AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

AgendaTitle:
Resolution; Approving the Transfer of Gunnison County Oil and Gas Permits and Agreements from Gunnison Energy Corporation to Gunnison Energy, LLC

Action Requested: Board of County Commissioners' Signature

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:
Request to transfer Oil and Gas Permits to Gunnison Energy LLC

Fiscal Impact:

Submitted by: Neal Starkebaum **Submitter's Email Address:** nstarkebaum@gunnisoncounty.org

Finance Review: ○ Required ◉ Not Required

Comments:

Reviewed by: Discharge Date:

County Attorney Review: ◉ Required ○ Not Required

Comments:

Reviewed by: GUNCOUNTY1\atrezise Discharge Date: 6/24/2014 Certificate of Insurance Required Yes ○ No ◉

County Manager Review:

Comments:

Reviewed by: GUNCOUNTY1\mbirnie Discharge Date: 6/24/2014

○ Consent Agenda ◉ Regular Agenda ○ Worksession Time Allotted: 5

Agenda Date: 7/1/2014 Follow Up Agenda Date:

Revised April 2013

GUNNISON ENERGY CORPORATION
An Oxbow Company

June 10, 2014

Matthew Birnie
Gunnison County Manager
Administration
200 E. Virginia, Suite 104
Gunnison, Colorado 81230

Re: Request to Transfer GEC Permits to GELLC effective July 1, 2014

Dear Mr. Birnie:

Gunnison Energy Corporation ("GEC") is finalizing an internal corporate restructuring under which its business will be carried on in the form of a limited liability company rather than as a corporation In connection with this process, GEC is providing a copy of the Colorado Oil and Gas Conservation Commission Form 10 which lists all GEC's permitted Oil and Gas operations in Gunnison County (highlighted on the form). Please transfer the appropriate GEC Oil and Gas Permit for each of the listed facilities from GEC to Gunnison Energy LLC. GELLC's ownership is identical to that of GEC. The change will become effective July1, 2014. At that time GECLLC will operate it' oil and gas operations and facilities under the COGCC Operator No. 10515.

Please contact me, Lee Fyock, at (303) 293-4222 if you have any questions or require additional information.

Sincerely,

Lee Fyock
Vice President Permitting and Environment

Attachments

Cc: Neal Starkebaum, w/Attachments

1801 Broadway, Suite 1200
Phone: 303-296-4222

Denver, Colorado 80202
Fax: 303-296-4555

FORM 10

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109

Document Number: 400614917

FOR OGCC USE ONLY

CHANGE OF TRANSPORTER/GATHERER and/or CHANGE OF OPERATOR

OGCC Operator Number: 100122
Name of Operator: GUNNISON ENERGY CORPORATION

CENTRALIZED EP WASTE MGMT FAC: 1	GAS STORAGE FACILITY: 0	SERVICE SITE: 0	UIC SIMULTANEOUS DISPOSAL: 0
GAS COMPRESSOR: 0	LOCATION: 27	TANK BATTERY: 1	UIC WATER TRANSFER STATION: 0
GAS GATHERING SYSTEM: 0	PIPELINE: 0	UIC DISPOSAL: 4	WATER GATHERING SYSTEM LINE: 0
GAS PROCESSING PLANT: 0	PIT: 5	UIC ENHANCED RECOVERY: 0	WELL: 33

Total Approved: 0 Total out of Total Total Submitted: 71 are listed below:

#	TYPE	API	FAC ID	Loc#	Facility Name	Facility Number	Location (QQ/S/T/R)	Surety ID	Transporter / Gatherer

Total Deleted: 0 Total out of Total Total Submitted: 71 are listed below:

#	TYPE	API	FAC ID	Loc#	Facility Name	Facility Number	Location (QQ/S/T/R)	Surety ID	Transporter / Gatherer

Total Pending: 71 Total out of Total Total Submitted: 71 are listed below:

