

## Agreement Regarding Draco Pad

This Agreement Regarding Draco Pad (this “Agreement”) is made and entered into as of \_\_\_\_\_, 2026 (the “Effective Date”), by and among the TOWN OF ERIE, COLORADO, a Colorado home rule municipal corporation (the “Town”), EXTRACTION OIL & GAS, INC. (“Extraction”), a Delaware corporation, and 7N, LLC, a Delaware limited liability company (“7N”). The Town, Extraction, and 7N are sometimes referred to individually as a “Party” and together as the “Parties”.

### **RECITALS:**

**A.** 7N is the owner of certain real property located in Weld County, Colorado, as described by Parcel Nos. 146731211006, 146730300045, 146730202007, consisting of approximately 158.471 acres (the “7N Property”); and

**B.** The Town is the owner of certain mineral rights located in Weld County, Colorado and Boulder County, Colorado (the “Town Mineral Property”) (the 7N Property and Town Mineral Property collectively, the “Properties”); and

**C.** The Town and 7N have entered into that Contract to Exchange Real Property and Mineral Rights (the “Exchange”), effective simultaneous with this Agreement, under which 7N conveys the 7N Property to the Town, and the Town conveys the Town Mineral Property to 7N; and

**D.** 7N and Extraction are each wholly-owned subsidiaries of SM Energy Company, a Colorado-based exploration and production company; and

**E.** Extraction has plans for development of an approximate [3,951.25-acre] Oil and Gas Development Plan approved by the Colorado Energy and Carbon Management Commission (“ECMC”) at Order No. 407-3700 (the “Draco OGD”) from ECMC Form 2A at Location ID No. 489708 (the “Draco Pad”), located in unincorporated Weld County; and

**F.** In addition to exchanging the Properties, the Town, Extraction, and 7N have agreed to certain terms (“Terms”) related to the operation of the Draco Pad and the drilling, operation, and production of wells therefrom to the drilling and spacing unit (as it may be amended by ECMC Order) for the Draco OGD (the “Draco Wells”); and

**G.** Pursuant to Section 16 of the Exchange, the Parties have agreed to execute this Agreement to memorialize the Terms not otherwise addressed within the Exchange.

### **AGREEMENT**

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Production Payment – Draco Wells.** On each Draco Well, Extraction grants to the Town and agrees to a production payment (the “Production Payment”) in the amount described below:

(a) Upon 200% Payout, on a well-by-well basis, of each Draco Well, Extraction conveys to the Town a 32% undivided revenue interest in all oil, gas, and other hydrocarbons sold from such Draco Well.

(b) The Production Payment is a wellbore-only revenue interest which shall be owed, for the avoidance of doubt, on oil and gas wells drilled from the Draco Pad to the drilling and spacing unit for the Draco OGD. The Production Payment shall be carved out of Extraction's working interest in each Draco Well, and shall be proportionately reduced by that percentage that Extraction's working interest in such Draco Well bears to the whole. The Production Payment shall be subject to the Town's proportionate share of all reasonable and actual post-production costs, including without limitation gathering and transportation costs from the wellhead to the point of sale, treating, compression, processing, and other related costs, if any. The Town shall have all of the rights granted to a Payee under C.R.S. § 34-60-118.5 with respect to the Production Payments.

2. **Operator Commitments; Draco Pad.**

(a) P&A Operations. Extraction agrees to perform plugging and abandonment operations ("P&A Operations") for those wells on **Exhibit A** attached hereto (the "P&A Wells") on the following timeline (the "P&A Deadlines"):

(i) Draco P&A Wells. For each P&A Well designated as a "Draco P&A Well," Extraction shall commence P&A Operations within one year of commencement of operations for the Draco Applications for Permit to Drill ("APDs"); and

(ii) Non-Draco P&A Wells. For those P&A Wells designated as "Non-Draco P&A Wells," Extraction shall commence P&A Operations at the first such well on or before 3 years from the date of the Closing under the Exchange, and will commence P&A Operations on the last Non-Draco P&A Well within 5 years from the date of the Closing under the Exchange.

