

FORM  
2  
Rev  
08/13

State of Colorado  
Oil and Gas Conservation Commission  
1120 Lincoln Street, Suite 801, Denver, Colorado 80203  
Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:  
400544589

APPLICATION FOR PERMIT TO:

Drill       Deepen       Re-enter       Recomplete and Operate

Date Received:  
02/18/2014

TYPE OF WELL OIL  GAS  COALBED  OTHER CO2 lateral  
ZONE TYPE SINGLE ZONE  MULTIPLE ZONES  COMMINGLE ZONES

Refilling   
Sidetrack

Well Name: CB Well Number: 3  
Name of Operator: KINDER MORGAN CO2 CO LP COGCC Operator Number: 46685  
Address: 17801 HWY 491  
City: CORTEZ State: CO Zip: 81321  
Contact Name: Paul Belanger Phone: (970)82-2464 Fax: (970)882-5521  
Email: Paul\_Belanger@kindermorgan.com

RECLAMATION FINANCIAL ASSURANCE

Plugging and Abandonment Bond Surety ID: 20110027

WELL LOCATION INFORMATION

QtrQtr: L7 Sec: 11 Twp: 38N Rng: 19W Meridian: N  
Latitude: 37.568930 Longitude: -108.911790

Footage at Surface: 1608 feet <sup>FNL/FSL</sup> FNL 2404 feet <sup>FEL/FWL</sup> FEL

Field Name: MCELMO Field Number: 53674

Ground Elevation: 6720 County: MONTEZUMA

GPS Data:  
Date of Measurement: 02/03/2014 PDOP Reading: 6.0 Instrument Operator's Name: R J CAFFEY

If well is  Directional  Horizontal (highly deviated) **submit deviated drilling plan.**

Footage at Top of Prod Zone: <sup>FNL/FSL</sup> 1608 FNL 2404 FEL <sup>FEL/FWL</sup> Bottom Hole: <sup>FNL/FSL</sup> 1603 FNL 404 FEL <sup>FEL/FWL</sup>  
Sec: 11 Twp: 38N Rng: 19W Sec: 11 Twp: 38N Rng: 19W

LOCATION SURFACE & MINERALS & RIGHT TO CONSTRUCT

Surface Ownership:  Fee  State  Federal  Indian

The Surface Owner is:  is the mineral owner beneath the location.  
(check all that apply)  is committed to an Oil and Gas Lease.  
 has signed the Oil and Gas Lease.  
 is the applicant.

The Mineral Owner beneath this Oil and Gas Location is:  Fee  State  Federal  Indian

The Minerals beneath this Oil and Gas Location will be developed by this Well: Yes

The right to construct the Oil and Gas Location is granted by: Bond

Surface damage assurance if no agreement is in place: Blanket Surface Surety ID: 20080051

**LEASE INFORMATION**

Using standard QtrQtr, Sec, Twp, Rng format, describe one entire mineral lease that will be produced by this well (Describe lease beneath surface location if produced. Attach separate description page or map if necessary.)

TR38N R19W:  
S2NEQTR SECTION 11; SWNW, NWSW SECTION 12

Total Acres in Described Lease: 160 Described Mineral Lease is:  Fee  State  Federal  Indian

Federal or State Lease # \_\_\_\_\_

Distance from Completed Portion of Wellbore to Nearest Lease Line of described lease: 230 Feet

**CULTURAL DISTANCE INFORMATION**

Distance to nearest:

Building: 5280 Feet  
 Building Unit: 5280 Feet  
 High Occupancy Building Unit: 5280 Feet  
 Designated Outside Activity Area: 5280 Feet  
 Public Road: 235 Feet  
 Above Ground Utility: 2435 Feet  
 Railroad: 5280 Feet  
 Property Line: 213 Feet

**INSTRUCTIONS:**

- All measurements shall be provided from center of the Proposed Well to nearest of each cultural feature as described in Rule 303.a.(5).  
 - Enter 5280 for distance greater than 1 mile.  
 - Building - nearest building of any type. If nearest Building is a Building Unit, enter same distance for both.  
 - Building Unit, High Occupancy Building Unit, and Designated Outside Activity Area - as defined in 100-Series Rules.

**DESIGNATED SETBACK LOCATION INFORMATION**

Check all that apply. This location is within a:  Buffer Zone  
 Exception Zone  
 Urban Mitigation Area

- Buffer Zone – as described in Rule 604.a.(2), within 1,000' of a Building Unit  
 - Exception Zone - as described in Rule 604.a.(1), within 500' of a Building Unit.  
 - Urban Mitigation Area - as defined in 100-Series Rules.

Pre-application Notifications (required if location is within 1,000 feet of a building unit):

Date of Rule 305.a.(1) Urban Mitigation Area Notification to Local Government: \_\_\_\_\_

Date of Rule 305.a.(2) Buffer Zone Notification to Building Unit Owners: \_\_\_\_\_

**SPACING and UNIT INFORMATION**

Distance from Completed Portion of Wellbore to Nearest Wellbore Permitted or Completed in the same formation: 5280 Feet

Distance from Completed Portion of Wellbore to Nearest Unit Boundary 5280 Feet (Enter 5280 for distance greater than 1 mile.)

