

MEMORANDUM

TO: Town of Johnstown, Town Council

FROM: Jeremy E. Scott, Esq.
Special Counsel to the Town of Johnstown

RE: (Proposed) Oil & Gas Lease Amendment – PDC/Chevron

DATE: October 16, 2024

Honorable Council Members:

The Town was approached by the consulting landman of PDC Energy, Inc. (“PDC”) (acquired by Chevron in 2023), regarding a request to execute an amendment (“the Amendment”) to that Paid-Up Oil and Gas Lease, entered on March 20, 2023, between the Town of Johnstown (the “Town”) and PDC Energy, Inc. (“the Lease”).

The Amendment would incorporate some changes to the lease language, but nothing that appears to be problematic. For your reference/consideration, I have attached copies of the original Lease and Addendum and the proposed Amendment.

The first proposed change would be the addition/inclusion of two additional tracts, totaling 6.0789 gross acres, and 2.0263 net mineral acres located in the Northeast quarter of Section 8, Township 4 North, Range 67 West. PDC’s attorney’s title opinion identified these tracts as unleased after entering the original offer to lease.

Two parcels are located on either side of Settler Way, between Castle Pines Avenue and Parrish Avenue (indicated on the first two pages of Exhibit A, attached hereto), and are legally described as:

Parcel 3:

Lot 1, Block 1, Johnstown Farms Filing No. 1 as depicted in that plat recorded at Reception No. 2974635 on August 2, 2002, located in the S/2NE/4 of Section 8, T4N, R67W, 6th P.M., containing 3.7991 acres, more or less.

Parcel 4:

The North 250 feet of Lot 1 Block 2, Johnstown Farms Filing No. 1 as depicted in that plat recorded at Reception No. 2974635 on August 2, 2002, located in the SE/4NE/4 of Section 8, T4N, R67W, 6th P.M., containing 2.2798 acres, more or less.

Three additional parcels are located in Sections 5 and 9 of Township 4 North, Range 67 West, and are legally described as:

Parcel 7 (Section 5):

The West 10 feet of Lot 5, Block 4, Mary C. Parish Addition to the Town of Johnstown as reflected on the map recorded at Reception No. 469022 on September 14, 1925, being a part of the NW/4SE/4 of Section 5, T4N, R67W,

6th P.M., containing 0.1203 acres, more or less. (Highlighted in green on page 3 of the attached Exhibit A, in the southwest corner of the Johnstown Middle School property, at the corner of North Greeley Avenue and North 2nd Street.)

Parcel 8 (Section 5):

The North 35 feet of Lots 1 through 11, Block 1, Second Addition to Parish Heights, as reflected on map recorded at Reception No. 333967 on August 30, 1920, being part of the S/2SE/4 of Section 5, T4N, R67W, 6th P.M., containing 0.6858 acres, more or less. (Highlighted in green on page 4 of the attached Exhibit A,, North 1st Place, between North Estes Avenue and Columbine Avenue.)

Parcel 1 (Section 9):

Lots 5 and 6, Johnstown Colony, as depicted in that Plat recorded at Reception No. 708516 on March 23, 1935, located in the NW/4NW/4 of Section 9, T4N, R67W, 6th P.M., containing 0.3386 acres, more or less. (Indicated on page 5 of the attached Exhibit A, also known as 350 South Parrish Avenue.)

Additionally, the Amendment would revise the Addendum to the Lease to include the ACTUAL agreed upon addendum version. It appears the broker that was working on the original lease offer did not record the addendum that all parties agreed upon.

Finally, the Amendment would extend the term length in the Addendum from March 20, 2024, to March 20, 2026. It appears the date was incorrectly drafted in the recorded addendum and PDC would like to correct the date to represent the agreed upon 3-year term of the lease agreement.

The original Addendum read:

“This Lease shall remain in force for a primary term of three (3) years from 12:00 A.M. March 20, 2023 (effective date) to 11:59 P.M. March 20, 2024 (last day of primary term) and shall continue beyond

The new Addendum will read:

“This Lease shall remain in force for a primary term of three (3) years from 12:00 A.M. March 20, 2023 (effective date) to 11:59 P.M. March 20, 2026 (last day of primary term) and shall continue beyond . . .”

Our firm’s position is that the proposed changes under the Amendment benefit the Town financially and we do not know of a reason why the Town should not cooperate with the operator and execute the same. That said, we stand behind the Town in its consideration and final determination on this matter.

If the Town approves the proposed changes, we will coordinate closing with PDC and ensure that the Amendment is properly recorded in the records of the Clerk and Recorder of Weld County. Conversely, if the Town wishes to take another path, then please let us know what that is and any instructions for communicating with PDC as we move forward.

With respect to new attorney fees incurred for review of the Amendment and coordination with PDC, I am advised that PDC’s protocol for reimbursing attorney fees is to pay the Town directly after the Town has paid its attorney fees; a letter from PDC/Chevron confirming the same is

enclosed herewith. Thus, unless directed otherwise, this firm will issue a final reconciliation bill to the Town that, in turn, can be forwarded directly by the Town to PDC for reimbursement.

Thank you for giving this office an opportunity to serve you. Please advise whether you need further clarification and/or assistance on this matter.