

MEMORANDUM OF UNDERSTANDING
(Flanigan Wells)

This Memorandum of Understanding (Flanigan Wells) (this “MOU”) is made and entered into May 1, 2013 (“Effective Date”) by and between the Town of Hudson, a Colorado municipal corporation (“Hudson” or “Town”), whose address is 557 Ash, Hudson, Colorado 80642-0351 and Encana Oil & Gas (USA) Inc., a Delaware corporation (“Encana”), whose address is 370 17th Street, Suite 1700, Denver, Colorado 80202. Encana and Hudson 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 both within and outside Hudson’s town limits. Encana currently operates oil and gas wells 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 within and outside Hudson’s town limits.

B. Encana currently operates two horizontal wells at the Flanigan 2A-6H pad and battery outside Hudson town limits (“Flanigan Wells”) and utilizes Hudson owned roads as part of its access. Encana accesses the Flanigan Wells via Highway 52 and CR 49. The Flanigan Wells are currently in the production phase and an average of 2-3 trucks access this site per day in connection with production operations. Encana has also commenced interim reclamation of the site and approximately 15 trucks will access the site each day for this reclamation work until complete.

C. The Town currently has within its Municipal Code, Sections 8-30 to 8-33, an ordinance regulating overweight vehicles on Town roads. The Town also has regulations regarding construction, expansion or alteration of any driveway or point of access onto town streets, Section 16-148. Encana and its contractors did not obtain the permits under these provisions of the Municipal Code in the development of the Flanigan Wells, a condition that this MOU seeks to resolve.

D. In addition to concerns of road damage and overweight trucks, the Town has expressed to Encana concerns of Town traffic and Encana’s use of Town roads exacerbating existing traffic.

E. In response to these concerns regarding the Flanigan Wells, Encana has worked with the Town’s Public Works Director to repair road damage caused by traffic related to the Flanigan Wells near the access point and along CR 49. The work performed included hauling in road base material, laying road base material, grading and cleaning up debris along the Town’s portion of the road, all at Encana’s cost.

F. Hudson and Encana have agreed to enter into this MOU in order to memorialize the Parties’ agreement concerning Encana’s use of and access to the Hudson roads for the

Flanigan Wells.

AGREEMENT

NOW THEREFORE, the Parties agree as follows:

1. **Approval of Overweight Trucks.** Attached as Appendix A is a table which lists the approximate overweight vehicle counts per operation utilizing Town roads for the Flanigan Wells location in 2012. Also shown on Appendix A is the estimated overweight permit fee associated with these vehicles for 2012 had such fees been assessed and paid. Upon payment of the overweight permit fee shown on Appendix A, this MOU shall constitute overweight vehicle permit approval by the Town for the Flanigan Wells for 2012 pursuant to Municipal Code, Section 8-31. Hudson acknowledges and agrees that only the fee shown on Appendix A shall be due and no other amounts are payable for overweight vehicle use of Town roads for operations at the Flanigan Wells and related facilities through the Effective Date. Encana, its contractors, purchasers and their haulers shall have the continuing right to operate overweight vehicles on the Town's roads for operation of the Flanigan Wells from and after the Effective Date provided the operator of the overweight vehicle obtains the applicable overweight permit and pays the associated fee pursuant to Hudson's Municipal Code, rules and regulations. In the event the Town's permit fees for overweight vehicles are subsequently determined to be invalid, this MOU and the payments hereunder shall not be considered a waiver by Encana, its contractors, purchasers or their haulers of their rights with respect to compliance with the rules and regulations related to the future payment of such permit fees.

2. **Access Permit.** Pursuant to Municipal Code, Section 16-148, a standard street access permit fee of \$15.00 plus deposit for technical review shall also be payable by Encana for each street access off of CR 49 for the Flanigan Wells and associated facilities. Upon submittal and approval of a proper access permit application and payment of the required access permit fee, this MOU shall constitute street access approval by the Town for the Flanigan Wells access off the Town's portion of CR 49. Hudson acknowledges and agrees that only this street access permit fee shall be due and no other street access fees are payable for existing access locations onto the Town's portion of County Road 49.

