforesaid herein referred to collectively as "Claims"), arising out of or connected with the Company's operations or activities on the Property or the Sites, no matter when asserted, subject to applicable statutes of limitations. The Company shall release, defend, indemnify and hold the City, its insurers, elected officials, attorneys, officers, directors, employees, agents and contractors, successors and assigns, harmless against all Claims, and from the costs of defending such Claims. This provision does not, and shall not be construed to, create any rights directly enforceable by persons or entities not a party to this Agreement.
 - b. In addition to the duties and indemnification provided in the prior paragraph, the duty to conform to environmental laws and to abate any environmental damages resulting from the Company's activities, both present and future, is the sole responsibility of the Company. Unless any damage is the result of the City's gross negligence or willful misconduct, the Company will defend, indemnify and hold the City harmless from any and all violations of environmental law including, but not limited to, hazardous waste, solid waste disposal, clean air, and endangered species caused by or arising out of the Company's operations, and for all other losses, damages, claims, liability suits, costs and attorneys fees related thereto. The Company shall pay all of the City's attorney's fees and costs that are incurred relating to any such violation or actual or threatened suit regarding any such violation.

- c. To the maximum extent permitted by applicable laws, the Company hereby releases and waives and discharges the City, its insurers, elected officials, respective managers, officers, directors, employees, agents, attorneys, successors, and assigns, from any and all liability for personal injury, death, property or other damage, arising out of or connected with or related to the Company's or its agents' operations under this Agreement and the Contract, or the Company's or its agents' use of the Property or the Sites, unless such injury, death, or damage is the result of the City's gross negligence or willful misconduct.

- d. Insurance: The Company shall not begin any work until the Company proves to the City's Purchasing and Contracts Division that it has obtained, at Company's own expense, all required insurance as specified below. Liability insurance must be of the occurrence form. Deviations from the requirements listed below must be submitted to and approved by the City's Risk Manager.
 - i. Commercial General and Automobile Liability insurance must cover bodily injury, property damage and personal injury with limits of no less than \$1,000,000 per occurrence. Company shall cause the City to be named as an "Additional Insured".

 - ii. Pollution Liability: First party clean up responsibility not less than \$2 million per occurrence.

 - iii. Worker's Compensation coverage must be provided, as statutorily required for persons performing work under this Contract. Company must provide City with proof of Employer's Liability coverage with limits of at least \$500,000. Company shall require any subcontractor hired by the Company to carry Workers' Compensation and Employer's Liability coverage.

 - iv. Certificate of Insurance: As evidence of the insurance coverages required by this Contract, prior to the effective date of this Contract, the Company and their subcontractors, shall furnish a certificate of insurance to:

City of Longmont
Purchasing and Contracts Division
350 Kimbark Street
Longmont, CO 80501

 - v. The Certificate shall include the City of Longmont, its officers, agents and employees as "Additional Insureds" on all General Liability and Automobile Liability policies, and must require 30 days notice to the "Additional Insureds" before non-renewal or cancellation. Insurance coverages shall be obtained from insurance companies authorized to do business in the State of Colorado. If the Company or their subcontractors are qualified self-insureds under the laws of the State of Colorado appropriate declarations of self-insurance may be substituted.

 - vi. Continuation of Coverage: The Company shall not cancel, materially change or fail to renew insurance coverages. The Company shall notify the Purchasing and Contracts Division of any material reduction or exhaustion of aggregate limits. Any insurance bearing on adequacy of performance (warranty or guarantee) shall continue after completion of the contract for the full guaranteed period. If any policy lapses or is canceled before final payment by the City to the Company and if the Company fails immediately to procure other insurance as specified, the City may deem such failure to be a breach of this Contract.

- vii. Responsibility for Payment of Damages: Nothing contained in these insurance requirements shall limit the Company's responsibility for damages resulting from Company's operations under this contract.
- 7. Maintenance and General Operation. The Company shall at all times keep the wellsites, roads, rights-of-way, facility locations, and other portions of the Sites and Property safe and in good order, free of noxious weeds, litter and debris. The Company shall dispose of all water, unused equipment, litter, sewage, waste, chemicals and debris off of the Property at an approved disposal site. The Company shall promptly reclaim and reseed all disturbed sites.
- 8. Hydraulic Fracturing, Produced Water and Waste.
 - a. All water, waste, chemicals, fluids, solutions or other solid materials or liquid substances produced or discharged by the Company's facilities shall be used, produced and discharged in accordance with all applicable rules and regulations of the governmental authorities having jurisdiction over such matters; provided however, there shall be no pits, production, reserve, waste, or otherwise, constructed or maintained on the Property. Any produced water, waste, chemicals, fluids, hydrocarbons, fracturing solutions or other solid materials or liquid substances of any kind shall not be discharged on the Property and shall be discharged and held only in a "closed loop system" comprised of sealed storage tanks, commonly used for such purposes in the industry, which contents shall be promptly removed from and disposed of off of the Property at a licensed disposal site, in accordance with present or future COGCC or other applicable rules and regulations. Provided that the Company is not in breach of this Agreement, the City will not oppose an application by the Company before any governmental authority to lawfully disperse or dispose of produced water or waste off of the Property at a facility that is duly licensed to accept and treat such materials.
 - b. The Company shall implement best management practices to prevent the spill, release or discharge of any pollutants, contaminants, chemicals, solid wastes, or industrial, toxic or hazardous substances or wastes at, on, in, under, or near the Property. Any such spill, release or discharge, including without limitation, of oil, gas, grease, solvents, or hydrocarbons that occurs at, on, in, under, or near the Property shall be remediated immediately in compliance with applicable laws. Any such spill, release or discharge that is reportable to regulatory authorities under applicable laws shall be reported to the City and any other owner of the Property within 24 hours by telephone, fax, or e-mail, to be followed by copies of written notices that the Company has filed with regulatory authorities within five business days after such filing.
- 9. Drainage and Erosion Control. The Company's Operations shall not cause significant erosion or sedimentation and shall be conducted in accordance with a stormwater drainage plan approved by the City.
- 10. Maintenance of Roads.
 - a. All private roads used to access the Property or the Sites shall be graded for adequate drainage, shall be surfaced and maintained to prevent dust and mud, and shall provide sufficient access for emergency vehicles. The Company may be required by the City to implement mitigation measures to satisfy these requirements.
 - b. An oversized/overweight truck permit shall be required for all oversized/overweight trucks and equipment which use City roads. The permit,

if required, shall be obtained from the appropriate City agency prior to mobilization.

11. Public Roadway and Traffic Impacts.

- a. Ingress and egress. Ingress and egress points to public roads shall be located, maintained and improved to assure adequate capacity for efficient movement of existing and projected traffic volumes and to minimize traffic hazards. An access permit from the appropriate City agency shall be required for all oil and gas operations which use a City road and, assuming the Company complies with the City's application requirements, the City shall grant such access permits to the Company as to the access roads as depicted on the attached Exhibits 1-A – Exhibit 1-H.
- b. Maintenance agreement or financial assurance. If the projected use of the public roads resulting from the Company's Operations will increase the need for roadway improvements, maintenance or snow removal, the City shall reasonably require the Company to enter into an agreement with the City whereby the Company provides for private maintenance, improvements and snow removal, or reimburses the City for such increased costs.

12. Water Quality.

- a. No Adverse Effects to Water. The Company's oil and gas operations shall not adversely affect the quality or quantity of surface or subsurface waters.
- b. Water wells. The Company's oil and gas operations shall not adversely affect the water quality, quantity or water pressure of any public or private water wells.
- c. The Company agrees to implement and fund a water quality testing, sampling and monitoring program that is acceptable to the City for the purpose of establishing baseline conditions for water quality and quantity and to periodically monitor, sample and test water quality and quantity, as well as contamination or pollution of the surface and subsurface water for the duration of production of oil or natural gas from any well on the Property, and for at least five (5) years following the plugging and abandonment of each well. The water quality monitoring program shall be conducted by a 3rd party with a minimum of 3 monitoring wells per Site and quarterly reporting to the City. The Parties may agree to additional water quality monitoring wells based on the size, location and distribution of wells and equipment at any Site. Said water quality monitoring and sampling program shall be established prior to the use of any heavy equipment to begin operations, shall be reviewed and approved by the City and shall be considered a condition of this Agreement. If after one year of monitoring past the date of plugging and abandonment the sampling shows no contamination, the City may agree with the Company to assume the responsibility for monitoring water quality around the well and associated equipment areas. All records related to the program shall be provided to the City no later than ten (10) days after the Company's receipt.

13. Cultural and Historic Resources. The Company's Operations shall not adversely affect cultural or historic resources.

14. Geologic Hazards and Structure Integrity. The Company's Operations shall not create a risk of geologic hazards nor shall they adversely affect the stability, function or condition of any building, home, dam or other structure on or near the Property.

15. Emergency Response. Before commencing any activity on the Property, the Company shall provide the City with a written emergency response plan for the potential emergencies that may be associated with the operation of the facilities at that location. This shall include, but not be limited to any or all of the following:
- a. Explosions, fires, gas or water pipeline leaks or ruptures, hydrogen sulfide or other toxic gas emissions, and hazardous material vehicle accidents or spills.
 - b. Operation-specific emergency preparedness plans for any oil and gas operations that involve drilling or penetrating through known water-bearing zones or zones of hydrogen sulfide gas.
 - c. The plan shall include a provision for the Company to reimburse the appropriate emergency response service provider for costs incurred in connection with the emergency. Such cost recovery shall be those allowed to the City as provided by CRS 29-22-104.
16. Floodplain Restrictions. Well sites, equipment, production activity and storage are prohibited in any 100-year flood plain.
17. Noise Regulation and Special Mitigation Measures.
- a. At a minimum, any equipment used in the drilling, completion or production of a well must not exceed maximum permissible noise levels as established by applicable state law or COGCC regulations.
 - b. The Company shall provide additional noise mitigation that may be reasonably required by the City. In determining such additional noise mitigation, specific site characteristics shall be considered, including, but not limited to, the following:
 - (i) Nature and proximity of adjacent development (design, location, type);
 - (ii) Prevailing weather patterns, including wind directions;
 - (iii) Vegetative cover on or adjacent to the site or topography.
 - c. Further, based upon the specific site characteristics, the nature of the proposed activity, and its proximity to surrounding development, and type and intensity of the noise emitted, additional noise abatement measures above and beyond those required by the COGCC may be required by the City. The level of required mitigation may increase with the proximity of the facility to existing residences and platted subdivision lots and/or the level of noise emitted by the facility. One or more of the following additional noise abatement measures shall be provided by the Company if requested by the City:
 - (i) Acoustically insulated housing or covers enclosing any motor or engine;
 - (ii) Screening of the site or noise-emitting equipment by fence or landscaping;
 - (iii) Solid wall or fence of acoustically insulating material surrounding all or part of the facility;
 - (iv) Use of electric-power engines and motors, and pumping systems; and/or

- (v) Construction of any buildings or other enclosures shall comply with applicable building and fire codes.

18. Visual Mitigation.

- a. To the maximum extent practicable, the Company shall locate and design Operations and facilities to minimize visual impacts, including, but not limited to, the following:
 - (i) Site facilities away from prominent natural features;
 - (ii) Use structures with low profiles and minimal size to satisfy present and future functional requirements;
 - (iii) Minimize disturbance of existing desirable vegetation;
 - (iv) Align access roads to follow existing grades and minimize cuts and fills.
- b. All facilities shall be painted as follows:
 - (i) Uniform, non-contrasting, non-reflective color tones.
 - (ii) Color matched to land, not sky, slightly darker than adjacent landscape.
 - (iii) Exposed concrete colored or painted to match soil color.
- c. Electrical lines servicing pumping and accessory equipment shall be installed below ground only.