Federal or State Unit Name (if appl): \_\_\_\_\_ Unit Number: \_\_\_\_\_

**SPACING & FORMATIONS COMMENTS**

\_\_\_\_\_

**OBJECTIVE FORMATIONS**

Objective Formation(s)	Formation Code	Spacing Order Number(s)	Unit Acreage Assigned to Well	Unit Configuration (N/2, SE/4, etc.)
LEADVILLE	LDVLL			

**DRILLING PROGRAM**

Proposed Total Measured Depth: 10370 Feet

Distance to nearest permitted or existing wellbore penetrating objective formation: 5280 Feet (Including plugged wells)

Will a closed-loop drilling system be used? Yes

Is H<sub>2</sub>S gas reasonably expected to be encountered during drilling operations at concentrations greater than or equal to 100 ppm? No (If Yes, attach an H<sub>2</sub>S Drilling Operations Plan)

Will salt sections be encountered during drilling?     No      
 Will salt based (>15,000 ppm Cl) drilling fluids be used?     No      
 Will oil based drilling fluids be used?     No      
 BOP Equipment Type:  Annular Preventor     Double Ram     Rotating Head     None

**GROUNDWATER BASELINE SAMPLING AND MONITORING AND WATER WELL SAMPLING**

Water well sampling required per Rule     609    

**DRILLING WASTE MANAGEMENT PROGRAM**

Drilling Fluids Disposal:     OFFSITE          Drilling Fluids Disposal Methods:     Recycle/reuse    

Cuttings Disposal:     OFFSITE          Cuttings Disposal Method:     Centralized E&P WMF    

Other Disposal Description:

Fluids: We recycle as much as we can; any excess will go to licensed UIC disposal facility. Cuttings are dewatered in a closed loop system and disposed of in the Montezuma County Land Fill which is the Centralized E&P Waste Management Facility.

Beneficial reuse or land application plan submitted?                     

Reuse Facility ID:                           or Document Number:                     

**CASING PROGRAM**

Casing Type	Size of Hole	Size of Casing	Wt/Ft	Csg/Liner Top	Setting Depth	Sacks Cmt	Cmt Btm	Cmt Top
CONDUCTOR	20	16	55	0	80	100	80	0
SURF	14+3/4	10+3/4	40.5	0	2987	1800	2987	0
1ST	9+1/2	7+5/8	29.6&33.7	0	8292	2400	8292	0
OPEN HOLE	4+3/4		0	8292				

Conductor Casing is NOT planned

**DESIGNATED SETBACK LOCATION EXCEPTIONS**

Check all that apply:

- Rule 604.a.(1)A. Exception Zone (within 500' of Building Unit)
- Rule 604.b.(1)A. Exception Location (existing or approved Oil & Gas Location now within a Designated Setback as a result of Rule 604.a.)
- Rule 604.b.(1)B. Exception Location (existing or approved Oil & Gas Location is within a Designated Setback due to Building Unit construction after Location approval)
- Rule 604.b.(2) Exception Location (SUA or site-specific development plan executed on or before August 1, 2013)
- Rule 604.b.(3) Exception Location (Building Units constructed after August 1, 2013 within setback per an SUA or site-specific development plan)

**GREATER WATTENBERG AREA LOCATION EXCEPTIONS**

Check all that apply:

- Rule 318A.a. Exception Location (GWA Windows).
- Rule 318A.c. Exception Location (GWA Twinning).

**RULE 502.b VARIANCE REQUEST**

Rule 502.b. Variance Request from COGCC Rule or Spacing Order Number

## OTHER LOCATION EXCEPTIONS

Check all that apply:

- Rule 318.c. Exception Location from Rule or Spacing Order Number \_\_\_\_\_
- Rule 603.a.(2) Exception Location (Property Line Setback).

ALL exceptions and variances require attached Request Letter(s). Refer to applicable rule for additional required attachments (e.g. waivers, certifications, SUAs).

## OPERATOR COMMENTS AND SUBMITTAL

Comments: This is the APD for the horizontal borehole associated with the submission of a vertical borehole, docnum 400537237. There will not be H2S or salt encountered in the horizontal portion of the wellbore - being behind casing in the vertical pilot. CB3 is targeting the Leadville some 2000' deeper than the offset well; no fracking is being planned.