3. **Future Development.** This MOU applies only to the Flanigan Wells. The Parties will endeavor to negotiate an additional Memorandum of Understanding concerning Encana's use of overweight vehicles on Hudson roads and for traffic impacts on the Town's roads for Encana's future oil and gas operations both within and outside Hudson's town limits.

4. **No Waiver of Rights.** Encana does not waive the 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, neither Party waives any rights it has pursuant to the laws of the State of Colorado or the Town of Hudson Municipal Code.

5. **Best Management Practices.** Hudson and Encana have identified best

management practices (“BMPs”) for Encana’s operations relative to the roads and related management of traffic within Hudson’s town limits for the Flanigan Wells from and after the Effective Date, which BMPs are attached hereto as Appendix B, and incorporated herein by this reference.

6. **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).

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

8. **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.

9. **No Third Party Beneficiaries.** 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.

10. **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 (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:

Hudson: Town of Hudson
 557 Ash Street
 P.O. Box 351
 Hudson, Colorado 80642
 Attn: Town Administrator
 Telephone: 303.536.9311
 Fax: 303-536-4753
 Email: manager@hudsoncolorado.org

With copy to: _____

Encana: Encana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, CO 80202
Attn: Group Lead, Regulatory
Telephone: 303-876-3228
Fax: 303-876-4228
Email: Jason.oates@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

11. 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 as of the Effective Date.

HUDSON:

THE TOWN OF HUDSON

By: 

Name: Neal Pontius

Title: Mayor Town of Hudson

ENCANA:

ENCANA OIL & GAS (USA) INC.

By: 

Name: Eric L. Root

Title: Attorney in Fact

Appendix A

Flanigan MOU Permit Cost

	Trucks	Yearly Permit Fee Per Truck	Total
Construction	15	\$120	\$1,800
Drilling Rig Move	12	\$500	\$6,000
Drilling	30	\$120	\$3,600
Completions	85	\$120	\$10,200
Production	39	\$120	\$4,680

