

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is made and entered into this 6th day of January, 2015, by and between Adams County, a Colorado County ("County") with an address of 4430 S. Adams County Parkway, Brighton, Colorado 80601 and Great Western Operating Company, LLC., whose legal address is 1801 Broadway, Ste 500, Denver, CO 80202, its successors and assigns (hereinafter the "Operator"). The Operator and the County may be referred to individually as a "Party" or collectively as the "Parties." Both Parties elect to sign and execute provisions of said MOU in lieu of a Special Use Permit review process as outlined in Section 2-02-11 Special Use Permit of the Adams County Development Standards and Regulations.

### BACKGROUND

**A.** Operator is the owner or lessee of oil and gas leasehold and/or mineral interests within unincorporated parts of the County, and, as of the time of the execution of this MOU, has the right and intent to further develop its oil and gas leasehold and/or mineral interests within said portion of the County.

**B.** The intent of this MOU is to provide the conditions under which Operator will develop and operate oil and gas facilities installed or newly expanded in the unincorporated portions of the County from the execution date of this MOU, in order to foster the efficient and economic production of oil and gas resources, to protect human health, safety and welfare and to protect the environment and wildlife resources, while at the same time providing for a predictable and expeditious administrative process for obtaining County land use approvals and permits for oil and gas facilities. The terms "facility" or "facilities" are defined herein as including oil and gas wellsites, tank batteries, compressor stations, pits/ponds, below-grade tanks, dehydration units, vapor recovery units (VRUs), associated roads, and typical equipment as regulated by the Colorado Oil and Gas Conservation Commission (COGCC). Locations with more than one of the above mentioned types of equipment will also be considered to be one facility. This MOU will also include well connects. Well connects are defined as a pipeline, 10" or less inside diameter and 2 miles or less in length, laid running from the custody transfer point or production facility for a new well(s) to an existing gathering line connection point. With respect to well connects, Operator will provide the County with the following: a copy of the agreement(s) for which the line is laid (e.g. ROW, Lease, Easement etc.); information regarding operating pressure and pipeline construction materials and methods; and Operator will obtain any other required permits (e.g. Access, ROW crossing). Unless indicated otherwise, the definitions of terms used in the MOU shall be the same as in the COGCC Rules. In cases where pipelines are involved, a conditional use permit may be required, and this MOU shall in no way suggest or provide for approval of a conditional use permit in which a pipeline is proposed to be constructed. This MOU does not waive any of the County's Local Government Designee's roles and/or responsibilities as governed by the COGCC.

NOW, THEREFORE, the Parties agree as follows:

over a 2-year or greater period, the pit will be double-lined with leak detection. Fluids stored in multi-well pits will be circulated through a four-phase separator or an API-approved settling tank or similar equipment prior to such fluids entering the pit, specifically designed to remove solids and reduce hydrocarbon content and emissions. Retention time in a settling tank and the volume of the tank must be sufficient to separate out any floating, dissolved, or emulsified hydrocarbon phases. Lined multi-well pits may be inspected and/or reviewed on an as-needed basis, over the life of the pit, to determine if the water to be stored in the pit or already stored in the pit meets the definition of fresh water. Upon closure of the pit, the Operator will ensure the protection of the public health and environment by following all COGCC pit closure rules, including collecting analytical data to ensure compliance with state standards. As long as the pit is open and containing fluid, a representative water sample shall be taken and tested from the surface of the pit every six (6) months. Additional requirements, such as fencing, may be required by the County, pre- or post-construction, if such a pit is determined by the County to be adversely impacting residences, public safety, water wells, or wildlife habitats and migrations.

**e. Technological Advances:** The County may require additional measures, or approve alternative methods, if new technological methods for pit construction or maintenance are developed pre- or post-construction and such methods are technologically sound, economically practical, and reasonably available to the Operator. Such additional measures will be included in an Exhibit to the MOU.

**3. Berms.** Berms shall be inspected by Operator on a weekly basis for evidence of discharge. Berms shall be inspected within 48 hours of a precipitation event of 1.0" or more, and Operator shall make necessary repairs as soon as possible, but not more than seventy-two (72) hours after the event.

**4. Regular Meetings to Monitor and Discuss MOU Issues.** The County and Operator agree to meet quarterly, or as necessary, to monitor and discuss any pertinent issues associated with oil and gas facilities within the County as determined by the County.

**5. Water Supply and Quality.** In an effort to reduce truck traffic, where feasible, the Operator will identify a water source lawfully available for industrial use, including oil and gas development, close to the facility location, to be utilized by Operator and its suppliers. Operator will comply with the Colorado Department of Public Health and Environment requirements and the Tri-County Health Department (TCHD) regulations concerning water quality. With respect to wastewater treatment, Operator agrees to comply with TCHD's Regulation No. O-14, On-Site Wastewater Treatment Systems, as adopted or modified. The Operator agrees to contact TCHD in a timely manner to arrange for the processing of appropriate application materials and required inspections. Where feasible, temporary surface water lines are encouraged and will be utilized. Operator may be permitted to utilize County Road Right-of-Way, and County drainage culverts, where practical, for the laying and operation of temporary water lines on the surface and in accordance with Adams County Standards and Regulations. If necessary, Operator will bury temporary water lines at existing driveway and gravel road crossings, or utilize existing culverts, if available, with County approval.

