

**RESOLUTION NO. 15-98**

**A RESOLUTION AUTHORIZING THE TOWN OF ERIE, COLORADO, TO ENTER INTO AN OPERATOR AGREEMENT WITH ENCANA OIL & GAS (USA) INC.; AUTHORIZING AND DIRECTING THE APPROPRIATE TOWN OFFICERS TO SIGN SAID OPERATOR AGREEMENT; AND, SETTING FORTH DETAILS IN RELATION THERETO.**

**WHEREAS**, the Town of Erie, Colorado wishes to enter into an Operator Agreement for the purpose of identifying the best management practices for Encana Oil and Gas (USA) Inc.'s ("Encana") future operations within Erie's town limits; and

**WHEREAS**, the Board of Trustees of the Town of Erie believes it is in the best interest of the Town to enter into such an Operator Agreement.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE TOWN OF ERIE, COLORADO, AS FOLLOWS:**

Section 1. That the Operator Agreement between the Town of Erie and Encana, a copy of which is attached hereto and incorporated herein by reference, is found to be a reasonable and acceptable Operator Agreement for the purpose of identifying the best management practices for EnCana's future operations within Erie's town limits.

Section 2. That the Town of Erie be and is hereby authorized and directed to enter into the Operator Agreement, and the appropriate Town officers are hereby authorized and directed to sign and bind the Town of Erie to said Operator Agreement.

Section 3. That entering into the Operator Agreement is found to be in the best interest of the Town of Erie, and necessary for the preservation of the public health and safety.

**ADOPTED AND APPROVED THIS 25<sup>TH</sup> DAY OF AUGUST, 2015, BY THE BOARD OF TRUSTEES OF THE TOWN OF ERIE, COLORADO.**

**TOWN OF ERIE,**  
a Colorado municipal corporation

By: \_\_\_\_\_  
Tina Harris, Mayor

ATTEST:

By: \_\_\_\_\_  
Nancy Parker, CMC, Town Clerk

## **OPERATOR AGREEMENT**

This Operator Agreement ("Agreement") is made and entered into this \_\_\_\_ day of July, 2015 ("Effective Date") by and between the Town of Erie, a Colorado municipal corporation ("Erie"), whose address is 645 Holbrook Street, P.O. Box 750, Erie, Colorado 80516, and Encana Oil & Gas (USA) Inc., a Delaware corporation ("Encana"), whose address is 370 17th Street, Suite 1700, Denver, Colorado 80202. Encana and Erie may be referred to individually as a "Party" or collectively as the "Parties."

### **BACKGROUND**

**A.** Encana is the owner of oil and gas leasehold and mineral interests within Erie's town limits and part of Erie's development planning area. Encana currently operates oil and gas wells within Erie's town limits and part of Erie's development planning area, and seeks to develop its current and future oil and gas leasehold and mineral interests by drilling additional wells within Erie's town limits and part of Erie's planning area.

**B.** Erie and Encana value a balanced approach to oil and gas development that is protective of human health, safety and welfare, as well as the environment and wildlife. To that end, in order to achieve such goals in a cooperative manner, Erie and Encana enter into this Agreement to accomplish the following:

1. To identify the new well pad sites that Encana plans to develop within the Erie town limits and on certain adjacent land during the next five (5) years;
2. To provide for a centralized product gathering and storage facility to reduce air emissions from and consolidate infrastructure for the new wells;
3. To supplement state environmental requirements by adopting 18 best management practices ("BMPs") that will further mitigate the potential environmental and land use effects associated with this development, including BMPs for pad siting, noise mitigation, leak detection and repair, berm construction, closed loop system use, lighting installation, underground injection, water reuse, traffic management, road repairs, access road improvement, fencing construction, and hydraulic fracturing product selection;
4. To create a review process for these well pads, which includes enhanced submittal and notice requirements;
5. To approve the development of these well pads, subject to the submittal of certain documentation and fees, meetings with staff and neighbors, and mailed and posted notices, as well as compliance with the identified BMPs and, under specified circumstances, additional environmental requirements;
6. To create a process of regular meetings between Erie and Encana to improve communication and cooperation regarding Encana's operations within the Erie town limits and on the adjacent land; and

7. To replace and supersede the Memorandum of Understanding between Encana and Erie dated August 28, 2012 (the "2012 MOU").

NOW THEREFORE, the Parties agree as follows:

