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Revised 5-10-13

MEMORANDUM OF UNDERSTANDING

[NOTE: The following Memorandum of Understanding and Addendum represents a model subject to revision in accordance with applicable regulations in sections 27.1 and 27.2 of the Elbert County Zoning Regulations]

This Memorandum of Understanding (MOU) is made and entered into this ____ day of _____, 2013 by and between Elbert County, a Colorado county, whose address is 215 Comanche Street, P.O. Box 7, Kiowa, Colorado 80117, and _____, a _____ corporation (_____), whose address is _____. Elbert County and _____ may be referred to individually as a "Party" or collectively as the "Parties".

BACKGROUND

- A. _____ is the owner of oil and gas leasehold and/or mineral interests within Elbert County boundaries and has the right to develop, subject to the requirements of applicable statutes, regulations, and ordinances, its current and future oil and gas leasehold and/or mineral interests by drilling wells within Elbert County boundaries.
- B. Elbert County and _____ value a balanced approach to oil and gas development that is protective of human health, safety and welfare, as well as the environment, surface waters and aquifers, and wildlife. To that end, in order to achieve such goals in a cooperative manner, Elbert County and _____ enter into this MOU to identify Best Management Practices (BMPs) for _____'s future operations within Elbert County's boundaries.

NOW THEREFORE, the Parties agree to the following:

1. Effective Date. The effective date of this MOU is _____, 2013.
2. Intent to Supplement Colorado Oil and Gas Conservation Commission Rules and Regulations. The Parties recognize that pursuant to the Colorado Oil and Gas

Conservation Act, C.R.S. §34-60-101 et seq. (the “Act”), the Colorado Oil and Gas Conservation Commission (the “Commission”) regulates the development and production of oil and gas resources in Colorado, and the Act authorizes the Commission to adopt statewide rules and regulations, which the Commission has done. The BMPs identified in this MOU are intended to supplement and are in addition to Commission rules and regulations.

3. _____’s Best Management Practices within Elbert County boundaries. _____ shall include the BMPs listed in Addendum “A” on all Forms 2, Application for Permit to Drill and Forms 2A, Oil and Gas Location Assessment submitted to the Commission for new wells _____ drills after the Effective Date within Elbert County boundaries, except to the extent modifications are made per Section 27.2 (B) and (D) of the Elbert County Zoning Regulations. For purposes of this MOU, Elbert County’s boundary shall mean the legal boundary limits of Elbert County.

4. Elbert County Regulatory Approvals. Upon approval of this MOU by the Board of County Commissioners, Elbert County will endeavor to process any and all permits, licenses, applications and other approval requests properly submitted by _____ within thirty (30) days or the time period required by applicable law, code, rule, or regulation, whichever is shorter, including those filings for which the corresponding Form 2, Application for Permit to Drill and/or Form 2A, Oil and Gas Location Assessment is pending approval with the Commission. In all cases, Elbert County shall process applications within the time period required by applicable law, code, rule or regulations. The company agrees to comply with the “Performance Standards” set forth in Section 27.2(F) of the Elbert County Zoning Regulations, except to the extent that these standards are expressly modified by this agreement.

5. Applicability. This MOU shall apply to all wells which _____ drills after the Effective Date within Elbert County’s boundaries, except to the extent modifications are made per Section 27.2 (B) and (D) of Elbert County Zoning Regulations. Further, this MOU shall apply to any successor owners/operators of any wells initially drilled and/or operated by _____, and this MOU shall be binding upon _____’s successors or assigns.

6. Term. This MOU is effective upon the Effective Date and shall remain in effect so long as operations are conducted and through well abandonment.

7. No Waiver of Rights. _____ does not waive the rights it has pursuant to its current and future oil and gas interest to explore for, drill and produce

the oil and gas underlying Elbert County's boundaries. Except as set forth in this MOU, Elbert County does not waive the rights it has pursuant to the laws of the State of Colorado or Elbert County rules and regulations.

8. Force Majeure. Neither Party will be liable for any delay or failure in performing under this MOU in the event and to the extent that the delay or failure arises out of causes beyond a Party's reasonable control, including, without limitation, war, civil commotion, act of God, strike or stoppage (whether partial or total) of labor, or any law, decree, regulation or order of any government or governmental body (including any court or tribunal). Notwithstanding anything in this MOU to the contrary, in no event shall either Party be responsible to the other for any form of damages, whether compensatory, punitive, exemplary, economic or lost profits.

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

10. Governing Law. This MOU shall be governed and construed in accordance with the laws of the State of Colorado without reference to its conflicts of laws provisions.

11. Notices. All notices and other correspondence related to this MOU shall be in writing and shall be delivered by: (i) certified mail with return receipt. 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:

Elbert County: Elbert County
215 Comanche Street
P.O. Box 7
Kiowa, Colorado 80117
Attn: Local Government Designee
Phone: 303.621.3136
Fax: 303.621.3165
Email: _____@elbertcounty-co.gov

(Add oil and gas company name and address here)

12. Default. If a Party defaults in the performance under this MOU, the defaulting Party shall have thirty (30) days to cure the default after receipt of written notice of such default from the non-defaulting Party, provided the defaulting Party shall be entitled to a longer cure period if the default cannot reasonably be cured within thirty (30) day period and diligently pursues its completion. If the defaulting Party fails to cure the default within the applicable cure period, then the non-defaulting Party shall have the right to immediately terminate this MOU upon written notice to the defaulting Party. If the MOU is terminated, due to failure to cure the default, the Special Use Permit issued for the defaulting oil and/or gas facility, shall be immediately revoked.

