

FORM
2A

Rev
04/01

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80205 Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:

2286537

Date Received:

12/20/2011

Oil and Gas Location Assessment

New Location Amend Existing Location Location#: _____

Submit original plus one copy. This form is to be submitted to the COGCC prior to any ground disturbance activity associated with oil and gas development operations. This Assessment may be approved as a standalone application or submitted as an informational report accompanying an Application for Permit-To-Drill, Form 2. Approval of this Assessment will allow for the construction of the below specified location; however, it does not supersede any land use rules applied by the local land use authority. This form may serve as notice to land owners and other interested parties, please see the COGCC web site at <http://colorado.gov/cogcc/> for all accompanying information pertinent to this Oil and Gas Location Assessment.

Location ID:

428191

Expiration Date:

03/17/2015

This location assessment is included as part of a permit application.

1. CONSULTATION

- This location is included in a Comprehensive Drilling Plan. CDP # _____
- This location is in a sensitive wildlife habitat area.
- This location is in a wildlife restricted surface occupancy area.
- This location includes a Rule 306.d.(1)A.ii. variance request.

2. Operator

Operator Number: 77330

Name: SG INTERESTS I LTD

Address: PO BOX 26

City: MONTROSE State: CO Zip: 81402

3. Contact Information

Name: CATHERINE DICKERT

Phone: (970) 209-6464

Fax: (970) 252-0636

email: CDICKERT@SGINTERESTS.COM

4. Location Identification:

Name: HUGHES 11-90-26 Number: 2

County: GUNNISON

Quarter: LOT 6 Section: 26 Township: 11S Range: 90W Meridian: 6 Ground Elevation: 7410

Define a single point as a location reference for the facility location. This point should be used as the point of measurement in the drawings to be submitted with this application. When the location is to be used as a well site then the point shall be a well location.

Footage at surface: 1648 feet FSL, from North or South section line, and 1428 feet FWL, from East or West section line.

Latitude: 39.068350 Longitude: -107.419450 PDOP Reading: 1.3 Date of Measurement: 11/22/2011

Instrument Operator's Name: DAVID NICEWICZ

5. Facilities (Indicate the number of each type of oil and gas facility planned on location):

Special Purpose Pits: <input type="checkbox"/>	Drilling Pits: <input type="checkbox"/> 2	Wells: <input type="checkbox"/> 1	Production Pits: <input type="checkbox"/>	Dehydrator Units: <input type="checkbox"/>
Condensate Tanks: <input type="checkbox"/> 2	Water Tanks: <input type="checkbox"/> 4	Separators: <input type="checkbox"/> 1	Electric Motors: <input type="checkbox"/>	Multi-Well Pits: <input type="checkbox"/>
Gas or Diesel Motors: <input type="checkbox"/>	Cavity Pumps: <input type="checkbox"/>	LACT Unit: <input type="checkbox"/>	Pump Jacks: <input type="checkbox"/> 1	Pigging Station: <input type="checkbox"/>
Electric Generators: <input type="checkbox"/>	Gas Pipeline: <input type="checkbox"/> 1	Oil Pipeline: <input type="checkbox"/>	Water Pipeline: <input type="checkbox"/> 1	Flare: <input type="checkbox"/> 1
Gas Compressors: <input type="checkbox"/>	VOC Combustor: <input type="checkbox"/>	Oil Tanks: <input type="checkbox"/>	Fuel Tanks: <input type="checkbox"/>	

Other: WATER TRANSFER

6. Construction:

Date planned to commence construction: 07/15/2012 Size of disturbed area during construction in acres: 3.00
 Estimated date that interim reclamation will begin: 08/15/2012 Size of location after interim reclamation in acres: 2.25
 Estimated post-construction ground elevation: 7410 Will a closed loop system be used for drilling fluids: Yes No
 Will salt sections be encountered during drilling: Yes No Is H2S anticipated? Yes No
 Will salt (>15,000 ppm TDS Cl) or oil based muds be used: Yes No
 Mud disposal: Offsite Onsite Method: Land Farming Land Spreading Disposal Facility
 Other: _____

