

KERR-McGEE OIL & GAS ONSHORE LP

1099 18th Street Suite 1800 • Denver, Colorado 80202
PO Box 173779 • Denver, Colorado 80202



03/11/2021

Via Certified Mail

TOWN OF JOHNSTOWN
450 S. PARISH
JOHNSTOWN, CO 80534

Re: Well Proposal for the SHAKE 11-7HZ

Dear WI Owner:

Kerr-McGee Oil & Gas Onshore LP (“KMG”) hereby proposes and offers you an opportunity to participate in the drilling, completing, and equipping of the Well(s) as set forth herein.

Well Description(s): Please see the attached Well Location Certificate(s) or Exhibit “A” for all information regarding surface hole location, bottom hole location, footages, measured depth (MD), true vertical depth (TVD), lateral length (LL), spacing unit, and approximate location of the Well(s).

Target Formation, Completion, and Anticipated Spud Date: The proposed Well(s) will be drilled to an approximate total depth to sufficiently test the Niobrara Formation and are anticipated to spud in 2nd Quarter, 2021.

Preliminary Working Interest Ownership: Our records indicate that you have the following interest in the Well(s).

Well Name	WI Percentage:
SHAKE 11-7HZ	0.074187%

Well Proposal Documents to be signed and returned: Enclosed for your review and execution are the following documents:

- a. **Authority for Expenditure (AFE):** An estimate of the costs to drill, complete, and equip the Well(s) and your proportionate share thereof. This is only an estimate and actual costs may be more or less than reflected on the AFE. Execution of the AFE and Election Page by designating either Option # 2 or Option #3 for each Well constitutes a binding and irrevocable agreement to pay the actual costs associated with your interest in each Well.
- b. **Election Page:** Please indicate your election for each Well listed on the attached Election Page, sign, print your name, and indicate your title.

By signing the AFE and Election Page you hereby agree that it is not intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-ventures, or principals. In their relations with each other under this agreement, the AFE, and Election page the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder. The parties hereto agree that shall have full control over the drilling completing, equipping and producing the well subject to applicable law.

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Please deliver your agreement to participate or non-election, as the case may be, for each well proposed herein within sixty (60) days of receipt of this letter. You are hereby advised that failure to return this proposal with both an executed Election Page and AFE within sixty (60) days of your receipt of this letter, will be deemed an election to **non-consent the drilling, completing, and equipping of the Well(s)**. All parties who have not executed a Joint Operating Agreement, may be subject to Colorado Oil and Gas Conversation Commission (COGCC) cost recovery provisions pursuant to C.R.S. §34-60-116.

If you have any questions regarding this proposal, please call me at 720-929-3319 at your earliest convenience. Thank you for your cooperation.

Sincerely,

KERR-MCGEE OIL & GAS ONSHORE LP

DocuSigned by:

Steve Miller

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Steve Miller
Landman

Enclosures: Election Page, AFE(s), Well Location Certificate

EXHIBIT "A"

WELL LOCATION INFORMATION

WELL NAME AND TARGET FORMATION	SPACING UNIT	TRUE VERTICAL DEPTH (TVD')	LATERAL LENGTH (LL')	MEASURED DEPTH (MD')
SHAKE 11-7HZ NBRR	T4N-68W;03:SESE;02:S2S 2;01:S2S2;12:N2N2;11:N2 N2;10:NENE	7,032'	10,043'	17,989'

ELECTION PAGE

Option #1

The undersigned elects **not to participate** in the drilling, completing, and equipping of the Well.

Option #2

The undersigned **elects to participate** in the drilling, completing, and equipping of the Well and agrees to timely pay its' proportionate share of the cost provided for in the attached AFE(s). Furthermore, the undersigned agrees and acknowledges that non-payment of its' proportionate share of the costs as described in the attached AFE(s) will be deemed an election not to participate and may be subject to (COGCC) cost recovery provisions pursuant to C.R.S. §34-60-116.

Option #3

The undersigned **elects to participate** in the drilling, completing, and equipping of the Well and **acquire its' proportionate share of any non-consent interest**. By selecting Option #3, the undersigned is agreeing to execute and return to KMG, a JOA. An executed JOA must be received by KMG no later than sixty (60) days from your receipt of this Well Proposal, or you shall be deemed to retain only your original working interest in each Well as set forth herein above.

Please indicate your option for each well listed below (1, 2, 3) in the space provided:

 1 SHAKE 11-7HZ

Working Interest Owner

TOWN OF JOHNSTOWN

By: 

Name: MATT LETCEREF

Title: Town Manager