#	TYPE	API	FAC ID	Loc#	Facility Name	Facility Number	Location (QQ/S/T/R)	Surety ID	Transporter / Gatherer
2	WELL	029-06048	208776	321992	LEON LAKE	1	SWNW/12/12S/94		100321
3	UIC DISPOSAL	029-06076	264164	321994	SPAULDING PEAK	#24-12	SWNW/24/12S/94		
4	WELL	029-06084	272353	321996	SPAULDING PEAK	23-41	NENE/23/12S/94		100321
5	WELL	029-06087	272542	321999	SPAULDING PEAK	23-33	NWSE/23/12S/94		100321
6	WELL	029-06085	272352	321997	SPAULDING PEAK	1294-24-31	NWNE/24/12S/94		100321
7	LOCATION	029-	322006	322006	ALLEN 1291-	12NWSW	NWSW/12/12S/91		
8	LOCATION		322002	322002	ALLEN 12-91-	12SESW	SESW/12/12S/91		
13	LOCATION		434522	434522	Iron Point Temp Water		NENW/24/12S/91		
14	LOCATION		322013	322013	IRON POINT UNIT	13-24	SESW/13/12S/91		
17	LOCATION		321991	321991	LEON LAKE UNIT-	14SWNE	SWNE/14/12S/94		
20	LOCATION		321995	321995	LEON LAKE-	13SESW	SESW/13/12S/94		
21	LOCATION		322004	322004	LONE PINE-612S91W	25SENW	SENW/25/12S/91		
28	LOCATION		321996	321996	SPAULDING PEAK	23NENE	NENE/23/12S/94		
29	LOCATION		321999	321999		23NWSE	NWSE/23/12S/94		
30	LOCATION		321998	321998	SPAULDING PEAK-	24NESW	NESW/24/12S/94		
31	LOCATION		321997	321997		24NWNE	NWNE/24/12S/94		
32	LOCATION		321994	321994		24SWNW	SWNW/24/12S/94		
33	LOCATION		417353	417353	SPU Cockroft 1294	23-41D	TR		
35	PIT		290487	322006	ALLEN 1291	12-13	NWSW/12/12S/91		
36	PIT		281909		ALLEN	12-91 12-24	SESW/12/12S/91		
38	UIC DISPOSAL		159225		ALLEN 1291 #12-13D		NWSW/12/12S/91		
39	UIC DISPOSAL		159395		SPAULDING PEAK		SWNW/24/12S/94		
42	TANK BATTERY		430708	322006	ALLEN 1291-	12NWSW	NWSW/12/12S/91		
45	WELL	029-06095	284839	322006	ALLEN 1291	12-13	NWSW/12/12S/91		
	WELL		284839	322006					100321
46	WELL	029-06091	276916	322002	ALLEN 12-91	12-24	SESW/12/12S/91		100321
48	WELL	029-06103	291439	322013	HOTCHKISS 1291	13-24	SESW/13/12S/91		100321