## ARTICLE I. GENERAL PROVISIONS

1. **Effective Date.** This Agreement shall be effective as of the Effective Date and shall replace and supersede the 2012 MOU in its entirety with respect to new wells that Encana starts after the Effective Date within the Operator Agreement Area.
2. **Intent to Supplement State Rules and Regulations.** The Parties recognize that pursuant to the Colorado Oil and Gas Conservation Act, Colo. Rev. Stat. §34-60-101 et seq., the Colorado Oil and Gas Conservation Commission ("COGCC") regulates the development and production of oil and gas resources in Colorado, and the Act authorizes the COGCC to adopt statewide rules and regulations, which the COGCC has done. The Parties further recognize that pursuant to the Colorado Air Pollution Prevention and Control Act, Colo. Rev. Stat. §25-7-101 et seq., the Colorado Air Quality Control Commission ("CAQCC") regulates air quality in Colorado, and the Act authorizes the CAQCC to adopt statewide rules and regulations, which the CAQCC has done. The BMPs developed jointly by the Parties and identified in this Agreement are intended to supplement and are in addition to these state rules and regulations.
3. **Applicability.** Unless otherwise provided herein, this Agreement shall apply to all new wells that Encana starts within the Operator Agreement Area during the Term of this Agreement. This Agreement shall not apply to any wells: (i) in which Encana may have an interest but for which Encana is not the operator; or (ii) that were drilled or started by Encana prior to the Effective Date, except as set forth in Appendix A, Section 4.
4. **Term.** The Term of this Agreement shall commence upon the Effective Date and shall remain in effect for five (5) years at which time the Agreement will automatically be renewed and extended for an additional five (5) years unless either Party elects to terminate the Agreement at the end of the then current term by providing written notice to the other party of such intent at least thirty (30) days prior to the expiration of this Agreement.
5. **Effect of Termination on Obligations and Authorizations.** If the Agreement is terminated by either Party, any development authorized by the Agreement and for which the Conceptual Review Meeting has occurred shall continue to be authorized under and subject to this Agreement. Upon termination of the Agreement, any development authorized by the Agreement and for which a Conceptual Review Meeting has not yet occurred shall be subject to the then applicable Town Regulations or such other agreement to which the Parties may agree.
6. **Comprehensive Drilling Plan.** In consultation with Erie and pursuant to this Agreement, Encana has developed a Comprehensive Drilling Plan that includes both: (i) the new well pad sites that Encana plans to develop during the next five (5) years within the Operator Agreement Area (the "Identified Well Pads" or the "Identified Pad Sites"); and (ii) the BMPs that will apply to such development. The BMPs are listed on the Best Management Practices for Pad Site Locations attached as Appendix A, and the Identified Well Pads are depicted in the Operator Agreement Area Map attached as Appendix B.

**7. Incorporation of Best Management Practices into COGCC Submittals.** Encana shall include the BMPs listed in Appendix A on all Forms 2, Applications for Permit to Drill, and Forms 2A, Oil and Gas Location Assessments, submitted to the COGCC for new wells that Encana drills during the Term of this Agreement within the Operator Agreement Area.

**8. Regular Meetings between the Parties.** Erie and Encana will meet on a quarterly basis to discuss the implementation of this Agreement, the Comprehensive Drilling Plan, and the Erie Comprehensive Plan, as well as any changes to their respective plans and intentions. The responsibility to meet and confer shall survive the termination of this Agreement until the Parties mutually agree to terminate these meetings. As part of these discussions, the Parties intend to exchange information regarding the possibility, location, and schedule for future oil and gas, residential, commercial, and other development so as to minimize future land use conflicts and concerns while allowing for the responsible exercise of land and mineral ownership rights. The Parties may jointly agree to share certain information on a confidential basis, to invite third parties to participate, and to change the frequency of the meetings.

**9. Annexation by Another Municipality.** If a municipal government other than Erie annexes any portion of the Operator Agreement Area, then this Agreement shall apply to the annexed portion of the Operator Agreement Area only if both Encana and the annexing municipality so agree in writing.

## **ARTICLE II. DEFINITIONS**

BMPs. Best management practices.

CAQCC. The Colorado Air Quality Control Commission.

Code. The Erie Unified Development Code.

Comprehensive Drilling Plan. The Identified Pad Sites depicted on the Operator Agreement Area Map attached as Appendix B and the BMPs listed in Appendix A.

Conceptual Review Meeting. Conceptual Review Meeting has the meaning set forth in Article III, Section 2.

COGCC. The Colorado Oil and Gas Conservation Commission.

Effective Date. July \_\_, 2015.

Encana. Encana includes Encana Oil & Gas (USA) Inc., a Delaware corporation, as well as any agents or affiliates that develop the eight Identified Well Pads.

Erie Building Unit. A Building Unit as defined in the COGCC 100 Series Rules and Regulations that is located within the Erie Town Limits.

Erie Town Limits. The area that is within Erie's town limits. The Erie Town Limits as of the Effective Date are depicted on the Operator Agreement Area Map.

Federal or State Study. A peer reviewed scientific study that is funded, conducted, or adopted by a United States federal or Colorado state agency. For this purpose: funding or conducting includes situations where the agency partially funds or conducts the study; and agency excludes the legislative and judicial branches and educational institutions.

Filings. All filings, site plans, permits, licenses, applications, easements, rights-of-way and other approval requests.

Financial Assurance. A Financial Assurance as defined in the COGCC 100 Series Rules and Regulations, except that the reference to the Commission shall mean Erie.

Hub. Hub has the meaning set forth in Appendix A, Section 3.

Identified Well Pads and Identified Pad Sites. These terms are interchangeable and shall mean the eight well pads identified by name and polygon on the Operator Agreement Area Map.

Operator Agreement Area. The area depicted on the Operator Agreement Area Map attached as Appendix B, which includes the Erie Town Limits as of the Effective Date and certain adjacent land.

Plans and Materials. Plans and Materials has the meaning set forth in Article III, Section 3.

Recompletion. An operation whereby additional completion activity is conducted within the existing and previously producing wellbore.

Regulation 7. Regulation Number 7 adopted by the CAQCC.

Rework. An operation conducted in the wellbore of the well after it is completed to secure, restore, or improve production in a formation which is currently open to production in the wellbore.

Term. Term has the meaning set forth in Article I, Section 4.

Town Review Process. Town Review Process has the meaning set forth in Article III.

### **ARTICLE III. TOWN REVIEW PROCESS**

**1. Applicability.** This review process shall apply to any new well pad that Encana develops within the Operator Agreement Area during the Term of this Agreement, except for: (i) the Woolley Beckey Sosa pad site which was previously approved by the COGCC and is outside the Erie Town Limits; and (ii) the Morgan Hill pad site, which as of the Effective Date is already being reviewed under the Code. Although both the Woolley Beckey Sosa pad site and the Morgan Hill pad site are exempt from the Town Review Process, they each are subject to the BMPs listed in Appendix A and Encana will amend the Form 2A, Oil and Gas Location Assessment for each of them to include such BMPs.

