

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (this "MOU") is made and entered into this 5th day of March 2014 ("Effective Date") by and between the Town of Hudson, a Colorado municipal corporation ("Hudson" or "Town"), whose address is 557 Ash Street, Hudson, Colorado, 80642-0351, and Great Western Operating Company, LLC (GW), whose address is 1801 Broadway, Suite 500, Denver, CO 80202. GW and Hudson may be referred to individually as a "Party" or collectively as the "Parties."

BACKGROUND and RECITALS:

A. GW is the owner of oil and gas leasehold and mineral interests both within and outside Hudson's town limits. GW currently operates oil and gas wells within and outside Hudson's town limits and has the right, subject to applicable laws, to develop its current and future oil and gas leasehold and mineral interests by drilling additional wells both outside Hudson's town limits.

B. GW submitted, or will submit, permits for wells and associated facilities to the Colorado Oil and Gas Conservation Commission (COGCC), listed in Appendix A and known as the "Taoka" wells (herein referred to as "Hudson Wells"). Permits for said wells include Best Management Practices (BMPs) that will be followed during construction, drilling, completion and operation of the Hudson Wells.

C. The Town has experienced traffic congestion and traffic safety concerns in the vicinity of the Colorado Highway 52 interchange on Interstate 76. It is the intent of the Parties to route traffic related to construction, drilling, completion and operation of the Hudson Wells, as described in Appendix A, away from said interchange and away from Hudson's central business district.

D. In addition to concerns of road damage and overweight trucks, the Town expressed to GW concerns of Town traffic and GW's use of Town roads exacerbating existing traffic. In response to the Town's concerns, GW amended its Access Road Plan, as submitted to the COGCC, to re-route the anticipated access to those wells titled as the "Land" wells. (See Appendix B) It is the intent of the Parties that access to the Hudson wells constructed by GW and addressed in this MOU during construction, drilling, completion, and operation utilize the route(s) shown on said Access Road Plan, unless emergency circumstances or other situations outside the control of GW exist.

E. The Town has within its Municipal Code Section 8-31, an ordinance precluding overweight vehicles on Town roads. The Town also has within its Municipal Code Section 16-148, an ordinance requiring a permit for the construction of an access onto Town roads. The Town and GW have met several times to discuss permits and agreements in order for GW to commence and continue with its operations and to utilize that approximately one (1) mile long portion of former Weld County Road 49 south of Interstate 76 that is now within the Town and is a part of the Town's road system (the "Hudson Road 49") for access to its oil and gas locations within and outside Town limits.

F. Hudson and GW have agreed to enter into this MOU in order to memorialize the Parties agreement concerning GW's operations related to the Hudson Wells and particularly GW's use of, and access on, the Town of Hudson's roads.

G. AGREEMENT:

NOW THEREFORE, the Parties agree as follows:

1. **Road Impact.** The Town and GW have determined that oil and gas operations by GW that utilize Hudson roads may create impacts on Town roads and that mitigation in the form of road maintenance and improvements is necessary. The Parties understand that except for repair of damage caused by GW as it relates to the development of the Hudson Wells, any other damage or excessive wear caused by other third party users of Hudson roads shall not be the responsibility of GW to remedy and such damages shall not be borne by GW. Notwithstanding the foregoing, GW agrees to install within sixty (60) days of receipt of a request by the Town, should such request be received during the period of development of the Hudson Wells, an additional three (3) inches of Class 6 road base to that portion of the Hudson Road 49 GW will utilize as described in the *Access Road Plan*.

2. **Municipal Code Ordinance Concerning Overweight Trucks.** The Parties agree that the Town has adopted Ordinance No. 13-09, an amendment to its Municipal Code, providing an opportunity for GW to obtain permits to utilize Town commercial roads for its operations. GW and its subcontractors will submit proper applications to the Town for overweight vehicle permits as may be needed to continue its development of the Hudson Wells. The Town will not withhold, nor delay issuance of, overweight vehicle permits and shall, in fact, give GW expedited approval of these permits if GW has met the provisions contained in said ordinance.

3. **Access Permits.** GW shall apply for any necessary permits in advance of constructing any new accesses onto town streets and shall not construct new accesses prior to issuance of required permits.

