

EXTRACTION AGREEMENT

In consideration of the mutual obligations and benefits set forth in this Extraction Agreement ("Agreement") and for other good and valuable consideration, the receipt of which is acknowledged, the City of Commerce City, Colorado ("City") and **[insert name of operator]** ("Operator") agree as follows:

ARTICLE I - APPLICATION

This Agreement shall apply to lands presently within the boundaries of the City, to the City's urban growth area, to any lands which are added to the City's jurisdiction ("Lands"), and to all property within one mile of the Lands on which the Operator conducts any oil and gas Operations ("Operations") as defined in the City's Land Development Code ("LDC"). The meaning of the terms used in this Agreement shall be the same as those in the City's LDC, except where otherwise noted. Where terms are not defined, they shall have the meaning commonly attributed to them in the oil and gas industry.

ARTICLE II - TERM OF AGREEMENT

The term of this Agreement shall be from the date of Operator's signature and for so long thereafter as any Oil and Gas Well or Facility related to Operator's Operations or those of its successors, agents, or assigns, have not been permanently plugged, abandoned and removed from the Lands in accordance with the Rules and Regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"); provided, however, that any Article of this Agreement or plan adopted pursuant hereto shall survive termination where Operator's performance or the City's enforcement have not been completed. For the purposes of this Agreement, "Operator" shall also include any successors, agents, or assigns of the Operator, and any other person who owns an interest in such well, facility or Operations.

ARTICLE III - PERMIT REQUIREMENTS

- 3.1 Oil and Gas Permits Required for Operations within the City. Operator shall comply with all applicable provisions of the City's LDC and with any other applicable local, state or federal laws, rules or regulations, including future amendments thereto, all of which are incorporated in and made a part of this Agreement by this reference, including future amendments.
- 3.2 Amendments or Changes. The form of this Agreement may be modified by the City at any time before it is signed by the Operator. Before or after this Agreement is signed, the City and Operator may amend it to provide that it applies only to a particular Facility or Oil and Gas Well on a specific property, or they may amend this Agreement and modify specific terms and requirements herein for good cause shown by the Operator. Any amendment or modification shall be effective only when it is in writing and is signed by the City and the Operator.

ARTICLE IV - ENFORCEMENT AND PENALTIES

4.1 Enforcement of Agreement and Penalties for Violations.

- a. If Operator has not obtained an Oil and Gas Permit from the City in compliance with the LDC or this Agreement, or its Operations do not comply with any other permit issued by the City, or with the LDC or any other applicable law, rule or regulation, Operator agrees that such failure shall constitute immediate and irreparable harm to the City and that Operator may therefore be enjoined by the City from engaging in any Operations and may be subject to such other criminal or civil liability as may be prescribed by the LDC or other applicable law. If the City prevails in whole or part in any action to enforce this Agreement, the terms of any permit (including its Oil and Gas Permit) or the LDC, the Operator shall pay all reasonable attorney fees and costs incurred by the City.
- b. Suspension of Oil and Gas Permit. If the City determines at any time that there is a violation of the conditions of any permit issued by the City (including any Oil and Gas Permit), this Agreement, any other applicable law, rule or regulation, or that there are material changes to Operations from those approved by the Oil and Gas Permit or this Agreement, the City may temporarily suspend the Oil and Gas Permit. In such case, upon oral or written notification by the City, the Operator shall cease Operations immediately. The City shall forthwith provide the Operator with written notice of the alleged violation or the unauthorized change. The Operator shall have a maximum of fifteen (15) days to correct the violation or the unauthorized change. If the violation or unauthorized change is not timely corrected, the Oil and Gas Permit may be further suspended pending a revocation hearing. The Operator may request a hearing before the department or agency designated by the City to hold such hearing ("Department") regarding the suspension.
- c. Revocation of Oil and Gas Permit. The Department may, following notice and hearing, give the Operator notice of its intent to revoke an Oil and Gas Permit granted if any of the Operations conducted by the Operator violate the conditions of the Oil and Gas Permit, this Agreement, the LDC or any applicable law, rule or regulation, or constitute material changes to the Operations that were approved by the City. The Department shall provide written notice to the Operator of the violation or the material changes, and the time and date of the hearing, no less than thirty (30) days prior to the revocation hearing. Public notice of the revocation hearing shall follow the procedure for Planning Commission and City Council outlined in the LDC. Following the hearing, the Department

shall decide whether to revoke the Oil and Gas Permit or specify a time by which action shall be taken to correct any violations to avoid revocation of said permit.