**2. Conceptual Review Meeting.** The purpose of the Conceptual Review Meeting is for the Erie staff and Encana, prior to submittal of a Form 2A, Oil and Gas Location Assessment to the COGCC, to review the proposed development in a manner that ensures compliance with this Agreement. This meeting shall also allow Encana and the staff to explore site-specific concerns, to discuss impacts and potential mitigation methods including field design and infrastructure construction to minimize impacts, to discuss coordination of field design with other existing or potential development and operators, to review plans, and to discuss other elements of this Agreement. Erie and Encana agree that there shall be one separate Conceptual Review Meeting for each Identified Pad Site (and any other new pad site within the Operator Agreement Area).

a. Encana shall schedule the Conceptual Review Meeting to occur at least ninety (90) calendar days prior to its submission of a Form 2A, Oil and Gas Location Assessment to the COGCC.

b. If Encana's scheduling constraints prevent it from scheduling the Conceptual Review Meeting to occur at least ninety (90) calendar days in advance of submitting a Form 2A, Oil and Gas Location Assessment to the COGCC, Encana may schedule the Conceptual Review Meeting to occur no less than thirty (30) calendar days prior to the submission of the Form 2A, Oil and Gas Location Assessment to the COGCC. In such event, Erie may retain an outside consultant to review the materials and to participate in and/or conduct the conceptual review process and the other timeframes established in this Article will be readjusted or waived. Encana shall have the ability to approve the consultant's budget and scope of work, and Encana shall be responsible for the costs of the consultant retained by Erie for this purpose.

**3. Submittal of Materials to Erie.** No less than fifteen (15) calendar days prior to the Conceptual Review Meeting, Encana shall submit the following plans and materials ("Plans and Materials") to Erie. During the Conceptual Review Meeting, Erie and Encana will discuss modifications to any of the Plans and Materials that would better mitigate the impacts of operations and ensure compliance with the BMPs. The Plans and Materials shall include:

1.) a summary of planned operations, and an initial estimated timeline, suitable for posting to a local community information web-page;

2.) a topographic map at a scale not to exceed 1"=40' showing the proposed oil and gas locations, access roads and gathering systems reasonably known to Encana. The map shall specify the shortest distance between any proposed well or surface equipment on the well pad and the nearest exterior wall of an existing Erie Building Unit (as of the Effective Date);

3.) a current aerial photo showing the proposed oil and gas locations displayed at the same scale as the topographic map to facilitate use as an overlay. The photograph shall specify the shortest distance between any proposed well or surface equipment on the well pad and the nearest exterior wall of an existing Erie Building Unit (as of the Effective Date);

4.) a list of all proposed oil and gas facilities to be installed;

5.) an access road plan sufficient to demonstrate compliance with Access Road standards contained in Section 10.3.2. D.3.b. of the Code;

- 6.) a site plan for site preparation, mobilization, and demobilization;
- 7.) a plan for interim reclamation and revegetation of the site and final reclamation of the site, together with locations of any proposed reference areas to be used as guides for interim and final reclamation;
- 8.) a lighting plan describing the lighting to be installed at the well site consistent with the BMP standard in Appendix A;
- 9.) a dust suppression and control plan;
- 10.) a traffic management plan showing the estimated number of vehicle trips per day for each type of vehicle, proposed access routes to and from the site, and measures to mitigate adverse impacts to traffic patterns and safety caused by the proposed operation consistent with Section 10.3.2.D.3.b. of the Code;
- 11.) a grading/drainage plan showing existing (dashed lines) and proposed (solid lines) contours at two-foot intervals;
- 12.) a geological report detailing the geological characteristics of the site prepared by a registered engineer, including any potential natural or man-made hazards which would have a significant influence on the proposed oil and gas development and a determination of what effect such factors would have and proposed corrective or protective measures;
- 13.) any other information requested by Erie demonstrating how Encana will comply with and implement the BMPs on Appendix A; and
- 14.) a planning review fee of one thousand dollars (\$1000) per well and an engineering review fee of one thousand two hundred dollars (\$1200) per well pad.

If Encana revises any of the Plans and Materials during the Town Review Process, Encana will notify Erie of the revisions made and Erie will advise Encana whether the revisions will affect compliance with the BMPs, but such communications will not affect the date by which Encana may submit the Form 2A, Oil and Gas Location Assessment to the COGCC. Following the Town Review Process, Encana may revise the Plans and Materials from time to time, provided that Encana will discuss any such revisions with Erie either at the time they are made or alternatively at the next quarterly meeting required under Article I, Section 8. Any revisions to the Plans and Materials shall comply with the BMPs.

**4. Erie Completeness Determination.** If the Plans and Materials are incomplete, Erie shall inform Encana of the deficiencies promptly after discovery and no later than at the Conceptual Review Meeting. Encana shall promptly correct any such deficiency in the Plans and Materials and resubmit the corrected documents to Erie by a mutually agreed upon date.

**5. Referral to Staff, Consultants, and Outside Agencies.** Upon request by Erie, Encana will submit to Erie copies of the Plans and Materials for review by Erie staff, Erie consultants, and outside referral agencies, if any. For this purpose, Erie will provide Encana with a list

identifying the staff, consultants, and referral agencies to receive referral packets. Within seven (7) calendar days after receiving this list, Encana will provide Erie with the requested referral packets in unsealed Tyvek envelopes, addressed to the identified referral recipients and containing all submittal information properly folded and compiled. Once Erie has received the referral packets, it will distribute them to the appropriate staff, consultants, and referral agencies. Erie will send copies of the referral comments to Encana upon receipt. Any referral will be undertaken so as not to delay the Town Review Process.