This application is in a Comprehensive Drilling Plan \_\_\_\_\_ CDP #: \_\_\_\_\_

Location ID: \_\_\_\_\_

Is this application being submitted with an Oil and Gas Location Assessment application? \_\_\_\_\_ Yes \_\_\_\_\_

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: \_\_\_\_\_ Print Name: Paul Belanger \_\_\_\_\_

Title: \_\_\_\_\_ Date: 2/18/2014 Email: Paul\_Belanger@kindermorgan. \_\_\_\_\_

Operator must have a valid water right or permit allowing for industrial use or purchased water from a seller that has a valid water right or permit allowing for industrial use, otherwise an application for a change in type of use is required under Colorado law. Operator must also use the water in the location set forth in the water right decree or well permit, otherwise an application for a change in place of use is required under Colorado law. Section 37-92-103(5), C.R.S. (2011).

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved: Matthew Lee Director of COGCC Date: 3/30/2014

Expiration Date: 03/29/2016

### API NUMBER

05 083 06715 01

## Conditions Of Approval

All representations, stipulations and conditions of approval stated in the Form 2A for this location shall constitute representations, stipulations and conditions of approval for this Form 2 Permit-to-Drill and are enforceable to the same extent as all other representations, stipulations and conditions of approval stated in this Permit-to-Drill.

### COA Type

### Description

- 1) Provide 48 hour notice of spud to COGCC and submit via form 42
- 2) The operator shall comply with Rule 321 and it shall be the operator's responsibility to ensure that the well bore complies with setback requirements in Commission orders and/or rules prior to producing the well.
- 3) Run and submit Directional Survey for primary well bore and for each lateral section

## Best Management Practices

No	BMP/COA Type	Description
1	Planning	<p>A Kinder Morgan Fire Mitigation Plan is currently on file with the Montezuma County Planning Office.</p> <p>Any material not in use that might constitute a fire hazard will be removed a minimum of 25 feet from the wellhead, tanks and separator.</p> <p>Any electrical installations inside the bermed area will comply with API RP 500 classifications and comply with the current national electrical code as adopted by the State of Colorado.</p>
2	General Housekeeping	<p>Erosion control barriers, namely fiber wattles, will be placed at the edge of disturbance where necessary. Care will be taken to avoid disturbance outside of the project area unless it is deemed necessary for equipment stability and fire safety.</p> <p>During the construction, drilling, and completion phases, on-site trash dumpsters are emptied regularly by the local waste management company.</p> <p>Steel ranch fencing will be placed around the well head after the well is drilled. Once the well is tied in, the fencing will be removed. The proposed well location will be drilled using a closed loop system and will therefore not use open pits.</p> <p>During drilling and completion operations, safety officers are present on location to ensure that livestock, wildlife, and unauthorized personnel do not enter the location. Following completion, the only items present on the well pad are the well head and aboveground pipeline junction. Additionally, there is no active grazing near the proposed location.</p>
3	Storm Water/Erosion Control	<p>Diversion ditches will be implemented to divert run-on and run-off around the well pad. Compacted earthen berms will also be utilized to control stormwater run-on and runoff.</p> <p>Tackifier will be added to the stored topsoil piles and all slopes to prevent erosion. Stockpiled soils will have slopes not greater than 3:1.</p> <p>Stormwater BMPs will be maintained/amended by Kinder Morgan as site conditions change throughout the construction and reclamation process.</p>
4	Material Handling and Spill Prevention	<p>A Road Use Plan, which addresses traffic concerns specific to the CB-3, is currently on file with Montezuma County. The Road Use Plan was produced after consulting with the county Road and Bridge Supervisor.</p> <p>All access roads are fully compliant with local county road standards. Access roads are composed of compacted gravel. In an effort to mitigate dust, magnesium-chloride applications to the road surface are performed at the request of Montezuma County.</p>
5	Material Handling and Spill Prevention	<p>The use of a closed-loop drilling system will reduce the amount of waste produced and water used during drilling operations. Solid cuttings will be disposed of at a solid waste facility.</p> <p>Water that can no longer be reused or recycled will be disposed of in a Class I disposal well.</p> <p>Sufficiently impervious containment devices will be constructed around any condensate and produced water tanks. The containment devices will be sufficiently impervious to contain any spilled or released material. All containment devices will be inspected at regular intervals and maintained in good condition.</p> <p>All loadlines are capped.</p> <p>Tanks are designed to meet all API 650 guidelines.</p>

