



Weld County Oil and Gas Lease Proposal

Planning Session

January 7, 2025

Purpose

Discuss a proposal
from Bayswater
Petroleum for an
oil and gas lease
on a Thornton
Weld County Farm

Agenda

- Background
- History
- Options
- Next Steps

Background

- Bayswater Exploration and Production, LLC (Bayswater) is the operator of an oil and gas spacing unit in Weld County which includes Thornton Farm 66/107
- Thornton owns approximately 49 mineral acres on Farm 66/107
- Bayswater made an offer to Thornton to lease the minerals of Farm 66/107
- The lease terms are for a three-year lease, with a \$2,500 per acre bonus, and a royalty rate of 20% (*on the high end of what is standard for the industry, and is comparable to other Thornton Leases*)

History

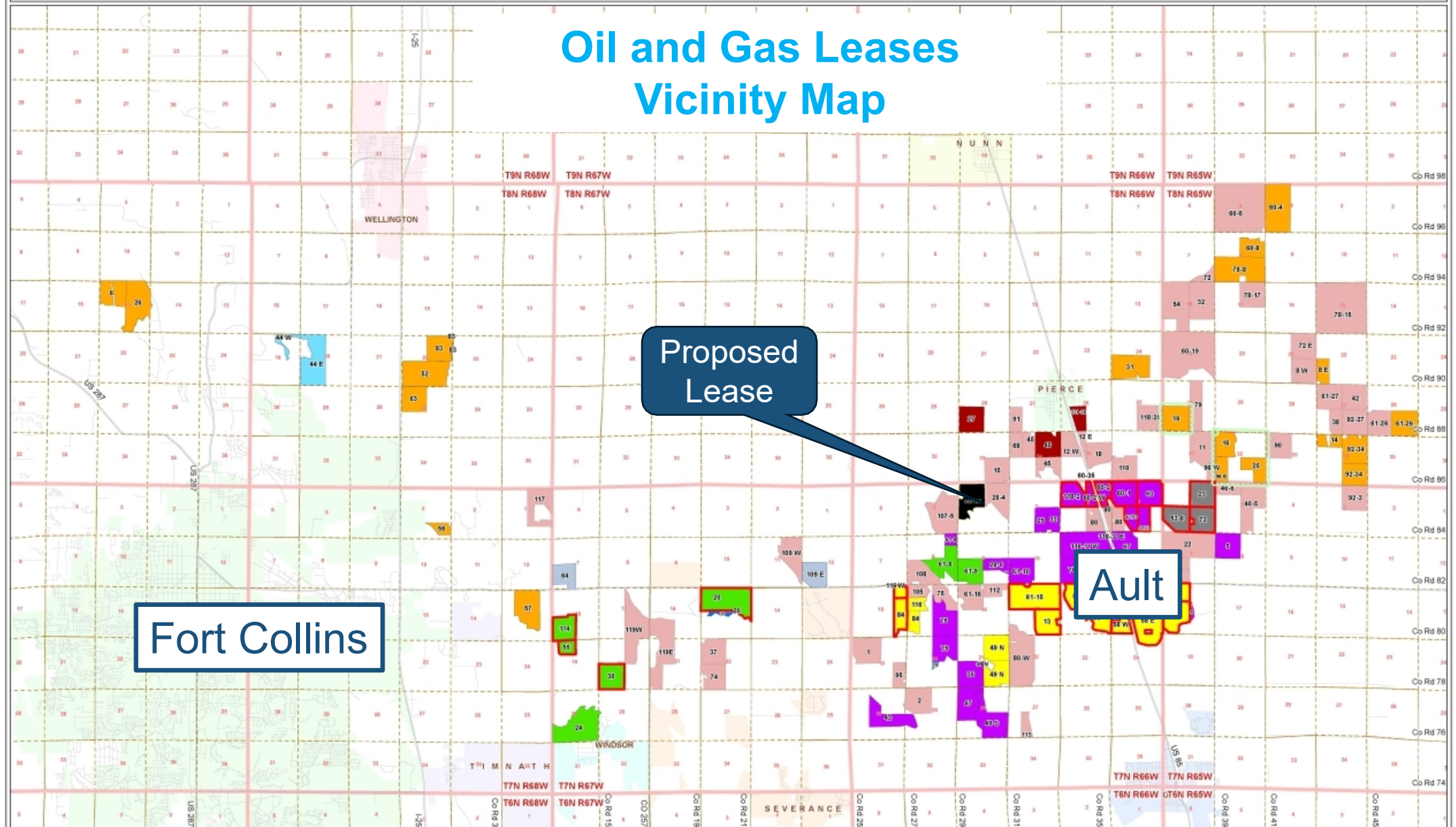
- Thornton purchased the Weld and Larimer County Farms in 1986 for the WSSC water rights as part of the Thornton Water Project
- On March 22, 2011 Council declared the minerals surplus and Thornton began leasing its oil and gas minerals shortly thereafter
- Since 2011, in Weld County the City has entered into 63 Leases with eight different oil companies
- Over 200 oil and gas wells have been drilled on Thornton leased lands
- Oil and gas development benefits Weld County, and historically they have been supportive of the industry

History (continued)

- In 2016 staff updated Council on the status of the oil and gas leasing program (including alternatives to not leasing the minerals) - and as a result continued to enter into oil and gas leases as the opportunity arose
- In 2022, Council approved the sale of approximately \$33 million of its mineral rights to Phoenix Capital as part of an open bid process
- Thornton has received over \$110 million in oil and gas revenue from mineral sales, easements, lease bonuses, surface use agreements, and royalties
- This revenue is being applied to partially offset the cost of the Thornton Water project

Thornton Farms
Mineral Leases

Oil and Gas Leases Vicinity Map



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11/7/2022

- | | | | |
|---------------------|------------------------------|-------------|-------------|
| Sold Minerals | Baywater Leases | Enerplus | Edge Energy |
| Nickel Road | DJ Resources | Unleased | |
| Great Western (PDC) | PDC Leases (Chevron) | No Minerals | |
| RMCO | Extraction Minerals (Caltex) | | |

PROPRIETARY INFORMATION -- NOT FOR RESALE
Digital Data Produced by the City of Thornton GIS Project. This map is representational only, and does not determine exact locations or boundaries of any districts or properties. It is not intended to be relied upon for any legal descriptions or other land use documents.



Options

- Enter into a Lease with Bayswater
- Become an owner in the Wells
- Let Bayswater Force Pool us (*similar to being condemned*)

Next Steps

Enter into a Lease Agreement with Bayswater

- Execute a Lease with Bayswater under similar terms as with previous Leases.
- Thornton would receive a bonus of \$122,500
- The seven wells are currently being drilled
- Estimated total royalties are \$400,000 starting in 2025