(iii) Young 4-31 Well. For the Young 4-31 Well (API No. 05-123-16183) ("Young 4-31"), Extraction shall commence P&A Operations as follows:

(A) If the Town reasonably determines that any development of Parcel No. 146731211006 is impacted by reverse setbacks from the Young 4-31, then the Town shall issue written notice (a "Development Notice") to Extraction to plug the Young 4-31. Upon receipt of a Development Notice, Extraction shall commence P&A Operations at the Young 4-31 on or before the latter of January 1, 2030, or within one year of receipt of the Development Notice.

(B) In the absence of any Development Notice, Extraction shall commence P&A Operations at the Young 4-31 not later than January 1, 2035.

(b) P&A Standards; Reclamation. For all P&A Operations under this Agreement, Extraction shall act as a reasonable and prudent operator, and shall comply with all

applicable laws, rules, and regulations. At each P&A Operation, Extraction shall complete reclamation of such P&A Well with reasonable diligence until completion; however, the Town acknowledges that final reclamation of each P&A Well site is subject to governmental inspections and approval, weather conditions, soil conditions, and other conditions and factors which are outside of Extraction's control and which may delay final reclamation of the site. The Town shall not commence, or allow commencement of, any physical development or operations on the 7N Property unless said physical development or operations complies with all rules, regulations, and requirements applicable to siting, including without limitation Section 10-6-14 of the Erie Municipal Code, and said physical development or operations do not violate Extraction's access rights to the P&A Wells; or (ii) the Town has obtained written approval to such development by Extraction. The Town agrees to timely execute waivers, variances, documentation, agreements, plan sets, and any other documents necessary for Extraction's pursuit of necessary approvals for the P&A Operations and reclamation, to the extent such documents do not impact the Town's police powers.

(c) P&A Deadlines Subject to Approvals. Extraction's obligations to meet the P&A Deadlines are expressly contingent upon (i) Extraction timely obtaining all necessary approvals to commence operations at the Draco Wells, including ECMC Form 2s, "APDs", spacing orders, pooling orders, and all other permits and approvals necessary for development of the Draco Wells, and (ii) Extraction timely obtaining all necessary approvals to perform the P&A Operations, including approvals from ECMC, non-operating third parties interest owners in the P&A Wells, local government approvals, and any other necessary approvals or safety or operational conditions that could impact SM Energy's ability to complete the operations as a reasonable and prudent operator (the "Approvals"). If Extraction fails to obtain any such approval, the P&A Deadlines shall be extended by the duration of the existence of such delay, provided that Extraction timely communicates the existence of any such condition to the Town.

(d) Third Party Midstream Facilities. The Town acknowledges that a third party to this Agreement owns pipelines and related equipment that are located on the 7N Property ("Midstream Facilities"). The Town acknowledges that removal of the Midstream Facilities is not part of the P&A Operations, and that neither 7N nor Extraction shall be responsible for removal of the Midstream Facilities. Extraction agrees to use commercially reasonable efforts to coordinate with the third party and the Town for the removal of the Midstream Facilities.

(e) Access; 7N Property. The Town acknowledges that Extraction has existing rights of ingress and egress to the 7N Property for the continued production, operations, plugging and abandonment, and reclamation of the P&A Wells and related facilities and property.

(f) County Road 6; Roadway Paving. On or before the commencement of drilling operations on the Draco Wells, Extraction agrees to pave, or cause to be paved, that section of County Road 6 depicted on **Exhibit B** which connects County Road 7 with County Road 5 (the "Road Paving Project"). The Road Paving Project shall be subject to all applicable laws, rules, and regulations, including any conditions of approval. Extraction's obligations to complete the Road Paving Project are expressly contingent upon receipt of the Approvals.

(g) Town Inspections. Extraction agrees that the Town's designated oil and gas inspector (the "Inspector") may inspect facilities on the Draco Pad (each an "Inspection"). All

Inspections shall be performed: (i) after a minimum of 7 days' advance notice to Extraction, (ii) after scheduling the Inspection with Extraction, and agreeing to Extraction's standard terms of access (including abiding by all safety requirements, at Extraction's sole discretion, but excluding indemnification), (iii) not more frequently than: (x) monthly, when the Draco Pad is in drilling and production operations, and (y) quarterly, when the Draco Pad is in production operations, and (iv) with a safety escort from Extraction accompanying the Inspector. If the Inspector identifies any conditions at the Draco Pad that the Inspector believes are out of compliance with the terms of the Draco APDs or related permits, the Town shall notify SM of the Inspector's findings, and the Town shall have the right to notify the local government with siting authority and the ECMC of its findings (a "Non-Compliance Notice"). A Non-Compliance Notice shall not be interpreted as a material breach of this Agreement or the Exchange. For avoidance of doubt, nothing in this Agreement shall confer additional regulatory, siting, or enforcement authority on the Town over the Draco Pad, the Draco Wells, or the Draco OGDP.

