

February 2, 2010

Mr. D. Scott Stapp
East Cheyenne Gas Storage, LLC
10901 West Toller Drive, Suite 200
Littleton, CO 80127

RE: Schwake A-2 Form 27 Conditional Approval
Remediation Project #4886
SWNE Sec 6, T-11-N, R-52-W
Logan County, Colorado

Dear Mr. Stapp:

Colorado Oil & Gas Conservation Commission (COGCC) staff has reviewed the Form 27 – Site Investigation and Remediation Workplan submitted in regard to the replacement water well provided to the Nelson residence and closure of produced water pits at the Schwake A-2 production facilities.

The replacement water well satisfies the corrective action requiring an alternate potable water supply for the Nelson residence. Please proceed with sampling and analysis of water in the new well to verify compliance with Table 910-1 standards. Please submit those results to COGCC within 60-days from the date of this letter. No other groundwater monitoring is required at this time; however, if groundwater is encountered in the water pits during closure procedures, a representative sample will be required.

The remediation plan provides a slightly different approach to each of the three pits at the Schwake A-2 production facilities. As a result, each pit is addressed specifically below.

Main Pit

Mixing TPH impacted soil in place with clean fill to dilute contaminant concentrations and burial is not an acceptable remediation alternative. The site investigation results indicate black sludge and non-aqueous phase liquids (NAPL) seepage at 1 to 2-feet below pit bottom and staining to 17-feet. TPH concentrations in soil samples collected at unspecified depth in the main pit exceed the acceptable concentration of 500 mg/kg. The oily waste shall be treated or disposed in accordance with COGCC Rule 907 e. An alternate remediation plan for the main pit shall be submitted. As an alternate, COGCC will provide conditional approval if the same plan proposed to close the skim pit is used to close the main pit.

Overflow Pit

Results for inorganics in soil indicate that Sodium Absorption Ratio (SAR) and Electrical Conductivity (EC) exceed the allowable levels in soil (reference COGCC Series 900 Rules, Table 910-1). The proposed closure of the overflow pit is approved with the following condition.

- Should upward migration of inorganic contaminants by capillary action occur that results in surface damages or if downward percolation of inorganic contaminants result in an impact to groundwater, then East Cheyenne Gas Storage, LLC may be required to perform additional remediation and/or reclamation in the future.

Skim Pit

The proposed closure plan for the skim pit including appropriate disposal of fluids, appropriate off-site disposal of oily soil, and confirmation sampling is approved.

Final surface reclamation for the entire pit complex shall be performed in accordance with COGCC Series 1004 Rules.

If you would like to propose an alternate remediation plan for closure of the main pit, please do so no later than 10-days from the date of this letter. If you agree to close the main pit using the same approach proposed for the skim pit, please acknowledge in writing. Pit closure shall be performed no later than April 30, 2010, as proposed in the Form 27.

COGCC staff performed inspections at the Schwake A2, Kenneth Gillham #4 and Gillham #5 on October 27, 2009. Several rule violations were cited at each location with specific corrective actions required by January 31, 2009. If not already completed, those corrective actions shall be performed immediately to avoid enforcement actions. Site-wide oily soils documented at the Schwake A-2 production facilities can be cleaned up in conjunction with the pit closure.

Should you have any questions, please call me at (303) 637-7178.

Sincerely,



John Axelson, P.G.
Environmental Protection Specialist

Cc: David Neslin – COGCC Acting Director
Debbie Baldwin – COGCC Environmental Manager
Steve Lindblom – COGCC Environmental Supervisor