**6. Comments by Erie to the COGCC.** Following the Conceptual Review Meeting, the parties may agree to meet further to resolve any remaining issues and ensure that the Plans and Materials demonstrate that the planned development will comply with the BMPs. If Erie determines that the planned development will not conform to the BMPs, Erie shall submit a letter to the COGCC explaining the deficiencies and proposing conditions of approval to achieve such compliance.

**7. Neighborhood Meeting.** Prior to Encana's submission of a Form 2A, Oil and Gas Location Assessment to the COGCC, Encana shall hold a neighborhood meeting at the Erie Community Center or a similarly convenient location approved by Encana and Erie. Encana shall provide 3 x 5 cards for the public to make written comments. Erie shall provide a lockbox for purposes of collecting written comments from meeting attendees. The Local Government Designee ("LGD") or his appointee will attend the meeting and collect the lockbox containing any written comments from meeting attendees. The LGD will transmit the written comments to the COGCC with any comments he submits on behalf of Erie regarding the Form 2A.

**8. Mailed Notice.** Encana shall mail notice of the anticipated Form 2A, Oil and Gas Location Assessment no more than ten (10) calendar days after the Conceptual Review Meeting has taken place. Properties to receive notice will be jointly determined by Erie and Encana at the Conceptual Review Meeting based on those properties within at least one-half (1/2) mile of the pad site that would be affected by the proposed operation. Owners of record shall be ascertained according to the records of the County Assessor's Office, unless more current information is made available in writing to Erie prior to the mailing of the notices. This notice shall include reference to the neighborhood meeting, if applicable, contact information for Encana, and the approximate date drilling will begin. Encana will provide Erie with an affidavit or certificate of mailing showing that notice was provided to the list of property owners.

**9. Posted Notice.** Encana shall also post a sign, which conforms to the dimensions and requirements in the Code at the pad site, giving notice to the general public of the proposed development and contact information for Encana. For parcels of land exceeding ten (10) acres in size, two (2) signs shall be posted. Such signs shall be approved by Erie and shall be posted on the subject property in a manner and at a location or locations reasonably calculated by Erie to afford the best notice to the public, which posting shall occur within ten (10) days preceding the neighborhood meeting.

**10. Pre-Drilling Notice.** If Encana begins drilling the first well on the pad site more than six (6) months after the Form 2A, Oil and Gas Location Assessment for the site is approved by the COGCC, then Encana shall provide a pre-drilling notice. Encana will mail this notice at least thirty (30) days before drilling begins to all properties that received mailed notice under Article III, Section 8. The pre-drilling notice will include the location of the wells to be drilled, the



anticipated date drilling will begin, and Encana's contact information. Encana may satisfy this requirement by mailing the Move-In, Rig-Up Notice required by COGCC Rule 305.h to all properties that received mailed notice under Article III, Section 8.

**11. Submission of Form 2A, Oil and Gas Location Assessment to the COGCC.** Notwithstanding any other provision of this Agreement, after (i) Encana has submitted its Plans and Materials to Erie, (ii) the Parties have held a Conceptual Review Meeting, (iii) Encana has provided mailed notice under Article III, Section 8 and posted notice under Article III, Section 9, (iv) the Parties have held a neighborhood meeting under Article III, Section 7, and (v) Erie has completed its review of the Plans and Materials under Article III, Sections 4, 5, and 6, then Encana may submit its Form 2A, Oil and Gas Location Assessment to the COGCC.

#### **ARTICLE IV. ENCANA OPERATIONS DURING THE TERM OF THIS AGREEMENT**

##### **1. Identified Pad Sites.**

###### **a. Construction of Identified Pad Sites and Associated Wells and Facilities.**

i. Encana shall develop the Identified Pad Sites, all wells and facilities located at such Pad Sites, all adjacent tanks used for such Pad Sites, and all storage facilities for such Pad Sites authorized under Article IV, Section 4 in accordance with this Agreement. Encana intends to commence and complete its development of these Identified Pad Sites as quickly as is commercially reasonable under the current circumstances.

ii. Additional operations on wells within the Identified Pad Sites may occur during this Agreement and after its termination, including but not limited to the installation of production facilities, production and maintenance operations, Rework or Recompletion operations, and/or plugging and abandonment operations.

###### **b. Approval of Identified Pad Sites and Associated Wells and Facilities.**

i. This Agreement shall constitute final approval by Erie of the Identified Pad Sites, all wells, facilities, and operations located at such Pad Sites, all adjacent tanks used for such Pad Sites, and all storage facilities for such Pad Sites authorized under Article IV, Section 4, and Encana is authorized by this Agreement to commence development of such Pad Sites, wells, tanks, facilities, and equipment and to undertake such operations subject to the requirements of this Agreement. With the exception of the Overweight Vehicle Permit, Encana shall not be required to obtain from Erie any site plans, permits, licenses, applications, easements, rights-of-way or other approvals for such Pad Sites, wells, facilities, and operations under the Code or any other authority. Instead, such Pad Sites, wells, tanks, facilities, and operations shall be subject to the terms and conditions of this Agreement, including the BMPs listed in Appendix A and the Operator Agreement Area Map attached as Appendix B.

ii. The Parties intend that this Agreement sets forth all of the obligations, duties, requirements, and conditions that Erie shall apply to the Identified Pad Sites, the wells, facilities, and operations located at such Pad Sites, the adjacent tanks used for such

Pad Sites, and the storage facilities for such Pad Sites authorized under Article IV, Section 4, as long as Encana complies with the terms and conditions of this Agreement.