6	Construction	<p>All equipment will be stored within the right-of-way (ROW) area of disturbance. Top soil will be removed to create a level pad for drilling and access road.</p> <p>Vegetation that does not need to be removed will be avoided during construction and removed vegetation will be cut near ground level, leaving the root system intact except where permanent facilities, roads, or ROWs, and wellpads require the complete removal of vegetation.</p>
7	Noise mitigation	<p>During normal operations, the well will remain within COGCC regulations for noise. However, during the construction phase of the project, this standard may be exceeded occasionally.</p>
8	Emissions mitigation	<p>Non-flammable CO2 will be produced from the Leadville formation and thus green completion per rule 805 (3) does not apply.</p> <p>All CO2 wells are equipped with a CO2 leak detection monitor during drilling.</p>
9	Drilling/Completion Operations	<p>Blowout preventer equipment (BOPE) complies with COGCC equipment regulations.</p> <p>Mineral Management certification or Director approved training for blowout prevention has been conducted for at least one person at the well site during drilling operations.</p> <p>Kinder Morgan conducts a BOPE test and files a 24 hour notice (Form 42) at the initial rig-up time, after each casing emplacement, and/or every 30 days.</p> <p>KM standard operating protocol includes a check list for well-site clearance activities when a well is transferred from the Drilling Department to the Operations Department.</p> <p>Adequate blowout prevention equipment is used on all well servicing operations.</p> <p>Backup stabbing valves are used on well servicing operations during reverse circulation and are pressure tested before each well servicing operation using both low-pressure air and high-pressure fluid.</p> <p>No pits are present at the well site.</p>
10	Interim Reclamation	<p>Surface roughening, surface contouring, seeding, and weed control will be employed to facilitate vegetation reestablishment. Tackifier will be added to reclaimed areas.</p>
11	Final Reclamation	<p>All disturbed areas that are not necessary for operational procedures will be restored to at least 80 percent of pre-disturbance vegetative cover.</p>

Total: 11 comment(s)

### **Applicable Policies and Notices to Operators**

Notice Concerning Operating Requirements for Wildlife Protection.

### **Attachment Check List**

<b><u>Att Doc Num</u></b>	<b><u>Name</u></b>
400544589	FORM 2 SUBMITTED
400555048	DRILLING PLAN
400555049	DIRECTIONAL DATA
400555050	DIRECTIONAL DATA
400555057	PLAT
400555066	OIL & GAS LEASE
400557348	OffsetWellEvaluations Data

Total Attach: 7 Files

### **General Comments**

<b><u>User Group</u></b>	<b><u>Comment</u></b>	<b><u>Comment Date</u></b>
LGD	Montezuma County has proposed a Road Improvement Agreement between	3/27/2014 11:35:48 AM

Montezuma County Road Department and Kinder Morgan CO2 Company in regards to improvements for damages that occurred on approximately 4.5 miles of chip sealed road. Said agreement has not yet been executed and the condition of the local permits is that an agreement be reached to address the damages on the county road system.

See agreement below (I dont know how to attach a document so I am pasting it in the comments)

#### ROAD IMPROVEMENT AGREEMENT

BETWEEN MONTEZUMA COUNTY ROAD DEPARTMENT

AND KINDER MORGAN CO2 COMPANY

IMPROVEMENTS TO ROAD CC

Montezuma County, Colorado

THIS ROAD IMPROVEMENT AGREEMENT ("Agreement") is entered into as of the \_\_\_\_ day of March, 2014, and memorializes and confirms certain verbal commitments and understandings made by and among the MONTEZUMA COUNTY BOARD OF COMMISSIONERS ("County") with offices located at 109 West Main Street, Cortez, CO, and KINDER MORGAN CO2 COMPANY ("KM"), with offices located at 17801 Hwy. 491, Cortez, CO

#### ARTICLE I

##### STATEMENT OF FACTS

A) "KM", as a part of their Cow Canyon Expansion Project has submitted Local Permit Applications that included, but were not limited to, certain Traffic Route Plans which includes a portion of Road CC wherein approximately 4 1/2 miles of asphalt road surface was significantly damaged by heavy truck traffic directly associated with "KM"s development of the Cow Canyon Expansion Project.

B) "KM" has stated to the "County", within their local permit applications submitted and later approved by the "County" that the access roads would be maintained and (or) improved over the course of their development of the Cow Canyon Expansion Project Area and this is a part of the conditions of any local permits issued.

C) "KM" has agreed that there is significant damage to approximately 4 1/2 miles of Road CC that has been caused by their Cow Canyon Expansion Project activities. "KM" accepts financial responsibility for the rebuilding of approximately 4 1/2 miles of Road CC as described in Exhibit "A" of this Agreement; however "KM"s expansion project demonstrates that Road CC will continue to be used for heavy truck traffic for future development applications associated with the Cow Canyon Expansion Project to a point that repaving the Road, as described in this agreement, would be better delayed to a date certain in the future till heavy truck traffic decreases.

D) "KM" has submitted Traffic Route Plans for all roads being used for heavy truck traffic to their Cow Canyon Expansion Project Area as a part of their local Permit Applications. "KM" traffic will continue to exceed the county daily limit of 15 round trips per day during the Cow Canyon Expansion Project construction phase. For this purpose, both "KM" and the "County" have agreed that the paving/reconstruction of 4 1/2 miles, more or less, on Road CC will begin in March, 2018. Prior to that time, "KM" agrees to keep that portion of Road CC in as good or better condition as similar gravel roads shown on their Traffic Route Plan(s). Maintenance may include gravel placement, grading, dust control and road surface protection and signage.