- d. Transfers. An Oil and Gas Permit issued by the City and this Agreement may be transferred only with the prior written consent of the City. The City shall ensure, in approving any transfer, that the proposed transferee can and will comply with all the requirements, terms, and conditions contained in the Oil and Gas Permit and this Agreement, the LDC, and with any other applicable local, state and federal law, rule and regulation. The City shall also ensure that such requirements, terms, and conditions of this Agreement remain sufficient to protect the health, welfare, and safety of the public, and the environment, and that an adequate guaranty of financial security will be timely made by the transferee.
- e. No Review or Approval for Operators Subject to Enforcement Action. No application for an Oil and Gas Permit shall be processed or approved if the Operator, the Site, or the property owner is subject to an ongoing review or enforcement action by the City.

ARTICLE V - PERFORMANCE STANDARDS

The Operator agrees to comply with the following performance standards in all of its Operations:

- 5.1 Hazardous Materials. Full disclosure, including material safety data sheets, of all hazardous materials that will be transported on any public or private roadway within the City for the Operations shall be provided to the City's office of emergency management or as otherwise designated by the City. This information will be treated as confidential and will be shared with other emergency response personnel only on an as needed basis.
- 5.2 Soil Sampling. Soil sampling shall be conducted and analyzed at Operator's expense in accordance with a plan to be developed and approved by the City and Operator before any new Operations commence. The soil sampling plan will be used to establish baseline soil conditions and monitor soil conditions during the term of this Agreement.
- 5.3 Well Facilities Siting. There shall be no more than four well pads per 640-acre section.
- 5.4 Multi-Well Sites and Directional/Horizontal Drilling. All Operations, including any related Facilities, shall be consolidated on Multi-Well Sites and shall use directional and horizontal drilling techniques whenever possible and appropriate. In determining appropriateness, the benefits of

consolidation and directional and horizontal drilling, and drilling from an existing location on a nearby or adjacent property, as well as minimizing surface disturbance and traffic impacts and increasing setbacks, will be weighed against the potential impacts that consolidated drilling and production activities will have on surrounding properties, wildlife and the environment.

- 5.5 Setbacks to Buildings, Public Roads, Major Above Ground Utility Lines, Railroads, and Designated Outside Activity Areas. Oil and Gas Wells and Facilities shall be a minimum of 1250 feet from any occupied building or occupied building permitted for construction, platted residential lots, or from the boundary of any designated outside activity area or high density area as defined in COGCC regulations.
- 5.6 Rocky Mountain Arsenal National Wildlife Refuge and Barr Lake State Park Setback. There shall be no surface or underground disturbance within one mile from the outermost boundary of the Rocky Mountain Arsenal National Wildlife Refuge ("Refuge") or Barr Lake State Park.
- 5.7 Water Supply. For any Operation that is proposed to use water during exploration, completion, production or abandonment, Operator shall identify in its Oil and Gas Permit application the proposed source of water to be used. Operator shall also provide a good faith estimate of the amount of any water that will be used, when it will be used, and evidence of Operator's legal entitlement to use such water. On-site containment, pre-treatment, and disposal of water associated with Operations shall be in accordance with the Oil and Gas Permit, this Agreement, the City's LDC, and with any applicable federal or state requirements. Operator shall protect all water sources in the City from degradation arising from its Operations.
- 5.8 Noise.
- a. Sound emission levels shall, at a minimum, be in accordance with the standards as adopted and amended by the COGCC.
 - b. Operator shall also provide additional noise mitigation when requested to do so by the City. In determining such additional noise mitigation, the City shall consider specific site characteristics, including, but not limited to, the following:
 - i. Nature and proximity of adjacent development (design, location, type);
 - ii. Prevailing weather patterns, including wind directions; and
 - iii. Vegetative cover on or adjacent to the site or topography.