iii. Other than approval of the use of Town property which must be approved by the Board of Trustees, if any approval by Erie becomes necessary for any of the Identified Pad Sites, any of the wells, facilities, or operations located at such Pad Sites, any adjacent tanks used for such Pad Sites, and any storage facilities for such Pad Sites authorized under Article IV, Section 4, then Erie shall promptly issue such approval through the town administrator or other designee and ensure that such approval is consistent with the terms and conditions of this Agreement.

c. **Relocation of Identified Pad Sites.** If Encana seeks to relocate any Identified Well Pad to a site other than the polygon depicted in the Operator Agreement Area Map, then such relocated pad site shall be subject to the following requirements:

i. The Town Review Process and the BMPs shall apply to the relocated pad site. If such pad site is within the then current Erie Town Limits, Encana shall obtain all necessary approvals for such site under the then current Erie regulations. In the case of a conflict between the Town Review Process and the BMPs included in this Agreement and the then-current regulations, the more stringent requirements shall apply.

ii. Encana shall discuss the site location with Erie at one of the quarterly meetings required under Article I, Section 8 or before Encana concludes surface use agreement negotiations for the site.

iii. The minimum distance between a well or surface equipment and the nearest exterior wall of an existing Erie Building Unit (as of the Effective Date) shall not be less than the shortest distance set forth in Appendix A, Section 1.

iv. Erie will process all properly submitted Filings for the relocated pad site within the time period required by the applicable law, Code, rule, regulation, or ordinance. Erie acknowledges that time is of the essence with respect to such Filings.

**2. Pad Sites Not Identified on the Operator Agreement Area Map and Commenced During the First Term of Agreement.**

a. The Town Review Process and the BMPs shall apply to any pad site not included on the Operator Agreement Area Map that is proposed to be commenced during the first term of this Agreement. If such pad site is within the then current Erie Town Limits, Encana also shall obtain all necessary approvals for such site under the then-current Erie regulations. In the case of a conflict between the Town Review Process and the BMPs included in this Agreement and the then-current regulations, the more stringent requirements shall apply.

b. Encana shall discuss the site location of pad sites not included on the Operator Agreement Area Map with Erie at one of the quarterly meetings required under Article I, Section 8 or before Encana concludes surface use agreement negotiations for the site.

c. For any pad site not included on the Operator Agreement Area Map and within the Erie Town Limits, Erie will process all properly submitted Filings within the time period required by the applicable law, Code, rule, regulation, or ordinance. Erie acknowledges that time is of the essence with respect to all such Filings.

3. **The Hub.** Erie will process all properly submitted Filings that are necessary for the construction or operation of the Hub within the time period required by applicable law, Code, rule, regulation or ordinance. Erie acknowledges that time is of the essence with respect to all such Filings.

4. **Pad Sites Unable to Connect to Hub.** Encana intends to utilize the Hub for all Identified Pad Sites. However, Encana may not be able to utilize the Hub for certain of these Pad Sites due to inability to obtain pipeline rights-of-way and/or other matters outside Encana's reasonable control. For any such Pad Sites where Encana is unable to utilize the Hub, Encana may, after conferring with Erie, install hydrocarbon storage tanks and any other facilities necessary for the production of hydrocarbons at those locations. All other provisions of this Agreement shall continue to apply to any such Pad Sites.

5. **Potential Encroachment.** To reduce the possibility of new residential development within Erie's Town Limits encroaching within one thousand (1,000) feet of any of the Identified Pad Sites before Encana has finished drilling and completing all of the wells on such Pad Site, the Parties will take the following action:

a. Erie will provide Encana with timely and regular information on planned unit developments and subdivisions approved and preliminary and final plats filed within the Erie Town Limits. For this purpose, Erie shall treat Encana as a referral agency for all such developments, subdivisions, and plats.

b. Erie will make its best efforts to promptly notify Encana if Erie determines that new residential development within the Erie Town Limits is likely to encroach within one thousand (1,000) feet of any of the Identified Pad Sites within the following six (6) months. Upon receiving such notice, Encana will use its best efforts to prioritize the development of that Pad Site so that all wells on it are drilled and completed before any such encroaching residential development is finished and occupied. Erie and Encana will attempt to work in good faith with the residential developer so that the wells can be drilled and completed before the residences are finished and occupied. The Parties acknowledge and agree that Encana's ability to prioritize development at a particular Pad Site may be limited by factors beyond its control, including equipment availability, contractual obligations, commodity prices, and the COGCC approval process and that Encana is not required to take any action that is commercially unreasonable.

6. **Additional Environmental Requirements.** Notwithstanding any other part of this Agreement, Erie reserves the right to enact by ordinance additional environmental requirements for the Identified Pad Sites, the wells, facilities, and operations located at such Pad Sites, all adjacent tanks used for such Pad Sites, and all storage facilities for such Pad Sites authorized under Article IV, Section 4; provided, however, that Erie determines: (i) that the results of a Federal or State Study completed after the Effective Date show that the BMPs are insufficient to protect public health within Erie; and (ii) that the additional environmental requirements will mitigate this demonstrated public health risk in a manner that allows for development of the Pad

Sites and the associated wells, facilities, and operations to the extent practicable. As part of its determination, Erie shall solicit comment on the additional environmental requirements from the Colorado Department of Public Health and Environment and the COGCC. In addition, any such environmental requirements must apply to all similarly-situated oil and gas development that is subject to regulation by Erie.

