

INFRASTRUCTURE DEVELOPMENT AND PURCHASE AGREEMENT AND WATER LEASE AGREEMENT

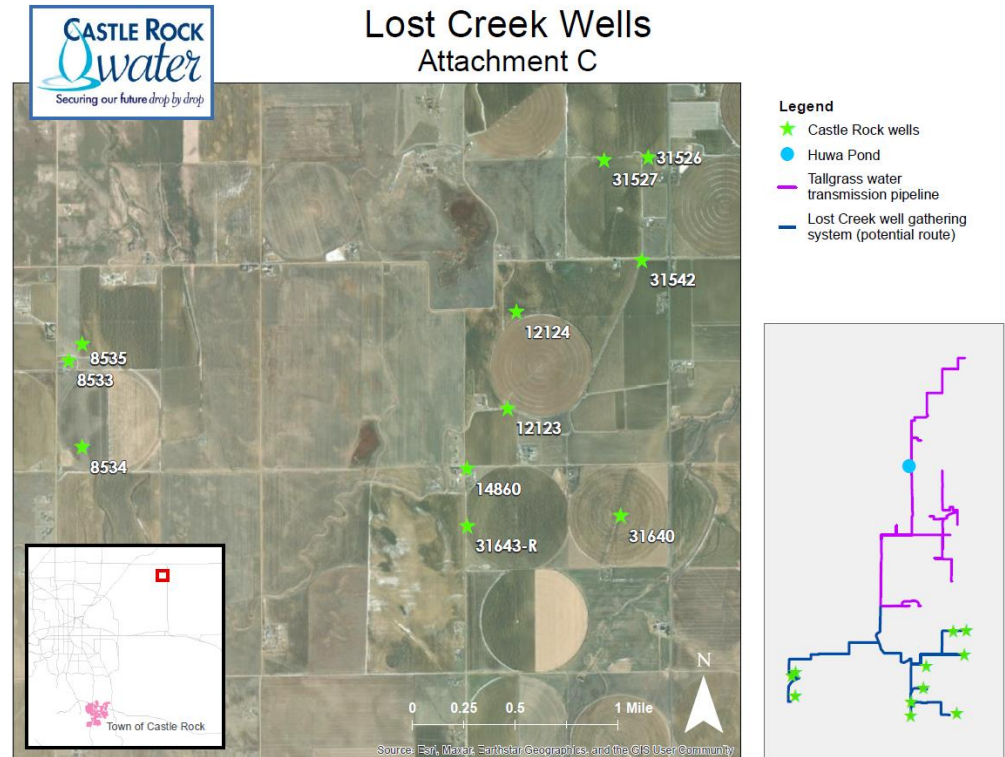
OCTOBER 1, 2024



BOX ELDER PROJECT

BACKGROUND

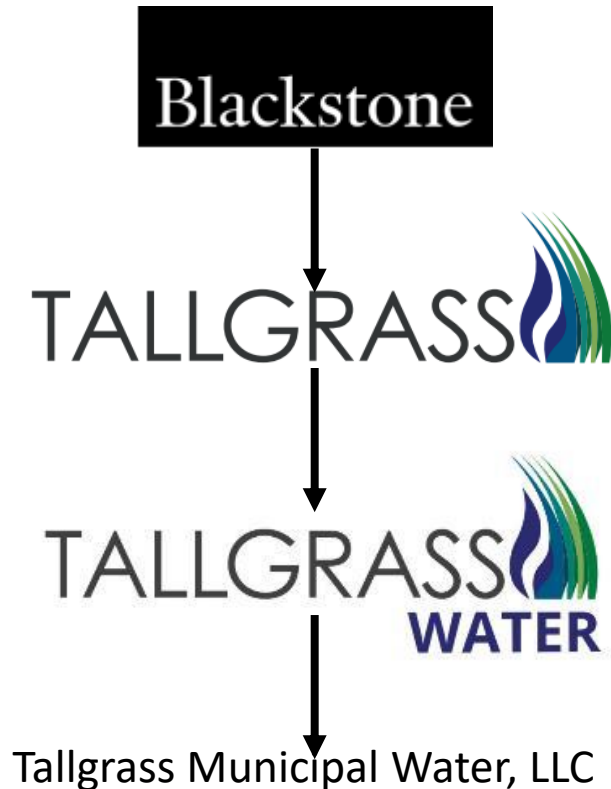
- Closed on Box Elder property in 2016 (850 acres)
- Purchased 1,492 AF of water rights in Lost Creek Basin
- Purchased 770 AF of water rights on South Platte River (Rothe purchase)
- Part of Castle Rock Water's long term water supply plan
- Raw water will be delivered to East Cherry Creek Valley (ECCV) Water Treatment Plant
- Treated water delivered in Northern Pipeline to WISE infrastructure all the way to Castle Rock