4. **Intent to Supplement Commission 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 "Act"), the 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 Commission has done. This MOU is intended to supplement, and the terms contained herein are in addition to COGCC rules and regulations.

5. **GW's Best Management Practices (BMPs) within Hudson Town Limits and for Hudson Roads.** GW shall adhere to the BMPs listed in Appendices C and D in the construction, drilling, completion and operation of the Hudson Wells, and shall include on all Forms 2, Applications for Permit to Drill and Forms 2A, Oil and Gas Location Assessments (for new well sites only) submitted to the Commission for new wells GW drills after the Effective Date within Hudson's town limits and for wells wherein GW must utilize Town roads. For purposes of this MOU, Hudson's "town limits" shall mean the legal corporate limits of Hudson as of the Effective Date.

6. **Applicability.** This MOU shall apply only to the Hudson Wells.

7. **Term.** This MOU is effective upon the Effective Date and shall remain in effect for three (3) years from the Effective Date, at which time this MOU shall terminate. Portions of this MOU directly affected shall immediately terminate if (i) the COGCC implements any rules, regulations, ordinances or best management practice guidelines regarding oil and gas development specifically in Hudson town limits or in an area that includes Hudson town limits which provide for higher standards than the BMPs attached hereto, or (ii) Hudson and the COGCC enter into any agreements that may be binding on GW regarding oil and gas development, specifically in Hudson town limits. Those portions of this MOU not directly affected by such COGCC actions or agreements shall remain in effect. Notwithstanding the foregoing, the terms of Sections 1 and 2 of this MOU shall not terminate and shall continue to apply and remain in effect until the Hudson wells are plugged and abandoned under the applicable COGCC rules, even if directly affected by such COGCC actions or agreements. Moreover, notwithstanding any other provision herein, and even in the event of termination of this MOU, GW shall retain all rights and benefits it has under and COGCC approved permits shall remain in full force and effect.

8. **No Waiver of Rights.** GW does not waive any rights it has pursuant to its current and future oil and gas interests to explore for, drill and produce the oil and gas underlying or outside Hudson's town limits. Except as set forth in this MOU, Hudson does not waive the rights it has pursuant to the laws of the State of Colorado or the Town of Hudson Municipal Code.

9. **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 other 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).

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

11. **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.

12. **No Third Party Beneficiaries.** Except for the rights of enforcement by the Commission with respect to the BMPs, this MOU 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 MOU shall entitle any third party to any claims, rights or remedies of any kind.

13. **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, (ii) hand delivery with signature or delivery receipt provided by a third party courier service (e.g., 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:

Hudson: Town of Hudson
557 Ash St.
Hudson, Colorado 80642-0351
Attn: Town Administrator
Telephone: 303-536-9311
Fax: 303-536-4753
Email: manager@hudsoncolorado.org

With copy to: Hayes, Phillips, Hoffmann & Carberry, P.C.
1530 16th Street, Suite 200
Denver, CO 80202
Attn: Corey Y. Hoffmann, Town Attorney
Fax: 303-825-1269
Email: cyhoffmann@hphclaw.com

GW: Great Western Operating Company, LLC
1801 Broadway, Suite 500
Denver, CO 80202
Attn: Shannon Hartnett
Telephone: (303) 830-9893
Email: shartnett@gwogco.com

With copy to: Great Western Operating Company, LLC
Broe Group
252 Clayton Street, 4th Floor
Denver, CO 80206
Attn: Bill Leonard

14. 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) days and the defaulting Party commences the cure within such 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.

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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.