## ARTICLE V. OTHER PROVISIONS

1. **No Waiver of Rights.** The Parties acknowledge 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 of Erie's land use authority or jurisdiction or Encana's rights to develop its mineral resources. Nothing herein shall be construed as an admission by either Party of any legal right or obligation.
2. **Force Majeure.** Neither Party will be liable for any delay or failure in performing under this Agreement 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, any law, decree, regulation or order of any government or governmental body (including any court or tribunal), or inability to obtain permits, licenses, consents, easements, or rights-of way. If any Party is rendered, wholly or in part, unable to carry out its obligations under this Agreement due to any such force majeure event, it is agreed that, upon the affected Party's giving notice and a description of such delay in reasonable detail in writing to the other Party as soon as reasonably possible after the occurrence of the causes relied on, the obligation of the Party giving such notice, so far as it is affected by such condition or event, shall be suspended and any time periods shall be extended for a period equal to the period of the continuance of the event or condition.
3. **Authority to Execute Agreement.** Each Party represents that it has the full right and authority to enter into this Agreement.
4. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of Colorado without reference to its conflicts of laws provisions.
5. **No Third Party Beneficiaries.** Except for the rights of enforcement by the COGCC with respect to the BMPs, this Agreement is not intended to, and does not, create any right, benefit, responsibility or obligation that may be enforced by any non-party. Additionally, nothing in this Agreement shall entitle any third party to any claims, rights or remedies of any kind.
6. **Inspections.** Erie or its designated agent shall have the right to inspect Encana's operations and its sites for compliance with the BMPs during business hours, upon the giving of twenty-four (24) hour advance written notice to Encana. This paragraph shall also apply to existing wells. Erie hereby acknowledges that nothing herein grants Erie authority to assess fees for the inspection of the operations conducted by Encana hereunder.
7. **Notices.** All notices and other correspondence related to this Agreement shall be in writing and shall be delivered by: (i) certified mail with return receipt, (ii) hand delivery with signature or delivery receipt provided by a third party courier service (such as FedEx, UPS, etc.), (iii) fax transmission if verification of receipt is obtained, or (iv) email with return receipt, to the

designated representative of the Party as indicated below. A Party may change its designated representative for notice purposes at any time by written notice to the other Party. The initial representatives of the Parties are as follows:

Erie: Town of Erie  
645 Holbrook Street  
P.O. Box 750  
Erie, Colorado 80516  
Attn: Town Administrator  
Telephone: 303.926.2710  
Fax: 303-926-2706  
Email: ajkrieger@erieco.gov

Encana: Encana Oil & Gas (USA) Inc.  
370 17th Street, Suite 1700  
Denver, CO 80202  
Attn: Jessica Cavens  
Telephone: 303-876-3888  
Fax: 303-876-4888  
Email: jessica.cavens@encana.com

With copy to: Encana Oil & Gas (USA) Inc.  
370 17th Street, Suite 1700  
Denver, CO 80202  
Attn: General Counsel  
Fax: 303-623-2300

**8. Dispute Resolution.** If either party believes that the other Party has violated any provision of this Agreement, the Party claiming that a violation has occurred shall send written notice to the other Party, identifying the violation and invoking the dispute resolution process in this Section. Upon receiving such written notice, the other Party shall have thirty (30) calendar days to remedy the alleged violation. If the other Party denies the alleged violation, then the Parties shall meet to resolve the alleged violation within thirty (30) calendar days of the date of delivery of the initial written notice. If a resolution of the matter cannot be achieved at the meeting, both parties agree to make a reasonable effort to work through and with a mutually acceptable mediator to attempt to resolve the dispute. Notwithstanding the foregoing, if either Party believes that the dispute will not otherwise be resolved in a sufficiently prompt and effective manner, such Party may, at its discretion, institute a legal proceeding in a court of proper jurisdiction to seek appropriate remedies. Such remedies may include, without limitation, an injunction to stop an alleged violation or an order requiring the performance of all acts and things required by the Agreement. Provided, however, that no such legal proceeding shall be initiated for a period of at least thirty (30) calendar days after delivery of the initial written notice.

**9. Amendments to Agreement.** No changes, alterations or modifications to any of the provisions hereof shall be effective unless contained in a written agreement signed by both Parties.

**10. Assignment.** Encana may convey or assign its rights and obligations for any or all of the Identified Well Pads provided that both Erie and such successor or assignee have expressly consented in writing to such conveyance or assignment and that such conveyance or assignment includes both Encana's rights and its obligations for the subject Well Pads. For purposes of this paragraph, Encana's rights include without limitation its vested development rights under Article IV, Section 1.b, and Encana's obligations include without limitation its BMP obligations under Appendix A. No successor or assignee of Encana shall assume any of Encana's rights or be subject to any of Encana's obligations under this Agreement without the express written consent of both Erie and such successor or assignee. Encana's Responsible Products Program is individual to Encana and shall not apply to its successors and assignees.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by a duly authorized representative on the day and year first above written.

ERIE:

THE TOWN OF ERIE

By:

Name:

Title:

Date:

ENCANA:

ENCANA OIL & GAS (USA) INC., by its authorized  
agent, Encana Services Company Ltd.

By:

Name:

Title:

Date:

**APPENDIX A**  
**BEST MANAGEMENT PRACTICES FOR PAD SITE LOCATIONS**

**1. Distance to Erie Building Units.** For the Identified Well Pads, the minimum distance between a well or surface equipment, and the nearest exterior wall of an existing Erie Building Unit (as of the Effective Date) shall not be less than the following:

Oskarson	8,990 feet
Morgan Hill	2,190 feet
Woolley Beckey	
Sosa	1,010 feet
Woolley	2,450 feet
Erie Vessels	1,175 feet
Cosslett	1,150 feet
William Peltier	1,900 feet
Vessels Minerals	1,050 feet

Compliance with this requirement shall be determined from the actual as-built locations of the well or surface equipment. Nothing herein shall be construed to grant Encana any surface rights on property owned by the Town or another person. No Pad Site will be located on Town property without authorization by the Town Board of Trustees.

