

ORDINANCE NO. 2013-330

AN ORDINANCE OF THE CITY OF DENTON, TEXAS APPROVING A “STANDSTILL AGREEMENT” BETWEEN THE CITY OF DENTON, TEXAS AND EAGLERIDGE OPERATING, LLC UNTIL MIDNIGHT ON JANUARY 31, 2014 WITH REGARD TO CERTAIN DISPUTES AND ISSUES OVER GAS DRILLING IN THE CITY TO ALLOW THE PARTIES AN OPPORTUNITY TO ENGAGE IN GLOBAL SETTLEMENT NEGOTIATIONS AS IT CONCERNS UNRESOLVED ISSUES BETWEEN THEM; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, certain disputes have arisen between the City of Denton and Eagleridge Operating LLC as it concerns gas drilling in the corporate limits of the City; and

WHEREAS, the parties deem it in their respective best interests to attempt to negotiate the disputes between them; NOW THEREFORE,

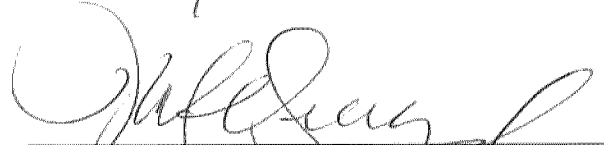
THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The preambles above are incorporated in this ordinance as though set forth in full.

SECTION 2. The City Council of the City of Denton hereby authorizes the City Manager to execute the “Standstill Agreement” attached hereto as Exhibit “A.”

SECTION 3. This Ordinance is effective immediately.

PASSED AND APPROVED this the 22nd day of November, 2013.



MARK A. BURROUGHS, MAYOR

ATTEST:
JENNIFER WALTERS, CITY SECRETARY

BY: Jane Richardson, Asst.

APPROVED AS TO LEGAL FORM:
ANITA BURGESS, CITY ATTORNEY

BY: Anita Burgess

STATE OF TEXAS §

COUNTY OF DENTON §

STANDSTILL AGREEMENT

This Standstill Agreement is expressly made subject to the authorized representatives of Eagleridge and the City signing it before midnight on November 22, 2013. Until and unless this Standstill Agreement is signed, there is no binding agreement between Eagleridge and the City regarding the matters set forth below.

1. The City of Denton and Eagleridge agree to a stand down period from execution of this Standstill Agreement until 11:59 pm, January 31, 2014 (the "Standstill Period") with respect to those disputes and issues between the parties not specifically addressed in this Standstill Agreement, to allow the parties the opportunity to engage in global settlement negotiations regarding the unresolved issues between them. This Standstill Agreement is intended only to address issues related to the gas wells as specified herein. Nothing in this Standstill Agreement is intended to apply to any other gas wells located within the corporate limits of the City except as stated herein. Nothing in this agreement is intended to prevent the City of Denton from enforcing operational standards or requirements of its ordinances as they relate to gas wells, including those specifically referenced herein.
2. During the Standstill Period, Eagleridge will not drill, redrill or frac (or continue to drill, redrill or frac) any wells within the corporate limits of the City except for the following:
 - a) Bonnie Brae 4H (API 121-31934), 3H (API 121-31597), and 2H (API 121-34424);
 - b) ACME Brick D1H (API 121-31340), and D2H (API 121-31976), D3H (API 121-34428), and D4H (API 121-34429);
 - c) A redrill of one existing well on the existing pad site at Gamble-Boyd Unit 1 (API 121-32240); and
 - d) The Rayzor West Gas Unit 12H-1 (API 121-34382), Rayzor West Gas Unit 12H-2 (API 121-34383), Rayzor West Gas Unit 12H-3 (API 121-34384), and Rayzor West Gas Unit 12H-4 (API 121-34385).
3. During the Standstill Period, Eagleridge will not drill any additional new well(s) on the Bonnie Brae A and Bonnie Brae B pad sites or on the Joab A or Joab B pad sites (as such sites are shown on **Exhibit 1**). In addition, during the Standstill Period, as part of the discussions of a global settlement, Eagleridge will consider plugging and abandoning the Joab B well. Further, with respect to the wells referenced in ¶2(b) above, Eagleridge



agrees to the operational limitations set forth on **Exhibit 2**. To facilitate a global settlement during the Standstill Period, Eagleridge agrees to use its reasonable efforts to provide the City with copies of relevant public records Eagleridge may have in its possession that evidence prior permit applications and regulatory approvals relating to gas well sites located within the corporate limits of the City.