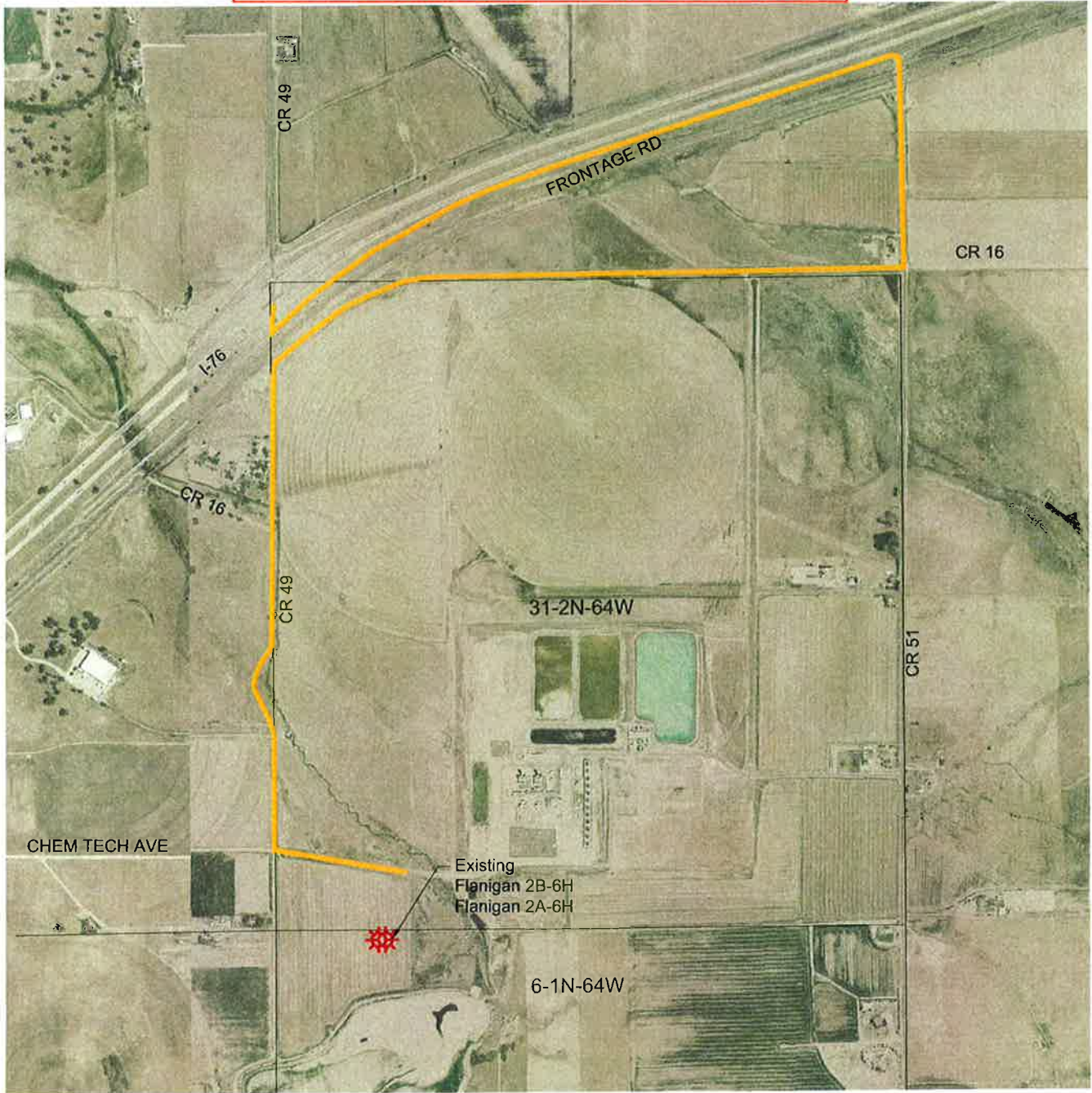
Total \$26,280

Appendix B


BEST MANAGEMENT PRACTICES FOR USE OF TOWN ROADS FOR THE FLANIGAN WELLS

1. To the extent feasible and practicable, Encana will use good faith efforts to route Encana's and its contractor's overweight vehicles serving the Flanigan Wells and related facilities away from downtown Hudson and the I-76 interchange at State Highway 52. Attached as Appendix C is the preferred route which Encana will utilize to the extent feasible and practicable. Hudson acknowledges and understands that truck rerouting may not always be feasible or practicable. Nothing shall prevent overweight trucks from accessing the Flanigan Wells location by other routes in the event of emergency, for safety reasons, or due to lack of other access. Encana will request that its contractors, vendors, purchasers and their haulers follow the preferred route described on Appendix C; provided, however, Hudson acknowledges and agrees that Encana does not direct or control the operations of its contractors, vendors, purchasers and their haulers and Encana is not responsible if these parties do not use the preferred route or for violations by these parties of Hudson's Municipal Code, rules, regulations, and ordinances.
2. Encana will pay for repairs for damage to Hudson roads directly and entirely caused by Encana's and its contractors' use of the roads in connection with the Flanigan Wells. The Parties understand that except for repairs for damage directly and entirely caused by Encana and its contractors, any other damage or excessive wear caused by others to Hudson roads shall not be the responsibility of Encana to remedy and shall not be borne by Encana.

Appendix C
Preferred Route for the Flanigan 2A & 2B Pad



— PROPOSED ACCESS ROUTE


TOWNSHIP 1 NORTH, RANGE 64 WEST
SECTION 6
TOWNSHIP 2 NORTH, RANGE 64 WEST
SECTION 31
WELD COUNTY, COLORADO
SCALE: 1" = 1200' APRIL 25, 2013