HUDSON:

THE TOWN OF HUDSON

By: 

Name: Neal Pontius

Title: Mayor

GW:

GREAT WESTERN OPERATING COMPANY, LLC

By: 

Name: SCOT A. DONATO

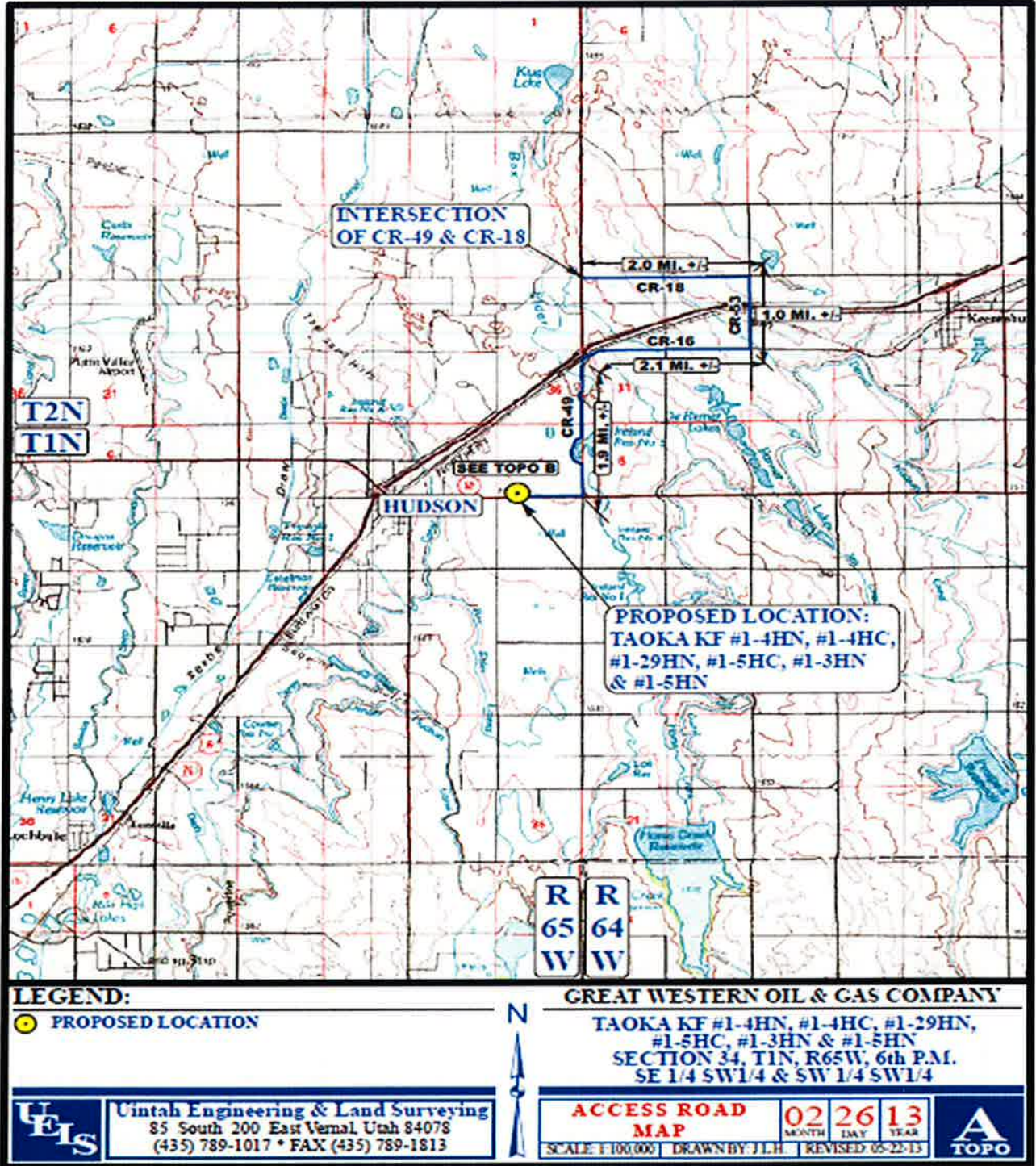
Title: EHS/Reg Mgr

APPENDIX A