7. Surface Owner:

Name: N. HUGHES Phone: 970/201-1476
 Address: 708 1250 ROAD Fax: _____
 Address: _____ Email: _____
 City: DELTA State: CO Zip: 81416 Date of Rule 306 surface owner consultation: _____
 Surface Owner: Fee State Federal Indian
 Mineral Owner: Fee State Federal Indian
 The surface owner is: the mineral owner committed to an oil and gas lease
 is the executer of the oil and gas lease the applicant
 The right to construct the location is granted by: oil and gas lease Surface Use Agreement Right of Way
 applicant is owner
 Surface damage assurance if no agreement is in place: \$2000 \$5000 Blanket Surety ID _____

8. Reclamation Financial Assurance:

Well Surety ID: 20030099 Gas Facility Surety ID: _____ Waste Mgnt. Surety ID: _____

9. Cultural:

Is the location in a high density area (Rule 603.b.): Yes No
 Distance, in feet, to nearest building: 3550, public road: 550, above ground utilit: 3550
 , railroad: 51000, property line: 560

10. Current Land Use (Check all that apply):

Crop Land: Irrigated Dry land Improved Pasture Hay Meadow CRP
 Non-Crop Land: Rangeland Timber Recreational Other (describe): _____
 Subdivided: Industrial Commercial Residential

11. Future Land Use (Check all that apply):

Crop Land: Irrigated Dry land Improved Pasture Hay Meadow CRP
 Non-Crop Land: Rangeland Timber Recreational Other (describe): _____
 Subdivided: Industrial Commercial Residential

12. Soils:

List all soil map units that occur within the proposed location. Attach the National Resource Conservation Service (NRCS) report showing the "Map Unit Description" report listing the soil typical vertical profile. This data is to used when segregating topsoil.

The required information can be obtained from the NRCS web site at <http://soildatamart.nrcs.usda.gov/> or from the COGCC web site GIS Online map page found at <http://colorado.gov/cogcc>. Instructions are provided within the COGCC web site help section.

NRCS Map Unit Name: 19. BULKLEY CLAY LOAM, 25-65% SLOPES
NRCS Map Unit Name: _____
NRCS Map Unit Name: _____

13. Plant Community:

Complete this section only if any portion of the disturbed area of the location's current land use is on non-crop land.

Are noxious weeds present: Yes No
Plant species from: NRCS or, field observation Date of observation: 10/22/2008
List individual species: BIG SAGEBRUSH, GRASSES

Check all plant communities that exist in the disturbed area.

- Disturbed Grassland (Cactus, Yucca, Cheatgrass, Rye)
- Native Grassland (Bluestem, Grama, Wheatgrass, Buffalograss, Fescue, Oatgrass, Brome)
- Shrub Land (Mahogany, Oak, Sage, Serviceberry, Chokecherry)
- Plains Riparian (Cottonwood, Willow, Aspen, Maple, Poplar, Russian Olive, Tamarisk)
- Mountain Riparian (Cottonwood, Willow, Blue Spruce)
- Forest Land (Spruce, Fir, Ponderosa Pine, Lodgepole Pine, Juniper, Pinyon, Aspen)
- Wetlands Aquatic (Bullrush, Sedge, Cattail, Arrowhead)
- Alpine (above timberline)
- Other (describe): _____

14. Water Resources:

Rule 901.e. may require a sensitive area determination be performed. If this determination is performed the data is to be submitted with the Form 2A.

Is this a sensitive area: No Yes Was a Rule 901.e. Sensitive Areas Determination performed: No Yes
Distance (in feet) to nearest surface water: 465 , water well: 9775 , depth to ground water: 50
Is the location in a riparian area: No Yes Was an Army Corps of Engineers Section 404 permit filed No Yes
Is the location within a Rule 317B Surface Water Suppl Area buffer zone:
 No 0-300 ft. zone 301-500 ft. zone 501-2640 ft. zone
If the location is within a Rule 317B Surface Water Supply Area buffer have all public water supply systems within 15 miles been notified: No Yes

15. Comments:

DEPTH TO GROUNDWATER HAS NOT BEEN MEASURED, BUT COULD BE 50' OR LESS.

I hereby certify that the statements made in this form are, to the best of my knowledge, true, correct and complete.
Signed: _____ Date: 12/19/2011 Email: CDICKERT@SGINTERESTS.COM
Print Name: CATHERINE DICKERT Title: ENVIRONMENTAL & PERMITTING

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved.
COGCC Approved: _____ Director of COGCC Date: 3/18/2012



**CONDITIONS OF
APPROVAL, IF ANY:**

All representations, stipulations and conditions of approval stated in this Form 2A for this location shall constitute representations, stipulations and conditions of approval for any and all subsequent operations on the location unless this Form 2A is modified by Sundry Notice, Form 4 or an Amended Form 2A.