51	WELL	029-06079	265292	321995	LEON LAKE	5	SESW/13/12S/94		100321
53	WELL	029-06047	208775	321991	LEON LAKE UNIT	2	SWNE/14/12S/94		100321
55	WELL	029-06093	264166	322004	LONE PINE	1A	SENW/25/12S/91		100321
60	WELL	029-06086	272351	321998	SPAULDING PEAK	1294-24-23	NESW/24/12S/94		100321
61	WELL	029-06107	416210	322013	IRON POINT UNIT	13-24D	SESW/13/12S/91		100123
	WELL		416210	322013					100321
62	WELL	029-06109	417354	417353	SPU Cockroft 1294	23-41D H1	NENE/23/12S/94		100123
	WELL		417354	417353					100321
63	WELL	029-06112	430938	417353	SPU Cockroft 1294	23-41D H1R	TR45/23/12S/94W		100123
	WELL		430938	417353					100321
64	CENTRALIZED EP WASTE MGMT FAC	051-	421193	424290	HOTCHKISS WATER STORAGE FACILITY	421193	NENW/18/12S/89 W	20110179	
66	LOCATION		412922	412922	DGU Federal 1289	17-11 Pad	NWNW/17/12S/89		
67	LOCATION		324475	324475		17-13 Pad	NWSW/17/12S/89		
68	LOCATION		324485	324485		18-43 Pad	NESE/18/12S/89		
69	LOCATION		427218	427218		Section 18	SWNE/18/12S/89		
71	LOCATION		324484	324484	HOTCHKISS 12-90-	1SWSE	SWSE/1/12S/90W		
72	LOCATION		324483	324483	HOTCHKISS	18-22A PAD	SENW/18/12S/89		
73	LOCATION		419286	419286	HOTCHKISS	18-24			
74	LOCATION		324482	324482	HOTCHKISS	18SENW			
76	LOCATION		334448	334448	HOTCHKISS	17NWNW	NWNW/17/12S/89		
77	LOCATION		324481	324481	HOTCHKISS	18NWNE	NWNE/18/12S/89		
78	LOCATION		334446	334446		20SWNW	SWNW/20/12S/89		
79	LOCATION		424290	424290	HOTCHKISS WATER		NWNE/18/12S/89		
80	LOCATION		324487	324487	Jacobs Federal 1290	#6-32 H1 &	SWNE/6/12S/90W		
81	LOCATION		417369	417369	Spadafora 1190	#20-21V	NENW/20/11S/90		
82	PIT		284077	324483	HOTCHKISS	18-22D	SENW/18/12S/89		
83	PIT		284076	324481		18-31	NWNE/18/12S/89		
84	PIT		284075	324485		18-43	NESE/18/12S/89		
85	UIC DISPOSAL		159183		HOTCHKISS 1289		SENW/18/12S/89		
86	WELL	051-06082	294808	334446	DEADMAN GULCH U	20-12D	SWNW/20/12S/89		100321
87	WELL	051-06123	436561	334448	DGU Federal 1289	17-11 CS2	NWNW/17/12S/89		
88	WELL	051-06127	436660	324475	DGU Federal 1289	17-13 CS2	NWSW/17/12S/89		
89	WELL	051-06126	436617	324485	DGU Federal 1289	18-43 CS2	NESE/18/12S/89		
90	WELL	051-06122	436560	324485	DGU Federal 1289	18-43 CS3	NESE/18/12S/89		
91	WELL	051-06125	436614	427218	DGU Federal 1289	18-CS1	SENW/18/12S/89		
92	WELL	051-06124	436613	427218	DGU Federal 1289	18-CS2	SENW/18/12S/89		
93	WELL	051-06103	427223	427218	DGU Hotchkiss	18-H1	SENW/18/12S/89		100321
94	WELL	051-06104	427241	427218	DGU Hotchkiss	18-H2	SWNE/18/12S/89		100321
95	WELL	051-06121	436492	427218	DMGU 1289	#18-H3	SWNE/18/12S/89		
96	WELL	051-06120	436491	427218	DMGU 1289	#18-H4	SWNE/18/12S/89		
97	WELL	051-06074	283918	324484	HOTCHKISS 12-90	1-34	SWSE/1/12S/90W		100321
98	WELL	051-06079	294803	334448	HOTCHKISS	17-11	NWNW/17/12S/89		100321
99	WELL	051-06064	278793	324475	HOTCHKISS	17-13	NWSW/17/12S/89		100321
100	WELL	051-06073	283919	324483	HOTCHKISS	18-22D	SENW/18/12S/89		100321
101	WELL	051-06071	283921	324481	HOTCHKISS	18-31	NWNE/18/12S/89		100321
102	WELL	051-06075	283917	324485	HOTCHKISS	18-43	NESE/18/12S/89		100321
103	WELL	051-06077	290615	324487	JACOBS TRUST 1290	6-32	SWNE/6/12S/90W		100321
104	WELL	051-06119	434985	417369	Spadafora 1190	#20-21	NENW/20/11S/90		

BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY
RESOLUTION NO. 14 - __

A RESOLUTION
APPROVING THE TRANSFER OF GUNNISON COUNTY OIL AND GAS PERMITS
AND AGREEMENTS
FROM GUNNISON ENERGY CORPORATION TO
GUNNISON ENERGY LLC