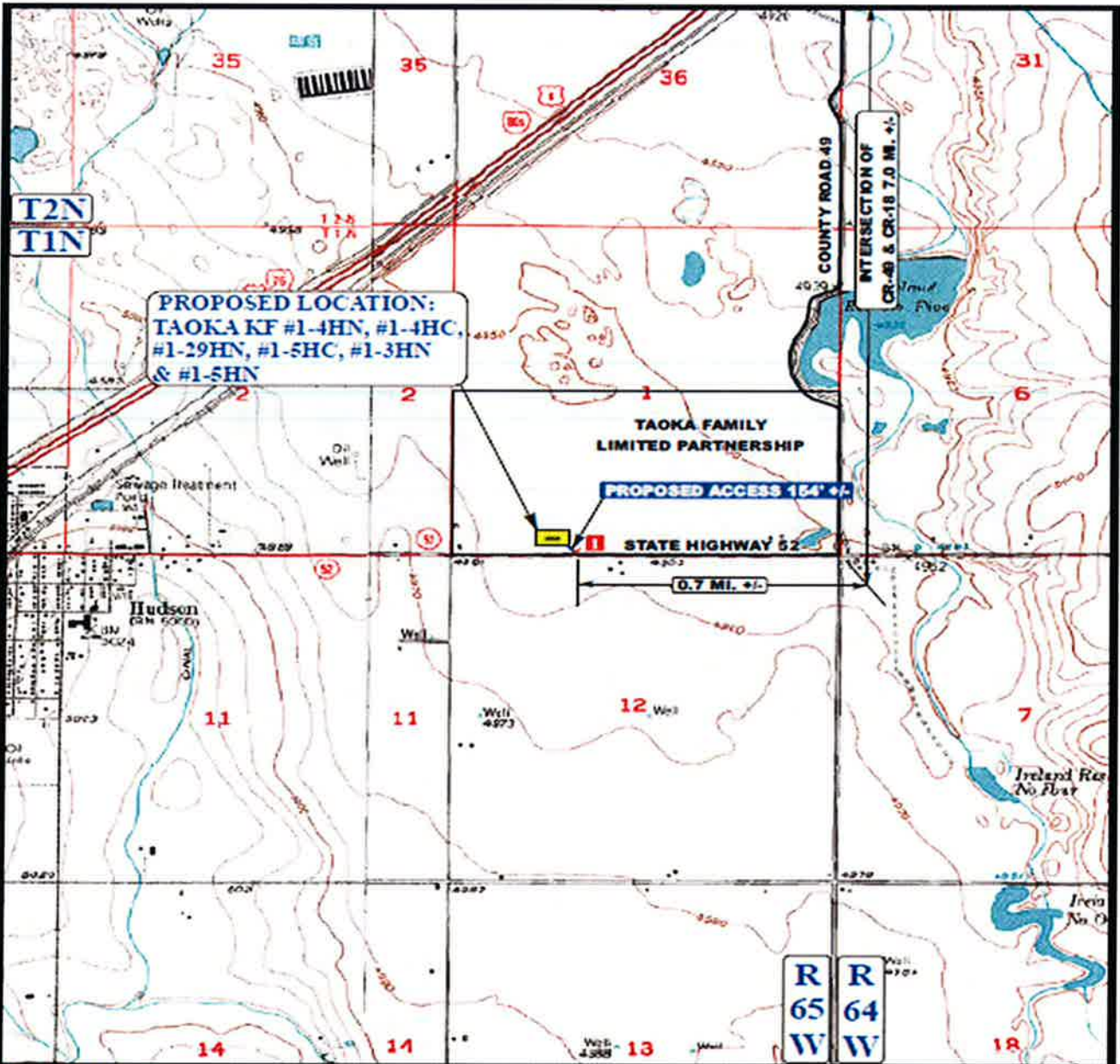
Listing of the "HUDSON WELLS"

All wells on the Taoka East and Taoka West pads developed and/or operated by Great Western Oil and Gas in the South ½ of Section 1, T1N, R65W.