3. **Town's Position Regarding Draco Pad.**

(a) The Town acknowledges that the Draco OGDP has been approved and the applicable timeframes within which to legally challenge the Draco OGDP have lapsed.

(b) If the Town takes formal action to object to the Draco Pad any time prior to commencement of production of wells as set forth in the approved Draco OGDP, Extraction or 7N may, in its discretion, terminate this Agreement by written notice to the Town, in which case all Parties shall be relieved of all of their obligations hereunder. For purposes of this Section, "formal action to object to the Draco Pad" means a vote or other official action of the Erie Town Council that authorizes or directs Town staff (or any party otherwise authorized to take action on behalf of the Town) to take a position contrary to the approved Draco OGDP, as amended in an amendment approved by the ECMC, including objection to any associated pooling and spacing consistent with the approved Draco OGDP.

(c) This Section shall not preclude individual action by any Town employee or elected official, acting in their personal capacity, to object to or otherwise challenge the Draco Pad, Draco Wells, or Draco OGDP, and both Extraction and 7N acknowledge the rights of individuals, acting in their personal capacities, to object to or otherwise challenge the Draco Pad, the Draco Wells and the Draco OGDP.

(d) Notwithstanding any other provision of this Agreement, the Town does not waive any of its police power by entering into this Agreement, and nothing in this Agreement shall limit the Town's police power.

4. **Default and Remedies.**

(a) If any Party notifies any other Party that it is in breach of this Agreement, the Party in alleged breach shall have a period of 30 days from the date of such notice in which to remedy the alleged breach. If the alleged breach is of a nature that cannot be remedied within that 30-day period, the Party in alleged breach shall have commenced to remedy the breach and work diligently to complete the remedy.

(b) If: (i) the Party in alleged breach fails to acknowledge that a breach has occurred or is occurring, (ii) following the process set forth in the previous two sentences the Party alleging breach believes that the other Party continues to be in breach of this Agreement, or (iii) any other kind of dispute arises under any provision of this Agreement that cannot be resolved by good faith negotiation among the Parties, the Party claiming that a breach of this Agreement or seeking resolution of any other dispute under this Agreement shall send written notice to the other Parties, specifying its position on the matter and invoking the dispute resolution process in this section. Within 15 days of the date of delivery of such notice, the Parties shall meet to resolve the matter described in the notice. Notwithstanding the foregoing, if any Party believes that the dispute will not otherwise be resolved in a sufficiently prompt and effective manner or if any Party determines that action is necessary for the protection of health, safety, welfare or the environment, such Party may, at its discretion, take such legal action and seek such legal or equitable remedies as it determines to be appropriate or necessary to protect and enforce its rights under this Agreement.

(c) With respect to any default of 7N or Extraction under this Agreement, the Town shall be entitled to pursue any remedy against 7N or Extraction available to the Town under this Agreement against 7N, Extraction, or SM Energy, and all shall be jointly and severally liable under this Agreement. SM Energy has executed the signature block below the signature block of 7N and Extraction for purposes of agreeing to be jointly and severally liable for any such remedy of the Town with respect to a default of 7N or Extraction under this Agreement. SM Energy, Extraction and 7N acknowledge that specific performance is not an available remedy against the Town.

5. **Force Majeure.** When performance under this Agreement is prevented or delayed by an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, pandemic, epidemic, explosion, or injunctive order prohibiting performance by a Party (collectively, “Force Majeure”), no Party shall be in breach of this Agreement. Any such Force Majeure shall be limited to the period of such prevention or delay, plus a reasonable time for operations to resume thereafter.

6. **Authority.** Each Party represents that the undersigned have full right and authority to enter into this Agreement, and to bind the Parties to the terms and conditions contained herein.