#### ARTICLE II

##### FUNDING/DEPOSIT

A) This Agreement limits funding to be used specifically to a certain portion of Road

CC, Montezuma County, see Exhibit "A:"

B)"KM" and the "County" have agreed upon the following re-paving calculation:

County Asphalt Road Mileage

Road \_CC 4 ½ Miles

C)Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. In order to cover county repaving/rebuilding of Road CC for damages caused by excessive heavy truck traffic associated with the CO2 development of the Kinder Morgan CO2 Company's Cow Canyon Expansion Project, the "County" will collect \$281,100 per mile/ (approximately 4 ½ miles of asphalt road) to be used towards the repaving/rebuilding of said road to County Road and Bridge Standard Specifications as adopted on April 26, 2010.

### ARTICLE III

#### ROAD IMPROVEMENTS PROJECT ESTIMATED COST AND SURETY

A)"KM" surety/deposited funds shall be specifically used for the aforementioned Road Improvements, including without limitation preliminary engineering, construction, construction engineering, survey, inspection, material testing and project administration.

B)"KM" surety/deposited funds shall be used specifically for rebuilding 4 ½ miles of asphalt road (Road CC), plan review, administration, inspection and all other reasonable expenses incurred by the "County" in connection with the Road Improvements. The full employee cost of any work performed by the "County" on the project shall be included in the foregoing costs. Concurrent with the issuance of the permits necessary to construct the Road Improvements,

C)"KM" surety/deposit shall include a construction contingency in an amount equal to ten percent (10%) of the estimated costs of performing the Road Improvements, representing a deposit against said costs and expenses. Following the satisfactory completion of the Road Improvements the "County" will promptly refund to "KM" any unexpended portion of the deposit. "KM" shall, prior to the "County" acceptance of the Road Improvements, pay any shortfall between the amount of the deposit and the actual costs and expenses.

D)The "County" shall hold funding for the estimated cost of said road improvements, as follows:

Designated County Roads Agreed Upon Kinder Morgan CO2 Company and Montezuma County (See Exhibit "B", attached herewith):

Asphalt Road CCMileage

Road CC, Montezuma County 4 1/2

Improvements: Estimated Costs

Base Course: 4"

Prep Work on existing Surface: \$11,100

Asphalt/Surface Course: 3" \$317,788

Surface Width: 24 Feet

Mileage: 4.5 Miles

Surface Width: 24 Feet

Total Estimated Costs per mile \$328,888

E)The entire amount of \$1,480,000.00 is the estimated cost of rebuilding said road as described in the Statement of Facts.

F)Funding shall also include a 10 percent (10%) construction contingency in the amount of \$32,888; Total Deposit specific to this agreement shall be \$1,512,884 and must be received by the "County" prior to \_\_\_\_\_.

G)Cost estimates are attached herewith as Exhibit "A" of this agreement.

#### ARTICLE III

##### PHASING CONSIDERATIONS

A)"KM" anticipates that reconstruction of the road to a paved road will occur in March, 2018.

B)The following specific requirements shall be complied with prior to the paving reconstruction of Road CC:

1."KM" has submitted Traffic Route Plans for all roads being used for heavy truck traffic to their Cow Canyon Expansion Project Area along with their local Permit Applications. "KM" traffic will continue to exceed the county daily limit of 15 round trips per day during the Cow Canyon Expansion Project construction phase. For this purpose, both "KM" and the "County" have agreed that the paving reconstruction of the 4 ½ miles, more or less, on Road CC will begin in March, 2018. Prior to that time, "KM" agrees to keep that portion of Road CC in as good or better condition as similar gravel roads shown on their Traffic Route Plan(s). Maintenance may include gravel placement, grading, dust control and road surface protection and signage.

C)Completion of Construction. "KM" anticipates that reconstruction of the road will occur in March, 2018; however, the "County" shall have sole discretion on scheduling of the completion date for said improvements.

D)Preliminary engineering. The County shall retain, at KMs cost and expense, a licensed professional engineer to prepare preliminary engineering documents, including plans and specifications for road improvements. The Road Improvements shall be designed in accordance with the Montezuma County Road and Bridge Standard Specifications adopted on April 26, 2010. KM and the County shall fully cooperate with respect to the design and engineering of the Road Improvements so that the Road Improvements may be constructed in a cost-effective and efficient manner. The Road Improvements Plan prepared by the Engineer must be reviewed and approved by KM and the County.

E)Pre-Construction Meeting. "KM" shall coordinate with the "County" on scheduling of a pre-construction meeting prior to the "County" doing the pavement reconstruction and (or) placing the project out for bid.

#### ARTICLE V

##### MISCELLANEOUS

A)Binding Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns when fully executed by an authorized representative of each party.

B)Amendment. This Agreement may not be modified, replaced, amended or terminated without the prior written consent of the parties.

C)Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid,

illegal or unenforceable in any respect, that invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provisions had never been contained within the body of this Agreement.

ARTICLE IV

EXECUTION IN COUNTERPARTS/FAX SIGNATURE

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement. In addition, facsimile signatures shall have the same force and effect as an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Road Improvement Agreement by affixing the signatures below effecting as of the date set in the caption.

