

## MEMORANDUM OF UNDERSTANDING

THIS AGREEMENT is made and entered into this 18<sup>th</sup> day of MARCH, 2014, by and between the BOARD OF COUNTY COMMISSIONERS OF LA PLATA COUNTY, COLORADO, 1060 E. 2<sup>nd</sup> Avenue, Durango, Colorado 81301 and SAMSON RESOURCES COMPANY, 370 17<sup>th</sup> Street, Suite 3000, Denver, CO 80202.

### DEFINITIONS

*Abandonment or abandoned* means the permanent abandonment of a well based on the operator's filing with the COGCC.

*Applicant* means Samson Resources Company.

*Best Management Practices* means schedules of activities, prohibitions of practices, maintenance procedures, and other management practices intended to prevent or reduce the pollution of waters of the State of Colorado as described in the regulations of the Colorado Department of Public Health and Environment, as amended from time to time.

*BLM* means the Bureau of Land Management.

*COGCC* means the Colorado Oil and Gas Conservation Commission of the State of Colorado.

*County* means the Board of County Commissioners of La Plata County.

*Easement* means express or implied authorization by a property owner for the use of a designated portion of his property by another, for a specified purpose.

*Mesaverde Well* means a gas or oil well drilled for the purpose of producing gas, oil and/or associated hydrocarbons from the Mesaverde formation underlying the lands described in the Infill Application.

*Gas well* means a well having a pressure and volume of natural gas; specifically, producing methane, often in combination with a variety of other substances such as butane, propane and carbon dioxide.

*Heavy equipment* means individual truck/trailer combination vehicles with a gross vehicle weight exceeding 5 tons.

*Infill Application* means the application filed by Applicant with the COGCC in Cause No. 112, Docket No. 1401-AW-01 on or about November 26, 2013 requesting an increase in the number of Mesaverde Wells in portions of La Plata County, Colorado.

*Infill Application Area* means the area within La Plata County described in the Infill Application.

*Infill County Permit* means any permit or permit modification the county issues pursuant to LPLUC for minor oil and gas facilities and major oil and gas facilities related to the Infill Application.

*Infill Well* means the existing Southern Ute 4E Well (API No. 05-067-08083) contemplated to be recompleted by virtue of the Infill Application.

*LPLUC* means the La Plata County Land Use Code, as amended from time to time.

*Major oil and gas facilities* shall have the meaning set forth in Section 90-19 of LPLUC.

*Minor oil and gas facilities* shall have the meaning set forth in Section 90-19 of LPLUC.

*Permanent operations* means operations for an Infill Well after initial drilling, completion and interim reclamation and before abandonment.

*Reasonable efforts* means diligent and good faith efforts to accomplish a given objective.

*Right-of-way* means a tract or strip of land, separate and distinct from the underlying property, owned, occupied or intended to be occupied by an oil, gas and/or water pipeline.

*Road Maintenance and Improvement Fees* means the County road maintenance and improvement fees described in Article 3 below.

*Well Pad* means the flat graveled portion of the pad area in which permanent operations for the gas well take place.

## RECITALS

A. La Plata County is a political subdivision of the State of Colorado authorized to act through its Board of Commissioners.

B. Applicant is a gas producing operator which has filed the Infill Application with the COGCC requesting an increase in the density of Mesaverde Wells in parts of La Plata County, Colorado. The Infill Application requests authority for up to three Mesaverde Wells within the Infill Application Area.

C. The parties to this Agreement have differing legal positions regarding the degree and extent of the County's authority to regulate certain aspects of oil and gas operations. The parties prefer, if possible, to avoid expending their resources in advancing their legal positions. Notwithstanding these differences and in their desire to avoid protracted formal hearings, the County and Applicant are willing to agree to the terms contained herein.

D. The provisions of Chapter 90 of LPLUC require Applicant to obtain a county permit for the construction, installation and operation of oil and gas facilities within the unincorporated areas of the county except with respect to those lands where the County's jurisdiction is preempted by federal or state law, or by Southern Ute Indian Tribal jurisdiction.

E. The County seeks to facilitate the development of oil and gas resources within the above-described areas of the county while mitigating potential impacts from such development.