19. Lighting. To the maximum extent practicable, exterior lighting shall be directed away from residential areas, or shielded from such areas to eliminate glare. All temporary on-site lighting used in the construction of the well and its appurtenances shall comply with COGCC Rules. All permanent lighting fixtures installed on the site shall comply with City lighting standards.

20. Financial Guarantees. Unless otherwise specifically stated herein the Company shall bear all costs of performing and complying with this Agreement and the Contract. Financial security shall be provided by the Company to guaranty its performance and any mitigation required by the City as a condition of this Agreement and the Contract, and prior to the time that the Company commences any operations on the Property. The Company shall enter into a security agreement with the City consistent with the following:

- a. Development improvement agreement shall be required. When mitigation is a required either as a condition of the COGCC or by this Agreement, the Company shall enter into a guarantee agreement with the City and provide collateral in an amount sufficient to guarantee performance of the mitigation measures and payable on demand to the City. The development improvement agreement shall constitute the Company's agreement to perform all conditions for mitigation. The development improvement agreement shall be consistent with this Agreement and shall indentify such requirements including plans, drawings, and schedules for completion, and shall be substantially in a form approved by the City.
- b. Financial security. The Company shall provide to the City a guarantee of financial security, acceptable to the City, in the amount of Sixty Thousand Dollars (\$60,000) to assure the Company's performance of the requirements

herein, which shall be payable on demand to the City. The City shall be the beneficiary of any letter of credit, bond or other guarantee which shall be replenished after it is used so that it is never less than \$60,000.00. The purpose of the guarantee of financial security is to assure that the public and private improvements, and all other conditions or obligations imposed by this Agreement are timely and fully completed by the Company, that all mitigation requirements and conditions of this Agreement are timely and fully performed, and that all impacted areas are timely and fully remediated and reclaimed.

- c. Ensured completion of conditions. The guarantee shall provide that if the City determines that any of the required conditions are not performed as provided in this Agreement, including reasonable requirements for the correction of deficiencies upon notice thereof, the City may draw upon the collateral as may be necessary to complete the improvements in accordance with the specifications included in this Agreement, and the City may exercise any or all of the other remedies available to it.
 - d. Certification of completion and release of collateral. The guarantee may include requirements for certification of completion, partial releases of the collateral, and retainage of a portion of the collateral to ensure repairs or replacement, demonstrated performance of required facilities, substitution of collateral, and other requirements deemed appropriate by the City.
 - e. No limitation on Company obligations. The financial guarantees and security provided by the Company shall not relieve it of any obligation imposed by the Contract, this Agreement, or any other agreement with the City.
21. Fencing Requirements. At the time of initial installation, or upon the issuance of a permit, all pumps, wellheads and production facilities shall be adequately fenced to restrict access by unauthorized persons. For security purposes, all such facilities and equipment used in the operation of a completed well shall be surrounded by a fence at least six (6) feet in height with at least one locked gate. The following specific standards shall apply to all oil and gas wells and production facilities. Fence enclosures shall be constructed according to the following standards:
- a. All fencing and gates shall be of a consistent design and color that are reasonably acceptable to the City.
 - b. All fences shall be equipped with at least one gate. The gate(s) shall be provided with a combination catch and locking attachment device for a padlock and shall be kept locked except when being used for access to the site.
22. Building Permits Required. Building permits shall be obtained from the City for all structures to which the City Building Code applies.
23. Operations. The Company's Operations anywhere on the Property shall be conducted in accordance with all applicable state, federal and local laws, rules, and regulations. Without limiting the foregoing, the Operations shall be conducted according to the following specifications:
- a. Maintenance. The Company shall at all times keep the Sites and easements and rights-of-way and Access Roads safe and in good order, free of noxious weeds, litter and debris, and shall spray for noxious weeds upon reasonable demand by City or as required by the rules of the COGCC.
 - b. Re-vegetation. The Company shall rehabilitate, restore, reclaim, and reseed all disturbed areas caused by the Company's Operations in accordance with COGCC Regulations and with this Agreement.

- c. Cattle Guards and Fences. All cattle guards and fences installed by The Company shall be kept clean and in good repair and will become the property of City upon the expiration of any oil and gas lease covering that portion of the Property.
- d. Minimize Disturbance. The Company shall remove only the minimum amount of vegetation necessary for the construction of roads, well locations, and other facilities. Topsoil shall be conserved during excavation, stockpiled and reused as cover on disturbed areas to facilitate regrowth of vegetation.
- e. Living Quarters Prohibited. No living quarters shall be constructed upon the Property, except that supervisory personnel, drilling crews, geologists, and service personnel may use temporary “dog houses” during drilling, completion or reworking activities. In addition supervisory personnel may use temporary structures including trailers as overnight habitations during the actual drilling and/or completion or recompletion of wells described herein.
- f. Access Road Fencing. Operator shall not fence any Access Roads without the prior consent of the City.
- g. Access Gates. Except as otherwise provided herein, the Company and its employees, agents, and contractors shall leave all gates located on the Property as they found them: gates found closed are to be closed; gates found open are to be left open. The Parties shall, at their own expense, provide and install separate locks for all gates described herein. Said locks shall be installed in such a way as to allow the Parties to open gates absent the presence of the other Party.
- h. No Hunting, Fishing, and Dogs. None of the Company’s employees, agents, or contractors, of any person under the direction or control of the Company shall be permitted to hunt, fish, or engage in recreational activities on the Lands. No dogs will be permitted on the Property at any time unless confined to the vehicle of the owner of that dog or if the dog is a service dog being used for its service functions. The Company will notify all of its contractors, agents, and employees that no dogs, hunting, fishing, or recreational activities will be allowed on the Property.
- i. Drugs and Alcohol. None of the Company’s employees, agents, or contractors, or any other persons under the direction or control of Company, shall possess or be under the influence of alcohol or illegal drugs while on the Property.
- j. Compliance With Laws and Permits. The Company shall conduct operations and activities on the Property in accordance with, and shall strictly comply with, all applicable City, county, state and federal laws and regulations and with all other applicable agreements. The Company shall also obtain any permit, consent, license, or other authorization required by applicable laws or any governmental authority or agency with jurisdiction. Nothing in this Agreement shall be deemed to waive or to relieve the Company from the obligation of complying with COGCC rules and other applicable laws.
- k. Fire. The Company shall use its best efforts to prevent and to promptly extinguish any fire. The Company shall maintain insurance such that in the event of a fire on any Sites, damage to crops, fences or other property owned by the City shall be compensated for.
- l. Dust Control. The Company shall control dust from all roadways through the application of an appropriate dust suppressant such as clean water.

- m. Other Leases and Owners. The Company shall obtain all necessary consents and cooperate with and reasonably accommodate any other user or lessee of the Property.

24. Reclamation and Reseeding.

- a. Compliance With Laws. Except as otherwise provided herein, any portion of the Property disturbed by the Company's activities pursuant to this Agreement shall be reclaimed on an interim and final basis in compliance with COGCC rules 1003 and 1004, other applicable laws and this Agreement. Except as expressly provided herein, nothing in this Agreement shall be deemed to waive or relieve Company from the obligation of complying with such rules, laws and standards. If the COGCC rules contain different time limits for the performance of reclamation work on different categories of real property, the shortest time limit shall be deemed to be applicable to the Property.
- b. Restoration. Unless modified or otherwise agreed in writing, by the City, and except as otherwise provided herein, the Company shall comply with the following provisions within the times provided in applicable COGCC rules in connection with Company's operations on The Property:
 - (i) The Company shall perform interim reclamation in accordance with COGCC Rule 1003, or its successor rule. The Company shall use its best efforts to complete interim reclamation within the time limits prescribed by such rule, without requesting an extension thereof unless a delay is caused by conditions outside of the control of the Company.
 - (ii) Upon the plugging and abandonment of a well, the Company shall provide surveyed coordinates of the abandoned well and a physical marker of the well location. The Company shall also fully restore and level the surface of the Property affected by such terminated Operations as near as possible to the contours that initially existed. The Company shall use water bars and other measures as appropriate to prevent erosion and non-source pollution. Unless a shorter time is prescribed by COGCC, the Company shall use its best efforts to complete its work under this subsection within six months after the plugging and abandonment of a well, without requesting an extension thereof unless a delay is caused by conditions outside of the control of the Company.
- c. Re-vegetation. Unless otherwise agreed by the City, all areas disturbed by the Company's activities shall be reseeded with suitable grasses or crops approved by the City (not to be unreasonably withheld if the Company's selection complies with rules of the COGCC). Unless requested by the City, no reseeded (except for borrow pits) will be required on any access roads existing as of the date of this Agreement or roads designated by the City for retention. It shall be the duty of Company to ensure that a growing ground cover is established upon disturbed soils and the Company shall reseed as necessary to accomplish that duty.
- d. Weed Control. It shall further be the duty of the Company to inspect and control all noxious weeds as may become established within areas used or disturbed by the Company. The Company shall inspect disturbed areas from time to time and as the City shall reasonably request in order to determine the growth of ground cover and/or noxious weeds. The Company shall reseed ground cover and control noxious weeds from time to time to the extent necessary to accomplish its obligations hereunder. The Company recognizes that this shall be a continuing obligation and the Company shall reseed ground cover and/or control noxious weeds until areas disturbed by the Company are returned to the

condition that existed prior to construction. If the City so requests, the Company shall construct and remove fences for the purpose of temporarily excluding livestock from newly seeded areas.

25. No Pits, Injection Wells. The Company shall not drill or operate any waste water or other injection or disposal wells, or any reserve, production or waste pits on the Property. Further, except to the extent that materials are injected into a well as part of normal and ordinary drilling, completion and production operations, the Company shall not inject or re-inject any fluid, water, waste, fracking material, chemical or toxic product into any well that is on the Property.
26. City Wide Compliance with Operator's Conditions. The Company agrees that Sections 7 through 25 of this Agreement constitute standards of performance and operational conditions the Company shall adhere to on any other properties or sites within the City limits where the Company may conduct oil and gas exploration and production activities. Sections 7 – 25 of this agreement are minimum performance standards and are in addition to any performance standards established by ordinance. Any oil and gas operations the Company conducts in the future on properties in the City shall either conform to the operational standards specified by this section or in the alternative, the Company and City may enter into a separate Operator's Agreement for such activities.
27. Force Majeure. In the event that circumstances outside of the control of the Company occur, such as fire, flood, explosions, strikes, labor disputes, which prevent the Company from commencing drilling operations on the designated Well Sites within the time period prescribed herein or in a lease granted under this Contract, the Parties agree that the Company's time to commence operations shall be extended until the circumstances are such that the Company is able to perform such operations. In the event that such a force majeure situation arises, the Company shall promptly notify the City in writing of such situation, shall use its best efforts to remedy its inability to perform, and shall notify the City if and when the situation is resolved.
28. Authority to Execute Agreement. Each Party represents that it has the full right and authority to enter into this Agreement with respect to the surface rights, oil and gas interests, or oil and gas leasehold interests it owns in the Property, as applicable.
29. Successors and Assigns. The Company may not assign its rights under this Agreement without the advance written consent of the City, which consent shall not be unreasonably withheld. This Agreement and all of the covenants in it shall be binding upon the subsequent lessees and assignees of lessees, and also upon the personal and legal representatives, heirs, successors and assigns of all of the Parties. This Agreement and all of the covenants in it shall be covenants running with the land.
30. Recording. The Company shall record this Agreement with the Clerk and Recorder of the Counties of Boulder and Weld, Colorado and provide evidence to the City of the recording.
31. Governing Law. The validity, interpretation and performance of this Agreement shall be governed and construed in accordance with the laws of the State of Colorado, without reference to its conflicts of laws provisions.
32. Severability. If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it conflicts with such laws; however, the remainder of this Agreement shall be in full force and effect. In the event that any part of this Agreement would otherwise be unenforceable or in conflict with applicable laws due to the term or period for which such part is in effect, the term or period for which such part of this Agreement shall be in effect shall be limited to the longest period allowable which does not cause such part to be unenforceable or in conflict with applicable laws.