Keenan G. Ertel, Chairman  
Date

Board of County Commissioners

Montezuma County

\_\_\_\_\_

Date (Corporation Name)

\_\_\_\_\_

Witness (President/Title, Print Name)

\_\_\_\_\_

Witness (Vice-President/Title, Print Name)

\_\_\_\_\_

Witness (President Print Name), as individual

\_\_\_\_\_

Witness (Vice-President Print Name), as individual

ROAD IMPROVEMENT AGREEMENT

BETWEEN MONTEZUMA COUNTY ROAD DEPARTMENT

AND KINDER MORGAN CO2 COMPANY

IMPROVEMENTS TO ROAD CC

Montezuma County, Colorado

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C) "KM" has agreed that there is significant damage to approximately 4 1/2 miles of Road CC that has been caused by their Cow Canyon Expansion Project activities. "KM" accepts financial responsibility for the rebuilding of approximately 4 1/2 miles of Road CC as described in Exhibit "A" of this Agreement; however "KM"s expansion project demonstrates that Road CC will continue to be used for heavy truck traffic for future development applications associated with the Cow Canyon Expansion Project to a point that repaving the Road, as described in this agreement, would be better delayed to a date certain in the future till heavy truck traffic decreases.

D) "KM" has submitted Traffic Route Plans for all roads being used for heavy truck traffic to their Cow Canyon Expansion Project Area as a part of their local Permit Applications. "KM" traffic will continue to exceed the county daily limit of 15 round trips per day during the Cow Canyon Expansion Project construction phase. For this purpose, both "KM" and the "County" have agreed that the paving/reconstruction of 4 1/2 miles, more or less, on Road CC will begin in March, 2018. Prior to that time, "KM" agrees to keep that portion of Road CC in as good or better condition as similar gravel roads shown on their Traffic Route Plan(s). Maintenance may include gravel placement, grading, dust control and road surface protection and signage.

ARTICLE II

FUNDING/DEPOSIT

A) This Agreement limits funding to be used specifically to a certain portion of Road CC, Montezuma County, see Exhibit "A:"

B) "KM" and the "County" have agreed upon the following re-paving calculation:

County Asphalt Road Mileage

Road \_CC 4 1/2 Miles

C) Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. In order to cover county repaving/rebuilding of Road CC for damages caused by excessive heavy truck traffic associated with the CO2 development of the Kinder Morgan CO2 Company's Cow Canyon Expansion Project, the "County" will collect \$281,100 per mile/ (approximately 4 1/2 miles of asphalt road) to be used towards the repaving/rebuilding of said road to County Road and Bridge Standard Specifications as adopted on April 26, 2010.

ARTICLE III

ROAD IMPROVEMENTS PROJECT ESTIMATED COST AND SURETY

A) "KM" surety/deposited funds shall be specifically used for the aforementioned Road Improvements, including without limitation preliminary engineering, construction, construction engineering, survey, inspection, material testing and project administration.

B)“KM” surety/deposited funds shall be used specifically for rebuilding 4 ½ miles of asphalt road (Road CC), plan review, administration, inspection and all other reasonable expenses incurred by the “County” in connection with the Road Improvements. The full employee cost of any work performed by the “County” on the project shall be included in the foregoing costs. Concurrent with the issuance of the permits necessary to construct the Road Improvements,

C)“KM” surety/deposit shall include a construction contingency in an amount equal to ten percent (10%) of the estimated costs of performing the Road Improvements, representing a deposit against said costs and expenses. Following the satisfactory completion of the Road Improvements the “County” will promptly refund to “KM” any unexpended portion of the deposit. “KM” shall, prior to the “County” acceptance of the Road Improvements, pay any shortfall between the amount of the deposit and the actual costs and expenses.

D)The “County” shall hold funding for the estimated cost of said road improvements, as follows:

Designated County Roads Agreed Upon Kinder Morgan CO2 Company and Montezuma County (See Exhibit “B”, attached herewith):

Asphalt Road CCMileage

Road CC, Montezuma County 4 1/2

Improvements:Estimated Costs

Base Course: 4”

Prep Work on existing Surface: \$11,100

Asphalt/Surface Course: 3” \$317,788

Surface Width: 24 Feet

Mileage: 4.5 Miles

Surface Width: 24 Feet

Total Estimated Costs per mile \$328,888

E)The entire amount of \$1,480,000.00 is the estimated cost of rebuilding said road as described in the Statement of Facts.

F)Funding shall also include a 10 percent (10%) construction contingency in the amount of \$32,888; Total Deposit specific to this agreement shall be \$1,512,884 and must be received by the “County” prior to

G)Cost estimates are attached herewith as Exhibit “A” of this agreement.

#### ARTICLE IIIII

#### PHASING CONSIDERATIONS

A)“KM” anticipates that reconstruction of the road to a paved road will occur in March, 2018.