F. The County has determined that potential impacts attendant to future gas development would be best mitigated for the county as a whole if future Mesaverde Wells are drilled on existing well pads where practical and as prescribed in LPLUC despite the fact that, in some instances, the use of existing well pads may further affect certain property owners and neighboring properties.

G. C.R.S. § 43-2-147 allows the County to, and describes the manner in which, the County shall regulate vehicular access to and from any public highway under its jurisdiction and from or to property adjoining a public highway in order to protect the public health, safety and welfare, to maintain smooth traffic flow, to maintain highway right-of-way drainage and to protect the functional level of public highways.

H. The County, as a matter of right, may intervene in the adjudicatory proceedings before the COGCC related to the Infill Application to raise environmental or public health, safety and welfare concerns. In exchange for the agreements contained herein, the County will not protest Applicant's Infill Application, nor, if it intervenes in the adjudicatory proceedings related to the Infill Application, will it advocate any position inconsistent with any term contained in this Agreement.

I. Applicant and the County wish to have certain issues amicably resolved prior to the COGCC's adjudicatory proceedings on the Infill Application and they agree that certain provisions of this Agreement should be included (subject to COGCC approval) in the requested Infill order.

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## **AGREEMENT**

In consideration of the mutual obligations and benefits set forth in this Agreement and for other good and valuable consideration, the receipt of which is acknowledged, Applicant and the County agree as follows:

### **ARTICLE I APPLICATION**

This Agreement shall apply to lands presently within the unincorporated portions of the Infill Application Area within the County with the exception of those lands where the County's jurisdiction is preempted by federal or state law, or by Southern Ute Indian tribal jurisdiction.

### **ARTICLE II DENSITY AND USE OF EXISTING WELL PADS AND FACILITIES**

2.1 *Use of Existing Infrastructure.* Applicant agrees to use existing infrastructure, including but not limited to the use of existing roads, pipeline routes and Well Pads for the recompletion of the Infill Well as contemplated in the Infill Application. Nothing contained in this Article 2.1 shall preclude Applicant from installing additional or substitute facilities within the existing roads, pipeline routes and Well Pad if reasonably required to produce and operate the Infill Well. At the request of the County, Applicant shall furnish information demonstrating Applicant's requested need for new facilities (roads, pipeline easements, etc.) and new facilities may be required due to:

- a. The lack of existing infrastructure in a COGCC permitted Mesaverde drilling window or unit.
- b. Engineering, geologic, safety, surface feature, economic, and/or without limitation any other constraints that make use of existing infrastructure reasonably impractical.
- c. Facility ownership constraints that make the sharing or use of existing facilities reasonably impractical.

2.2 *Expansion of Existing Well Pads.* In those instances where an existing Well Pad is used for an Infill Well, Applicant agrees to use reasonable efforts to minimize the expansion of the area of the existing Well Pad. The reasonableness of the expansion under the circumstances shall be demonstrated by Applicant to the County with its Infill County Permit application. Applicant agrees to exercise reasonable efforts to expand existing well pads away from nearby existing impacted residential structures.

### ARTICLE III

#### PRIVATE ROADS AND ROAD MAINTENANCE AND IMPROVEMENT FEES

3.1 *Road Maintenance and Improvement Fees.* County and Applicant have determined that specific land use activities by Applicant within the Infill Application Area may create impacts on County roads and, therefore, mitigation in the form of negotiated road maintenance and improvement fees is proper and necessary. The parties recognize that these fees are not always a reliable or sufficient source of funds and that the County's ability to actually perform such work may be limited or hampered by reasons beyond its control. However, the County agrees to exercise good faith in its efforts to carry out the intent of this Agreement and to perform such work to the extent that monies are available and appropriated. The County shall control the sequencing and timing of such work and Applicant hereby waives its rights, if any, to insist upon completion of the work or to dictate the manner, sequencing and timing of the same. The County recognizes and acknowledges that the monies collected hereunder must be collected and spent in a manner consistent with the accounting practices set forth in C.R.S. § 29-1-801 *et seq.* and that such monies may only be spent on facilities that are directly and reasonably related to the mitigation of impacts related to the activities described in the Infill Application.

