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*By Electronic Mail*

Matt Lepore
Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Re: <u>Use of Operator Agreement BMPs as COAs in the Morgan Hills Form 2A Authorization</u>

Dear Director Lepore:

This letter will memorialize the results reached at our meeting yesterday regarding use by the Colorado Oil and Gas Conservation Commission ("Commission") of Best Management Practices ("BMPs") from the Operator Agreement between the Town of Erie ("Erie") and Encana Oil & Gas (USA) Inc. ("Encana") as Conditions of Approval ("COAs") in the COGCC's authorization of the pending Form 2A, Oil and Gas Location Assessment for the Morgan Hills site.

The purpose of our meeting was to review and discuss possible changes to your letter dated January 28, 2016 to Erie Town Administrator A.J. Krieger regarding this subject. The other meeting participants were Dave Kulmann, Deputy Director – Field Operations for the Commission, Greg Deranleau, Environmental Manager for the Commission, and Jason Oates, Senior Manager for Regulatory and External Relations for Encana. While we did not reach agreement on all issues, we did tentatively agree to the following changes to your letter; all of these changes will be subject to review and consideration by Erie:

**BMP #3 – Central Hub.** The phrase "to confer with the Town of Erie and then" will be inserted into last sentence of the proposed COA so that it reads as follows: "The operator is required to confer with the Town of Erie and then to submit an amended Form 2A prior to deviating from the foregoing requirement." This reflects the requirement in the BMP that Encana confer with Erie before installing hydrocarbon storage tanks at the location.

**BMP #4 – Well leak detection and repair.** The proposed COA for this BMP will be changed in three ways. First, the words "on all" will be omitted from the first sentence of the proposed COA so that the sentence reads as follows: "Operator will perform audio, visual and olfactory inspections for leaks from wells and related production facilities on a monthly basis at this location once production starts." This corrects a typographic mistake. Second, a new sentence will be inserted between the last and next to last sentences of the proposed COA, and it will read as follows: "Operator will also report to the Town of Erie on the inspection results and any associated repairs the month after the inspection or repair occurs." This change incorporates the requirement for such reporting in paragraph b of the BMP. Third, the date September 1, 2020 will replace the phrase "five (5) years after the first monthly inspection performed" in the last sentence so that the sentence reads as follows: "This BMP will terminate on September 1, 2020." This change makes the COA more specific and better reflects paragraph c of the

BMP. Although we did not discuss it, the reference to "BMP" in the last sentence should probably be changed to "COA" because the provision will be a COA.

**BMP #5 – Contact information.** The phrase "during drilling and completion operations but not during production operations" will be added at the end of this COA so that the COA reads as follows: "Operator shall include its contact information, including both a telephone number for the Operator and the address and hors of the Operator's Erie community office on all required location signage during drilling and completion operations but not during production operations." This change makes the COA more specific and better reflects the Commission's intent, which is to require the posting of this information during drilling and completion operations but not during production operations.

**BMP #7 – Closed-loop systems.** The words "(no pits)" and "drilling and" will be added to this COA so that it reads as follows: "Operator shall use closed-loop systems (no pits) for drilling and completion operations." This change makes the COA more specific and better reflects the BMP which refers to both drilling and completion operations.

**BMP #13 – Traffic.** A new COA will be added for this BMP, and it will read as follows: "Operator shall coordinate a traffic plan with the Town of Erie prior to commencement of move in and rig up." This is intended to reflect the BMP consistent with Commission Rule 604.c.(2)(D).

**BMP #19 – Revision of best management practices.** An enumeration of the BMPs and COAs that reflect the Agreement will replace the phrase "BMPs which implicate the Operator's MOU with Erie" in the last sentence of the proposed COA so that the sentence reads as follows: "Any changes to BMPs number ___ and COAs number ___ shall be submitted with concurrence from the Town of Erie for the change." This change makes the COA more specific.

**Generic BMP Added to the COGCC Permits.** The proposed language referring to the Agreement and the BMPs will be omitted and no reference document will be attached to the Form 2A authorization. Instead, Encana will submit a copy of the Agreement to the Commission, and the Commission will retain the Agreement in the location file for reference purposes. This change is intended to avoid creating any confusion regarding those BMPs in the Agreement that are not incorporated into the Form 2A authorization as COAs.

**Last Paragraph.** The word "not" will be inserted into the second sentence of the last paragraph so that the sentence reads as follows: "COGCC's determination regarding specific BMPs does not alter the Town of Erie's rights to enforce the MOU's provisions or any other contracts or agreements between the Town of Erie and Encana." This corrects a typographic mistake.

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Thank you again for meeting with us to discuss this matter. Encana will forward a copy of this letter to Erie to inform them of the results of our meeting and enable them to review and consider the changes that we tentatively agreed upon.

Respectfully,

Dave Neslin
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cc by electronic mail:

Dave Kulmann
Greg Deranleau
Jason C. Oates