



STATE OF COLORADO
STATE BOARD OF LAND COMMISSIONERS

Communitization Agreement No. 1512

THIS COMMUNITIZATION AGREEMENT ("Agreement") is entered into this 4th day of September 2018 ("Effective Date"), by and between the State of Colorado, acting by and through its State Board of Land Commissioners ("State Land Board"), whose address is 1127 Sherman Street, Suite 300, Denver CO 80203, and Grand Mesa Operating Company ("Operator"), having an address of 1700 North Waterfront Parkway, Building 600 Wichita, Kansas 67206 together with the State Land Board Lessee(s) of record ("Lessee of Record") under the State Land Board oil and gas leases described in Exhibit A (each a "Lease" and collectively, the "Leases"), attached and incorporated herein.

I. DESCRIPTION OF THE COMMUNITIZED AREA

A. As a requirement of the Leases, the parties agree that the following lands located in Washington County, Colorado (collectively, the "Communitized Area"), shall be subject to the terms of this Agreement:

Subsection	Section	Township	Range
<u>SW/4</u>	<u>9</u>	<u>5 South</u>	<u>53 West</u>
<u>NW/4</u>	<u>16</u>	<u>5 South</u>	<u>53 West</u>
_____	_____	_____	_____
_____	_____	_____	_____

The Communitized Area is depicted on Exhibit B (Plat Map), which is attached and incorporated herein.

B. Any state trust lands that are part of any Lease, but fall outside the Communitized Area are specifically exempted from this Agreement (collectively, the "Outside Lands"), and may be separated into a new oil and gas lease with the State Land Board, as provided in the applicable Lease.

II. USE OF THE COMMUNITIZED AREA

A. The Leases require the Lessee of Record to obtain permission from the State Land Board prior to any inclusion of State Land Board-owned minerals, in whole or in part, as part of a pooling or communitization agreement. The Operator and Lessee of Record confirm that the state trust lands in the Communitized Area cannot be independently developed and operated, and that pooling or communitizing the Communitized Area is necessary to prevent waste and to facilitate economic development.

B. This Agreement protects the State Land Board's mineral interests, and provides for compliance with any drilling unit spacing orders, rules, and regulations of the Colorado Oil and Gas Conservation

Commission ("COGCC"). Copies of any spacing orders issued by the COGCC regarding the Communitized Area (if applicable) are attached hereto as **Exhibit C** and incorporated herein.

C. The use of the Communitized Area by the Operator shall be limited to the development and production of oil and gas minerals located in the Marmaton / Kansas City / Mississippian formation underlying the Communitized Area.

D. All State Land Board-owned oil and gas minerals located within the Communitized Area and within the Marmaton / Kansas City / Mississippian formation together with the non-State Land Board-owned acreage described in Section I.A and in **Exhibit A** are communitized and pooled upon the Effective Date for the duration of the Term of this Agreement (as defined in Section III.A).

E. The Operator shall be the sole operator of the Communitized Area, and all matters of operation shall be determined and performed by the Operator pursuant to the terms and provisions of this Agreement, and subject to the terms and conditions of all Leases which fall within the Communitized Area.

F. In the event of a conflict between the terms of this Agreement and a State Land Board Oil and Gas Lease, or between Leases which fall within the Communitized Area, the conflicting language shall be presented to the State Land Board for a final determination of controlling language. It is the State Land Board's intent to impose the strictest standards in conflicting situations.

III. **TERM**

A. This Agreement is effective on the date of first production from the Communitized Area or the Effective Date, whichever occurs first, and the term shall be two years from that date subject to the covenants and agreements herein ("**Initial Term**"), and shall continue and automatically extend, unless terminated by the State Land Board for cause as defined in III.C or by the Operator pursuant to III.B, as long as:

1. Oil and/or gas is produced from the Communitized Area in paying quantities; or
2. There is a shut-in well capable of production located in the Communitized Area, as defined by the shut-in provision in the applicable Lease, and the appropriate shut-in royalty is timely paid.

The Initial Term plus any extensions of this Agreement shall be collectively referred to as the "**Term.**"

B. The Operator may apply to the State Land Board to terminate this Agreement if:

1. The Operator is unable to obtain, or maintain as required, approval or the issuance of a license or permit by any agency, board, court or other governmental authority necessary for the operation of the Communitized Area as now or hereafter intended by the Operator; or
2. No production in paying quantities has occurred from the Communitized Area, and all COGCC requirements for abandoned wells or dry holes drilled within the Communitized Area have been fulfilled.

The State Land Board will review written applications and approve terminations if the Operator has sufficiently demonstrated items 1 and/or 2.

C. A breach or default of any Lease which apply to state trust lands included in the Communitized Area, or a breach of the terms of this Agreement shall constitute "cause" for termination of this Agreement by the State Land Board in its sole discretion. The State Land Board shall provide the Operator and Lessee of Record with written notice of any termination for cause.

