

PAID-UP OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this ____ day of February, 2023, but effective the ____ day of February, 2023, by and between **Town of Johnstown** whose address is PO Box 609, 101 W. Charlotte St., Johnstown, Co. 80534 hereinafter called lessor (whether one or more), and PDC Energy, Inc. whose address is 1775 Sherman Street Suite 3000 Denver, Colorado 80203, hereinafter called lessee:

WITNESSETH:

1. That lessor, for and in consideration of ***TEN AND MORE*** dollars (\$10.00+) in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto lessee the lands described below for the purpose of investigating, prospecting, exploring (by geophysical and other methods), drilling, operating for and producing oil or gas, or both (as defined below), together with the right to construct and maintain pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas (which right shall include specifically a right-of-way and easement for ingress to and egress from said lands by lessee, or its assignees, agents or permittees, necessary to or associated with the construction and maintenance of such pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures on said lands to produce, save and take care of the oil and gas), and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or jointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County of Weld, State of Colorado described as follows, to-wit (the "leased premises"):

Township 4 North - Range 67 West, 6th PM

Sections 3, 4, 5 & 8: Those lands described on Exhibit A, attached hereto and made a part hereof.

... Containing approximately 27.6293 gross acres More or Less and subject to all existing easements and rights of way of record,

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

The term oil as used in this lease shall be interpreted to include any liquid hydrocarbon substances which occur naturally in the earth, including drip gasoline or other natural condensate recovered from gas without resort to manufacturing process. The term gas as used in this lease shall be interpreted to include any substance, either combustible or non-combustible, which is produced in a natural state from the earth and which maintains a gaseous or rarified state at ordinary temperature and pressure conditions, including but not limited to helium, nitrogen, carbon dioxide, hydrogen sulphide, coal bed methane gas, casinghead gas and sulphur.

Subject to the other provisions herein contained, this lease shall remain in force for a term of Three (3) years (herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced from the leased premises, or lands pooled or unitized therewith, or as long as Operations, as defined below, are being conducted at the end of the primary term and are continuously prosecuted thereafter in accordance with Section 5 below. For purposes of this lease, a well completed for the production of coalbed methane gas shall be deemed to be producing gas under this lease at all times when dewatering of the coal seams from which the coalbed methane gas will be produced is occurring. The term "Operations" shall mean any activity conducted on or off the leased premises that is reasonably calculated to obtain or restore production on the leased premises or lands pooled or unitized therewith, including without limitation, (i) drilling and completing or any act preparatory to drilling and completing (such as testing, fracking, obtaining permits, surveying a drill site, staking a drill site, building roads, clearing a drill site, or hauling equipment or supplies); (ii) reworking, plugging back, deepening, treating, stimulating, refitting, installing any artificial lift or production-enhancement equipment or technique; (iii) constructing facilities related to the production, treatment, transportation and marketing of substances produced from the leased premises; (iv) contracting for marketing services and sale of oil or gas; and (v) construction of water disposal facilities and the physical movement of water produced from the leased premises. Operations shall be considered to be "continuously prosecuted" if not more than one hundred twenty (120) days elapses between (a) the cessation of Operations or the permanent cessation of all production from any cause, including a revision of unit boundaries pursuant to the provisions of this lease or the action of any governmental authority, and (b) either the commencement of Operations or the restoration of production. Operations shall be deemed to have commenced for a new well at such time as the construction of the wellsite location or the road which provides access to the wellsite location has been initiated.

Notwithstanding anything to the contrary herein, this lease is a "no surface occupancy" lease. It is agreed and understood that the lessee shall not conduct any Operations on the surface of the leased premises unless otherwise agreed upon separately in writing with lessor. The lessee is granted the right to drill and operate directional or horizontal wells through, across and under the leased premises.

2. The lessee shall deliver to the credit of the lessor as royalty, free of cost, into the tanks or in the pipeline on the leased premises to which lessee may connect its wells the equal 18.75 part of all oil produced and saved from the leased premises, or lessee may from time to time at its option purchase any royalty oil in its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase.

The lessee shall pay lessor, as royalty, on gas, including casinghead gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 18.75% of the gas sold or used, provided that on gas sold the royalty shall be 18.75% of the amount realized from such sale. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by lessee and a gas purchaser for such term and under such conditions as are customary in the industry. Price shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may not deduct from such price the actual charge incurred by lessee for each of such functions performed. However, if before the sale of the gas an unaffiliated third party compresses, treats, purifies, dehydrates, or processes such gas (whether on or off the leased premises) or gathers or transports gas off the leased premises, then Lessee shall pay Lessor a 18.75% royalty on the net proceeds received by lessee after accounting for such third party charges. In calculating royalties on production hereunder, lessee may deduct lessor's proportionate part of any ad valorem, production and excise taxes, as well as other post-production costs, as described herein.

3. This is a paid-up lease and all cash consideration first recited above and annual rentals have been paid to lessor in advance to keep this lease in full force and effect throughout the primary term. In consideration of the payment of such cash consideration and advance annual rentals, lessor agrees that lessee shall not be obligated, except as otherwise provided herein, to commence or continue any Operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of the land described above, and as to any strata or stratum, by delivering to lessor or by filing of record a release or releases, and be relieved of all obligations thereafter accruing to the acreage surrendered.

4. Any payments required to be made to lessors pursuant to this lease, other than the payment of royalties, may be paid by lessee to the lessor or to lessor's credit