33. Construction. The Parties have participated jointly in the negotiating and drafting of this Agreement. In the event ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Parties by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated there under, unless the context requires otherwise. The word “including” shall mean including, without limitation.
34. Notices and Payments. Any notice, communication or payment required or permitted by this Agreement shall be given in writing either by: i) personal delivery; ii) expedited delivery service with proof of delivery; iii) United States mail, postage prepaid, and registered or certified mail with return receipt requested; or iv) prepaid telecopy or fax (if not involving a payment), the receipt of which shall be acknowledged, addressed as follows:

The Company:

TOP OPERATING CO.
10881 West Asbury Avenue, Ste. 230
Lakewood, Colorado 80227
Attn: Rodney Herring

The City:

City of Longmont, Colorado
350 Kimbark Street
Longmont, Colorado 80501
Attn: City Manager

Any Party may, by written notice as provided in this section, change the address of the individual to whom delivery of notices shall be made thereafter.

35. Access Rights. The City shall have the right to access and inspect the Sites upon reasonable advance notice to the Companies, unless an emergency or other exigent circumstance exists. In such cases, the City shall have the right of immediate access to the Sites in order to protect public health, safety and welfare.
36. Dispute Resolution and Arbitration.
- a. Dispute Resolution. In the event of any dispute, disagreement or controversy arising out of, relating to or connected with this Agreement including but not limited to Claims, claims for compensation or damages, and the location of any well, surface sites or facilities, access roads, utility lines or pipelines, the parties shall use reasonable, good faith efforts to settle such dispute or claim through negotiations with each other.
 - b. Mediation. If such negotiations fail to produce a mutually acceptable resolution to the matter in dispute, the parties will submit the same to non-binding mediation before a sole mediator. The mediation will be conducted by the Judicial Arbitrator Group, Inc., 1601 Blake St, Suite 400, Denver, CO 80202 (“JAG”). The matter in dispute will be submitted to mediation within fifteen (15) days of a written demand for mediation from one party to the other. If the mediation is not successful, the matter in dispute shall be submitted for final and binding arbitration by the same mediator to be held no later than thirty (30) days after the conclusion of the mediation, as signified by a written notice from the mediator that mediation has terminated. Within five (5) days of the date of the mediator’s notice, any party desiring arbitration shall concisely state the

matter(s) in dispute, the position of the party with respect to such matter(s) and the party's proposed resolution of the same.

- c. Record of Agreement. During any negotiations conducted pursuant to this Agreement, the parties will keep and maintain a record of all issues upon which agreement has been reached. To narrow and focus the issues that may need to be resolved in an arbitration proceeding, each of the submittals by the parties shall include all points that have been agreed to by the parties during their negotiations.
 - d. Arbitration. Any arbitration proceeding shall be conducted in accordance with the Uniform Arbitration Act found at C.R.S. §13-22-201 *et seq.* (or a successor statute). The purpose of the arbitrator's role is to produce a final decision of any matter submitted for arbitration to which the parties' herein agree to be bound. The place of arbitration shall be at the offices of JAG in Denver, Colorado.
 - e. Arbitrator. Ideally, but not necessarily, the JAG mediator/arbitrator, shall be possessed of demonstrated experience in matters pertaining to the law of oil and gas development, and, at a minimum, Colorado law of real property governing the use and enjoyment of surface and subsurface estates. If the parties cannot reach agreement on the choice of JAG mediator/arbitrator within ten (10) calendar days of the original demand for arbitration (or such other time as may be agreed to by the parties), they shall abide by the assignment of JAG mediator/arbitrator made by the JAG President or Administrator.
 - f. Jurisdiction. For any matter requiring judicial resolution in connection with the arbitration, including the enforcement of any award, enforcement of this agreement to arbitrate, or injunctive relief to preserve the status quo pending arbitration, the parties agree to the exclusive jurisdiction of the State District Court for the county in which the surface hole of the well in question is located.
 - g. Fees and Costs. The parties shall share equally in the cost of retaining the services of JAG for any mediation or arbitration conducted hereunder and each shall be solely responsible for its own costs and expenses (including fees for attorneys, consultants, and experts) of preparing for and pursuing any mediation or arbitration, and for converting any arbitration award into a judgment.
 - h. Exclusion. Notwithstanding the foregoing, the following types of disputes shall expressly be excluded from the provisions of this Section 32: (i) Environmental Claims; and (ii) Claims in which persons not bound by or consenting to these arbitration provisions are indispensable parties. Such Environmental Claims and other claims shall be subject to the jurisdiction of the State District Court for the County in which the surface hole of the well in question is located.
37. Injunctive Relief. The Company agrees that if this Agreement is breached, or if a breach hereof is threatened, without limiting any other remedy available at law or in equity, an injunction, restraining order, specific performance and other forms of equitable relief shall be available to the City. The Parties agree that the State District Court for the County in which the surface hole of the well in question is located shall have exclusive jurisdiction over such matters. The parties acknowledge and agree that in the event of a breach of this Agreement by the Company, that any remedy at law may be inadequate and that the non-breaching party would suffer immediate and irreparable injury, loss and damage; and, to the fullest extent not prohibited by applicable laws, any action brought for such relief may be brought by the City upon ex parte application and without notice or posting of any bond, and the Company expressly waives any requirement for notice or the posting of any bond. Any such relief or remedy shall not be exclusive, but shall be in addition to all remedies available at law or in equity.

38. Incorporation by Reference. Exhibits 1A-H are incorporated into this Agreement by this reference, as it may be amended from time to time. Every term, condition or requirement set forth in each Exhibit, as well as the location of Sites, roads, and rights-of-way, shall be part of this Agreement as if they were set forth in the body of the Agreement.
39. Entire Agreement. This Agreement, the Contract and the associated documents required by each, set forth the entire understanding among the Parties and supersedes any previous communications, representations or agreements, whether oral or written. No change of any of the terms or conditions herein shall be valid or binding on any Party unless in writing and signed by an authorized representative of each Party.
40. Counterpart Executions. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
41. Modifications and Waivers. If the Company demonstrates to the satisfaction of the City that it is not able to comply with certain requirements as provided herein, the City agrees to negotiate in good faith with the Company in order to determine appropriate modifications or waivers of such requirements.
42. Surface Damages and Surface Uses. The Company agrees to pay to the City one a one time basis the sum of Two Thousand Dollars and no/100ths Dollars (\$2,000.00) per acre disturbed either temporarily or permanently for each Site as consideration for all ordinary damages associated with the drilling, completion, maintenance and use of any well and other related facilities allowed by this Agreement, to be constructed on the Property. The Company shall also reimburse the City or its tenants for each damage to and loss of growing crops. Subject to the other provisions of this Agreement and those in the Contract, the Company shall be allowed to install and use at the above Well Sites production and/or marketing facilities which may include tank batteries, separators and dehydrators, compressors, pump jacks, vapor recovery, any other facility reasonably necessary or approved by the COGCC, and gas, water and oil flow lines contained within the Sites as specified in Exhibits 1A-H. Since the concentration of a high number of tanks at any one location may create too intensive of an industrial use character for an individual Site, the City reserves the right to limit the number of tanks on any Site. Such limitation shall be reasonable and the City's decision to limit tank numbers at any Site shall be made in consultation and cooperation with the Company. The Company may use such Sites to access and drill multiple bottom holes locations underneath the surface of the Site and bottom hole locations that lie outside of the particular Site. The Company may drill either vertical, directional or horizontal wells. The Company shall not have the right to commingle at the above facilities gas, water and/or oil produced from minerals not owned by the City or not from Oil and Gas Leases given by the City to the Company. The Company shall not have the right to install a central production facility which may have off-lease gas, water and/or oil delivered to such location as a central point for transmitting to a downstream point without the consent of the City, which shall not be unreasonably withheld. The Company shall also pay the City \$15 per rod for any pipeline or Access Road that it or its agents locates on the Property. Subject to the Company complying with all other provisions of this Agreement (including those in the Exhibits attached hereto), the compensation provided herein to be paid by Company to the City shall release and discharge the Company, its agents and employees from all ordinary claims, losses, demands and causes of action for damage to crops, and for preparing a site for drilling and operating wells, and for disturbance to install Access Roads or pipeline and flowlines. All payments required by this paragraph 41 shall be paid to the Royalty Account described in the Contract for the benefit of the City, except for those payments for damages to and loss of growing crops which shall be paid to the City or its tenant, as the City may direct.
43. Termination. This Agreement shall terminate as to each Site upon full reclamation of such area in accordance with this Agreement and COGCC rules and regulations. The

reclamation, sampling, arbitration and indemnification provisions herein shall survive any such termination.

IN WITNESS WHEREOF, the undersigned Parties have caused this Agreement to be executed by duly authorized representatives on the dates set forth in the acknowledgements, but to be effective on the date first above written.

TOP Operating Co.

By: _____
Its: _____

THE CITY OF LONGMONT
A municipal corporation

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

DATE

PROOF READ

DATE

APPROVED AS TO FORM AND SUBSTANCE:

DIRECTOR OF PUBLIC WORKS AND
NATURAL RESOURCES

DATE

APPROVED AS TO INSURANCE PROVISIONS

RISK MANAGER

DATE

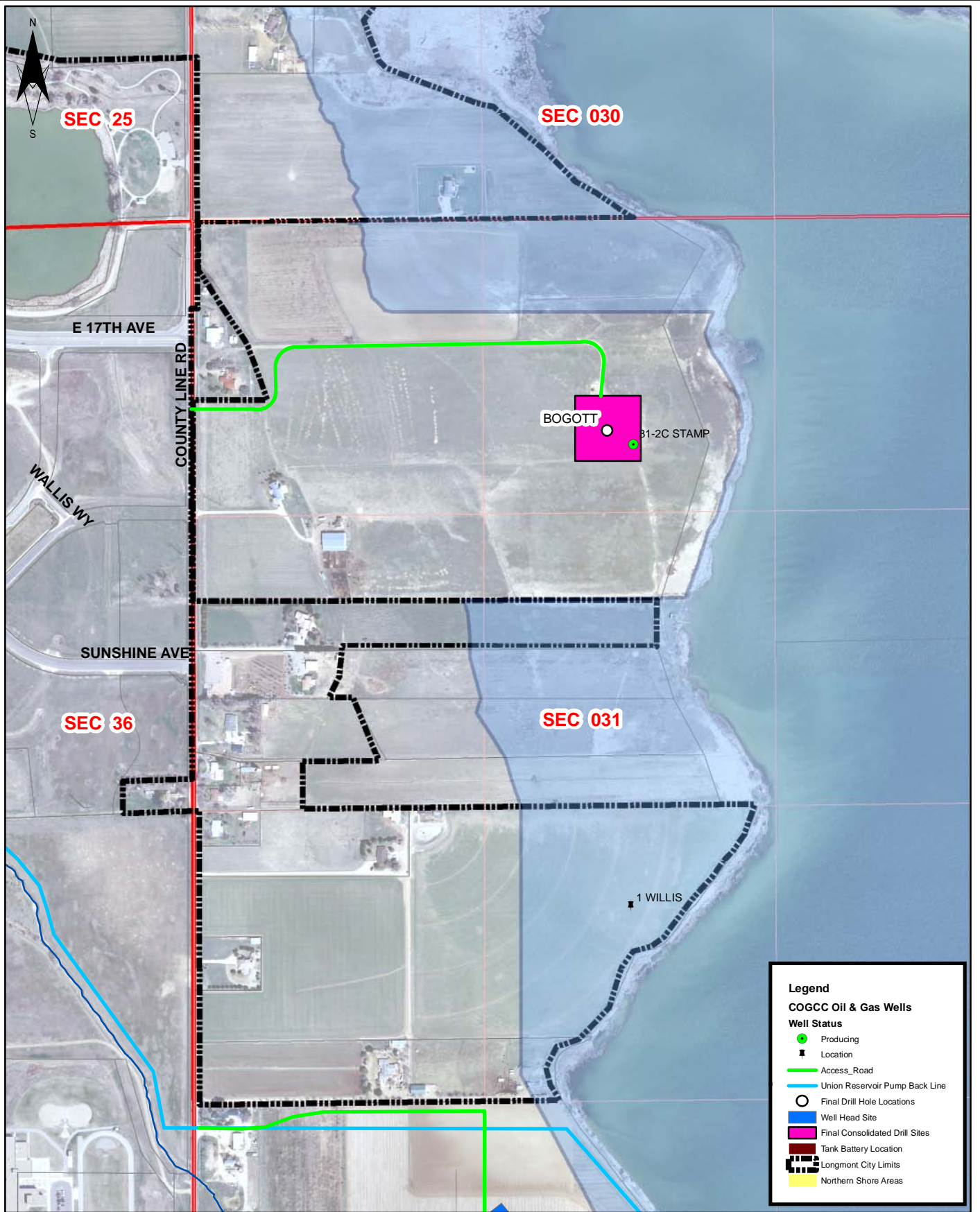
Exhibit 1A-H

to

Operator's Agreement between TOP Operating Co. and The City of Longmont

Effective July 17, 2012

Maps consisting of 8 pages



Legend

COGCC Oil & Gas Wells

Well Status

- Producing
- ⚓ Location
- Access_Road
- Union Reservoir Pump Back Line
- Final Drill Hole Locations
- Well Head Site
- Final Consolidated Drill Sites
- Tank Battery Location
- Longmont City Limits
- Northern Shore Areas

Path: I:\Projects\PW0545 Oil & Gas\054500_2012\ArcMap\SUA Exhibits 1A-1H.mxd

Print Date: 07/13/2012
File Name: SUA Exhibits 1A-1H
Revisions:
Vert. Scale: As Noted
Horiz. Scale: 1 inch = 600 feet

EXHIBIT 1A - BOGOTT SITE

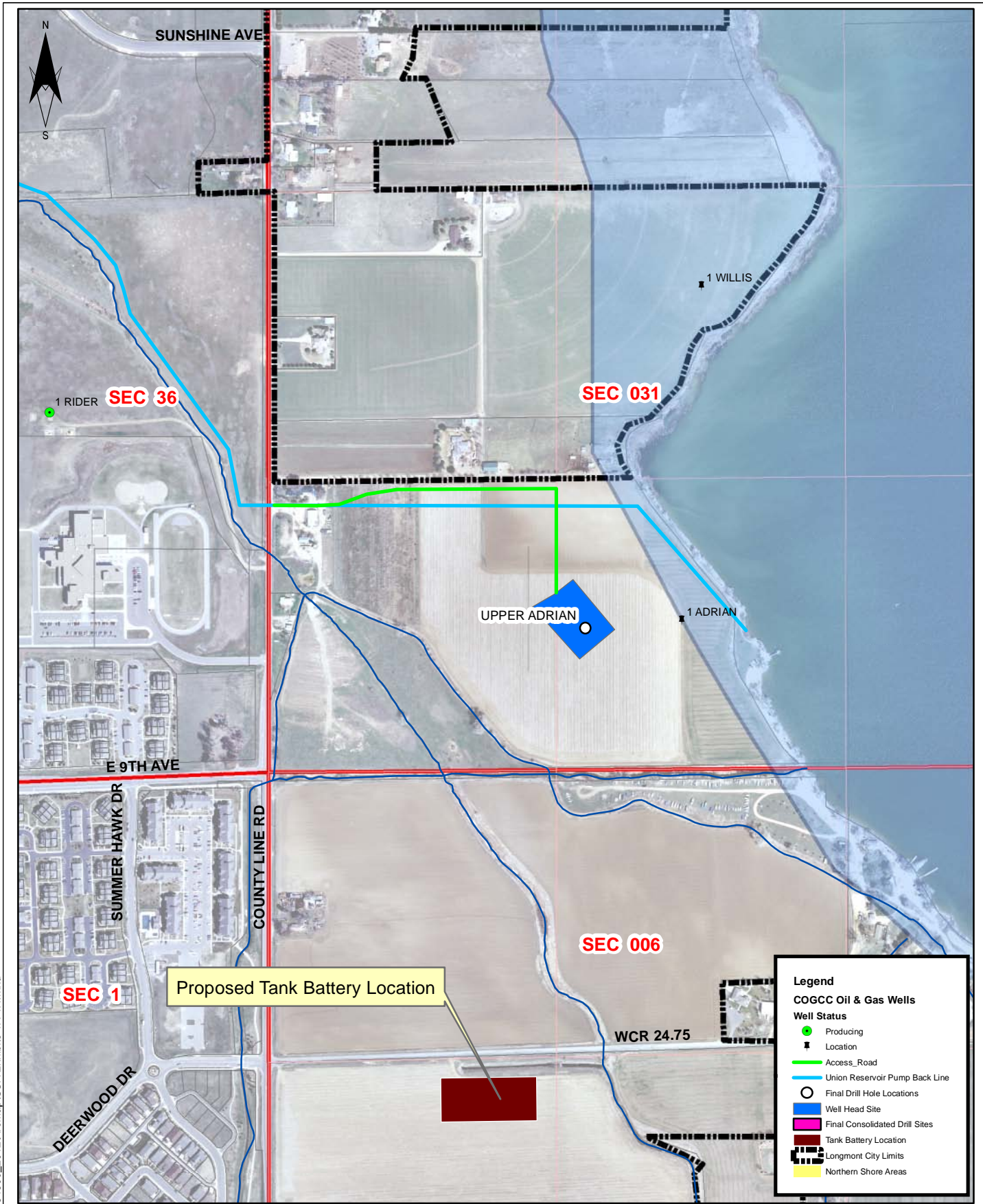


CITY of LONGMONT

385 Kimbark Street
 Longmont, Co. 80501
 Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
Designer:	
Detailer: Mestas	
Subset Sheet: Exhibits	
Sheet Number:	1



Legend

COGCC Oil & Gas Wells

Well Status

- Producing
- ✚ Location
- Access_Road
- Union Reservoir Pump Back Line
- Final Drill Hole Locations
- Well Head Site
- Final Consolidated Drill Sites
- Tank Battery Location
- Longmont City Limits
- Northern Shore Areas

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Print Date: 07/13/2012
File Name: SUA Exhibits 1A-1H
Revisions:
Vert. Scale: As Noted
Horiz. Scale: 1 inch = 600 feet
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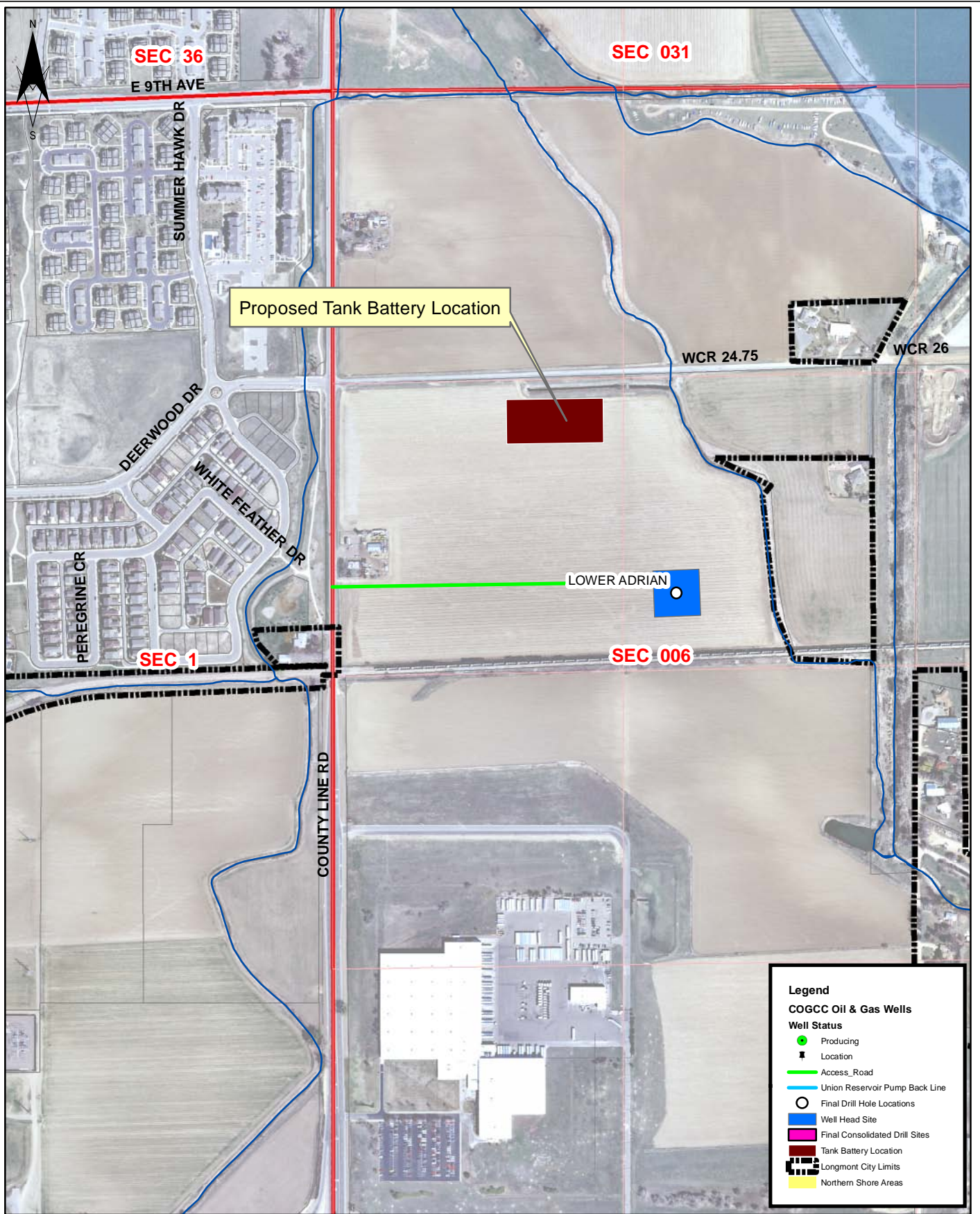
EXHIBIT 1B - UPPER ADRIAN SITE

CITY of LONGMONT

385 Kimbark Street
Longmont, Co. 80501
Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
Designer:	
Detailer: Mestas	
Subset Sheet: Exhibits	
Sheet Number:	2



Path: I:\Projects\PW0545 Oil & Gas\054500_2012\ArcMap\SUA Exhibits 1A-1H.mxd

Print Date: 07/13/2012

File Name: SUA Exhibits 1A-1H

Revisions:

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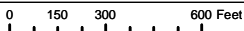