3.2. *Road Maintenance and Improvement Fees Calculation and Payment.* Based upon certain agreed upon assumptions, Applicant and the County have agreed to estimated Road Maintenance and Improvement Fees for each minor oil and gas facility with respect to the Infill Application of \$8,900.00. All major facilities shall pay fee(s) based upon a traffic study associated with the Class II permit for such major facility and such fee(s) shall be based upon the methodologies used by the parties to derive the fees set forth herein.

Applicant shall pay the County the Road Maintenance and Improvement Fee due and owing for the prescribed activity prior to the County's final approval of the Infill County Permit. If no Infill County Permit is required, Applicant shall pay the Road Maintenance and Improvement Fee prior to mobilization of equipment to the Infill Application Area.

3.3 *Submission of Information.* The County seeks to efficiently and effectively schedule maintenance and improvement projects on its county roads. The use of such roads by heavy equipment related to construction or production activities in the Infill Application Area could have an effect on such projects. Once and prior to commencement of operations, Applicant agrees to provide notice to the County, which may be provided by email to the County Planning Department at [Planning@co.laplata.co.us](mailto:Planning@co.laplata.co.us). This notice shall indicate the estimated date of commencement of operations, provide a forecasted activity plan setting forth the expected location and duration of minor oil and gas facilities and major oil and gas facilities operations within the county for the estimated week of work associated with the recompletion of the Infill Well, and indicate the county roads that may be accessed during the activity and general proposed travel or haul routes. The disclosure of such



plans and routes is for informational purposes only and shall not be construed as creating any obligation on the part of Applicant, including, without limitation, to conduct such operations, to limit the location and duration of such operations or to follow such routes. The first submission of such information shall occur within thirty (30) days after the COGCC order approving the Infill Application. The County agrees to reciprocate and provide notice to Applicant of its intended projects and its expected schedule for same.

3.4 *Private Access.* Applicant agrees that in those instances where it accesses Infill Wells in the Infill Application Area through a private road or roads, it will use reasonable efforts to negotiate a fair and reasonable road maintenance or road improvement agreement with the private entity or entities that maintain the road for the purpose of paying or making in-kind contributions for its pro rata share of the cost of maintaining or improving the affected road(s). If Applicant fails to reach an agreement, documentation of its actions shall be provided to the County, and the existence, or lack thereof, of such executed agreement shall be noted in the Infill County Permit application.

3.5 *Use of Equipment.*

Applicant agrees that:

a. it will remove or require the removal of tire chains from its heavy equipment before entering a county road unless safety conditions (i.e. icy and/or snow packed roads) prevent such removal and the use of tire chains does not cause damage to county roads;

b. all new roads associated with the Infill Wells within the Infill Application Area, unless waived by the County, shall have gravel access and Well Pad with a minimum of four inches (4") of either Class 6 or Class 2 Aggregate Base Course over a stabilized base as defined by the Colorado Department of Transportation Standard Specifications for Road and Bridge Construction over a stabilized base, both of which shall be maintained throughout permanent operations of the Well Pad; and

c. If mud and/or debris is tracked onto the county road by Applicant's equipment, Applicant shall remove same and restore the condition of the road as promptly as is reasonable under the circumstances.

d. Road maintenance and improvement fees outlined in Section 3.2 are designed to recoup the incremental county cost associated with road deterioration and safety related to Applicant's use of the county roads as part of the development of the Infill Application Area. Pursuant to CRS §42-4-512, Applicant shall be liable for any damage to a county road(s) caused by Applicant that is in excess of the incremental costs estimated and set forth in Section 3.2.

## **ARTICLE IV AIR QUALITY**

4.1 *Dust Control.* Applicant agrees to suppress dust throughout construction, drilling, completion, and operational activities through best management practices such as, but not limited to, speed restrictions, regular road maintenance, use of water or magnesium chloride for road spreading, and well equipment automation to reduce truck traffic. These practices shall be applied to well access roads and well locations.

## **ARTICLE V WATER**

5.1 *Storm Water Management and Spill Prevention Containment and Control.* Even if not required to do so by any applicable regulation or law, Applicant agrees to utilize Best Management Practices for all pad expansions and new pads and for road and pipeline development or improvements.