Location Map of Lost Creek wells and potential pipeline infrastructure

BOX ELDER PROJECT

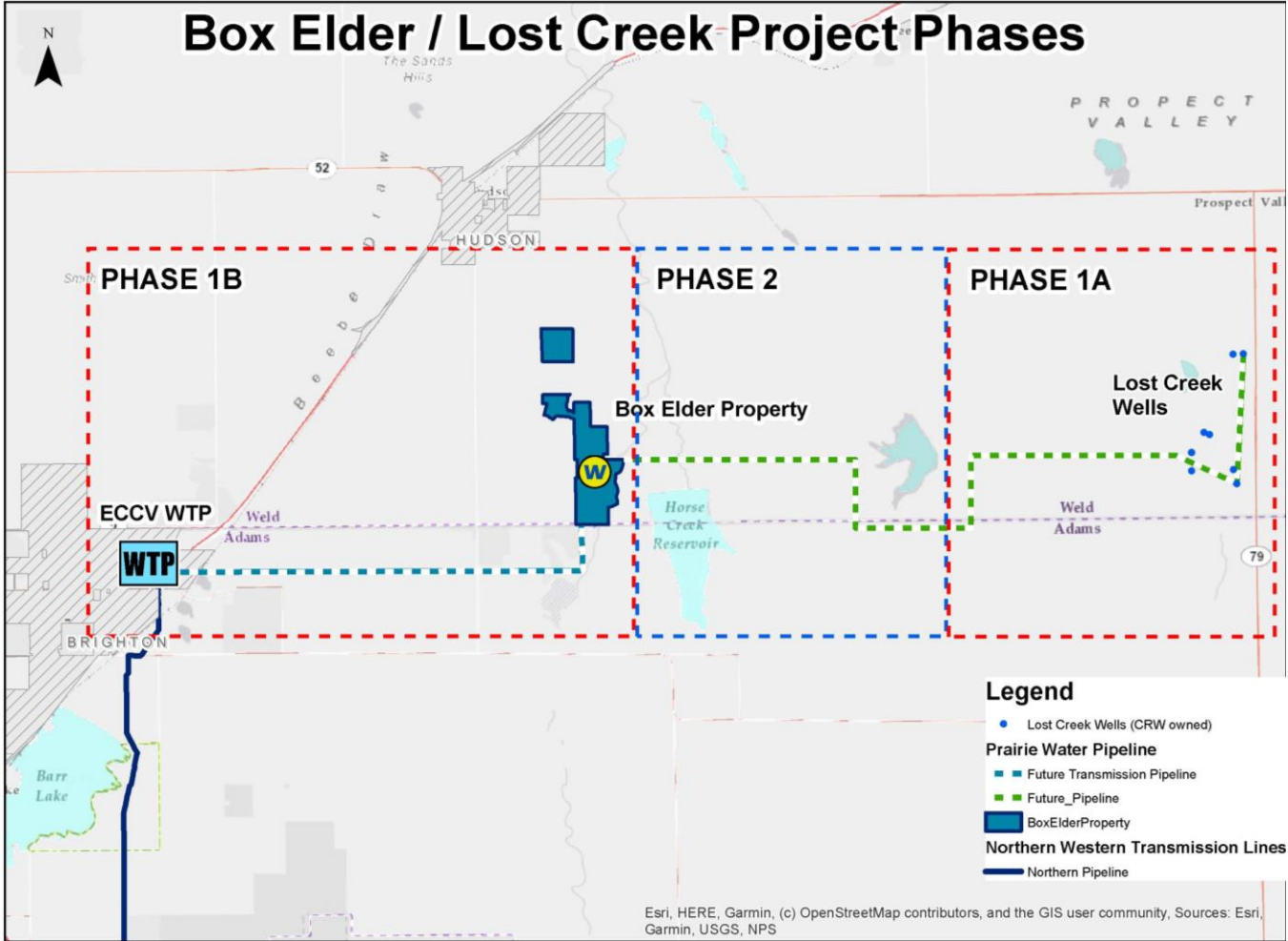
P3 OPPORTUNITY



- An energy infrastructure company with multiple water delivery projects in Colorado – particularly Weld County.
- Purchased the Renew/Front Range Resources well and delivery system, just north of Castle Rock’s Lost Creek wells.
- Designed/installed a pipeline system to deliver water to oil and gas well construction sites within Weld County.
- A market opportunity with municipal client partnerships and providing a low risk return to their investors.
- Opportunity for Castle Rock to spread out the large capital costs for infrastructure and reduce the engineering and staff time needed for project implementation.
- Additional water rights towards our goal of 100% renewable by 2065.

BOX ELDER PROJECT

P3 OPPORTUNITY



- Phase 1A – Gathering system for 11 Castle Rock wells and connecting to Tallgrass system for water leasing (2024/2025).
- Phase 1B – Pipeline from Box Elder to ECCV.
- Phase 2 – Connecting the two systems together for Castle Rock’s full 2,500 AF capacity plus an additional 1,000 AF of Tallgrass water (2030).

BOX ELDER PROJECT

INFRASTRUCTURE DEVELOPMENT & PURCHASE OPTION AGREEMENT

Proposed Steps for Tallgrass:

- Design, permit, manage, finance and construct:
 - The pipeline gathering system
 - Redrill of ten wells; improve and equip all eleven wells
 - A telemetry system that ties wells into Tallgrass' system

Other infrastructure needs with subsequent phases:

- Booster pump station out of Lost Creek
- Raw water pipeline to Box Elder
- New wells on the Box Elder property
- Pipeline manifold system on the Box Elder property