EXHIBIT 1C - LOWER ADRIAN SITE



CITY of LONGMONT

385 Kimbark Street
 Longmont, Co. 80501
 Phone: 303-651-6304 FAX: 303-651-8352

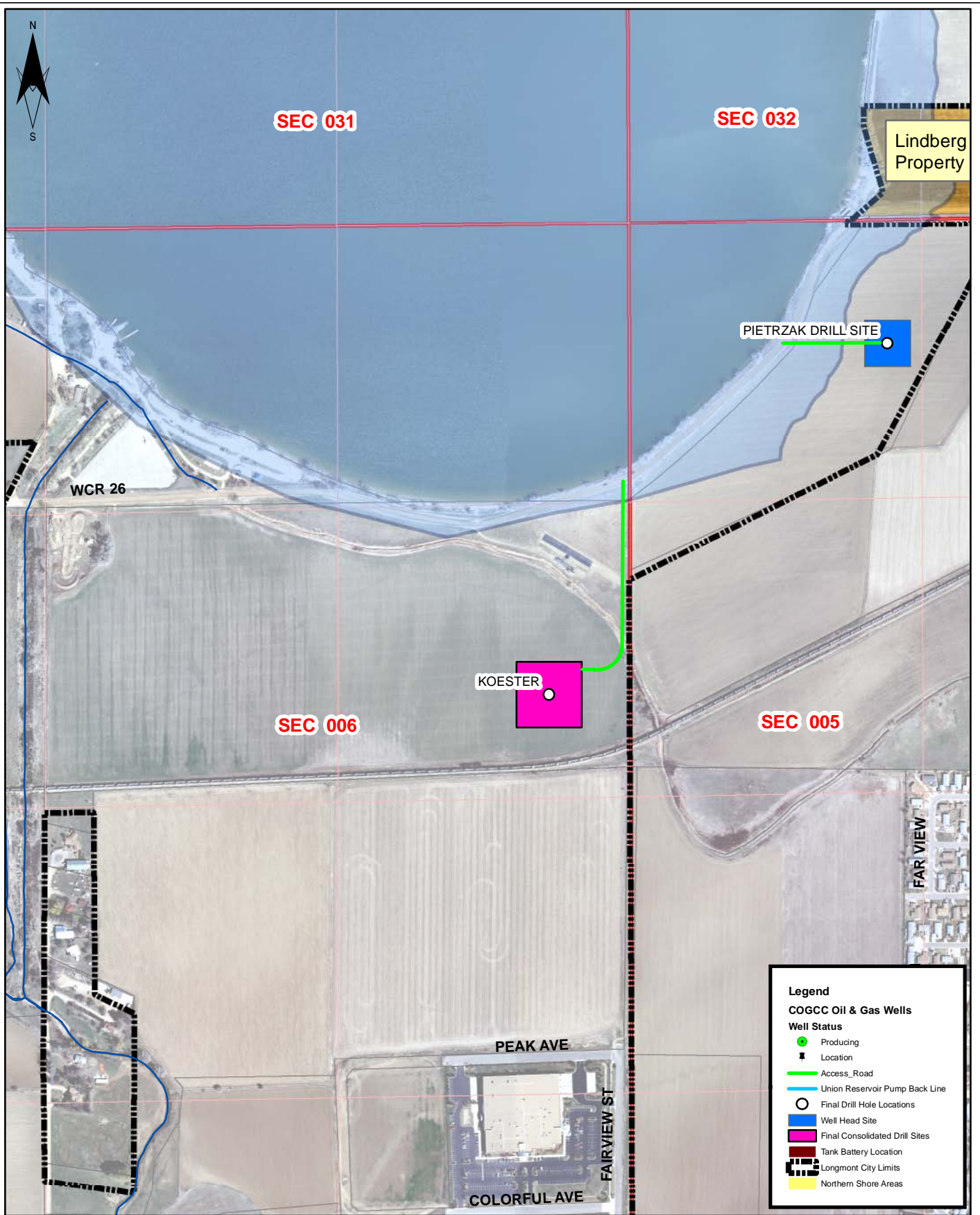
PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545 Year 2012

Designer:
 Detailer: Mestas

Subset Sheet: Exhibits

Sheet Number: **3**



Legend

COGCC Oil & Gas Wells

Well Status

- Producing
- ⊥ Location
- Access_Road
- Union Reservoir Pump Back Line
- Final Drill Hole Locations
- Well Head Site
- Final Consolidated Drill Sites
- Tank Battery Location
- Longmont City Limits
- Northern Shore Areas

Path: I:\Projects\PW0545 Oil & Gas\054500_2012\ArcMap\SUA Exhibits 1A-1H.mxd

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File Name: SUA Exhibits 1A-1H
Revisions:
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Horiz. Scale: 1 inch = 600 feet

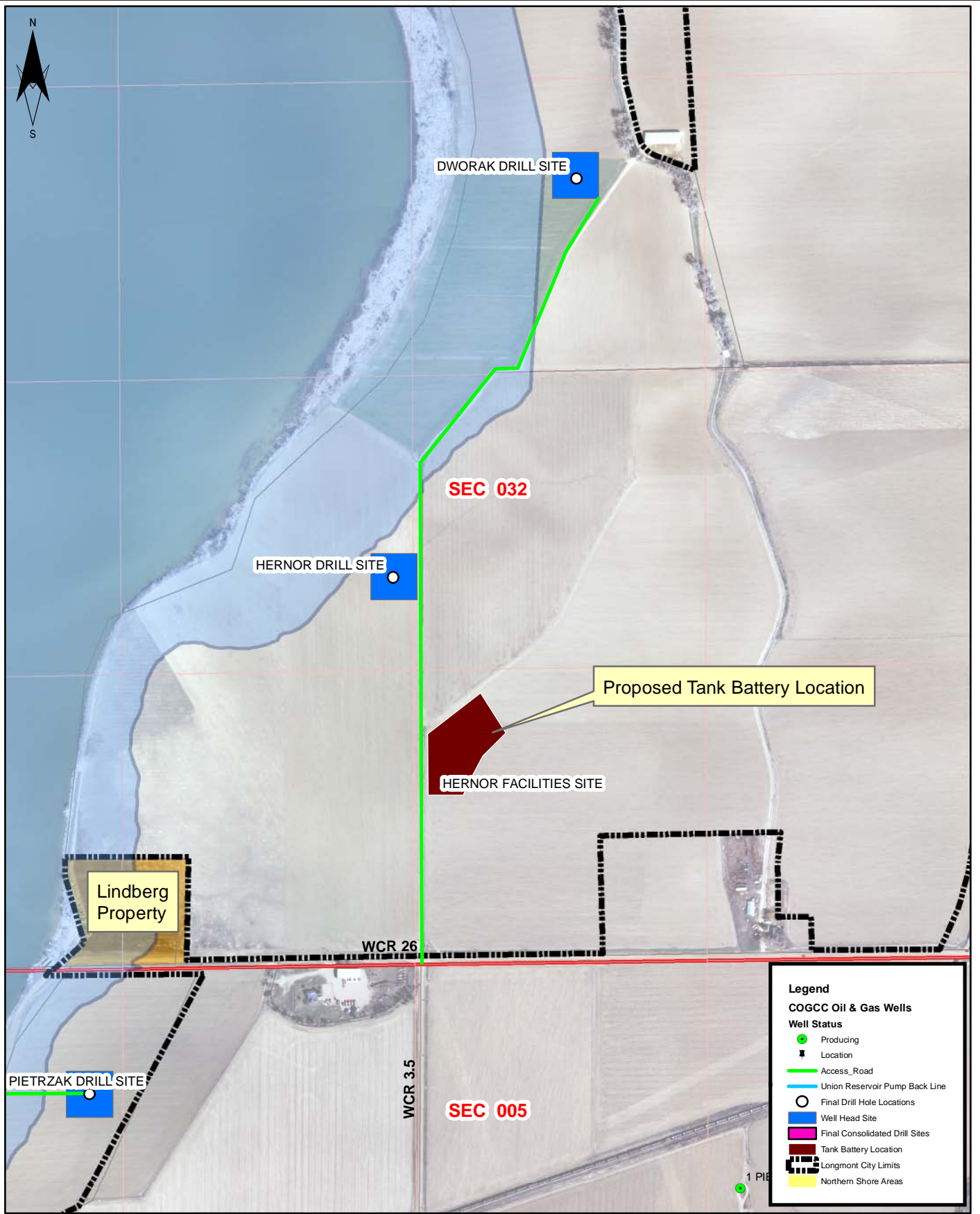
EXHIBIT 1D - KOESTER SITE

CITY of LONGMONT

385 Kimbark Street
Longmont, Co. 80501
Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
Designer:	
Detailer: Mestas	
Subset Sheet: Exhibits	
Sheet Number:	4



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Revisions:
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Horiz. Scale: 1 inch = 600 feet

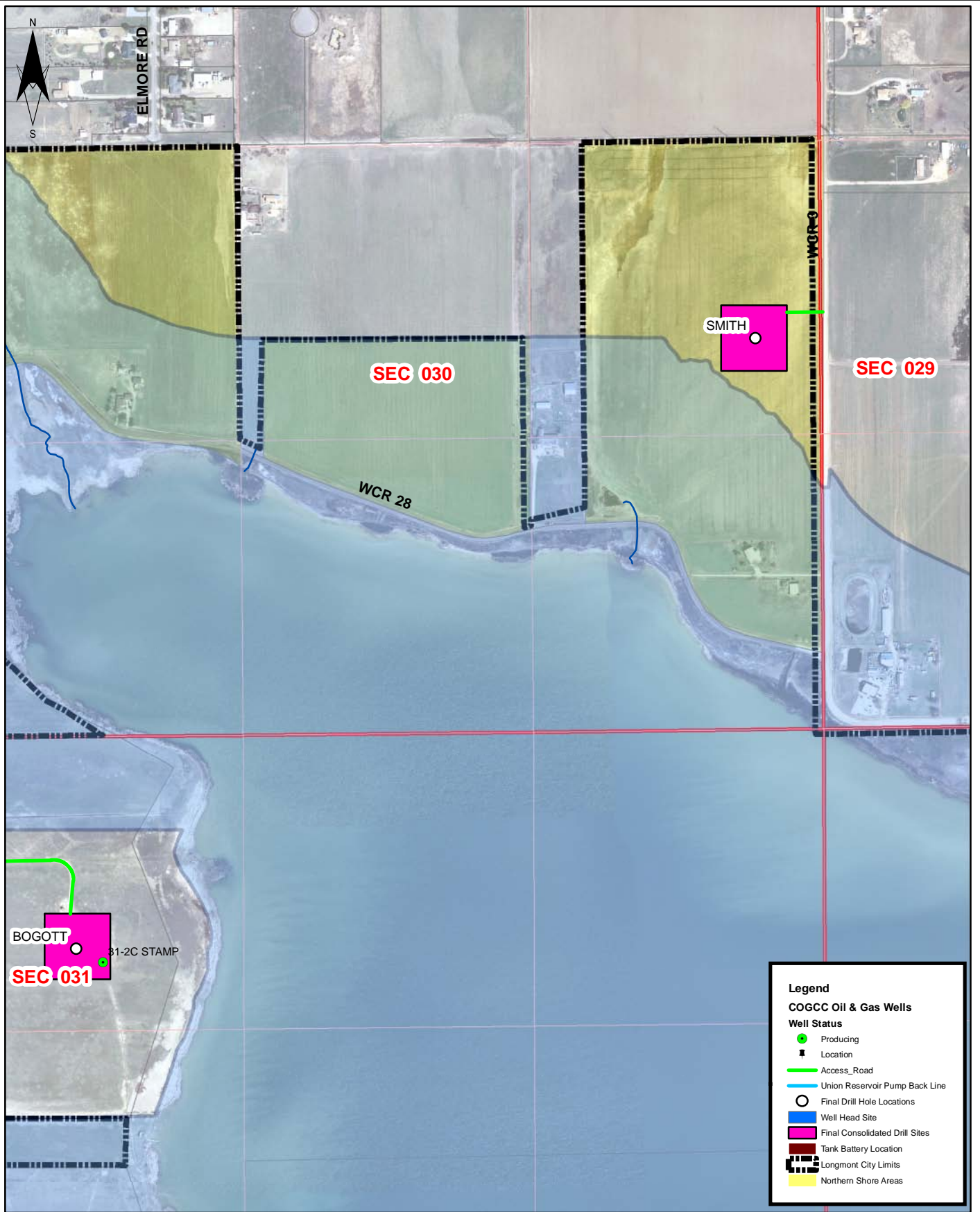
EXHIBIT 1E - HERNOR FACILITIES SITE

CITY of LONGMONT

385 Kimbark Street
 Longmont, Co. 80501
 Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
Designer:	
Detailer: Mestas	
Subset Sheet: Exhibits	
Sheet Number:	5