4. For the wells identified in paragraph 2 above, the City of Denton agrees to issue all required permits (including, but not limited to, drilling permits and all operational permits issued by the Fire Marshal or any other City official upon inspection and compliance with the Fire Code) on a well-by-well basis within two (2) business days of the City's receipt of an approved RRC permit for each well. Once issued, such permits will not be revoked for any reason except the failure to comply with operational requirements. The permits shall survive the failure of the parties to agree upon a global settlement before the expiration of the Standstill Period. Each permit shall be considered a "permit" under Chapter 245 of the Texas Local Government Code.
5. For the Gamble-Boyd Unit 1 redrill identified in paragraph 2(c) above, the Fire Marshall is authorized to issue immediately (upon inspection and compliance with the Fire Code) an above-ground storage permit.
6. The parties agree and stipulate that the issuance of permits for the wells identified in paragraph 2 and Eagleridge's acceptance and use of such permits is without prejudice to Eagleridge's position that it is not required to obtain some or all of such permits. Further, the parties agree that the fact Eagleridge obtained such permits will not be admissible in any litigation or other proceeding between Eagleridge and the City for the purpose of showing or supporting an argument that Eagleridge was required to obtain such permits for these wells or any other wells.
7. The parties agree and stipulate that the issuance of permits for the wells identified in paragraph 2 is without prejudice to the City's position that Eagleridge is required to obtain permits for wells that are not identified in paragraph 2 above. Further, the parties agree that the fact the City issued the permits for the wells identified in paragraph 2 will not be admissible in any litigation or other proceeding between Eagleridge and the City for the purpose of showing or supporting an argument that Eagleridge has vested rights under Chapter 245 or any other legal theory with respect to any wells not identified in paragraph 2 above.
8. The public hearing from Eagleridge's October 31, 2013, appeal to the Board of Adjustment will be deferred until after the end of the Standstill Period.
9. Eagleridge will not be denied the right to drill, redrill, or frac wells that Eagleridge otherwise has the right to drill, redrill, or frac from the "Pittner" pad site (as shown on **Exhibit 3**) or any of the pad sites identified in paragraph 2, as a result of any development that is approved by the City (i) within the Standstill Period and (ii) within

1,200 feet of the pad sites. The rights of Eagleridge pursuant to this paragraph 9 shall survive (i) any termination of this Standstill Agreement and (ii) the failure of the parties to arrive at a global settlement.

10. This Standstill Agreement must be executed by authorized representatives of the City and Eagleridge by midnight on November 22, 2013, and if not, the offer represented by this Standstill Agreement shall automatically terminate without further action by either party.

11. The Confidentiality and Nondisclosure Agreement of November 18, 2013, shall not apply to discussions between and among the parties, occurring after 11:59 pm, November 22, 2013.

AGREED TO THIS, the 22nd day of November, 2013, by the undersigned officers acting on behalf of their respective legal entities.

EAGLERIDGE OPERATING, LLC,
as Operator and on behalf of EAGLERIDGE
ENERGY, LLC

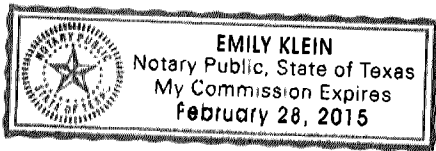



By: Mark L. Grawe, Chief Operating Officer
and Executive Vice President,
Eagleridge Operating, LLC

THE STATE OF TEXAS §

COUNTY OF DENTON §

This instrument was acknowledged before me on the 22nd day of November, 2013, by Mark L. Grawe, as Chief Operating Officer and Executive Vice President, Eagleridge Operating, LLC, as Operator and on behalf of Eagleridge Energy, LLC




Notary Public, State of Texas

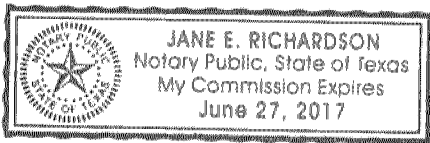
THE CITY OF DENTON, TEXAS

By: George C. Campbell
George C. Campbell, City Manager,
City of Denton, Texas

THE STATE OF TEXAS §

COUNTY OF DENTON §

This instrument was acknowledged before me on the 22nd day of November, 2013, by George C. Campbell as City Manager on behalf of the City of Denton, Texas, pursuant to delegated authority specifically conferred by Ordinance 2013- 330 of the City of Denton, Texas.