SITE SPECIFIC COAs:

Location is in a sensitive area because of proximity to wetlands and surface water; therefore, operator must ensure 110 percent secondary containment for any volume of fluids contained at well site during drilling and completion operations; including, but not limited to, construction of a berm or diversion dike, diversion/collection trenches within and/or outside of berms/dikes, site grading, or other comparable measures (i.e., best management practices (BMPs) associated with stormwater management) sufficiently protective of nearby surface water. Any berm constructed at the well pad location will be stabilized, inspected at regular intervals (at least every 14 days), and maintained in good condition.

Operator must implement best management practices to contain any unintentional release of fluids, including any fluids conveyed temporary surface pipelines or buried pipelines.

Location is in a sensitive area because of shallow groundwater; therefore either a lined drilling pit or closed loop system must be implemented.

Location is in a sensitive area because of shallow groundwater; therefore any pits constructed to hold fluids (i.e., production pit, frac pit, reserve pit) must be lined.

The moisture content of any drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts.

No portion of any pit that will be used to hold liquids shall be constructed on fill material, unless the pit and fill slope are designed and certified by a professional engineer, subject to review and approval by the director prior to construction of the pit. The construction and lining of the pit shall be supervised by a professional engineer or their agent. The entire base of the pit must be in cut.

The drilling (reserve) pit must be fenced and netted. The operator must maintain the fencing and netting until the pit is closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels.

The surface soils and materials are fine-grained and highly unconsolidated; therefore appropriate BMPs need to be in place during all drilling and well completion operations. Standard stormwater BMPs must be implemented at this location to insure compliance with CDPHE and COGCC requirements and to prevent any stormwater run-on and /or stormwater runoff.

Notify the COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of fracing operations.

Flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or pit located on the well pad or into tanker trucks for offsite disposal. The flowback and stimulation fluid tanks, separators, or other containment/filtering equipment must be placed on the well pad in an area with additional downgradient perimeter berming (an increase in the height of the pad perimeter berm can address this requirement). The area where flowback fluids will be stored/reused must be constructed to be sufficiently impervious to contain any spilled or released material.

Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface pipelines or configuration of the permanent pipeline network.

Berms or other containment devices shall be constructed to be sufficiently impervious to contain any spilled or released material around crude oil, condensate, and produced water storage tanks.

Attachment Check List

Att Doc Num	Name
2034170	CORRESPONDENCE
2034175	CORRESPONDENCE
2034179	CORRESPONDENCE
2286537	FORM 2A SUBMITTED
2286538	LOCATION PICTURES
2286539	LOCATION DRAWING
2286540	HYDROLOGY MAP
2286541	ACCESS ROAD MAP
2286542	NRCS MAP UNIT DESC
2286543	CONST. LAYOUT DRAWINGS
2286544	PROPOSED BMPs
2286545	SENSITIVE AREA DATA
2537912	SURFACE AGRMT/SURETY

Total Attach: 13 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	LGD passed;public comments waived. Final Comprehensive Review Status--passed.	3/14/2012 3:37:30 PM
Permit	added updated SUA doc #2537912 submitted 3/6/2012, changed qtr/qtr to Lot 6	3/6/2012 10:55:35 AM
DOW	<p>CPW and the operator have discussed options for avoiding and minimizing impacts to wildlife. The operator has submitted Best Management Practices (BMPs) and other measures that result in the avoidance or minimization of impacts to wildlife resources at the well location; however, the BMPs submitted by the operator do not address the cumulative impacts of increasing well pad density and ancillary facilities (roads, pipelines, compressors, etc.) on the effectiveness of wildlife habitats in the area. There is a growing body of evidence that residual unavoidable adverse impacts to wildlife increase dramatically when well pad densities exceed one pad per square mile and road densities exceed 0.5 mile per square mile. These residual adverse impacts to wildlife occur from reduced habitat effectiveness regardless of the use of Timing Limitation Stipulations on drilling activities or other site specific BMPs implemented by the operator to reduce impacts.</p> <p>The well pad density within SG's Bull Mountain Unit and the surrounding area is increasing and rapidly approaching a density where BMPs alone will no longer be sufficient to maintain existing wildlife populations in the area. CPW recommends that the operator consider a wildlife mitigation plan for the entire Bull Mountain Unit to address the cumulative impacts to wildlife from the ongoing development of new wells, road, pipelines, compressors, and other ancillary facilities proposed for the Bull Mountain Unit. At the onsite for this well, CPW and the operator discussed the disturbance acreage of the access road and pipes which are not included or addressed on the Form2A. The disturbance from these facilities nearly double the amount of disturbance and habitat loss from this proposed well. These impacts can only be addressed as part of a comprehensive Wildlife Mitigation Plan.</p> <p>The operator is attempting to get landowner consent for the recommended seed mix to be used at this location.</p>	2/17/2012 3:48:19 PM