B)The following specific requirements shall be complied with prior to the paving reconstruction of Road CC:

1.“KM” has submitted Traffic Route Plans for all roads being used for heavy truck traffic to their Cow Canyon Expansion Project Area along with their local Permit Applications. “KM” traffic will continue to exceed the county daily limit of 15 round trips per day during the Cow Canyon Expansion Project construction phase. For this

purpose, both "KM" and the "County" have agreed that the paving reconstruction of the 4 1/2 miles, more or less, on Road CC will begin in March, 2018. Prior to that time, "KM" agrees to keep that portion of Road CC in as good or better condition as similar gravel roads shown on their Traffic Route Plan(s). Maintenance may include gravel placement, grading, dust control and road surface protection and signage.

C)Completion of Construction. "KM" anticipates that reconstruction of the road will occur in March, 2018; however, the "County" shall have sole discretion on scheduling of the completion date for said improvements.

D)Preliminary engineering. The County shall retain, at KMs cost and expense, a licensed professional engineer to prepare preliminary engineering documents, including plans and specifications for road improvements. The Road Improvements shall be designed in accordance with the Montezuma County Road and Bridge Standard Specifications adopted on April 26, 2010. KM and the County shall fully cooperate with respect to the design and engineering of the Road Improvements so that the Road Improvements may be constructed in a cost-effective and efficient manner. The Road Improvements Plan prepared by the Engineer must be reviewed and approved by KM and the County.

E)Pre-Construction Meeting. "KM" shall coordinate with the "County" on scheduling of a pre-construction meeting prior to the "County" doing the pavement reconstruction and (or) placing the project out for bid.

#### ARTICLE V

#### MISCELLANEOUS

A)Binding Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns when fully executed by an authorized representative of each party.

B)Amendment. This Agreement may not be modified, replaced, amended or terminated without the prior written consent of the parties.

C)Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, that invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provisions had never been contained within the body of this Agreement.

#### ARTICLE IV

#### EXECUTION IN COUNTERPARTS/FAX SIGNATURE

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement. In addition, facsimile signatures shall have the same force and effect as an original signature.

IN WTNESS WHEREOF, the parties hereto have executed this Road Improvement Agreement by affixing the signatures below effecting as of the date set in the caption.

Keenan G. Ertel, ChairmanDate

Board of County Commissioners

Montezuma County

\_\_\_\_\_  
Date (Corporation Name)

\_\_\_\_\_  
Witness (President/Title, Print Name)

\_\_\_\_\_  
Witness (Vice-President/Title, Print Name)

\_\_\_\_\_  
Witness (President Print Name), as individual

\_\_\_\_\_  
Witness (Vice-President Print Name), as individual Montezuma County has proposed a Road Improvement Agreement between Montezuma County Road Department and Kinder Morgan CO2 Company in regards to improvements for damages that occurred on approximately 4.5 miles of chip sealed road. Said agreement has not yet been executed and the condition of the local permits is that an agreement be reached to address the damages on the county road system.

See agreement below (I dont know how to attach a document so I am pasting it in the comments)

#### ROAD IMPROVEMENT AGREEMENT

BETWEEN MONTEZUMA COUNTY ROAD DEPARTMENT

AND KINDER MORGAN CO2 COMPANY

IMPROVEMENTS TO ROAD CC

Montezuma County, Colorado

THIS ROAD IMPROVEMENT AGREEMENT ("Agreement") is entered into as of the \_\_\_\_ day of March, 2014, and memorializes and confirms certain verbal commitments and understandings made by and among the MONTEZUMA COUNTY BOARD OF COMMISSIONERS ("County") with offices located at 109 West Main Street, Cortez, CO, and KINDER MORGAN CO2 COMPANY ("KM"), with offices located at 17801 Hwy. 491, Cortez, CO

#### ARTICLE I

##### STATEMENT OF FACTS

A) "KM", as a part of their Cow Canyon Expansion Project has submitted Local Permit Applications that included, but were not limited to, certain Traffic Route Plans which includes a portion of Road CC wherein approximately 4 1/2 miles of asphalt road surface was significantly damaged by heavy truck traffic directly associated with "KM"s development of the Cow Canyon Expansion Project.

B) "KM" has stated to the "County", within their local permit applications submitted and later approved by the "County" that the access roads would be maintained and (or) improved over the course of their development of the Cow Canyon Expansion Project Area and this is a part of the conditions of any local permits issued.

C) "KM" has agreed that there is significant damage to approximately 4 1/2 miles of Road CC that has been caused by their Cow Canyon Expansion Project activities. "KM" accepts financial responsibility for the rebuilding of approximately 4 1/2 miles of Road CC as described in Exhibit "A" of this Agreement; however "KM"s expansion project demonstrates that Road CC will continue to be used for heavy truck traffic

for future development applications associated with the Cow Canyon Expansion Project to a point that repaving the Road, as described in this agreement, would be better delayed to a date certain in the future till heavy truck traffic decreases.