**6. Baseline and Subsequent Water Quality Testing.** Operator agrees to comply with the COGCC's Statewide Groundwater Baseline Sampling and Monitoring Rule 609 or 318

development or land which is zoned for future residential development. During construction, the noise mitigation measures shall, to the maximum extent feasible, decrease noise from the oil and gas operations to comply with the sound limitation regulations set forth in COGCC rules. The County may request a noise mitigation study to demonstrate that noise levels are in compliance with COGCC rules.

**10. Landscaping.** All landscaping shall be in compliance with the County requirements and in compliance with the safety requirements of the Operator. Existing vegetation shall be minimally impacted. Motorized equipment shall be restricted to the well sites and access roads to the well sites. A visual mitigation plan, subject to the County approval, on a site specific basis shall include the type and location of all fencing and landscaping. Operator is responsible for obtaining consent by surface owner allowing landscaping as well as automatic irrigation for landscaping in urban mitigation areas and/or parks/recreation areas. All plant materials shall be kept in a healthy growing condition at all times.

**11. Emergency Response Plan.** Prior to any operations, Operator will provide the County's LGD, OEM, LEPC, Sheriff's Office, Planning and Development Department, and Transportation Department with an Emergency Response Plan (ERP) to address all potential emergencies that may be associated with an oil and gas facility. Operator shall also provide a copy of such plan to all emergency service providers, including, but not limited to, the fire district that would respond to such emergencies. A "will-serve" letter must be obtained from the appropriate emergency provider(s).

**11. Private Roads.** The Operator agrees to construct (unless already constructed) and maintain an access road designed to meet County and fire district standards and support an imposed load of 75,000 pounds that will accommodate emergency response vehicles such as, but not limited to, law enforcement, emergency command vehicles (cars/SUVs), ambulances, hazardous materials response vehicles, water tenders, and fire apparatus during construction and operation of new tank batteries (post MOU), new drilling activity and reworks or recompletions of existing wells, unless a local fire department or fire district agrees to a different or lesser standard or waived by the County. With respect to new roads to new tank batteries, the Operator agrees to construct access roads at least twenty (20') feet wide (unless waived by the local fire district and County Transportation Department) with a Class 6 road base, or as approved by the local fire district, at least nine inches (9") thick. Best efforts will be made to improve inadequate access to existing tank battery sites identified by the fire district or County, based on service calls and demonstrated problems of accessing the site. Operator and County agree that spot inspections of access roads may be done by the County and/or appropriate emergency response agency, at such County or agency's sole risk and expense, to ensure that emergency access in accordance with this section is maintained. Operator is required to maintain and repair any damaged roads within ten (10) days of County notice.

## **12. Public Roads.**

a. Operator agrees to utilize existing roads and access points where practical and apply for and obtain access permits for its oil and gas facilities from the Transportation Department. Requirements for the access permit may include the following: a) access location providing for a safe entrance/exit and utilization of main roadways to minimize impact /conflict with residents on local roadways; b) haul route and traffic data; c) pre/post inspection of

**17. Lighting.** All permanent lighting of oil and gas well sites shall be directed downward and internally. Temporary lighting shall conform to the COGCC's Rules and Regulations and shall not adversely affect residential adjacent properties.

**18. Air Emissions.** Air contaminant emission sources shall comply with the permit and control provisions of the state air quality control program (C.R.S. tit.25, art. 7 (C.R.S. § 25-7-101 et seq.)) and the rules and regulations promulgated by the State Air Quality Control COGCC. The Operator shall employ such control measures and operating procedures as are necessary to minimize fugitive particulate emissions into the atmosphere.

**19. Wildlife and Wildlife Habitat:** Oil and gas operations shall, to the extent possible, not cause significant degradation of wildlife or sensitive wildlife habitat and shall use best management practices to protect such resources and be in compliance with COGCC requirements as it pertains to wildlife and its habitats.

**20. Cultural and Historical Resources:** The oil and gas operation shall not, to the extent possible, cause significant degradation of cultural, historic or archaeological sites eligible for County landmarking, or the National Historic Register and shall use best management practices to protect such resources.