## **ARTICLE VII MITIGATION MEASURES**

Applicant agrees to utilize and comply with the mitigation measures set forth in LPLUC Sections 90-122, 123 and 124. Applicant also agrees to utilize the mitigation measures set forth in Rule 604.c.(2) in Designated Setback Locations in accordance with the terms of such rule if applicable.

## **ARTICLE VIII INCLUSION INTO COGCC ORDER**

Applicant and the County agree to jointly request that certain conditions, as set forth in attached Exhibit A, be incorporated into the COGCC Order No. 112-239 approving the Infill Application.

## **ARTICLE IX SITE SPECIFIC DEVELOPMENT PLAN AND FUTURE REGULATIONS**

This Agreement shall not grant or create any common law or statutory vested development rights or exempt Applicant from any applicable County development review regulations or processes. The County reserves the right in the future to enact and apply



prospectively oil and gas regulations that are general in nature and are applicable to all similarly situated oil and gas activities subject to land use regulation by the County, even though such regulations may be more or less stringent than the standards applicable to the Infill Wells by virtue of this Agreement.

## **ARTICLE X PRESERVATION OF RIGHTS**

The parties acknowledge, understand and agree that this Agreement shall not operate as a bar, constitute a waiver of any rights of the parties, or in any respect affect the ability of any party to this Agreement to assert its claims concerning the validity of the County's land use jurisdiction. Nothing in this Agreement shall be construed as an admission regarding the existence of proper jurisdictional authority or waiver by either party of any legal right or obligation, nor shall anything be construed as a bar to either party to seek any legal remedy available to it. The parties further acknowledge, understand and agree that this Agreement is specific and limited to the Infill Well Application and does not preclude or limit the County from seeking a different agreement with the Applicant for other oil and/or gas wells or any other operator with different terms and conditions.

## **ARTICLE XI GENERAL PROVISIONS**

The following general provisions shall govern the relationship between the parties with respect to Infill Well within the Infill Application Area.

11.1 *Effective Date.* This Agreement shall be effective upon its approval and adoption by the Board of County Commissioners of La Plata County.

11.2 *Entire Agreement.* Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

11.3 *Successors and Assigns.* Except as otherwise provided herein, Applicant shall have the absolute right to transfer or sell any or part of its interest in the Infill Wells; provided, however, that in the event of transfer, Applicant's transferees, sublessees, successors and assigns shall be bound to comply with all terms hereof.

11.4 *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which when taken together shall constitute a single agreement.



11.5 *Amendment.* All covenants, representations and warranties herein and all other obligations, responsibilities and terms hereof shall continue to be fully binding and enforceable on the parties until expressly superseded by written agreement of the parties. No amendment to this Agreement shall be effective unless in writing, signed by all parties who are then subject to this Agreement.

11.6 *Waiver.* No failure on the part of any party hereto to exercise and no delay in exercising any right hereunder shall operate as a waiver of such right. The remedies provided herein are cumulative and not exclusive of any remedies provided by law. No waiver of, or failure to exercise any right hereunder shall operate to prevent future enforcement of such right.

11.7 *Notices.* Notices hereunder may be given by certified mail, return receipt requested, or by facsimile or electronic mail transmission. Notices shall be effective on receipt, provided, however, that confirmation of receipt shall be required in all instances. Notice to the respective parties shall be given to:

To the County at:  
Courtney Roseberry  
La Plata County Planning Department  
1060 E. 2<sup>nd</sup> Avenue  
Durango, CO 81301

With copies to:  
Todd Weaver  
La Plata County Attorney's Office  
1099 Main Ave., Suite 311  
Durango, CO 81301

To Applicant at:  
Samson Resources Company  
Attn: Lauren Ross  
370 17<sup>th</sup> Street, Ste. 3000  
Denver, CO 80202

With copies to:  
Samson Resources Company  
Attn: General Counsel  
Two West Second Street  
Tulsa, OK 74103

or to any other addresses as any party hereto may, from time to time, designate in writing and deliver in a like manner.

11.8 *Headings.* The descriptive headings of the sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

11.9 *Further Acts.* Each of the parties shall promptly and expeditiously execute and deliver any and all documents and perform any and all acts as reasonably necessary, from time to time, to carry out the matters contemplated by this Agreement.

