

Summary of Operating Agreement with Sovereign Operating Company LLC

Sovereign Operating Company LLC applied for Use by Special Review Permits for a number of well sites in Broomfield. After months of negotiations, on August 27, 2013, City Council approved an Operating Agreement with Sovereign Operating Company LLC and made the provisions of that agreement conditions of approval for the Use by Special Review Permits. The Operating Agreement contains many Best Management Practices (BMPs) that have been recommended by technical experts and will apply to all the new and refiled wells drilled at the Sovereign well sites in the next five years. Staff focused its efforts in this agreement on those areas where there may be gaps in current state regulations and in those areas most important to City Council and most frequently commented on by citizens who participated in the Town Hall Meeting. Those areas of concern are air quality, water quality, emergency planning, chemical disclosure, and inspections.

These BMPs go well beyond Broomfield's current code requirements in an effort to put in place the highest possible public safety standards for oil and gas drilling on these well sites. These BMPs also exceed current state regulatory requirements in areas such as air quality, water quality, inspections, and emergency management planning.

There are more than thirty (30) requirements in the Agreement that exceed current state regulations in the following areas.

- Operator to submit 10 year Comprehensive Development Plan
- Operator shall provide notice to all owners within 2,640 feet of applications for drilling operations
- Operator shall inspect berms and containment devices at each site on a daily basis
- Operator shall employ closed looped drilling in every circumstance- (Wells drilled, completed and operated using closed loop pitless systems for containment and recycling of drilling, flowback and produced fluids.)
- Operator shall anchor all well site equipment
- Operator shall disclose chemicals to City before brought on site
- Operator shall ensure no visible dust emissions from access roads to extent practical and avoid dust suppression within 300 feet of water
- Operator shall submit safety data sheets for dust suppressants used by operator on roads
- Operator has a duty to minimize emissions from operations including consolidation of facilities, monitoring systems, and gathering and water delivery systems
- Operator shall capture all vapors and route to a control device with at least a 98% vapor capture efficiency and operate such equipment in accordance with manufacturer specifications.
- Operator shall employ technology to control emissions from well blowdowns on new wells. Certain technology allows the operator to clear the liquids from the well without opening it to the atmosphere so the venting of gas and the associated emissions do not occur.
- Operator shall be present onsite during all manual blowdowns.
- Operator shall employ no bleed pneumatic controllers - (Controllers are equipment used to regulate gas flow and pressure; no bleed pneumatic controllers are a type that do not bleed natural gas into the atmosphere by design.)

- If flaring of gas is allowed under State regulation, flare shall be designed so there are no visible emissions; Operator shall employ an automatic pilot to ensure flare is operating
- Operator to develop Leak Detection and Repair Plan that requires quarterly inspections of all components on well sites and prompt repair of leaking components, with reporting to City. (Reduce leaks by requiring a Leak Detection and Repair Plan (LDAR) to detect and repair leaking pumps, flanges, seals, connectors, etc., at well sites.)
- Operator to fund ambient air sampling
- Operator to respond to air quality action days and emission reduction where feasible
- Operator to certify annually that it is in compliance with all air quality provisions of the Agreement
- Operator shall utilize green completions for all wells, consistent with future federal rules. (Green completions require gas to be captured at the well head during and immediately after well completion instead of releasing it into the atmosphere or flaring it.)
- Operator to perform water quality monitoring under COGCC Rule 609, which otherwise does not apply in the City. (Rule 609 requires initial baseline samples and subsequent monitoring samples from all available water sources up to a maximum of four within ½ mile of the proposed well, with testing to be conducted between 6 and 12 months and between 60 and 72 months of completion of well.)
- Operator to comply with more stringent requirements for flammable material
- Operator to comply with floodplain requirements under municipal code
- Operator to implement landscaping requirements consistent with a City approved plan
- Operator to implement lighting plan that goes beyond State rules
- Operator shall not engage in routine maintenance of machinery within 300 feet of a water body
- Operator will ensure flowlines are at least 50 feet away from buildings if feasible
- Operator shall record all flowlines and submit to City
- Operator shall remove equipment within 30 days from completion
- Operator shall fund soil gas monitoring
- Operator shall not discharge fluids at well site
- Operator shall not use produced and flowback water for dust suppression
- Operator shall disclose to the City water sources used by the Operator and water disposal methods
- Operator shall provide information to the City regarding plugged and abandoned wells
- Operator to identify City as additional insured on policy; insurance policy limits increased above State minimum
- Operator shall participate in Natural Gas STAR program to encourage innovation in pollution controls at drill sites
- While current COGCC setback requirements from a high occupancy building are 1,000 feet and from a building unit are 500 feet, unless certain additional measures are implemented for wells closer to the building, all of the well sites covered by this Agreement exceed that requirement. The Agreement requires that all new wells drilled on the ten well sites covered by the agreement are at least 1,000 feet from high occupancy buildings or building units, as defined by the COGCC, that exist on the effective date of the Agreement, with a 10% administrative variance available. The Agreement does not permit wells within that distance, even if mitigation measures by the COGCC rules are employed.
- The operator must provide a bond to cover potential public road damage from operator's use.
- The operator must identify the source of all water used in drilling operations, the number of vehicles, and the disposal method.

- The operator must have landscaping and fencing plans approved by the City and face all lighting at well sites downward and shielded.
- Appendix B to the Agreement includes a comprehensive list of plans that are subject to City approval.
- All of the BMPs set forth in the Agreement are to be made a part of the COGCC permits for new or refilled wells at the well sites, so that the City can pursue enforceability through the COGCC as well as its own inspectors.
- In certain sections of the Agreement, requirements are conditioned upon the action being technically or commercially feasible by the operator. It is anticipated that City staff will consult with an expert in making these determinations.
- Operator shall be subject to future City Ordinances that have general applicability to oil and gas operators, including but not limited to future rules on impact fees.
- The term of the Agreement is for 5 years and would cover all new wells drilled within that time frame. The Agreement can be renewed by mutual written agreement. The Agreement can be terminated early for any well for which a material breach occurs after notice and opportunity to cure.
- For all new wells at any of the proposed ten well pads for which a Use by Special Review Permit had not been previously granted by the City, the Operator is required to give notice to all owners within ½ mile of the site of the new well and conduct a neighborhood meeting, with comments from the neighborhood meeting that may be provided to COGCC.
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