7. **Further Assurances.** Each Party agrees that at the request of the other Party it will hereafter make such further assurances and execute or cause to be executed such further instruments as may be reasonably requested by the other Party in order that this Agreement may be fully performed in accordance with its intent and provisions, provided that the requesting Party is responsible for any associated costs.

8. **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado without reference to conflicts of laws provisions, and any legal action concerning the provisions hereof or relating to or arising out of this Agreement shall be brought in Boulder County, Colorado.

9. **Captions.** Article and section headings used in this Agreement are for convenience or reference only and shall not affect the construction of any provision of this Agreement.

10. **Exhibits.** All exhibits referred to herein and attached hereto are hereby incorporated herein by this reference.

11. **Successors and Assigns.** No Party shall have the right to assign this Agreement or any of its rights or obligations hereunder without the written approval of the other Party which approval shall not be unreasonably withheld. Notwithstanding the immediately preceding sentence, it is understood and agreed that Extraction and 7N may assign the rights and obligations of this Agreement without consent of the Town (but with prior written notice to the Town) to: (a) any entity directly or indirectly owned or controlled by SM Energy Company, (b) any entity directly or indirectly controlling, controlled by or under common control with 7N, or (c) a successor to any of 7N, Extraction, or SM Energy Company by merger or acquisition. This Agreement shall be binding upon and inure to the benefit of the Parties, and to Extraction's or 7N's and permitted assigns. No assignment of this Agreement or either Party's rights hereunder shall relieve the originally named Party of its liabilities incurred prior to the assignment under this Agreement unless agreed in writing.

12. **Notices.** All written notices required to be given pursuant to the terms of this Contract shall be either: (a) personally delivered; (b) deposited in the United States mail, registered or certified return receipt requested, postage prepaid; or (c) sent for next Business Day delivery by Federal Express or similar nationally recognized overnight courier service and addressed as follows:

To 7N, SM Energy or Extraction:

Extraction Oil & Gas, Inc.  
c/o SM Energy Company  
1700 Lincoln Street, Suite 3200  
Denver, CO 80203  
Attn: Legal Department  
Email: afiske@sm-energy.com

copy to:

Brownstein Hyatt Farber Schreck, LLP  
675 15th Street, Suite 2900  
Denver, CO 80202  
Attn: Andrew Meyers  
Email: ameyers@bhfs.com

To Town:

Town Manager  
645 Holbrook Street  
Erie, CO 80516  
Attn: Meredyth Muth  
Email: mmuth@erieco.gov

copy to: Town Attorney  
645 Holbrook Street  
Erie, CO 80516  
Attn: Breena Meng  
Email: bmeng@erieco.gov

The foregoing addresses may be changed from time to time by written notice. Notices shall be deemed received upon the earlier of actual receipt or delivery (or refusal to accept delivery), 3 business days following sending pursuant to clause (b) as provided above, or on the day of delivery pursuant to clause (c) above.

13. **Compliance with Laws.** During the course of complying with the provisions of this Agreement, the Parties agree to comply with all applicable laws (including without limitation federal, state, and local laws), rules, regulations, and codes.

14. **Severability.** In the event that any paragraph or portion of the Agreement is determined to be unconstitutional, unenforceable, or invalid, such paragraph or portion of this Agreement shall be stricken from and construed for all purposes not to constitute a part of this Agreement, and the remaining portion of this Agreement shall remain in full force and effect and shall, for all purposes, constitute this entire Agreement.

15. **Construction of Agreement.** The Parties each acknowledge that they have had the benefit of independent counsel with regard to this Agreement and that this Agreement has been prepared as a result of the joint efforts of all Parties and their respective counsel. Accordingly, all Parties agree that the provisions of this Agreement shall not be construed or interpreted for or against any Party based upon authorship.

16. **Counterparts; Electronic Signatures.** This Agreement may be executed in counterparts and shall constitute an agreement binding on all Parties notwithstanding that all Parties are not signatories to the original or the same counterpart provided that all Parties are furnished a copy or copies thereof reflecting the signature of all Parties. Additionally, this Agreement may be executed using a digital image (including without limitation an image in the form of a PDF, JPEG, GIF file, DocuSign, SignNow, or other e-signature), and the same shall be deemed as a true and correct original.

