



Arapahoe County

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Board Summary Report

File #: 22-706

Agenda Date: 12/6/2022

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To: Board of County Commissioners

Through: Ron Carl, County Attorney

Prepared By:

Robert Hill, Sr. Asst. County Attorney

Subject:

Oil and Gas Lease with Axis Exploration for 3.20 acres in Township 4, Range 65, Sections 5 and 6

Purpose and Request:

The BOCC is requested to adopt a Resolution to approve an oil and gas lease agreement with Axis Exploration LLC (Axis), subject to the County Attorney's review and approval as to form of the final lease agreement document. The County Attorney review and approval as to form is necessary to verify Axis's addition of certain lease terms that the County usually requires in such leases.

Background and Discussion: When the County acquired the property associated with and described in the lease, the property was conveyed to the County for road use but there were no reservations for minerals. Consequently, the County most likely acquired the mineral rights associated with the land used for these roads. Axis has proposed to lease 3.20 mineral acres of these mineral rights underlying the road right-of-ways within the described sections. The lease offered by Axis is for a three (3) year term with option to extend and provision for continuation of on-going drilling operations, does not allow for surface operations, and provides for a \$3500/net acre bonus payment and 20% royalty payment to the County. The proposed lease is for 3.20 acres in Township 4, Range 65, Sections 5 and 6. Additional county terms require the Operator to indemnify the county in the event the county is sued over its operations and removes any guarantee of marketable title.

Alternatives: The Board could deny approval of the lease, but then Axis could apply to COGCC to force pool the county on less desirable terms.

Fiscal Impact: This will result in revenue for the bonus payment and annual royalty payments if the wells

produce oil and gas for market.

Alignment with Strategic Plan:

- Be fiscally sustainable
- Provide essential and mandated service
- Be community focused

Concurrence: PWD and the Oil and Gas Specialist have not objected.

Resolution: Attached is a copy of the draft resolution.