13. Specific Performance. If a Party defaults in the performance under this MOU, the non-defaulting Party may file the necessary documentation with the District Court to compel performance of the terms and conditions of this MOU.

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

ELBERT COUNTY:

The Board of County Commissioners

By: _____
Chair

By: _____
Co-Chair

By: _____
Commissioner

Date: _____

Oil and Gas Company:

By: _____

Name

Title: _____

Notary Signature

(This space intentionally left blank.)

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ADDENDUM "A"

OIL AND GAS PRODUCTION BEST MANAGEMENT PRACTICES FOR FACILITIES WITHIN ELBERT COUNTY BOUNDARIES

***This standard MOU may be amended when there is a demonstrated need to accommodate site specific circumstances including, but not limited to, topography, geology, geography, reservoir management, historical site, location of surface waters and surface owners concerns.. Such amendments must be approved by the BOCC at a public hearing. An amended MOU is for a specific project or location and does not invalidate or modify any other MOU executed by the operator.**

Pursuant to the terms of this MOU, _____ shall include the Best Management Practices listed below on all *Forms 2, Application for Permit to Drill, and Forms 2A, Oil and Gas Location Assessment (for new well sites only)*, submitted to the Commission for new wells _____ drills after the Effective Date within Elbert County boundaries.

1. There shall be a minimum of 1,320 feet between the wellhead and any residential structure, domestic well or platted building envelope. A setback of at least 200 feet shall be maintained between the wellhead and the closest property line. The entire pad site with the oil and gas facility shall be located a minimum of 1,000 feet from any water body or the centerline of creeks. Chemicals, liquids, or re-fueling areas shall not be placed within 1,000 feet of wetlands or riparian areas.
2. Prior to commencement of any new drilling or completion operations, _____ shall provide notification to landowners within one (1) mile of the well site or ancillary facility not located on the drilling pad. Should the one (1) mile notification area include any lot within a platted subdivision; the lot owners within the entire subdivision shall be notified.
3. Prior to commencement of any new drilling or completion operations, _____ shall provide Elbert County Community & Development Services Office with the following well site information:
 - (a.) a summary of planned operations, a map of haul routes and access points approved by Elbert County Public Works Department, and operational timelines, for posting to the Elbert County oil and gas information website;
 - (b.) a site plan which addresses site preparation, mobilization and demobilization;

- (c.) a plan for interim reclamation and re-vegetation of the site and final reclamation of the site;
 - (d.) a traffic management plan and dust mitigation plan; and
 - (e.) any updates of this information if plans change during operations.
4. Utilize steel-rim berms around tanks and separators instead of sand or soil berms.
 5. On-site containment and disposal of water associated with oil and/or gas facilities shall be per Section 27.2 (F)(5) of the Elbert County Zoning Regulations with the exception that—only closed-loop drilling systems shall be permitted in Elbert County for drilling and completion operations.
 6. When market gathering lines within one half mile from a proposed oil or gas well, the operator shall connect to that system within 90 days of commercial production. If gathering lines are not available, the operator shall install a high efficiency burner until such time as there are sufficient volumes of vapor to justify installation of facilities. If lines are available and the applicant can demonstrate that connection is still not financially viable, a high efficiency burner will be installed.
 7. Prior to commencement of any drilling operations, the Operator will contact, by certified mail, all surrounding property owners with active domestic wells, irrigation or livestock wells, or springs that fall within one half (1/2) mile radius of the well head (or greater, if a need is indicated by geologic characteristic); and ask permission to conduct baseline water sampling and analysis within 12 months prior to drilling, and subsequent sampling at 6 to 12 months, and at 5 and 10 years post completion. Sampling procedures and analyses shall be consistent with COGCC Rule 609.e requirements for groundwater baseline sampling and monitoring. Monitoring shall be extended if results indicate potentially adverse impacts on water quality or chemistry by operations. Post-completion sampling shall be extended in the event a well is re-stimulated or additional wells are added to a multi-well site. The results of the water tests shall be provided to C&DS and the water well or spring owner within 3 months of collecting the sample. Should the owner of the well desire to keep the results of the well test private, the owner shall submit a signed statement to C&DS indicating that the well owner wants to keep the test results private. Should a water well owner refuse to have their well tested, the Applicant shall submit a

signed statement to C&DS indicating that the owner (provide owner's name and address) has refused water testing.

8. The Operator will make every effort to locate abandoned oil/gas wells within a one (1) mile radius of the well pad. "Every effort" includes contacting all adjacent property owners to identify abandoned wells not previously identified by the COGCC. Notification of previously unknown wells will be forwarded to the COGCC.
9. _____ agrees that it will not use any product containing Diesel, Butoxyethanol (2-BE) or Benzene in its hydraulic fracturing operations within the boundaries of Elbert County. _____ also agrees to post, in Frac Focus, all of the chemicals used in their fracturing treatments. _____ agrees to supply, without reservation, any and all injected chemicals related to a particular well, if requested by medical personnel, for the treatment of a patient. Use of Green Frack ingredients shall be used when and where available and practicable.
10. Water Supply. In an effort to reduce truck traffic, Elbert County and _____ will have discussions to identify a water resource close to the well site locations to be utilized by _____ and its suppliers, which may include water from various municipalities or appropriately permitted private wells or water distribution systems.