17. **Entire Agreement; Amendments.** This Agreement, the Exchange, and all exhibits thereto embody the entire agreement between the Parties concerning the subject matter of this Agreement and the Exchange, and supersede all prior conversations, proposals, negotiations, understandings and contracts, whether written or oral. This Agreement shall not be amended, altered, changed, modified, supplemented, or rescinded in any manner except by a written amendment executed by all of the Parties.

18. **Governmental Immunity.** The Town and its officers, attorneys and employees are relying on, and do not waive or intend to waive by any provision of this Agreement, the monetary limitations or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.*, as amended, or otherwise available to the Town and its officers, attorneys or employees.

19. **Subject to Annual Appropriation.** Consistent with Article X, § 20 of the Colorado Constitution, any financial obligation of the Town not performed during the current fiscal year is subject to annual appropriation, shall extend only to monies currently appropriated, and shall not constitute a mandatory charge, requirement or liability beyond the current fiscal year.

*[Remainder of page intentionally left blank signatures on following pages]*

**IN WITNESS WHEREOF**, the Parties have executed this Agreement, effective as of the Effective Date.

**THE TOWN:**

**TOWN OF ERIE, COLORADO,**  
a Colorado home rule municipal corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Debbie Stamp, Town Clerk

*[remainder of this page intentionally left blank]*

**EXTRACTION:**

**EXTRACTION OIL & GAS, INC.**  
a Delaware Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*[remainder of this page intentionally left blank]*

7N:

7N, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*[remainder of this page intentionally left blank]*

**SM ENERGY**

SM Energy, a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**SUMMARY OF EXHIBITS:**

EXHIBIT 1

P&A WELLS

EXHIBIT 2

COUNTY ROAD 6 PAVING

**EXHIBIT 1**

**P&A WELLS**

<i>"Draco P&amp;A Wells"</i>		
Count	Well Name	API #
1	BARB LTD B UNIT 1	05-123-10743
2	COAL CREEK 6-0-19	05-123-28138
3	COAL CREEK 6-4-19	05-123-28149
4	ERIE 1-24	05-013-06127
5	LUMRY G UNIT 1	05-013-06572
6	LUMRY 2-24	05-013-06577
7	LUMRY 6-0-24	05-013-06575
8	LUMRY 6-4-24	05-013-06573
9	LUMRY 8-2-24	05-013-06182
10	MORRIS MC 27-2	05-013-06442
11	MORRIS MC 27-7	05-013-06422
12	MORRIS MC 27-8	05-013-06421
13	PRICE 1-26	05-013-06134
14	VESSELS 12-30	05-123-23987
15	VESSELS 14-30	05-123-23986
16	VESSELS MINERALS A UNIT 1	05-123-18691
17	VESSELS MINERALS A UNIT 2	05-123-18690
18	YOUNG 2-26	05-013-06246
19	YOUNG MC 23-12D	05-013-06559
20	YOUNG MC 23-14D	05-013-06558
21	YOUNG MC 26-05D	05-013-06621
22	ZWICK F UNIT 1	05-013-06243

<i>"Non-Draco P&amp;A Wells"</i>		
Count	Well Name	API #
1	ALLAN H UNIT 23-12	05-013-06536
2	ALLAN H UNIT 24-12	05-013-06556
3	BAILEY 32-12	05-013-06506
4	BAILEY 33-12	05-013-06555
5	BAILEY 42-12	05-013-06534
6	BAILEY 43-12	05-013-06533
7	WIGGETT 2-13	05-013-06641
8	WIGGETT 12-13	05-013-06581
9	WIGGETT 22-13	05-013-06638
10	WIGGETT 32-13	05-013-06564
11	WIGGETT 0-2-13	05-013-06592
12	WIGGETT 1-0-13	05-013-06591
13	WIGGETT 2-4-13	05-013-06636
14	WIGGETT 4-2-13	05-013-06571
15	WIGGETT 4-4-13	05-013-06637
16	WILLIAM PELTIER 1A-20H	05-123-33301
17	YOUNG 4-31	05-123-16183

**EXHIBIT 2**

**COUNTY ROAD 6 PAVING**