APPENDIX B



APPENDIX B (continued)



LEGEND:
 ——— EXISTING ROADS
 - - - - - PROPOSED ACCESS ROAD
 ■ 18" CMP REQUIRED

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GREAT WESTERN OIL & GAS COMPANY
 TAOKA KF #1-4HN, #1-4HC, #1-29HN,
 #1-5HC, #1-3HN & #1-5HN
 SECTION 34, T1N, R65W, 6th P.M.
 SE 1/4 SW1/4 & SW 1/4 SW1/4

UES Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

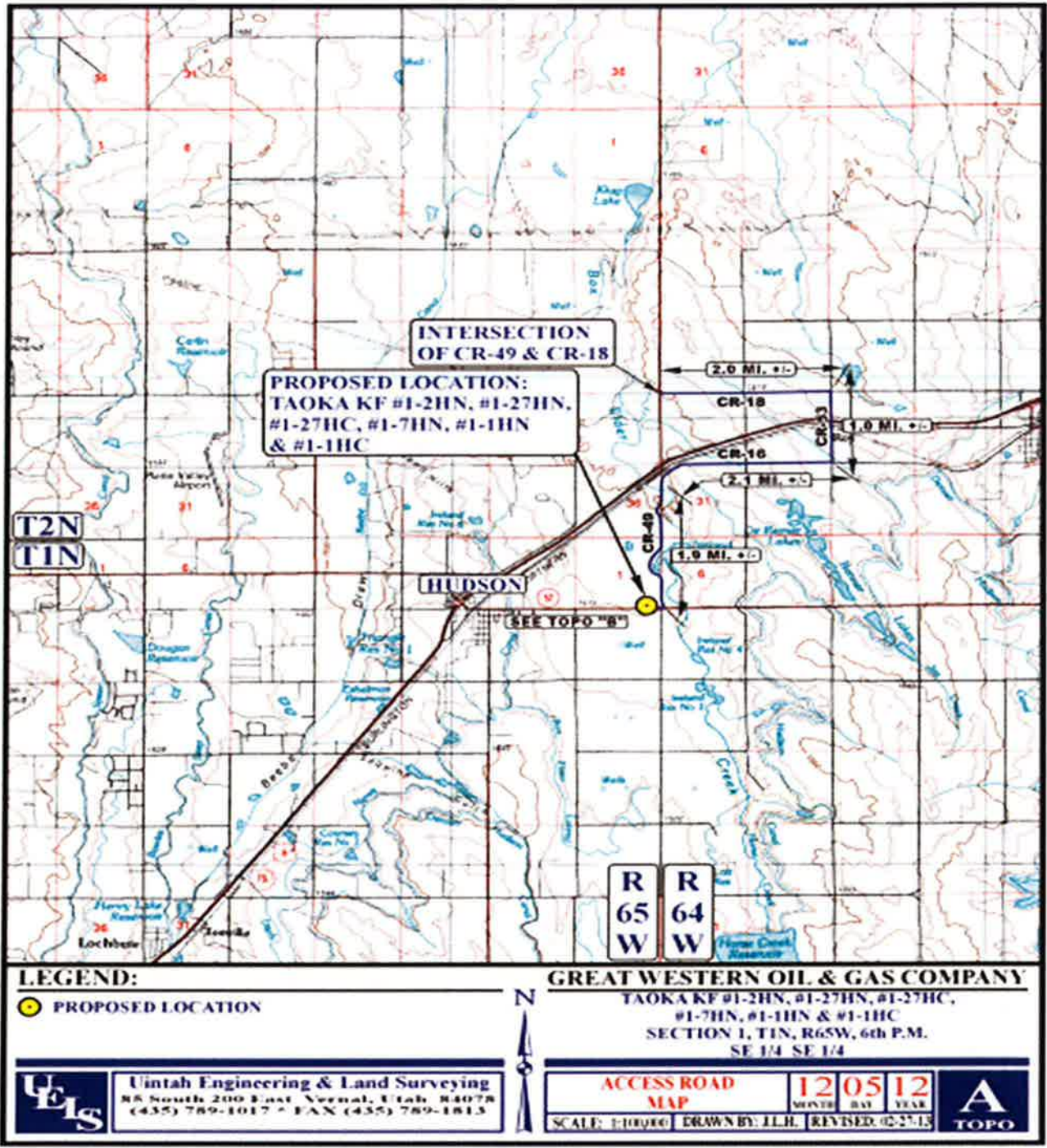
ACCESS ROAD MAP

02	26	13
MONTH	DAY	YEAR

SCALE 1"=2000' | DRAWN BY: J.L.H. | REVISED 05-22-13

B
TOPO

APPENDIX B (continued)



