



DEPARTMENT OF NATURAL RESOURCES

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August 27, 2010

Mr. Mathew Goolsby
Vecta Oil and Gas Ltd.
5950 Cedar Springs Road, Suite 200
Dallas, TX 75235

RE: Torreys 44-33 Onsite Inspection Conditions of Approval
Southeast Quarter Southeast Quarter, Section 33, Township 13 South, Range 47 West

Mr. Goolsby:

As a result of the August 3, 2010 Torreys 44-33 Onsite Inspection, evaluation of the information provided by Vecta Oil and Gas, Ltd. (Vecta), comments provided by the surface owner, and consultation with the staff of the Colorado Oil and Gas Conservation Commission (COGCC), *the following Conditions of Approval to the Application for Permit to Drill for the Torreys 44-33 Well in the Southeast Quarter of the Southeast Quarter of Section 33, Township 13 South, Range 47 West are presented below:*

1. To the extent practicable, the Operator shall implement Interim Site Reclamation immediately after well completion activities.
2. The Operator shall schedule and conduct site construction, drilling and completion activities to the extent practicable to minimize impacts to wildlife during antelope and deer hunting seasons.
3. The location may be in a sensitive area due to shallow groundwater; therefore if drilling pits intercept groundwater the pits must be lined or a closed loop system used. In addition, pits shall be closed after drilling and any completion work shall be conducted using lined pits or steel tanks.
4. To aid in establishing baseline groundwater conditions in the area, the Operator shall collect and analyze a groundwater sample from one water well in the vicinity of the proposed well location. This water well has been identified as Colorado Division of Water Resources permit number 17219 n in the Northwest Quarter of the Northwest Quarter of Section 3, Township 14 South, Range 47 West. Water samples shall be analyzed for parameters required in Rule 318.A.e.(4) E and F. Copies of all test results described above shall be provided via Sundry Notice, Form 4, to the COGCC and the water well owner within three (3) months of collecting the samples. The analytical data and surveyed well location shall also be submitted to the COGCC Director in an electronic data deliverable format. The Operator shall make a good faith effort to conduct initial baseline testing of the selected water well prior to the spudding of the proposed well; however, not conducting baseline testing because access to water wells cannot be obtained shall not be grounds for denial of an Application for Permit-to-Drill, Form 2.

Regarding additional concerns discussed by the landowner, the COGCC staff have the following comments:

1. Dust effects on crop yield: Vecta is required to control fugitive dust emissions under COGCC Rule 805.c. Specifically, this Rule states:

Operators shall employ practices for control of fugitive dust caused by their operations. Such practices shall include but are not limited to the use of speed restrictions, regular road maintenance, and restriction of construction activity during high-wind days. Additional management practices such as road surfacing, wind breaks and barriers, or automation of wells to reduce truck traffic may also be required if technologically feasible and economically reasonable to minimize fugitive dust emissions.

2. Well location: A COGCC staff review of the Morrow Formation geologic characteristics in the area agrees that the most appropriate location for the well is in the Southeast Quarter of the Southeast Quarter of Section 33. A Condition of Approval requiring a location in the Northeast Quarter of the Southeast Quarter of the section, as preferred by the landowner, could compromise reasonable geologic or engineering considerations and thus contribute to waste of oil and gas resources in violation of the Oil and Gas Conservation Act. [See, §34-60-107, C.R.S. (2009)].

3. Mud disposal: Drilling fluid disposal must be conducted in accordance with Rule 907.d. Rule 907.d.(3)B.iii states that:

Operators shall obtain written authorization from the surface owner prior to land application of water-based bentonitic drilling fluids.

4. Location of tank battery and compression equipment: After review of oil and gas practices in the area, the COGCC staff find no significant reason to dispute Vecta's assertion that compression of the produced gas is necessary and that reservoir characteristics and cost considerations prohibit location of the tank battery and compression equipment along County Road V.
5. Compressor noise: Vecta is required to comply with sound levels specified in Rule 802.c. Specifically, this Rule states :

In the hours between 7:00 a.m. and the next 7:00 p.m. the noise levels permitted below may be increased ten (10) db(A) for a period not to exceed fifteen (15) minutes in any one (1) hour period. The allowable noise level for periodic, impulsive or shrill noises is reduced by five (5) db(A) from the levels shown.

ZONE	7:00 am to next 7:00 pm	7:00 pm to next 7:00 am
Residential/Agricultural/Rural	55 db(A)	50 db(A)
Commercial	60 db(A)	55 db(A)
Light industrial	70 db(A)	65 db(A)
Industrial	80 db(A)	75 db(A)

6. Trespass: Per the 1997 Colorado Supreme Court decision in the Gerrity Oil and Gas Corporation v. Magness (946 P.2d 913), the owner of a severed mineral estate or lessee has the right to access and reasonable use of the surface estate to develop the severed mineral interest.

Please note that Conditions of Approval regarding engineering or other considerations may also apply. These will be specified on the approved Application for Permit to Drill, Form 2 and/or Oil and Gas Location Assessment, Form 2A. If you have any questions, please contact me at the COGCC in Denver via e-mail (steven.lindblom@state.co.us) or by phone at 303-894-2100, extension 5114.

Respectfully,



Steven R. Lindblom, P.G.
Environmental Supervisor – Eastern Colorado

cc: Mr. Durell Johnson
Mr. Darin Dickey – *via electronic mail*
Mr. Vern George – Vecta
Jane Stanczyk – COGCC
Stuart Ellsworth – COGCC