Jane E. Richardson
Notary Public, State of Texas

APPROVED AS TO LEGAL FORM:
ANITA BURGESS, CITY ATTORNEY

By: Anita Burgess

Exhibit 1
Well Locations

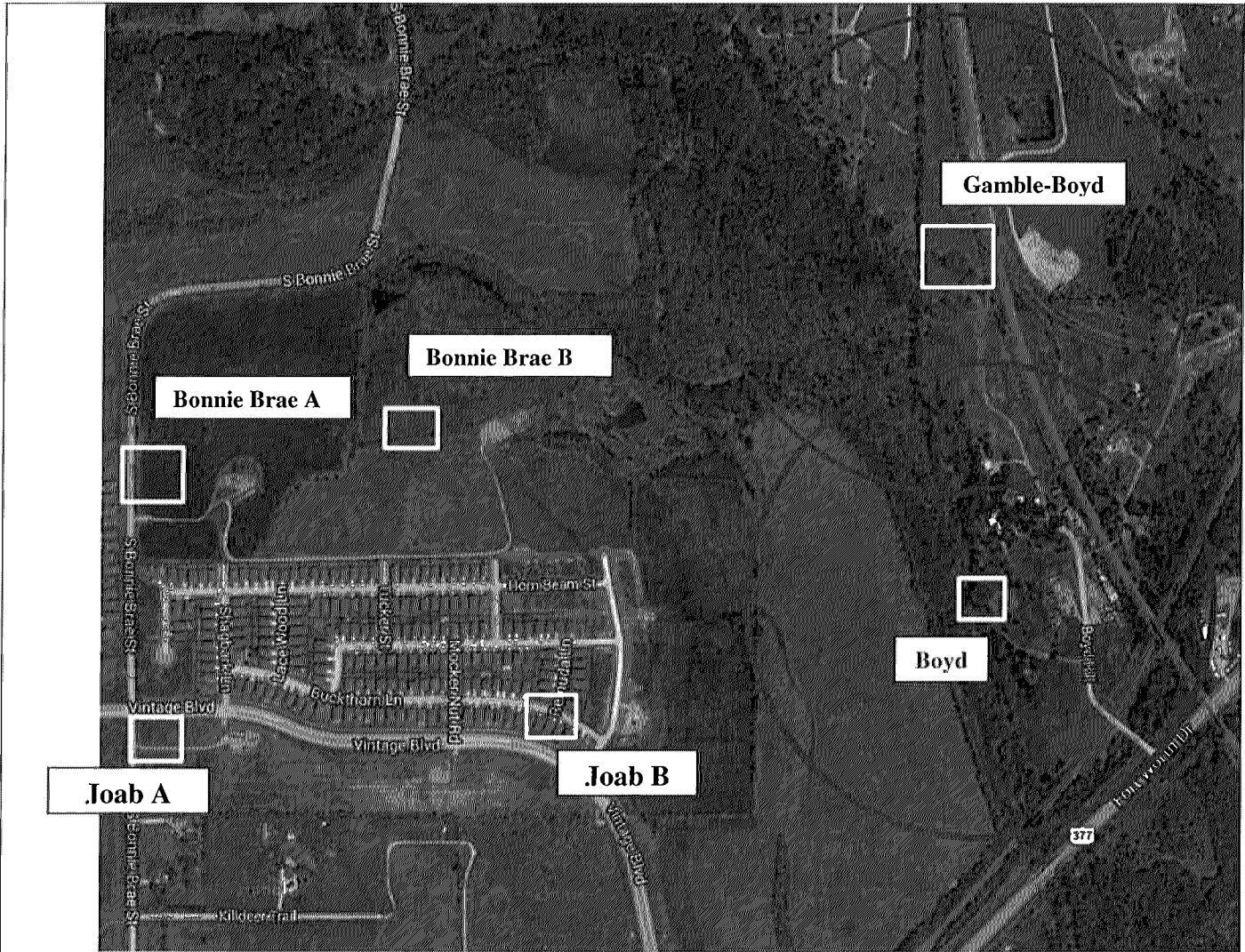


Exhibit No 1
Overview of Map of Local Area
EagleRidge Production Pad Sites
Denton, TX, Denton County, Texas

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Exhibit 2
Operational Limitations

- 1) Eagleridge will perform reduced emissions completions as defined by the EPA (also known as “green completions”).
- 2) Eagleridge utilizes diesel electric rigs which are much quieter and well below the maximum decibels of the current Denton Development Code (DDC) requirements.
- 3) During fracing operations, Eagleridge places oil collecting boats under all of the trucks and equipment which is not required.
- 4) All gates are kept closed unless work is being performed on Eagleridge’s gas well locations or unless the landowner is performing necessary cattle operations, etc. Even if unlocked, all wellheads and tank batteries have their own separate locked security fences for protection.
- 5) All water is disposed of by a licensed and permitted water hauler with the RRC.
- 6) On all existing Eagleridge locations, Eagleridge has updated through the Fire Department the Gas Well Operational permits and additional Gas Well Permits that were not required, MSDS sheets and updated emergency response plans.
- 7) Eagleridge sets cement higher around the production casing than is required by the RRC.
- 8) Eagleridge is using sound walls to mitigate sound as required by the current rules.