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Revisions:

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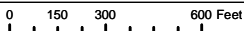


EXHIBIT 1F - NORTHERN SHORES SITE



CITY of LONGMONT

385 Kimbark Street
 Longmont, Co. 80501
 Phone: 303-651-6304 FAX: 303-651-8352

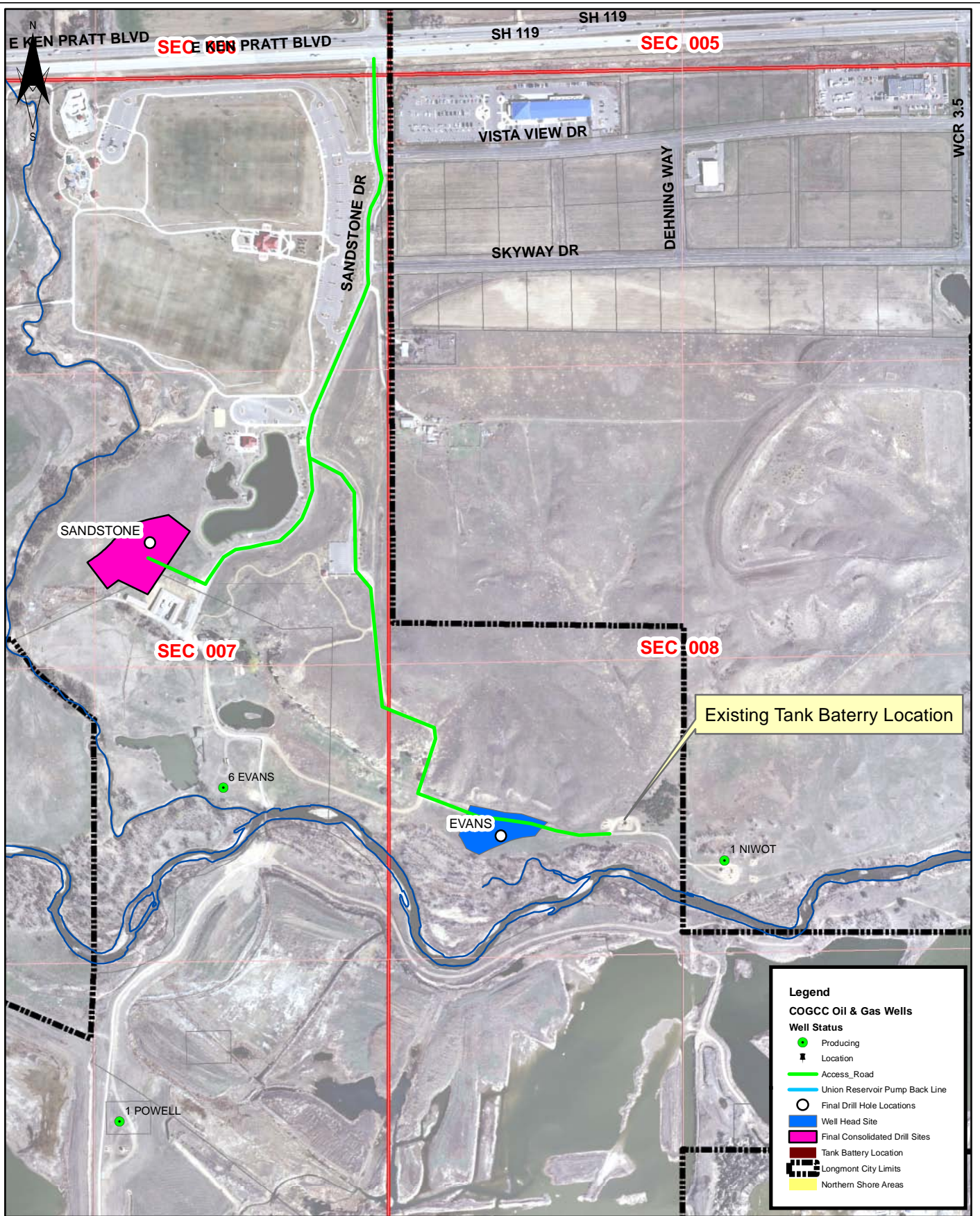
PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
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Designer:	
Detailer:	Mestas

Subset Sheet: Exhibits

Sheet Number:	6
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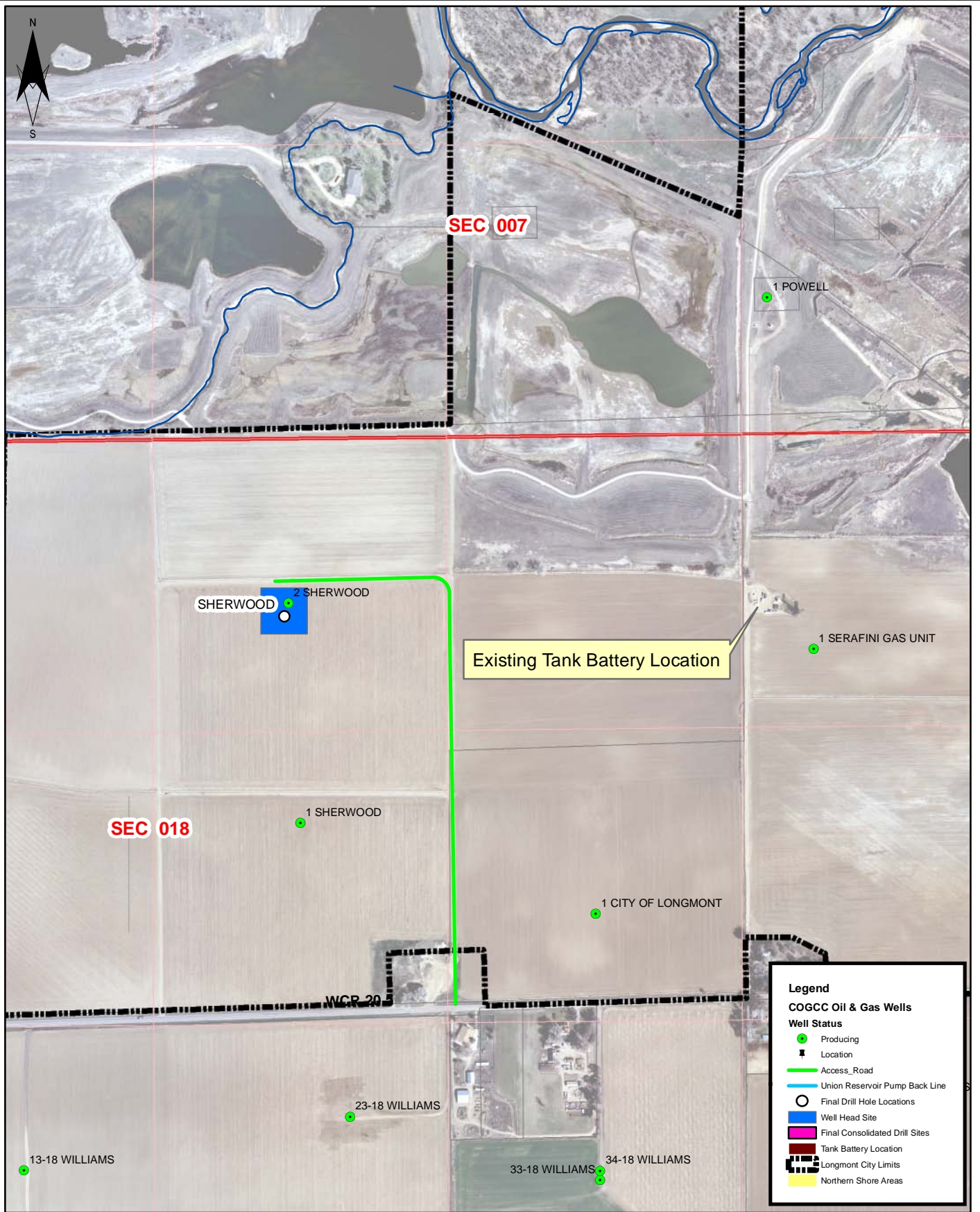
EXHIBIT 1G - SANDSTONE SITE

CITY of LONGMONT

385 Kimbark Street
 Longmont, Co. 80501
 Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
Designer:	
Detailer:	Mestas
Subset Sheet:	Exhibits
Sheet Number:	7



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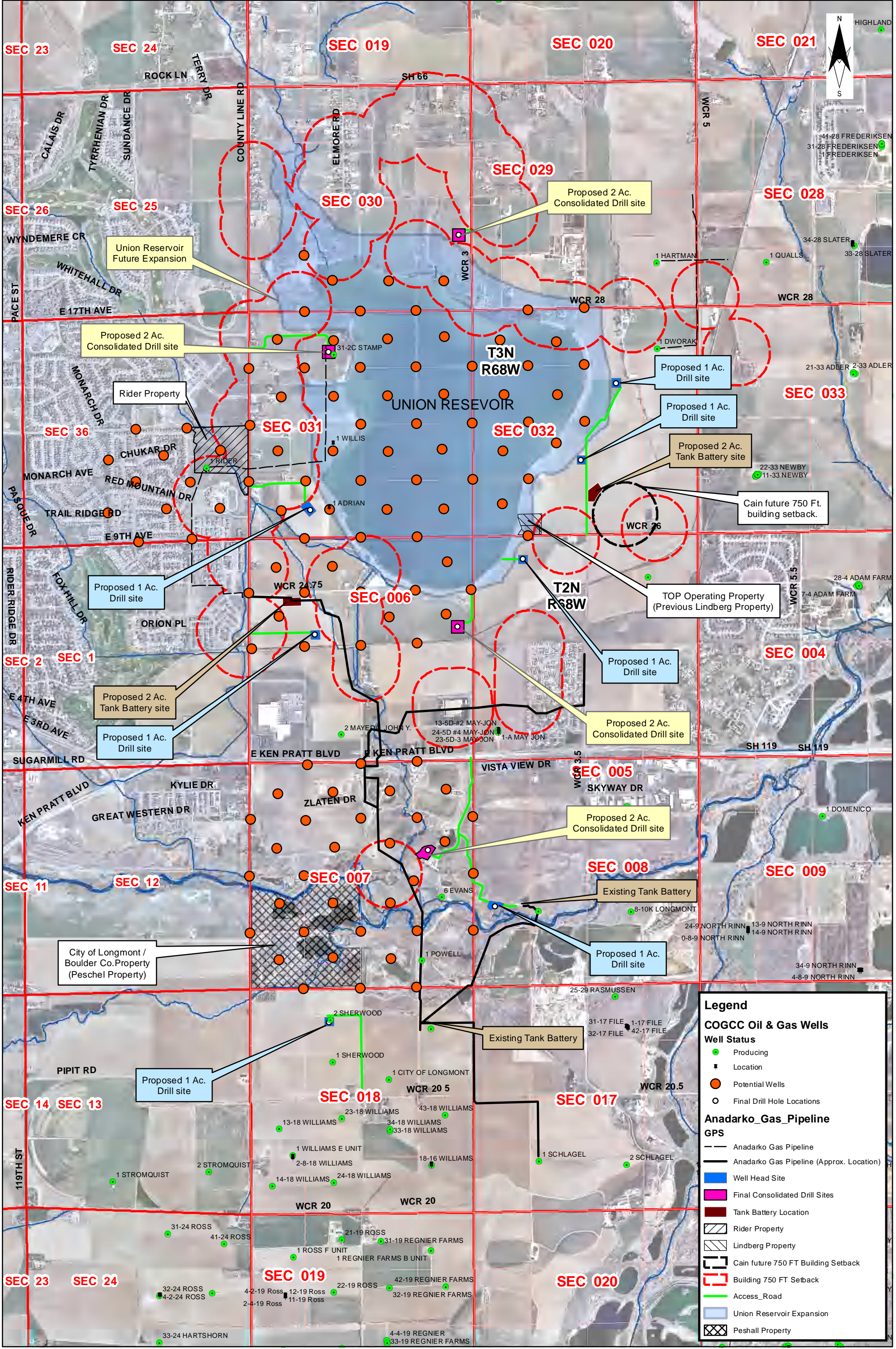
EXHIBIT 1H - SHERWOOD SITE