WHEREAS, the *Gunnison County Colorado Regulations for Oil and Gas Operation* provides, at Section 1-110: *Enforcement and Penalties*, *B. Transfer of Permits*, the process to transfer Gunnison County Oil and Gas Permits, with written approval of the Board of County Commissioners of Gunnison County; and

WHEREAS, by letter of June 10, 2014 Lee Fyock, Vice President Permitting and Environment, Gunnison Energy Corporation, notified Gunnison County that Gunnison Energy Corporation had finalized an internal corporate restructuring under which its business will be carried on in the form of a limited liability company rather than as a corporation and requested that all Gunnison County Oil and Gas Permits be transferred to Gunnison Energy LLC; and

WHEREAS, the Board of Commissioners intents to approve the transfer of any agreements currently in place with Gunnison Energy Corporation to Gunnison Energy LLC and the transfer of all Gunnison County Oil and Gas Permits issued to Gunnison Energy Corporation to Gunnison Energy LLC and;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF GUNNISON COUNTY that:

All Gunnison County Oil and Gas Permits issued to Gunnison Energy Corporation, identified in the attached "Exhibit A" , and all agreements with Gunnison Energy Corporation, including but not limited to the document titled *Agreement*, executed November 5, 2010 for road maintenance of County Road 265, attached as "Exhibit B", are hereby transferred to Gunnison Energy LLC, and that Gunnison Energy LLC shall comply with all conditions, terms and requirements identified in each individual Gunnison County Oil and Gas Permit; and that all such conditions, terms and requirements remain in full force and effect;

INTRODUCED by Commissioner _____, seconded by Commissioner _____, and passed on this 1st day of July, 2014.

BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF GUNNISON, COLORADO

_____
Paula Swenson, Chairperson

_____
Phil Chamberland, Vice-Chairperson

_____
Jonathan Houck, Commissioner

ATTEST:

_____
Gunnison County Deputy County Clerk

EXHIBIT A

GUNNISON ENERGY CORPORATION

OIL AND GAS PERMITS

Permit No.	Description
OG05-03	Hotchkiss Federal 12-89 #17-13 Gas Well
OG05-04	Hotchkiss Federal 12-89 #19-23 Gas Well
OG06-01	Hotchkiss Gathering Pipeline
OG06-02	Hotchkiss Federal 12-90 #1-34 Gas Well
OG06-11	Hotchkiss Federal 18-22 Gas Well
OG06-14	Hotchkiss Federal 18-43 Gas Well
OG07-02	Hotchkiss Federal 18-22D Injection Well
OG07-03	Sheep Gathering Pipeline
OG07-04	Jacobs Trust 12-90 #6-32 Gas Well
OG08-12	Hotchkiss Federal -16 Vertical - Horizontal Gas Wells
OG09-03	Ragged Mt. Compressor Station & Pipeline Upgrade
OG11-05	Hotchkiss Water Storage Facility
OG11-08	Federal 1289 H1 and H2 Wells
OG13-03	Jacobs Trust 1290 #6-32 H1 & H2
OG13-06	Spadafora 1190 #20-21V
OG13-07	DMGU Hotchkiss Federal 1289
OG14-01	Hotchkiss Federal

EXHIBIT B

GUNNISON COUNTY
LI: 10-241

AGREEMENT

THIS AGREEMENT is entered into this 5th day of November, 2010 among SG Interest I, Ltd. whose address is 100 Waugh Drive, Suite 400, Houston, Texas 77007 and Gunnison Energy Corporation whose address is 1801 Broadway, Suite 1200, Denver, Colorado 80202 and the Board of County Commissioners of the County of Gunnison, Colorado (herein "Gunnison County") whose address is 200 E. Virginia, Gunnison, Colorado 81230; and

This Agreement shall be valid through 2015, at which time it shall be renewable at the agreement of all parties under the same terms agreed to herein for an additional specific period of time. This Agreement shall bind any successor in interest to the operations of SG Interests and/or Gunnison Energy Corporation that may use Gunnison County Road 265 for the same or similar purposes.