- Infiltration/percolation beds on Box Elder
- Pump station at Box Elder (to pump water to ECCV)
- Treatment and pumping capacity additions to ECCVs system

Summary:

- Anticipated cost for entire infrastructure: \$80 to 100 million to implement over the next ten years
- Town and Tallgrass will continue to negotiate towards a larger deal
 - Tallgrass will construct other necessary infrastructure in phases and the Town pays down the construction and financing costs over time
- If Tallgrass and the Town cannot come to an agreement, the Town agrees to buy the newly constructed Lost Creek gathering system for \$15 million
- Independent engineering cost estimate of proposed system between \$17 and \$24 million

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CONCURRENT WATER LEASE AGREEMENT

- Gather raw water from the Town's Lost Creek wells|
- Connect pipeline to Tallgrass' system
- Initial term of lease from date of execution to December 31, 2027
- 257 AF take-or-pay provision
- Up to 1,492 AF annually
- Lease rate of \$1,552.60 per acre-foot (AF)
- Opportunity for in excess of \$6M in revenue



Typical Lost Creek Basin well structure

BOX ELDER PROJECT

SCHEDULE AND RECOMMENDATIONS

Schedule

- Construction of Phase 1a in 6 months
- Negotiation of expanded agreement in 1 year

Recommendations

- Castle Rock Water Commission
- Water Resources Committee
- Staff



Typical Lost Creek Basin well structure



*I MOVE TO APPROVE RESOLUTION NO. 2024-103
AS INTRODUCED BY TITLE*

*I MOVE TO APPROVE THE RESOLUTION AS INTRODUCED BY TITLE, WITH THE
FOLLOWING CONDITIONS: _____*

*"I MOVE TO CONTINUE THIS ITEM TO THE TOWN COUNCIL MEETING ON _____ DATE TO
ALLOW ADDITIONAL TIME TO: _____*