CITY of LONGMONT

385 Kimbark Street
Longmont, Co. 80501
Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

Project No. PW0545	Year 2012
Designer:	
Detailer: Mestas	
Subset Sheet: Exhibits	
Sheet Number:	8



Legend

COGCC Oil & Gas Wells

Well Status

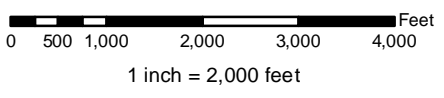
- Producing
- Location
- Potential Wells
- Final Drill Hole Locations

Anadarko_Gas_Pipeline

GPS

- Anadarko Gas Pipeline
- Anadarko Gas Pipeline (Approx. Location)
- Well Head Site
- Final Consolidated Drill Sites
- Tank Battery Location
- ▨ Rider Property
- ▨ Lindberg Property
- ▨ Cain future 750 FT Building Setback
- ▨ Building 750 FT Setback
- Access_Road
- Union Reservoir Expansion
- ▨ Peshall Property

PROPOSED CONSOLIDATED DRILL SITES



MASTER CONTRACT REFERENCE TABLE

Site	EXHIBIT #	Surface Acres	Surface Ownership	Mineral Ownership	Leasehold	Royalty
Rider	NONE	33.8	TOP	TOP	TOP	N/A
Bogott	1A	84.8	CITY	CITY	TOP	0.1250
Upper Adrian	1B	61.2	CITY	CITY	TOP	0.1250
Lower Adrian	1C	133.3	CITY	CITY	TOP (1)	0.1250
Koester	1D	75.1	CITY	CITY	TOP (1)	0.1600
Lingberg	1E	4.5	TOP	TOP	TOP	N/A
Hernor Facilities (aggregate)	1E	273.9	CITY	CITY	NOBLE	0.1500
Pietrzak	1E	23.7	CITY	CITY	ENCANA	0.1500
Northern Shores Property	1F	106.8	CITY	CITY	TOP (1)	0.1600
Sandstone Ranch	1G	314.1	CITY	CITY	TOP	0.1250
Sherwood	1H	N/A	CITY	SHERWOOD	TOP	N/A
Collins	NONE	43.3	CITY	CITY	TOP	0.1667
Peschel	NONE	132.5	CITY/BOULDER CO.	CITY/BOULDER CO.	TOP (1)	0.1250

(1) Proposed to be leased to TOP Operating.

Chris and Linda Cain 1324 Hwy 66 Longmont, Co. 80504

July 2, 2012

City of Longmont
Public Works and
Natural Resources Department
1100 S. Sherman Street
Longmont, Co. 80501

To: Dale Rademacher, P.E.

Re: Property on Weld County Road 26, Longmont, Colorado

We have been notified that the city is looking to install oil and gas batteries close to the vicinity of our property we purchased last year. Since June of last year we have been working with Rick England and Todd Hodges on dividing this piece of property into two parcels. This has been completed and hopefully here soon we can start the process on building our new home.

Copy of the Cain Recorded Redemption is attached. We have noted on the site where we plan to start building our future home.

We are asking if the City will please note the area and allow the 750ft. or better yet 1000 ft. to the North, distance from our location, so you are not inhibiting our beautiful views of Open Space and the Front Range that we all here in Longmont area admire.

Our dream is to build our retirement home here where we raised our family and supported the economy thru establishing our business. Open Space, surrounding our property is what prompted us to purchase this piece of land. We admire the City of Longmont to have for site to set this land aside as Open Space.

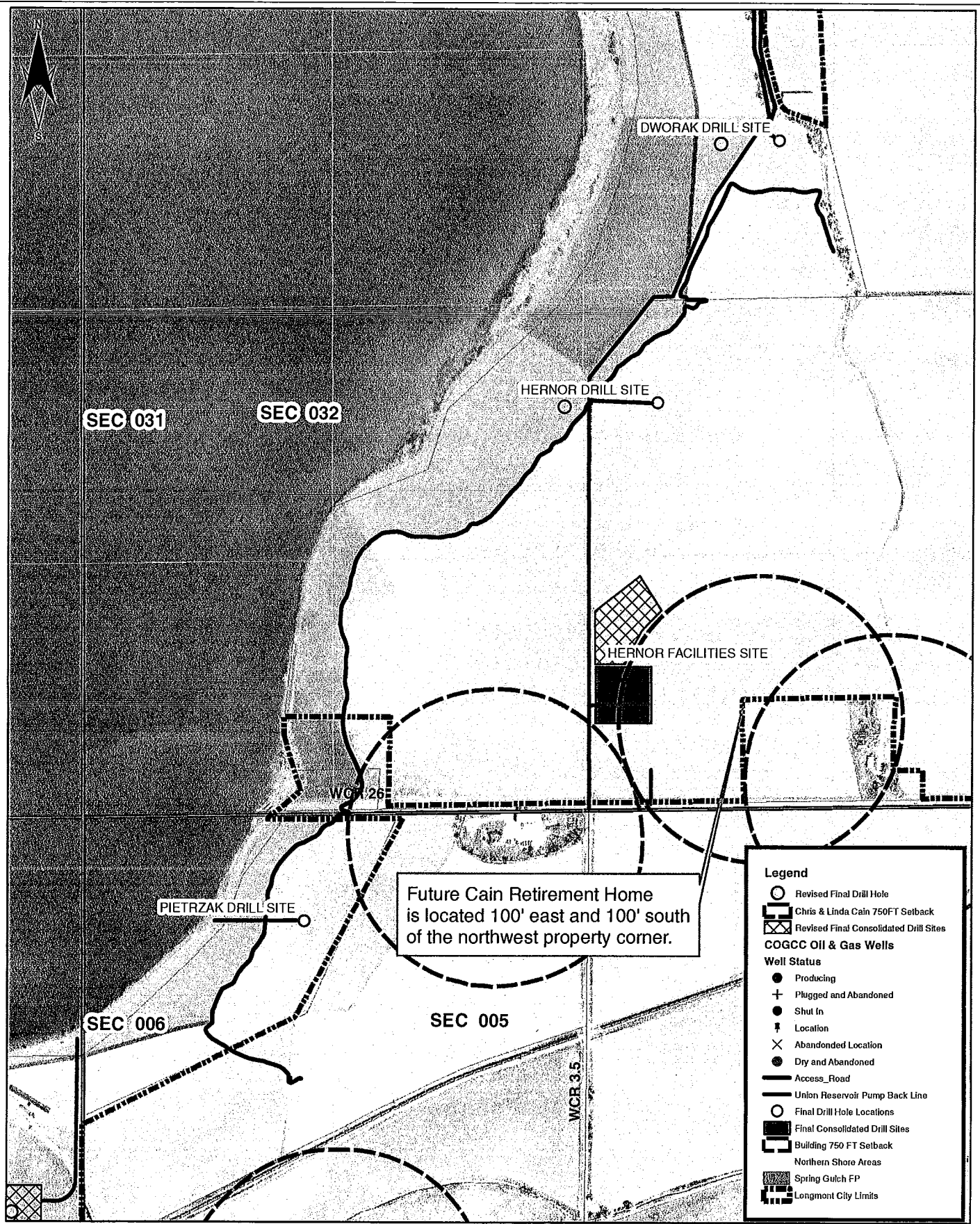
Please take time to review our documentation, photos and please contact us if you have any questions.

I think Longmont will be happy with the vision we have for our piece of property.

Thank You,

Sincerely,


Chris and Linda Cain



Legend

- Revised Final Drill Hole
- ⊠ Chris & Linda Cain 750FT Setback
- ⊠ Revised Final Consolidated Drill Sites
- COGCC Oil & Gas Wells
- Well Status**
- Producing
- + Plugged and Abandoned
- Shut In
- ⊠ Location
- ⊠ Abandoned Location
- Dry and Abandoned
- Access_Road
- Union Reservoir Pump Back Line
- Final Drill Hole Locations
- ⊠ Final Consolidated Drill Sites
- ⊠ Building 750 FT Setback
- Northern Shore Areas
- Spring Gulch FP
- ⊠ Longmont City Limits

Future Cain Retirement Home is located 100' east and 100' south of the northwest property corner.

Path: \\Projects\PW0545 Oil & Gas\054500_2012\ArcMap\SUA Exhibits 1A-1H.mxd

Print Date: 07/09/2012
 File Name: SUA Exhibits 1A-1H
 Revisions:
 Vert. Scale: As Noted
 Horiz. Scale: 1 inch = 700 feet

EXHIBIT 1E - HERNOR FACILITIES SITE

CITY of LONGMONT
 385 Kimbark Street
 Longmont, Co. 80501
 Phone: 303-651-6304 FAX: 303-651-8352

PUBLIC WORKS & NATURAL RESOURCES DEPT.