D. The commencement, completion, continued operation, or production of a well or wells for oil and/or gas on the Communitized Area shall be construed and considered as the commencement,

completion, continued operation, or production on each and all of the state trust lands within and comprising said Communitized Area, and operations or production pursuant to this Agreement shall be deemed to be operations or production as to the state trust lands that are a part of any Lease which falls within the Communitized Area. As to all Outside Lands, the commencement, completion, continued operation, or production of a well or wells for oil and/or gas on the Communitized Area will not operate to extend the Lease as to the Outside Lands, and the portion of the Lease covering the Outside Lands will expire pursuant to the terms of such Lease.

E. The Initial Term of this Agreement will not in itself serve to extend the term of any Lease which would otherwise expire during the Initial Term.

IV. ROYALTY AND RENT

Royalties and annual rent payable to the State Land Board shall continue to be computed and paid based on the individual terms of the Lease or Leases which apply to state trust lands in the Communitized Area. The Communitized Area shall be developed and operated as a whole, and the State Land Board shall receive its pro rata share of production royalties calculated in accordance with its percentage of ownership listed on Exhibit A.

V. ASSIGNMENTS

This Agreement shall be binding on the parties hereto, their heirs, representatives, successors, and permitted assigns. The State Land Board must be notified of all successor Operators within 60 days of an assignment.

VI. SIGNATURES

This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

The Operator, the Lessee of Record and the State Land Board, by their signatures below, agree to the terms of this Agreement.

OPERATOR:

Grand Mesa Operating Company

Entity/Operator Name

By: Michael J. Reilly, President

[name, title]

Signature: 

Date: September 4, 2018

LESSEE OF RECORD of Oil and Gas Lease No. [110979]:

Grand Mesa Operating Company

Entity/Operator Name

By: Michael J. Reilly, President

[name, title]

Signature: 

Date: September 4, 2018

LESSEE OF RECORD of Oil and Gas Lease No. []:

Entity/Operator Name

By: _____
[name, title]

Signature: _____

Date: _____

The State Land Board approves of this Communitization Agreement for the purposes of pooling or communitizing State Land Board minerals, pursuant to CRS §36-1-115, and in order to allow for compliance with any drilling unit spacing orders, rules, and regulations of the Colorado Oil and Gas Conservation Commission.

STATE LAND BOARD:

STATE OF COLORADO ACTING BY AND THROUGH THE
STATE BOARD OF LAND COMMISSIONERS

By: Catherine R. Stitt
Catherine Stitt, Program Manager

Date: 9/20/2018



EXHIBIT A

STATE LAND BOARD LEASE INFORMATION IN COMMUNITIZED AREA:

State Lease No.	Lessee of Record	Lease Royalty Rate	Lease Acreage
110979	GRAND MESA OPERATING COMPANY	1/5th	640

The following details the acreage and ownership of oil and gas interests in the Communitized Area:

	ACRES	DESCRIPTION OF LAND	SECTION	TOWNSHIP	RANGE
STATE LAND BOARD	10	SEE EXHIBIT 'B'	16	5 South	53 West
NON STATE OWNERSHIP					
	23	SEE EXHIBIT 'B'	9	5 South	53 West

TOTAL ACRES IN THE COMMUNITIZED AREA: 33

STATE LAND BOARD'S COMMUNITIZED AREA NRI: 6.06%

OPERATOR INFORMATION:

Operator Name: Grand Mesa Operating Company

Operator Address: 1700 North Waterfront Parkway, Building 600

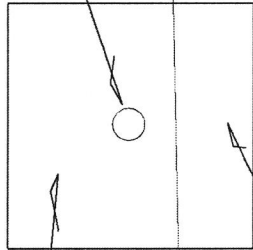
Wichita, KS 56206

Email Contact: apetz@gmocks.com

Phone: (316) 265-3000

23 ACRES NORTH
OF SECTION LINE

GRAND MESA #1-9 MCLINTOCK
231FT FSL, 1062FT FWL
SEC 9-T5S-R53W
WASHINGTON COUNTY COLORADO



33 ACRE UNIT:
FROM WELL SPOT 231FSL 1062FWL
THENCE NORTH 600FT TO POB
THENCE EAST 600FT
THENCE SOUTH 1200FT
THENCE WEST 1200FT
THENCE NORTH 1200FT
THENCE EAST 600 TO POB.

10 ACRES SOUTH
OF SECTION LINE

EXHIBIT 'B'

Grand Mesa Operating Company
MCLINTOCK 1-9
UNIT MAP
SEC 9-T5S-R53W
WASHINGTON COUNTY COLO

Author: sc		Date: 4 September, 2018
	Scale: <scale>	

EXHIBIT C
(COGCC SPACING ORDERS)