

City of Brighton Leasing Guidance

The City of Brighton welcomes responsible oil and gas development within its borders and owns over 1,000 mineral acres that are now available for lease. The City of Brighton's primary concern when entering into leasing decisions is its obligation to protect the safety and welfare of its residents as well as to receive a fair return for the leasing of its mineral rights. These considerations are reflected in this informal Leasing Guidance.

The City of Brighton is under no obligation but intends to follow this Guidance when possible and when it will best serve the interests of the residents of the City of Brighton.

CITY OF BRIGHTON LEASING PROCESS

When there is a proposal to lease city-owned acreage, City staff will contact the bidder to determine if they plan to be an oil and gas operator. If they do plan to be an operator, staff will meet with them to discuss the "evaluation criteria" below and encourage them to sign a Memorandum of Understanding (MOU) with the City.

In order to achieve fair market value for the minerals, Brighton will notify other potential bidders about the parcels that have been nominated for lease. The nominated acreage will also be posted on the City website. There will be an open bidding period of no more than 60 days in which time Brighton will work to get the best lease terms from operators and investment companies alike. Open bidding means that Brighton's negotiator will inform other bidders of the highest offer.

At the end of the bidding period, the staff will evaluate the offers. The City will not lease minerals for less than fair market value. If there is more than one fair market offer, the City will consider the offers based on the evaluation criteria listed below.

Once a decision is made by the staff, a recommendation to lease will be forwarded to the City Council for its approval.

EVALUATION CRITERIA

- 1) **Is the offer to lease at or above fair market value?**
 - a. At least 20% royalty rate
 - b. Market value for bonus payments
- 2) **Operators who have signed an MOU are preferred.** *All Lessees who plan to operate within the City limits are strongly encouraged to sign an MOU with the City before they lease City-owned minerals. Operators who have signed an MOU will be favored over others.*
- 3) **Leasing to an operator with a suitable surface location is preferred over an operator without a surface location.** *If there are two or more potential operators, the company with a more suitable well location and plan for development will receive higher priority for leasing.*
- 4) **City should obtain fair lease terms.** *Brighton has a lease form that it has used in the past. Please contact Brighton staff for a copy of the Brighton Model Lease Form.*