

**Framework for Relationship between PHCA and LAND concerning Oil and Gas Development
(Draft Version 2 – March 15, 2013): presented to PHCA board for revision and approval)**

General Framework

1. PHCA and L.A.N.D. are separate organizations. Neither is responsible in any way for the actions of the other. However, it is believed that the two organizations will be substantially aligned and/or complimentary in that they have common objectives (e.g. both are working for the benefit of Ponderosa Hills (PH) residents - preserving the safety and esthetic value of our community, neighborhood, and landscape; and protecting the viability of our water wells).
2. L.A.N.D.'s mission is to gather and synthesize information, define and advocate for regulations and a protective lease that addresses its member's consensus based issues; and for those that opt, negotiate the protective lease on their behalf. Please note that L.A.N.D. encompasses an area of 15 sections in Northeast Douglas County, of which Ponderosa Hills has 3 of those sections. For more detailed information about L.A.N.D. please contact <http://www.L-A-N-D.net>
3. PHCA's articles of incorporation define its role as providing information to its members and non-member PH residents; but with some latitude to do more, subject to the discretion of the PHCA board and the limits of its resources. In addition PHCA is responsible for working with separate organizations such as L.A.N.D.

PHCA as Provider of Information

1. The PHCA Board will seek to keep Ponderosa Hills residents informed on Oil and Gas matters, relating to the community, via email blasts, newsletter articles and web postings. PHCA will also solicit its residents to report any oil and gas news for the benefit of all.
2. For some of the information items, L.A.N.D. may be the appropriate source of the information either in whole or in part (there is no point in the PHCA duplicating L.A.N.D.'s efforts); and depending on the nature of the information, PHCA may link to a L.A.N.D. artifact or, with permission, post a copy.
3. In many cases, L.A.N.D. sourced information will have been generated by its membership and will not have a named professional to vouch for its completeness (neither L.A.N.D. nor PHCA has sufficient resources to pay for all the information to be "credentialed"). Where this is the case, PHCA will caveat the information with this fact.
4. In cases where a source other than L.A.N.D. is used, or where PHCA augments the L.A.N.D. information, it is PHCA's intention to share the result with L.A.N.D. (as appropriate).

List of Information (with preliminary indication of likely source)

1. General O&G info, FRAC information, Niobrara (the geological formation of interest) info, etc.
 - a. Link to Niobrara News www.niobraraneews.net and/or L.A.N.D. www.L-A-N-D.net
2. What you need to know if you get a letter or commitment or a company lease
 - a. L.A.N.D. at www.L-A-N-D.net
3. Overview of "how all this O&G stuff works" (State, local authority, standard leases vs negotiated, force pooling, etc. sequence of events, spacing orders, those with/without their mineral rights, roles of land men vs attorneys ...)
 - a. L.A.N.D. at www.L-A-N-D.net
4. Info about L.A.N.D. What is it, how does it work, etc.
 - a. L.A.N.D. at www.L-A-N-D.net

5. Information addressing water concerns (threats to aquifer, water source for the operation, water testing).
 - a. L.A.N.D. at www.L-A-N-D.net

PHCA as Facilitator

PHCA will assist in the formation of like-minded interest groups for Ponderosa Hills land owners. With approval of the board, PHCA will facilitate the formation of such groups and when appropriate, sponsor the groups (which includes liability coverage, rules of operation, communications with Ponderosa Hills, etc). In general, the groups are expected to be self-funded. Two instances of such groups have been proposed as of September 2012, with neither having garnered sufficient interest to pursue formation at this time:

1. Mineral Rights Interest Group: Some Ponderosa Hills land owners are uncertain about whether or not they own their mineral rights. In recognition that there could be a subset land owners that may wish to share costs in determining their mineral rights status, the board has elected to support the establishment of a self-funded committee should sufficient interested parties exist.
 - Only 2 signed up at the annual meeting (not enough interest to pursue at this time)
 - If you have interest, please contact the board.
2. Covenant 16 Interest Group: The Ponderosa Hills Covenant 16 is as follows: *16. No oil or gas drilling, oil or gas development operations, oil refining, quarrying or mining operation of any kind shall be permitted upon or in any lot, nor shall oil or gas wells, tanks, tunnels, mineral excavations, or shafts be permitted upon or in any lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted on any building lot.* There is uncertainty on the applicability of this covenant to “fracing”, force-pooling, and validity with respect to the state COGCC. A matter of some debate is whether an individual who is party to a lease may incur legal liability as a result of Covenant 16. Accordingly land owners are urged to seek legal counsel prior to entering into any leasing agreement. The 2012 PHCA board explored whether or not to retain legal counsel on this issue for the benefit of the entire community; but, by majority vote, elected to not pursue it. However, in recognition that there could be a subset of the land owners that may wish to share costs and obtain such counsel, the board has elected to support the establishment of a self-funded committee should sufficient interested parties exist.
 - Only 1 signed up at the annual meeting (not enough interest to pursue at this time)
 - If you have interest, please contact the board.

Conflicts of Interest

In the unlikely event an issue develops that generates the appearance of a conflict of interest or an actual conflict of interest; it will be dealt with by the PHCA Board.