- c. Based upon the specific site characteristics, the nature of the proposed activity, and its proximity to surrounding development, and type and intensity of the noise emitted, additional noise abatement measures above and beyond those required by the COGCC may be required under the Agreement. The level of required mitigation may increase with the proximity of the Operation to existing or permitted residences and platted subdivision lots, and depending on the level and frequency of noise emitted by or related to the operation. One or more of the following additional noise abatement measures shall be provided by the Operator if requested by the City:
 - i. Acoustically insulated housing or covers enclosing any motor or engine;
 - ii. Screening of the site or noise-emitting equipment by a wall or landscaping;
 - iii. Solid wall of acoustically insulating material surrounding all or part of a Facility;
 - iv. A noise management plan specifying the hours of maximum noise and the type frequency, and level of noise emitted;
 - v. Use of electric-power engines and motors, and pumping systems; and/or
 - vi. Construction of buildings or other enclosures may be required where Operations create noise and visual impacts that cannot otherwise be otherwise adequately mitigated.

5.9 Hours of Operation.

- a. "Daytime hours" mean 7 a.m. to 7 p.m. Monday through Friday; 8 a.m. to 6 p.m. on Saturdays.
- b. "Nighttime hours" mean 7:01 p.m. to 6:59 a.m. Monday through Friday, 6:01 p.m. to 7:59 a.m. on Saturdays and Sundays.
- c. All open hole formation or drill stem testing shall be done during daytime hours.
- d. Drilling, completion, recompletion and fracturing Operations shall be scheduled to occur during daytime hours.

- e. No Operations involving excavation, alterations to, or repair work on any road or Facility may occur during nighttime hours or at any time on Sunday.
- f. Truck deliveries to Facilities will be limited to daytime hours except in case of emergency.
- g. Unless otherwise required by law, no loudspeakers are permitted during nighttime hours.

5.10 Setbacks to Water Bodies. All Operations shall be located a minimum of 300 feet from the normal high water mark of any water body. If the water body is associated with a designated outside activity area, the minimum setback from the water body shall be consistent with the setback for the designated outside activity area as mandated by the COGCC. If the water body is classified as part of a public water system, Operations shall comply with COGCC Rule 317.B on Public Water System Protection.

5.11 Water Quality Monitoring.

- a. At a minimum, Operator shall comply with COGCC water well testing and water-bearing formation protection procedures and requirements.
- b. If the City determines that additional water quality monitoring is required, Operator shall submit a water quality testing and monitoring plan to the City for review and approval.
- c. Operator's plan will outline a program to test and monitor water quality conditions and pollutants in surface or groundwater that could be affected by its Operations. The plan, at a minimum, will include the following:
 - i. The proposed number of Oil and Gas Wells and the type, number, location, and depth of new or existing monitoring wells needed to establish baseline and monitor surface and groundwater quality, upgradient and downgradient of the proposed Operations;
 - ii. The constituents to be sampled, taking into account state and federal groundwater standards and any materials used in the operations that could affect groundwater;
 - iii. The type and frequency of samples to be collected and analyzed before Operations start, during Operations and after Operations have been completed;

- iv. The party who will install the monitoring wells, and collect and analyze all samples;
 - v. The technical and analytical methods, and the reporting levels to be used; and
 - vi. The proposed frequency of reporting results to the City and COGCC.
- d. The plan shall be subject to approval by the City and shall be modeled on hydrologic studies or equivalent information showing the surface and subsurface conditions and mobility of the groundwater aquifer(s) that may be affected by the Operations. The plan shall be prepared by an engineer registered in the State of Colorado with experience in groundwater monitoring and subsurface condition investigations. At its option, the City may prepare the plan or engage a third party to prepare it, and Operator shall pay the reasonable expenses incurred by the City.
 - e. The procedures and provisions in the approved plan shall be implemented by the Operator prior to conducting any Operations on a site. If required by the City, Operator shall fund the development and implementation of the water quality monitoring plan and program for the duration of its Operations at each of its Facilities and for a minimum of five (5) years following completion of Operations and abandonment of the Facilities. All monitoring records related to the program shall be provided to the City as soon as they are available to the Operator.

5.12 Water and Wastewater Disposal and Closed Loop/Pitless System.

- a. All water, waste, chemicals, fluids, solutions or other solid materials or liquid substances produced or discharged by the Operations shall be treated and disposed of in accordance with all applicable laws, rules and regulations of the governmental authorities having jurisdiction over such matters; provided however, there shall be no Pits -- water, production, reserve, waste, or otherwise -- constructed or maintained on any site. No water, waste, chemicals, fluids, hydrocarbons, fracturing solutions or other solid materials or liquid substances of any kind shall be discharged on any Site and they shall be discharged and held only in a "closed loop system" comprised of sealed storage tanks located on impermeable pads or liners, commonly used for such purposes in the industry. The contents of all tanks shall be promptly removed from the Site and disposed of off of the site at a licensed disposal Site, in accordance with COGCC or other applicable laws, rules and regulations.