**21. County Inspections.** Operator agrees to allow County access to all oil and gas facilities for inspection, provided County personnel are equipped with all appropriate personal protection equipment (PPE), the personnel comply with the Operator's other and customary safety rules, and, except to the extent allowed by law, the County is responsible for all costs and expenses of such inspections. The County shall use its best efforts to provide advance notice to the Operator prior to an inspection; however, the County reserves the right in its discretion to make spot inspections or to inspect without notice in the event of an issue potentially involving an immediate risk to public safety, health or welfare or damage to the property of another. The County reserves the right to inspect pit locations prior to construction, during construction, and after construction, the County also reserves the right to contact the appropriate COGCC area inspector if non-compliance issues are suspected or identified as a result of construction plan reviews, reclamation plan review, field inspections, or if non-compliance issues are not resolved as soon as possible.

**22. Notification to Land Owners/Municipalities.** Prior to commencement of any new drilling or completion operations, the Operator, utilizing the County Assessor's Office information for both property owners and property mailing addresses, shall provide notification to landowners and municipalities within one-half (1/2) mile of the proposed well site(s).

**23. Records.** Operator shall maintain all records of information agreed to in MOU, and agrees to share information with County within forty-eight (48) hours upon written request. Records shall be maintained in an organized fashion for each well site.

**24. Mapping Information.** Operator shall agree to provide coordinates and/or exact location of well sites to the County's GIS Department within forty-eight (48) hours of final completion of a well site in a format acceptable to the County. Any subsequent changes to a well site location shall also be provided to the County within forty-eight (48) hours of such changes.

in agreement as to any subsequent, additional conditions to be placed on the state permit, and said agreement is in writing, the Operator agrees to apply to the COGCC to modify the state permit by allowing such subsequent, additional conditions to be placed on the state permit.

**28. Applicability.** This MOU shall only apply to Oil and Gas Facilities for which Operator has applied for permits as of the date of this MOU and to any facilities with respect to which Operator receives COGCC approval after the date of this MOU. This MOU shall not be construed to apply to Oil and Gas Facilities for which another operator applies for a permit even though the Operator may have an interest but is not the Operator, and does not apply to wells drilled by the Operator prior to the date of this MOU. Additional facilities may be exempted from some or all of the terms of this MOU, but only if approved in writing by the County Manager or his or her designee, and reviewed by the County Attorney's Office, or approved on the record at a public hearing before the Adams County Board of County Commissioners.

**29. Term.** This MOU is effective upon the execution by both Parties and shall remain in effect so long as Operator, its subsidiaries, successors or assigns, are engaged in the development or operation of oil and gas facilities within the unincorporated portions of the County; provided, however, this MOU may be terminated by either Party with thirty (30) days prior written notice to the other Party. If there is a new development in state law, rules or judicial decisions that substantially affect any provision of this MOU, the Parties agree to negotiate in an attempt to update this MOU in light of same by a written amendment executed by both Parties. In the event this MOU expires or is otherwise terminated, the substantive requirements stated in this MOU shall survive and remain enforceable against the owner or operator of any oil and gas facilities that were permitted or otherwise approved during the term of this MOU, except to the extent waived or modified pursuant to the provisions of this MOU. Additionally, in the event this MOU expires or is otherwise terminated, no re-permitting of the wells shall be required solely as a result of the termination of this MOU.

**30. Obligation of Funds.** Nothing in this MOU shall commit either Party to obligate or transfer any funds to the other.

**31. Force Majeure.** Neither Party will be liable for any delay or failure in performing under this MOU in the event and to the extent that the delay or failure arises out of causes beyond a Party's reasonable control, including, without limitation, war, civil commotion, act of God, strike or other stoppage (whether partial or total) of labor, or any law, decree, regulation or order of any government or governmental body (including any court or tribunal).

**32. Authority to Execute MOU.** Each Party represents that it has the full right and authority to enter into this MOU.

**33. Governing Law.** This MOU shall be governed and construed in accordance with the laws of the State of Colorado without reference to its conflict of law provisions.

**34. Entire Agreement.** Except as expressly set forth herein, this MOU embodies the complete agreement between the Parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements, or representations by or between the Parties, written or oral, which may have related to the subject matter hereof. No amendment to this MOU shall be effective unless in writing, signed by the Parties. In the event there is a

the defaulting party shall immediately begin action to cure the default. Each alleged default shall be treated separately under this paragraph and notice of an alleged default shall not affect the processing of permit applications while the notice is being evaluated, contested or corrected. In the event of a default, the Parties shall be entitled to seek specific performance as well as any other available remedies.

**39. Jurisdiction: Waiver of Rights.** The parties acknowledge, understand and agree that this agreement shall not be used as evidence that either party has waived any rights to assert its claims concerning the validity or extent of the County's land use jurisdiction. Nothing in this agreement shall be construed as an admission regarding the existence of proper jurisdictional authority or waiver by either party of any legal right or obligation, nor shall anything be construed as a bar to either party to seek any legal remedy available to it. The Operator agrees, however, that it will not exert jurisdictional or preemption arguments with respect to the specific performance obligations contained in this MOU.