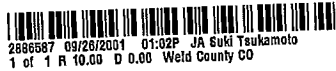
Project No. PW0545	Year 2012
Designer:	
Detailer: Mestas	
Subset Sheet: Exhibits	
Sheet Number:	5

RECORDED EXEMPTION NO. 1207-32-4 RE-3163

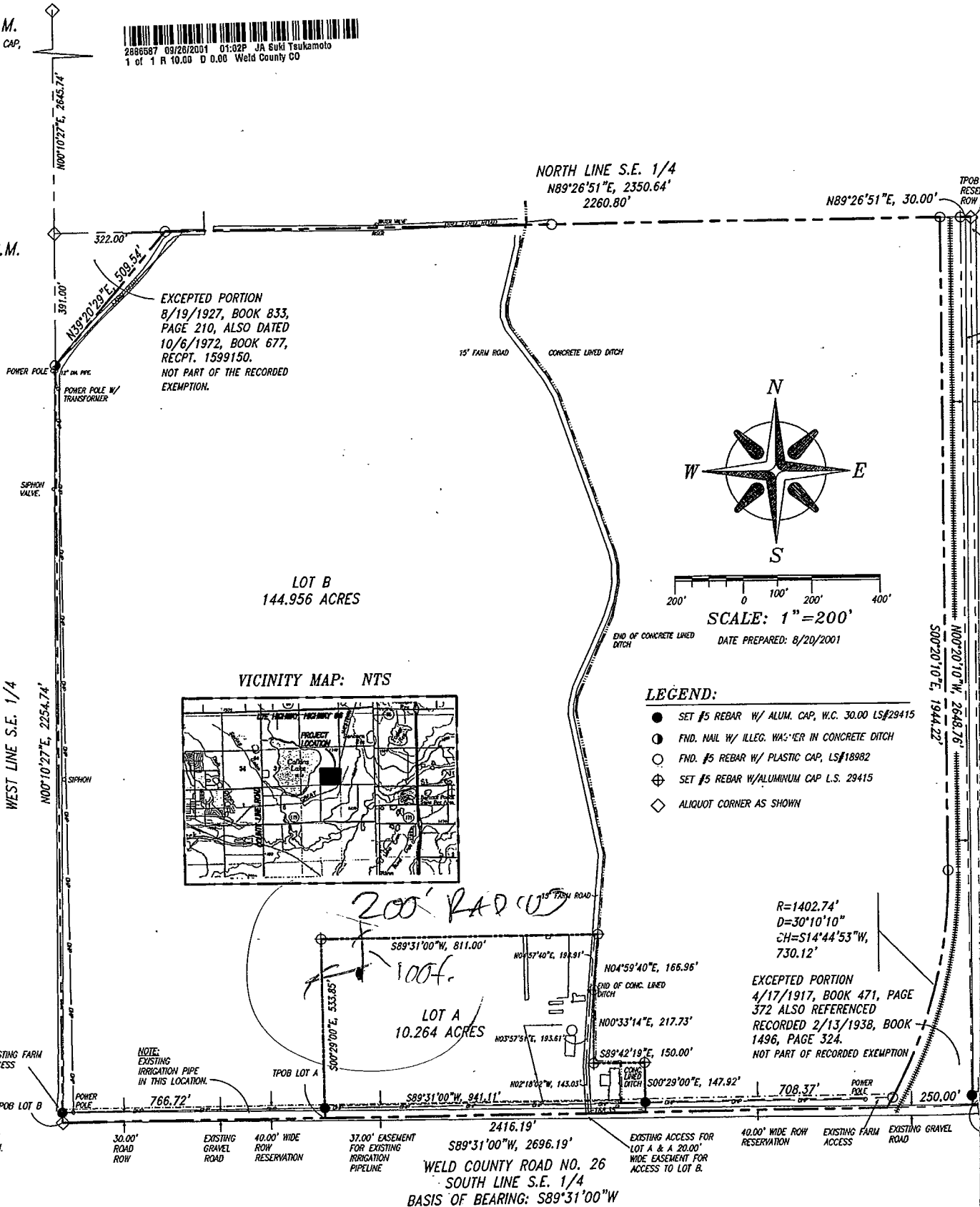
A PORTION OF LAND LOCATED IN THE S.E. 1/4 OF SECTION 32, T3N, R68W OF THE 6TH P.M., WELD COUNTY, COLORADO.

Env
7005

N. 1/4 COR.
SEC. 32, T3N,
R68W, 6TH. P.M.
FND. #6 REBAR W/ ALUM. CAP,
LS#18982.



C. 1/4 COR.
SEC. 32, T3N,
R68W, 6TH. P.M.
NOT SET.



S. 1/4 COR.
SEC. 32, T3N,
R68W, 6TH. P.M.
FND. #6 REBAR W/ 2.5" ALUM.
CAP, LS#17662.

BASIS OF BEARING:

BEARINGS ARE BASED ON THE SOUTH LINE OF THE S.E. 1/4 OF SECTION 32, T3N, R68W OF THE 6TH P.M., AND ARE ASSUMED AS BEARING S89°31'00"W, ALL OTHER BEARINGS HEREIN RELATIVE THERETO.

SURVEYOR'S CERTIFICATE

I, RICHARD A. ENGLAND, REGISTERED PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, HEREBY CERTIFY THAT THIS RECORDED EXEMPTION PLAT WAS PREPARED UNDER MY SUPERVISION, AND THAT THIS PLAT IS AN ACCURATE REPRESENTATION THEREOF. THAT THE SURVEY AND THIS PLAT COMPLY WITH ALL APPLICABLE RULES, REGULATIONS AND STATUTES OF THE STATE OF COLORADO, STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND SURVEYORS.

WELD COUNTY NOTES:

- 1. ALL PROPOSED OR EXISTING STRUCTURES WILL OR DO MEET THE MINIMUM SETBACK AND OFFSET REQUIREMENTS...
2. NO BUILDING OR STRUCTURE AS DEFINED AND LIMITED TO THOSE OCCUPANCIES LISTED AS GROUPS...
3. ALL FUTURE STRUCTURES OR USES ON SITE MUST OBTAIN THE APPROPRIATE ZONING AND BUILDING PERMITS.
4. PRIOR TO THE RELEASE TO BUILDING PERMITS, THE APPLICANT SHALL SUBMIT A RECORDED DEED...
5. PRIOR TO THE RELEASE OF BUILDING PERMITS ON LOT B, THE LOT OWNERS WOULD NEED TO VERIFY WITH THE NEAREST TOWN/CITY OR SANITATION DISTRICT...
6. AN INSPECTION OF THE EXISTING SEPTIC SYSTEM ON LOT A FOUND THAT A CONCRETE IRRIGATION DITCH RUNS ACROSS THE LEACH FIELD...
7. POTENTIAL PURCHASERS ARE HEREBY NOTIFIED THAT A CONFINED ANIMAL FEED OPERATION (USR-1257) IS LOCATED 1/2 MILE WEST OF THE INTERSECTION OF WELD COUNTY ROADS 28 & 5...
8. SHOULD NOXIOUS WEEDS EXIST ON THE PROPERTY OR BECOME ESTABLISHED AS A RESULT OF THE PROPOSED DEVELOPMENT...
9. WELD COUNTY'S RIGHT TO FARM. WELD COUNTY IS ONE OF THE MOST PRODUCTIVE AGRICULTURAL COUNTIES IN THE U.S.

LEGAL DESCRIPTION

LOT B. THAT PORTION OF THE S.E. 1/4 OF SECTION 32, T3N, R68W OF THE 6TH P.M., BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE S. 1/4 OF SAID SECTION 32; THENCE ALONG THE WEST LINE OF SAID S.E. 1/4, N00°10'27"E, 2254.74 FEET;

LOT A. THAT PORTION OF THE S.E. 1/4 OF SECTION 32, T3N, R68W OF THE 6TH P.M., BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE S. 1/4 OF SAID SECTION 32; THENCE ALONG THE SOUTH LINE OF SAID S.E. 1/4, N89°31'00"E, 766.72 FEET TO THE TRUE POINT OF BEGINNING;

E. 1/4 COR. SEC. 32, T3N, R68W, 6TH. P.M.

FND. #6 REBAR W/ 2" ALUM. CAP, LS#20673.

EXISTING FARM ACCESS

EXISTING GRAVEL ROAD

30.00' ROAD ROW

WELD COUNTY ROAD NO. 5

30.00' ROAD ROW 1.824 ACRES

40.00' WIDE ROW RESERVATION

S.E. COR. SEC. 32, T3N, R68W, 6TH. P.M. FND. #6 REBAR W/ 2.5" ALUM. CAP, LS#17662.

DEPARTMENT OF PLANNING SERVICES' ADMINISTRATIVE REVIEW CERTIFICATE

THIS PLAN IS ACCEPTED AND APPROVED FOR FILING.

Monica Daniel Miska ACP DEPARTMENT OF PLANNING SERVICES DIRECTOR

STATE OF COLORADO))) COUNTY OF WELD)

THE FOREGOING CERTIFICATION WAS ACKNOWLEDGE BEFORE ME THIS 25th DAY OF September 2001. MY COMMISSION EXPIRES 4/25/2001. WENDI INLOES NOTARY PUBLIC STATE OF COLORADO

EASEMENT CERTIFICATE:

(WE) DUE HEREBY DEDICATE, FOR THE BENEFIT OF THE PROPERTIES SHOWN OR DESCRIBED HEREON, EASEMENTS FOR THE PURPOSES SHOWN OR DESCRIBED HEREON.

Donald H. HERNOR GENEVE M. HERNOR

PROPERTY OWNER'S CERTIFICATE:

(WE), THE UNDERSIGNED, BEING THE SOLE OWNERS IN FEE OF THE ABOVE DESCRIBED PROPERTY DO HEREBY SUBDIVIDE THE SAME AS SHOWN ON THE ATTACHED MAP. (WE) UNDERSTAND THIS PROPERTY IS LOCATED IN A ZONE DISTRICT AND IS ALSO INTENDED TO PROVIDE AREAS FOR THE CONDUCT OF OTHER USES BY RIGHT, ACCESSORY USES AND USES BY SPECIAL REVIEW.

Donald H. HERNOR GENEVE M. HERNOR

STATE OF COLORADO))) COUNTY OF WELD)

THE FOREGOING CERTIFICATION WAS ACKNOWLEDGE BEFORE ME THIS 25th DAY OF Sept., 2001. MY COMMISSION EXPIRES 09-27-2005. TRACY L. DALTON NOTARY PUBLIC STATE OF COLORADO My Commission Expires 9/27/2001

NOTES:

- 1. TITLE COMMITMENT SUPPLIED BY LONGMONT TITLE HOLDINGS INC, #27488, DATED 8/23/2001. NO OTHER TITLE SEARCH WAS DONE BY ENGLAND SURVEYING, INC.
2. ITEM 12 OF THE TITLE COMMITMENT REFERS TO WATER RIGHTS AND SHARES, EXCEPTED OUT RAILROAD ROW, RECORDED 2/13/1958, BOOK 1498, PAGE 324.
3. ITEM 13, REFERS TO THE EXCEPTED PORTION OF THE N.W. CORNER OF THE PROPERTY AS SHOWN HEREON PLAT, DATED 10/6/1972, BOOK 677, RECEPT. 1599150.
4. ITEM 14, REFERS TO AN OIL AND GAS LEASE, DATED 7/2/1976, RECEPT. 1693153.
5. ITEM 15, REFERS TO AN OIL AND GAS LEASE, DATED 12/8/1983, RECEPT. 1948979.
6. ITEM 16, REFERS TO SUCH RIGHTS AS MAY EXIST IN SAID LAND LYING WITHIN COUNTY ROADS 5 & 26.
7. COUNTY ROADS 5&26 HAVE A 30' EASEMENT WEST AND NORTH OF AND PARALLEL TO THE SECTION

BUILDING DETAIL:

SCALE: 1"=50'

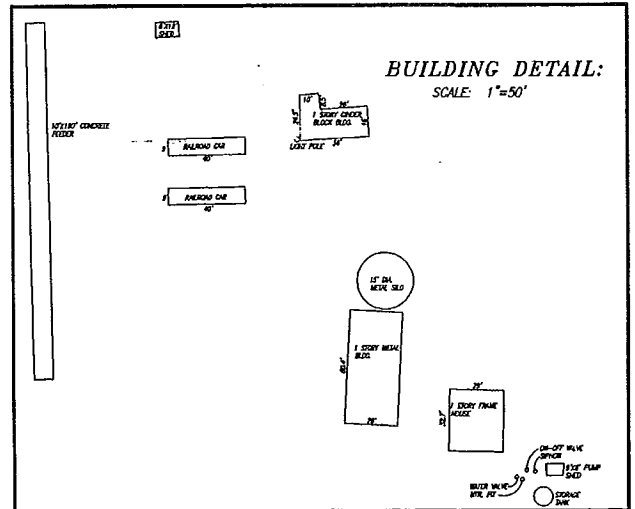


Table with columns: DATE, REVISION, BY. Includes 'RECORDED EXEMPTION NO.' and 'ENGLAND SURVEYING' logo.