- b. Drilling or operation of any waste water or other injection or disposal wells is prohibited. Except to the extent that materials are injected into a Well as part of normal and ordinary drilling, completion and production operations, Operator shall not inject or re-inject any fluid, water, waste, fracking material, chemical or toxic product into any Well.
- c. Drilling mud, cuttings, liquid hydrocarbons and all other field waste derived or resulting from or connected with the drilling, re-working or deepening of any Well shall be discharged only into an above-ground, self-contained tank using Best Management Practices. Waste materials shall be removed from the site and transported to an off-site disposal or recycling facility not less often than once every 30 days.

5.13 Drilling and Hydraulic Fracturing Fluids.

- a. Operator shall assure that any water, fluid, solid or chemical used in the fracturing process (“fracturing solution”) will, to the maximum extent possible under existing technology, be biodegradable, non-toxic neutral pH, residue free, non-corrosive, non-polluting and non-hazardous in the volumes, forms and concentrations being used, and will maintain and provide the City with a current list of the volumes, composition and concentrations of any fracturing solution used in accordance with COGCC rules. Operator also shall use Green Completion techniques whenever possible.
- b. Operator shall use a “tracer” in any drilling and fracturing solution which will make it possible to trace and determine the source and migration of any solution, and shall provide the City with information that will make identification of the tracer possible.
- c. Operator shall provide representative samples of its drilling and fracturing solutions used during any operation upon request by the City, which shall have the right to have the samples analyzed by a third party at the Operator’s cost.

5.14 Production Site Containment. Berms or other containment devices shall be constructed in accordance with Best Management Practices, and shall be constructed around tanks used to store crude oil condensate, or produced water and waste and shall enclose an area sufficient to contain and provide secondary containment for 150 percent of the largest single tank. Berms or other secondary containment devices shall be sufficiently impervious to contain all spilled or released material. No more than two storage tanks shall be located within a single berm. All berms and containment devices shall be inspected at least every six months and

maintained in good condition. No potential ignition sources shall be allowed inside the containment area.

- 5.15 Spill, Release, Discharge. Operator shall implement Best Management Practices in all facets of its Operations and shall also use such practices to prevent any Spill, release or discharge of any Pollution, contaminants, chemicals, solid wastes, or industrial, toxic or hazardous substances or wastes at, on, in, under, or near the Site. Any such Spill, release or discharge, including without limitation, of oil, gas, vapors, grease, solvents, or hydrocarbons that occurs at, on, in, under, or near the Well or Site shall be remediated immediately in compliance with applicable laws. Any such Spill, release or discharge that is reportable to regulatory authorities under applicable laws shall be reported to the City and owners of the Site within 24 hours by telephone, fax, or e-mail, to be followed by copies of written notices that the Operator has filed with regulatory authorities within five business days after such filing.
- 5.16 Pipeline and Gathering Systems. The design, construction, cover, and Reclamation of all pipelines and gathering lines for Operations shall be subject to the COGCC rules. The alignment location of any approved and installed pipeline or gathering system shall be recorded against the respective property in the records of the Adams County Clerk and Recorder.
- 5.17 Air Quality.
- a. Before Operations commence, Operator shall submit a plan for approval by the City to obtain adequate air quality samples to establish the baseline air quality within a 1/4 mile radius of its Operations, and shall repeat such tests no less than annually (or more frequently if reasonably requested by the City) to monitor air quality. All test results shall be promptly submitted to the City.
 - b. Operator shall assure that its Operations do not cause adverse effects to air quality within the City.
 - c. All equipment shall use electric engines and motors.
 - d. Air emissions from the Operations shall be, at a minimum, in compliance with the permit and control provisions of the Colorado Air Quality Control Program, Title 25, Section 7, C.R.S.
 - e. All Operations that create airborne emissions in concentrations that are known to cause negative health impacts are prohibited.
 - f. Operator shall make reasonable efforts to minimize methane or other toxic emissions by using all feasible "Green Completion"

techniques, pursuant to COGCC Rules Section 805(3) and the installation of “low bleed” pneumatic instrumentation.