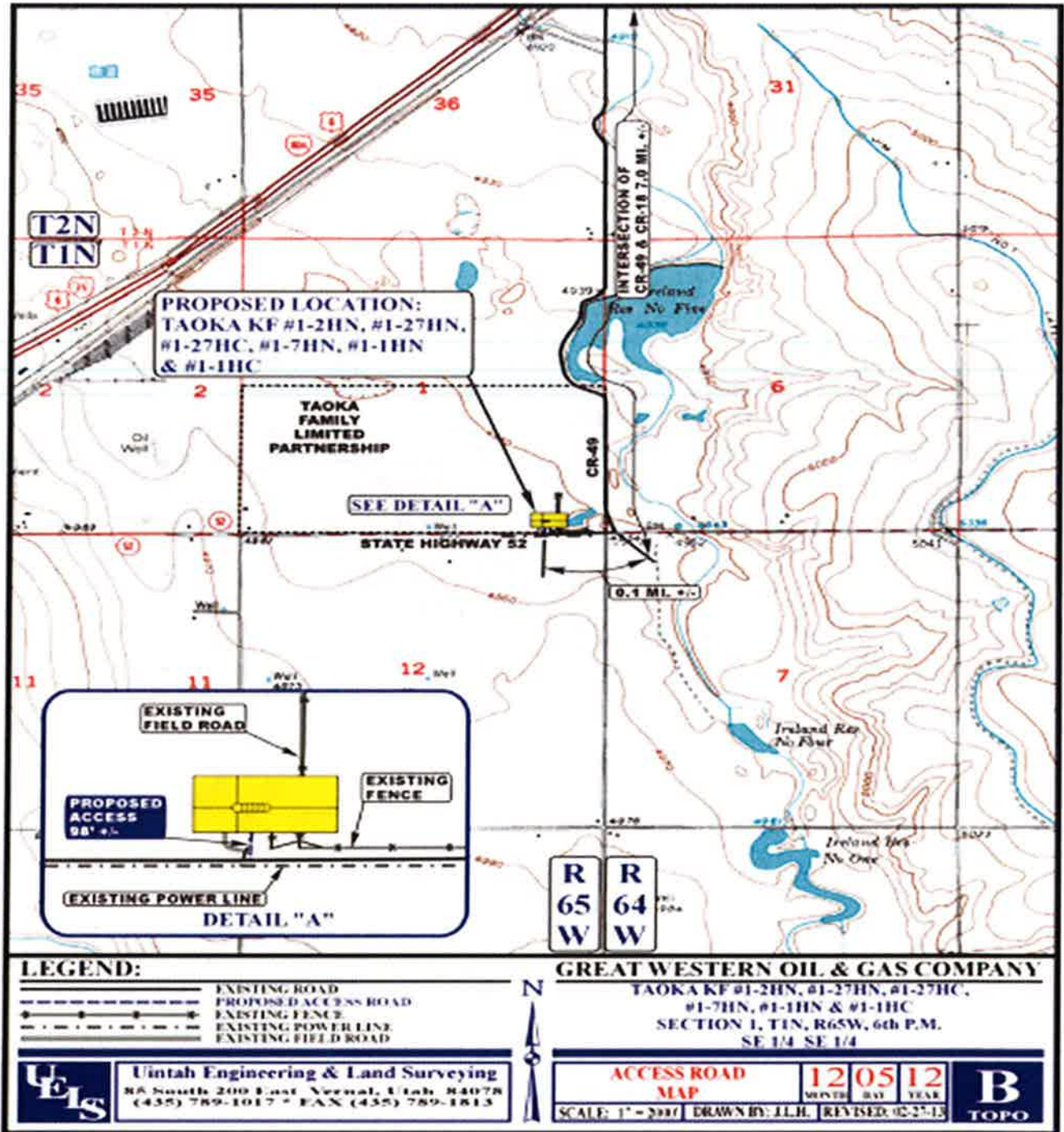
LEGEND:
 ● PROPOSED LOCATION

GREAT WESTERN OIL & GAS COMPANY
 TAOKA KF #1-2HN, #1-27HN, #1-27HC,
 #1-7HN, #1-1HN & #1-1HC
 SECTION 1, T1N, R65W, 6th P.M.
 SE 1/4 SE 1/4