**2. Noise mitigation.** Encana will comply with the following noise mitigation requirements at all pad sites:

- (a) For db(A) scale noise, Encana will insure that the noise level from operations subject to the light industrial zone noise standard under COGCC Regulations 802.b and 604.c.(2)(A) does not exceed sixty (60) db(A) and that the noise level from operations subject to the industrial zone noise standard under COGCC Regulations 802.b and 604.c.(2)(A) is reduced at least five (5) db(A) below the maximum level permitted by those Regulations. For this purpose, the noise level shall be measured as set forth in COGCC Regulations 802.b & c, except no measurements shall be taken when traffic is passing the sound level meter, Encana shall be present during all measurements, and building units shall be limited to those units existing as of the Effective Date. As set forth in COGCC Regulation 802.b, the noise levels shall be subject to increase for a period not to exceed fifteen (15) minutes in any one (1) hour period and reduction for periodic, impulsive or shrill noises.
- (b) For db(C) scale noise, Encana shall comply with the requirements of COGCC Regulation 802, as such requirements may be amended during the term of this Agreement.

3. **Central Hub.** In an effort to reduce air emissions, Encana intends to construct a central gathering and storage facility at a location in 1N-68W-Section 21 (the "Hub") to receive liquids from the wells which are the subject of this Agreement. As a result, Encana will not install hydrocarbon storage tanks at these pad sites, which will eliminate potential sources of hydrocarbons from the sites. However, Encana will still install at the pad sites all other equipment and facilities necessary for the production of hydrocarbons, including wellhead equipment, separation equipment, electrical equipment, and temporary flowback equipment (including temporary storage tanks). In addition, this BMP is subject to Article IV, Sections 3 and 4 of the Agreement.

4. **Well leak detection and repair**

- (a) To identify leaks, Encana will perform audio, visual and olfactory inspections on a monthly basis at all of its new and existing wells and related facilities and equipment within Erie's Town Limits, provided that such related facilities and equipment are located on the pads for such wells, are part of adjacent tanks used for such pad sites, or are part of storage tanks for such pad sites authorized under Article IV, Section 4 of the Operator Agreement. Encana will also inspect each such well with an infra-red camera on a monthly basis. The initial baseline inspections will occur within sixty (60) calendar days after the Effective Date. After a well has produced for twelve (12) months, the frequency of such inspections shall decrease from monthly to quarterly. If Encana determines that any repairs are required based on these inspections, Encana will promptly initiate these repairs.
- (b) Encana will report to Erie on the inspection results and any associated repairs the month after the inspection or repair occurs. This information will be collectively reported on a monthly basis in the same format that Encana uses for reporting to the Air Pollution Control Division under Regulation 7, but that is specific to wells located within the Erie Town Limits. Erie will make this information publicly available.
- (c) This BMP will terminate five (5) years after the Effective Date, after which Encana will continue to comply with the leak detection, repair, and reporting requirements of Regulation 7, as such requirements may be amended.

5. **Contact information.** Encana shall include its contact information on both the mailed notice required by Article III, Section 8 and the posted notice required by Article III, Section 9. This information shall include both a telephone number for Encana and the address and hours of Encana's Erie community office. Members of the public with concerns or complaints regarding the oil and gas development covered by this Agreement may use this information to speak with Encana.

6. **Steel-rim berms.** Encana shall use steel rim berms or some other state of the art technology that will contain fluids and other material instead of sand or soil berms.

7. **Closed-loop systems.** Encana shall use closed-loop systems for drilling and completion operations.



8. **Lighting.** Encana will install down cast lighting or some other form of lighting that mitigates light pollution and spill-over onto adjacent properties; provided, however, that Encana may still use lighting that is necessary for public and occupational safety.

9. **Class II underground injection control wells.** Encana shall not develop any new Class II underground injection control wells within the Operator Agreement Area during the Term of this Agreement.

10. **Recycling and reuse.** Encana will recycle and reuse water at the pad sites and otherwise minimize waste water production to the extent that it determines such recycling, reuse, and waste water minimization is technically and economically feasible.

12. **Town water supply.** To reduce truck traffic, Erie and Encana will encourage the use of nearby water resources for the drilling and hydraulic fracturing of wells at the pad sites, including the use of Erie municipal water when determined technically feasible and economically practicable by Encana.

13. **Traffic.** Encana will implement the Traffic Management Plan required by Article III, Section 3, Subpart 10.

14. **Road repairs.**

(a) Erie and Encana recognize that truck traffic accessing the Identified Well Pads may cause damage to Erie roads and that road repairs may be needed to mitigate such damage. To this end, Encana will arrange for a qualified outside consultant to perform a road impact study for all Erie roads that are used to access an Identified Well Pad during the Term of this Agreement. The consultant will conduct the first part of the study prior to Encana's operations at such Well Pad and the second part of the study after Encana completes all drilling and hydraulic fracturing at such Well Pad. Encana and Erie will use these studies to determine the extent of any damage accruing to the road during the study period. Encana will then promptly pay Erie to repair such damage or else arrange and pay the cost of such repairs itself whichever Erie prefers.

(b) Encana shall maintain Financial Assurance to secure its road repair obligations under this Agreement. The amount of such Financial Assurance shall equal Erie's annual road maintenance budget as of the Effective Date multiplied by the percentage yielded by dividing the total number of Erie road miles as of the Effective Date into the number of such road miles that Encana will use to access the Identified Well Pads. Encana shall select the form of such Financial Assurance and shall maintain such Assurance until Encana fulfills its obligation to repair road damage under Subsection (a).

15. **Access roads.** Access roads to well and production facilities that connect to a street within Erie shall be improved from the point of connection to a street within Erie a minimum distance of two hundred (200) feet on the access road as specified by the then current requirements of the Code.