- g. All fossil-fuel powered engines used on site shall employ the latest emission-reduction technologies and Best Management Practices.

5.18 Reclamation. The Reclamation of any Operation or Facility shall be performed timely in accordance with all applicable COGCC Rules.

ARTICLE VI - OPERATIONAL CONFLICTS SPECIAL EXCEPTION

- 6.1 a. After this Agreement is signed and its terms are established, and in addition to amendments made pursuant to Article 3.2 herein, Operator may submit a written request to the City for an exception to the requirements of this Agreement which may be granted by the City where the actual implementation of the requirements of this Agreement are not possible, or where they would materially impede or destroy the interest of some other state or federal body with superior jurisdiction (“Operational Conflict”). The Operator may submit a separate written request and application to the City for a waiver of certain requirements of this Section, which may be granted where the implementation of such requirements is impossible or unnecessary, where it would materially impede or destroy the state’s interest, or where it would cause the Operator to violate other applicable laws (i.e., “Operational Conflict”). All applications for a waiver or appeal shall be heard in a noticed, quasi-judicial public hearing by the City Council. The Operator shall have the burden of pleading and proving a lack of necessity, or an actual, material, irreconcilable impossibility or Operational Conflict. If the City finds in favor of the Operator by a preponderance of evidence in the record, then a waiver may be granted in whole or in part, but only to the extent necessary to provide the relief sought.
- b. Requirements within the City’s LDC or police powers that are necessary to protect the public health, safety and welfare under the facts of the specific application presented shall have a prima facie assumption that they do not present an Operational Conflict. If the Department finds, based upon competent evidence in the record, that compliance with the requirements of this Agreement will result in an Operational Conflict, a special exception may be granted, in whole or in part, but only to the extent necessary to remedy the Operational Conflict.

ARTICLE VII - COGCC ORDERS OR APDs

- 7.1 Operator and City agree to jointly request that the provisions of this Agreement be incorporated into any COGCC order or APD that concerns Operations that are subject to this Agreement.

ARTICLE VIII - SITE SPECIFIC DEVELOPMENT PLAN AND FUTURE REGULATIONS

- 8.1 This Agreement shall not grant or create any common law or statutory vested development rights or exempt Operator from complying with any provision of the LDC, or the City's development review regulations or process. The City reserves the right in the future to change the LDC and to enact and apply prospectively any regulations that apply to Operator's Operations, even though such regulations may be more or less stringent than the standards applicable to the Operations by virtue of this Agreement. The City may require that this Agreement be amended to include future changes to the LDC or the COGCC rules and Operator will agree to such a request.

ARTICLE IX - GENERAL PROVISIONS

- 9.1 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.
- 9.2 Successors and Assigns. Subject to the provisions of the Agreement, Operator shall have the right to transfer or sell any or part of its interest in its Facilities and Operations; provided, however, that in the event of transfer, Operator's transferees, sublessees, successors and assigns shall agree in writing to be bound by and shall comply with all terms of this Agreement, the LDC, Operator's Oil and Gas Permit, and any other applicable law, rule, or regulation.
- 9.3 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.
- 9.4 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.

9.5 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.

9.6 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 City at:

With copies to:

To the Operator at:

With copies to:

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

9.7 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 provisions hereof.

9.8 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.

9.9 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 Operator and the City. 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.

9.10 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 60 days of a party's receipt of such notice to mediate from the other party.

- 9.11 Dispute Resolution. Any suit arising out of this Agreement shall be filed in the Adams County, Colorado District Court. Should the City prevail in any such suit, Operator agrees to pay all of the City's attorney fees and costs of suit.

[Remainder of this page intentionally left blank – signature page(s) follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CITY OF COMMERCE CITY

[Department Head Name] Director
Department of Community Development

ATTEST:

Laura J. Bauer, CMC, City Clerk

Approved as to form:

[Assistant/Deputy] City Attorney

Recommended for approval:

[Responsible City Staff, Title]
Department of _____

OPERATOR

Signature [must be notarized]

Printed Name & Title

STATE OF _____)
_____) ss.
COUNTY OF _____)

The foregoing Agreement was acknowledged before me this ____ day of _____, 201_, by _____, _____ of _____.

Witness my hand and official seal.

My Commission Expires _____.

Notary Public