This Agreement may be amended and altered at any time to include other permitted oil and gas operations directly impacting County Road 265 by operations other than SG Interests or Gunnison Energy. Any such future amendment to this Agreement would reflect the proportionate use of County Road 265 by such commercial users and/or operators.

The purpose of this Agreement is to memorialize the terms and obligations of the parties hereto for the application of magnesium chloride on Gunnison County Road 265.

1. Terms and Obligations.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto understand and agreed to the following terms and obligations:

(a) Gunnison County Public Works Department will grade County Road 265 each year in preparation for the application of magnesium chloride. Gunnison County Public Works Department will apply the magnesium chloride as needed which is to be determined at the sole discretion of the Gunnison County Public Works Department. Gunnison County will be responsible for the cost of grading and application of the magnesium chloride. This Agreement shall be limited to two (2) separate full strength applications of magnesium chloride to the entire length of County Road 265 per calendar year and one (1) additional application of full strength magnesium chloride, as necessary, for adequate dust suppression of the road at residential driveway entrances adjacent to County Road 265.

(b) Gunnison Energy Corporation and SG Interests I, Ltd. will pay for the actual product cost of the magnesium chloride.

(c) Gunnison Energy Corporation and SG Interests I, Ltd. will provide the water necessary for the application of the magnesium chloride.

(d) Gunnison County will invoice SG Interests I, Ltd. for the cost of the magnesium chloride. SG Interests I, Ltd. will in turn invoice Gunnison Energy Corporation for one-half (1/2) the total cost. This will allow Gunnison County to send once invoice and receive payment in full each year without the need to allocate costs between the two companies.

(e) SG Interests I, Ltd. shall send full payment to Gunnison County within sixty (60) days from the date of the invoice.

2. Miscellaneous.

(a) SEVERABILITY. If any clause or provision of this Agreement shall be held to be invalid in whole or in part, then the remaining clauses and provisions, or portions thereof, shall nevertheless be and remain in full force and effect.

(b) AMENDMENT. No amendment, alteration, modification of or addition to this Agreement shall be valid or binding unless expressed in writing and signed by the parties to be bound thereby.

(c) NO WAIVER OF GOVERNMENTAL IMMUNITY. Nothing in this Agreement is, or shall be construed to be, a waiver, in whole or part, by Gunnison County of governmental immunity provided by the Colorado Governmental Immunity Act or otherwise.

3. Attorneys Fees.

If any party hereto shall bring any suit or action against another for relief, declaratory or otherwise, arising out of this Agreement, the prevailing party shall have and recover against the other party, in addition to all court costs and disbursements, such sum as the court may adjudge to be reasonable attorneys fees and expert witness fees.

4. Governing Law.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado. Exclusive jurisdiction and venue for any legal proceedings related to this Agreement shall be in the state District Court governing Gunnison, Colorado.

5. Counterparts: Facsimile Transmission.

This Agreement may be executed by facsimile and/or in any number of counterparts, any or all of which my contain the signatures of less than all the parties, and all of which shall be construed together as but a single instrument and shall be binding on the parties as though originally executed on one originally executed document. All facsimile counterparts shall be promptly followed with delivery of original executed counterparts.

6. Entire Agreement.

This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes any and all prior agreements, proposals, negotiations and representations pertaining to the obligations to be performed hereunder.

By signing below, each party agrees to the statements, obligations and terms as stated above.

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

SG Interests I, Ltd.

By:_____
~~Robbie H. Guinn, Jr.~~ Robert H. Guinn II
Vice President – Land

ATTEST:

_____
~~Secretary~~

Gunnison Energy Corporation

By:_____
Brad Robinson
President

ATTEST:

_____
~~Secretary~~

Board of County Commissioners
of the County of Gunnison, Colorado

By: _____
Jim Starr
Chairperson

ATTEST:
_____
Deputy County Clerk