D) "KM" has submitted Traffic Route Plans for all roads being used for heavy truck traffic to their Cow Canyon Expansion Project Area as a part of their local Permit Applications. "KM" traffic will continue to exceed the county daily limit of 15 round trips per day during the Cow Canyon Expansion Project construction phase. For this purpose, both "KM" and the "County" have agreed that the paving/reconstruction of 4 ½ miles, more or less, on Road CC will begin in March, 2018. Prior to that time, "KM" agrees to keep that portion of Road CC in as good or better condition as similar gravel roads shown on their Traffic Route Plan(s). Maintenance may include gravel placement, grading, dust control and road surface protection and signage.

## ARTICLE II

### FUNDING/DEPOSIT

A) This Agreement limits funding to be used specifically to a certain portion of Road CC, Montezuma County, see Exhibit "A."

B) "KM" and the "County" have agreed upon the following re-paving calculation:

County Asphalt Road Mileage

Road \_CC 4 ½ Miles

C) Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. In order to cover county repaving/rebuilding of Road CC for damages caused by excessive heavy truck traffic associated with the CO2 development of the Kinder Morgan CO2 Company's Cow Canyon Expansion Project, the "County" will collect \$281,100 per mile/ (approximately 4 ½ miles of asphalt road) to be used towards the repaving/rebuilding of said road to County Road and Bridge Standard Specifications as adopted on April 26, 2010.

## ARTICLE III

### ROAD IMPROVEMENTS PROJECT ESTIMATED COST AND SURETY

A) "KM" surety/deposited funds shall be specifically used for the aforementioned Road Improvements, including without limitation preliminary engineering, construction, construction engineering, survey, inspection, material testing and project administration.

B) "KM" surety/deposited funds shall be used specifically for rebuilding 4 ½ miles of asphalt road (Road CC), plan review, administration, inspection and all other reasonable expenses incurred by the "County" in connection with the Road Improvements. The full employee cost of any work performed by the "County" on the project shall be included in the foregoing costs. Concurrent with the issuance of the permits necessary to construct the Road Improvements,

C) "KM" surety/deposit shall include a construction contingency in an amount equal to ten percent (10%) of the estimated costs of performing the Road Improvements, representing a deposit against said costs and expenses. Following the satisfactory completion of the Road Improvements the "County" will promptly refund to "KM" any unexpended portion of the deposit. "KM" shall, prior to the "County" acceptance of the Road Improvements, pay any shortfall between the amount of the deposit and the actual costs and expenses.

D) The "County" shall hold funding for the estimated cost of said road improvements, as follows:

Designated County Roads Agreed Upon Kinder Morgan CO2 Company and

Montezuma County (See Exhibit "B", attached herewith):

Asphalt Road CCMileage

Road CC, Montezuma County 4 1/2

Improvements:Estimated Costs

Base Course: 4"

Prep Work on existing Surface: \$11,100

Asphalt/Surface Course: 3" \$317,788

Surface Width: 24 Feet

Mileage: 4.5 Miles

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Total Estimated Costs per mile \$328,888

E)The entire amount of \$1,480,000.00 is the estimated cost of rebuilding said road as described in the Statement of Facts.

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G)Cost estimates are attached herewith as Exhibit "A" of this agreement.

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Keenan G. Ertel, ChairmanDate

Board of County Commissioners

Montezuma County

\_\_\_\_\_

Date (Corporation Name)

\_\_\_\_\_

Witness (President/Title, Print Name)

\_\_\_\_\_

Witness (Vice-President/Title, Print Name)

\_\_\_\_\_

Witness (President Print Name), as individual

\_\_\_\_\_

Witness (Vice-President Print Name), as individual

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Permit	Final review completed; no LGD or public comment received.	3/25/2014 7:07:10 AM	
Permit	Open hole resistivity and gamma logs shall be run to describe the stratigraphy of the entire well bore and to adequately verify the setting depth of surface casing and aquifer coverage. On a multi-well pad, these open hole logs are only required on one of the first wells drilled on the pad and the Drilling Completion Report - Form 5 for every well on the pad shall identify which well was logged.	3/25/2014 7:06:41 AM	
Permit	This permit is the lateral of a pilot/lateral drilling plan and this permit should have a sidetrack designation in the API number. Approval of this permit must follow the approval of the pilot in order that the wellbores have the correct sidetrack designation.	3/25/2014 7:00:48 AM	
Permit	Per Operator: Kinder Morgan is producing out of the Leadville, deeper than the Lowry Unit #1 (API # 083-06557, some 1400' away, DA) and has no intention of fracking this well.	2/23/2014 9:13:27 AM	
Permit	Passed completeness.	2/19/2014 3:44:41 PM	
Permit	Returned to draft: Missing Offset Wells Evaluation. The Interim Statewide Horizontal Offset Policy became effective February 10, 2014. All APDs, Form 2s for horizontal wells submitted on or after February 10th must include the Offset Well Evaluation. Please refer to COGCC website under Hot Topics and Public Announcements.	2/19/2014 9:56:02 AM	
Total: 7 comment(s)			