11.10 *No Partnership; Third Party Beneficiaries.* It is not intended by this Agreement to, and nothing contained in this agreement shall, create any partnership, joint venture or other arrangement between Applicant and the County. No term or provision of this Agreement is intended to or shall be for the benefit of any person, firm, organization or corporation not a party hereto and no other person, firm, organization or corporation shall have any right or cause of action hereunder.

11.11 *Severability.* The provisions of this Agreement are deemed material and nonseverable. If an action is brought that results in any provision of this Agreement being determined or declared by a Court to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, the parties shall negotiate in good faith for an equivalent or substitute provision or other appropriate adjustment to this Agreement. If the parties cannot reach agreement, or if so desired by the parties, then the issues in dispute shall be submitted to a mediator acceptable to both parties for nonbinding mediation. Unless otherwise agreed to by the parties, such mediation shall occur within sixty (60) days of a party's receipt of a notice to mediate from the other party.

11.12 *Governmental Immunity.* Any and all claims related in anyway to this Agreement shall be subject to the limitations of the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 *et seq.*, and the Federal Tort Claims Act, 28 U.S.C. § 1346(b), 2671 *et seq.*, and it is understood that by entering into this Agreement, the County in no way waives its protections, immunities or any other provision of the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 *et seq.*

11.13 *Governing Law.* This Agreement is made and shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Colorado without regard to the conflict of laws principles. Venue for any action related to this Agreement shall be brought in La Plata County, CO.

11.14 *Dispute Resolution.* If any dispute arises between the parties regarding the terms and conditions of this Agreement, or if any complaint is received by the County regarding any noncompliance with the terms of this Agreement, the parties agree to attempt to resolve any such dispute or complaint pursuant to an informal dispute resolution process, following in general the process set forth in LPLUC Sec. 90-127, prior to taking any formal enforcement or legal action. This provision, however, does not act as a waiver of any parties' legal rights or their ability to initiate formal enforcement or legal action regarding the dispute or complaint.

Samson Resources Company

By: 

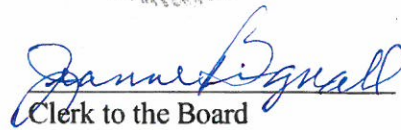
Name (print): Bart Boudreau

Date: 2/19/14

BOARD OF COUNTY COMMISSIONERS  
LA PLATA COUNTY, COLORADO

  
Julie Westendorff, Chair



(SEAL)  
ATTEST   
Clerk to the Board



**EXHIBIT A**  
**PROPOSED CONDITIONS OF APPROVAL**

Applicant Samson Resources Company (“Applicant”) and Intervenor La Plata County, Colorado (“La Plata County”) respectfully request that an Order issued by the Commission in Cause No. 112, Docket No. 1401-AW-01 be made subject to and conditional upon the following:

1. Compliance with all terms, conditions and provisions of prior Commission Orders in Cause 112.
2. Compliance with the terms and provisions of all of the Commission’s health, safety, welfare and environmental rules and regulations now or hereafter in effect.
3. Compliance with all applicable regulations of the BLM, BIA and the Southern Ute Indian Tribe when conducting operations on lands subject to such agency’s/government’s jurisdiction.
4. Those certain provisions as set forth in Exhibit A of the Memorandum of Understanding between Applicant and La Plata County as follows:

- ***Mitigation Measures***

Applicant agrees to utilize and comply with the mitigation measures set forth in LPLUC Sections 90-122, 123 and 124. Applicant also agrees to utilize the mitigation measures set forth in COGCC Rule 604.c.(2) in Designated Setback Locations in accordance with the terms of such rule if applicable.

- ***Water Well Monitoring.***

Applicant agrees to comply with all requirements of COGCC Rule 609.

- ***Dust Control.***

Applicant agrees to suppress dust throughout construction, drilling, completion, and operational activities through best management practices such as, but not limited to, speed restrictions, regular road maintenance, use of water or magnesium chloride for road spreading, and well equipment automation to reduce truck traffic. These practices shall be applied to well access roads and well locations.

- ***Storm Water Management and Spill Prevention Containment and Control.***

Applicant agrees to utilize Best Management Practices for all pad expansions and new pads and for road and pipeline development or improvements.