**16. Fencing.** Oil and gas well facilities (above ground) within the Erie Town Limits shall be fenced as specified by the then current requirements of the Code.

**17. Operations conducted in accordance with plans.** Encana shall conduct all operations in accordance with the plans discussed during the Conceptual Review Process as updated from time to time.

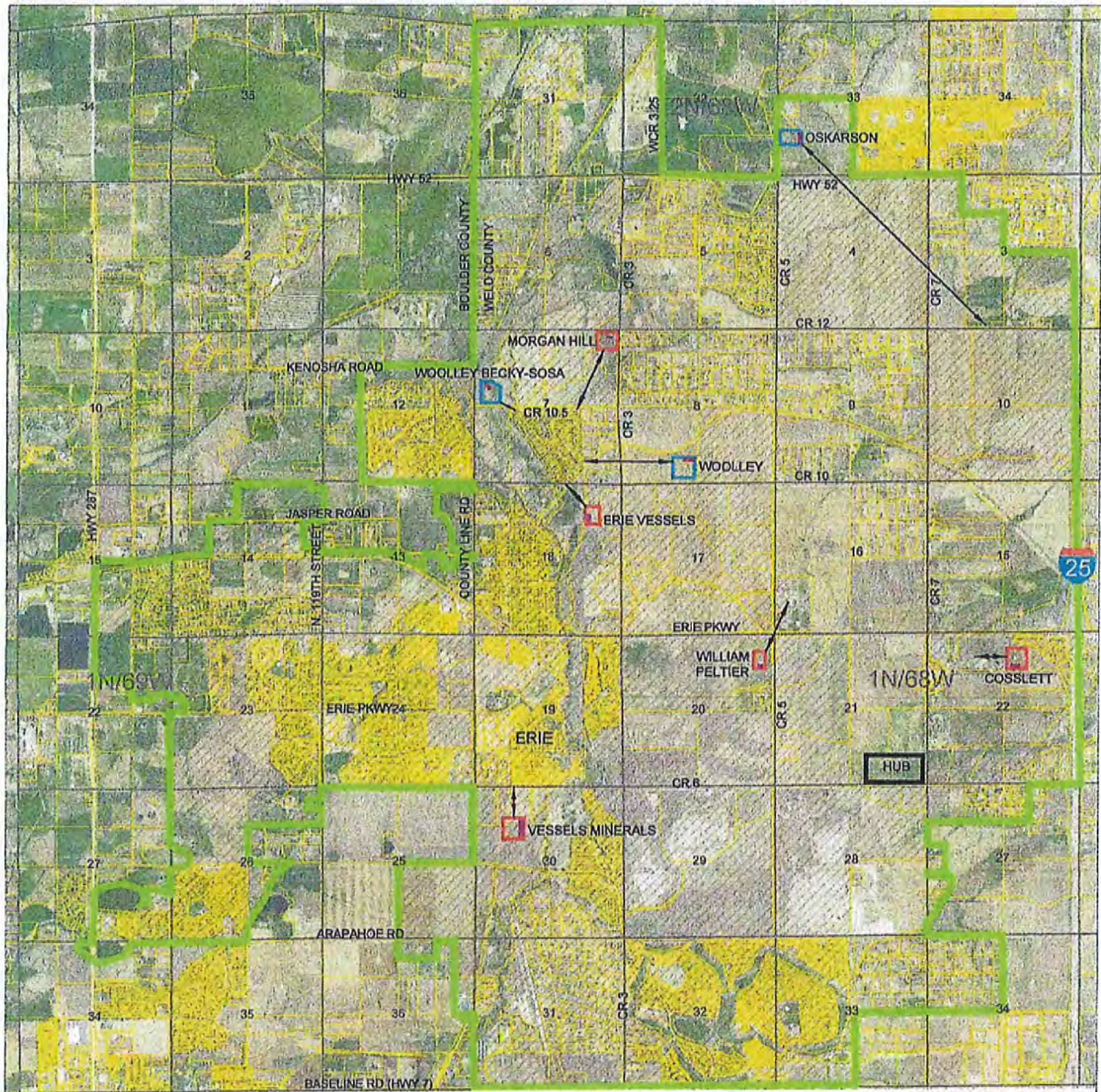
**18. Hydraulic Fracturing Responsible Products Program.** Encana has developed and implemented a company-wide Responsible Products Program to manage the fluid products used in its hydraulic fracturing operations. This Responsible Products Program helps Encana evaluate the hydraulic fracturing fluid products it uses in its operations for safety, effectiveness and potential public health and environmental impacts. As part of this program, Encana has informed all of its hydraulic fracturing fluid product suppliers that any products containing diesel fuels (as defined by EPA 816-R-12-004), 2-Butoxyethanol (2-BE), benzene or heavy metals (i.e. lead, mercury, arsenic, cadmium and chromium) cannot be used in hydraulic fracturing at Encana operations. Encana will continue to conduct its hydraulic fracturing operations within the Erie town limits in accordance with its Responsible Products Program.

**19. Revision of best management practices.** Upon the request of either party, the Parties may revise one or more of these BMPs if they mutually agree such revision would better avoid or mitigate impacts the BMP(s) is intended to address.










# APPENDIX B

## OPERATOR AGREEMENT AREA MAP





LEGEND	
	Pad Site Within the Erie Town Limits
	Pad Site Outside the Erie Town Limits
	Parcel Boundary
	Incorporated Erie
	Operator Agreement Area
	Well Pad Facilities



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**IDENTIFIED WELL PADS WITHIN THE  
OPERATOR AGREEMENT AREA**

WELD COUNTY, COLORADO

SCALE: 1" = 4000'      JULY 22, 2015