U&L S Utah Engineering & Land Surveying
 85 South 200 East Normal, Utah 84078
 (435) 789-1017 • FAX (435) 789-1815

ACCESS ROAD MAP 12 05 12
 MONTH DAY YEAR
 SCALE: 1:100,000 DRAWN BY: J.L.H. REVISED: 02-27-15 **A TOPO**

APPENDIX B (continued)



APPENDIX C

BMP	
<u>Type</u>	<u>Comment</u>
Drilling/Completion Operations	<p>Great Western Oil & Gas Company, LLC - Best Management Practices - Summary Storm water management Plans (SWMP) will be in place to address construction, drilling and operations associated with Oil and Gas development throughout the state of Colorado in accordance with Colorado Department of Public Health (CDPHE). BMP's will be constructed around the perimeter of the site prior to or at the beginning of construction; BMP's used will vary according to the location, and will remain in place until the pad reaches final reclamation.</p> <p>Spill Prevention Control and Counter Measures (SPCC) plans will be in place to address any possible spills associated with Oil and Gas operations throughout the state of Colorado in accordance with CFR 112. In accordance with COGCC Rule 1002.f. (2)A. & B., shall provide a designated storage area for dry bulk chemicals and miscellaneous fluids. The storage area shall be covered to prevent contact of precipitation with chemicals, shall be elevated above storm- or standing water, and shall provide sufficient containment to prevent release of spilled fluids or chemicals from impacting soil, surface water or groundwater and will prevent the co-mingling of spilled fluids or chemicals with other E & P Waste.</p> <p>Housekeeping will consist of neat and orderly storage of materials and fluids. Wastes will be temporarily stored in sealed containers and regularly collected and disposed of at offsite, suitable facilities. If spills occur prompt cleanup is required to minimize any commingling of waste materials with storm water runoff. Routine maintenance will be limited to fueling and lubrication of equipment. Drip pans will be used during routine fueling and maintenance to contain spills or leaks. Any waste product from maintenance will be containerized and transported offsite for disposal or recycling. There will be no major equipment overhauls conducted onsite. Equipment will be transported offsite for major overhauls. Cleanup will consist of patrolling the roadways, access areas, and other work areas to pick up trash, scrap debris, other discarded materials, and any contaminated soil. These materials will be disposed of properly and promptly.</p>
Total: 1 comment(s)	

APPENDIX D

BEST MANAGEMENT PRACTICES FOR LOCATIONS WITHIN HUDSON TOWN LIMITS or USE OF TOWN ROADS

Pursuant to the terms of this MOU, GW shall include the best management practices listed below on all Form 2s, Applications for Permit to Drill, and Form 2As, Oil and Gas Location Assessments (for new wellsites only), submitted to the Commission for new wells GW drills after the Effective Date within Hudson's town limits, or for wells in which GW must use Hudson Town roads.

Due to the significant number of horizontal wells to be developed in close proximity to the Town of Hudson and the possibility that several of these wells will be drilled at the same time, GW will work with the Town of Hudson to ensure many of the issues brought up by the Town Administrator are addressed in a manner agreeable to both GW and the Town of Hudson. This will include the following:

1. GW will pay for all required repairs to ensure any damaged roads are promptly brought back to their condition prior to operations.
3. GW will take appropriate steps to adequately protect wastewater manholes located along any of its access roads.
4. As appropriate, in conjunction with the Town of Hudson, GW will develop, and GW and its subcontractors shall utilize, the route identified on the Access Road Maps in Appendix B for all vehicles in excess of 20,000 pounds GVW. Nothing herein shall prevent GW from using traffic route(s) not identified herein in the event of emergency or other due to any other lack of access. GW will act in good faith and communicate any change in access to the Town, to the extent such revised access includes Town Roads.
5. GW will provide the Town of Hudson an emergency response plan prior to commencing operations.
6. GW will provide the Town with a description of the anticipated traffic to be generated by the construction, completion, and operation of the Hudson Wells, including: number of trips; approximate vehicle weights; and approximate schedules.