DOW	<p>An onsite has been scheduled on Friday, February 10, 2012 at 9:00AM, With the COGCC, LGD, and SG to discuss this location. SG and COGCC have agreed to extend the comment period for the CPW consult for the Hughes Well has until 2-17-12.</p> <p>After the onsite CPW will make additional comments, COA, BMPs, recommendation to the COGCC if necessary.</p>	1/11/2012 3:09:39 PM
LGD	<p>Gunnison County LDG Comments</p> <p>Regulatory Form 2286532</p> <p>SG Interests I Ltd; Hughes 11-90-26-2; Gunnison County</p> <p>I am the Local Government Designee for Gunnison County, Colorado and respectfully make the following requests and comments</p> <p>1.REQUEST FOR CONSULTATION WITH COLORADO DIVISION OF WILDLIFE (CDOW)</p> <p>Please consider this to be a formal request for a consultation with the Colorado Division of Wildlife (CDOW). This request is based on documentation filed with this regulatory form indicating that the proposed location is in a “sensitive wildlife habitat area.”</p> <p>Gunnison County is informed that CDOW has not done the mapping or identified suggested conditions (e.g. timing restrictions, access routes, noise) for this applications.</p> <p>Gunnison County suggests that, as a potential path to solving these issues – not only for this application but also for the whole “Bull Mountain area” – that the CDOW work with Gunnison County, the COGCC, the local community, and impacted stakeholders to create a “comprehensive wildlife mitigation plan” that would be applicable to this application and other applications in the area, and in both the State and Gunnison County regulatory processes.</p> <p>2.REQUEST REGARDING SET BACKS FROM WATER BODIES</p> <p>While the proposed location is not within a COGCC Rule 317B Surface Water Supply Area buffer zone, it appears from the documents provided to Gunnison County that the proposed location would conflict with Gunnison County required set backs from water bodies (particularly wetlands).</p> <p>Gunnison County and the COGCC have expressed their intent to work to coordinate and comport their respective regulatory regimes. This particular set back issue is an opportunity for the two entities to address the issue; perhaps first in the COGCC process being informed of the Gunnison County concerns, and then in the Gunnison County process being informed by changes or conditions crafted in the COGCC process (that may support a Gunnison County “technical infeasibility waiver” of the Gunnison County prescriptive requirement).</p> <p>Such a condition might be the requirement the site be required to be a closed loop system – or that any physical communication between this site and the wetlands have augmented safety and containment measures.</p> <p>Gunnison County is available at your convenience for a consultation and discussion – by phone or in Denver.</p> <p>Thank you.</p> <p>David Baumgarten</p> <p>Gunnison County Attorney</p>	1/4/2012 1:18:40 PM

OGLA	Initiated/Completed OGLA Form 2A review on 12-27-11 by Dave Kubeczko; requested acknowledgement of fluid containment, spill/release BMPs, lined pits/closed loop, flowback to tanks, tank berming, no pit in fill, cuttings low moisture content, fenced/netted pits, and sensitive area COAs from operator on 12-27-11; received acknowledgement of COAs from operator on 02-27-12; passed by CPW on 02-17-12 with operator submitted BMPs (with permit application) and additional BMPs acceptable, however, CPW recommends that SG consider developing a WMP for the Bull Mountain Unit (Gunnison County also suggests this); addressed LGD comments from 01-04-12 on 03-14-12 (email correspondence is attached); passed OGLA Form 2A review on (TBD: 01-30-12) by Dave Kubeczko; fluid containment, spill/release BMPs, lined pits/closed loop, flowback to tanks, tank berming, monitoring hillside, no pit in fill, cuttings low moisture content, fenced/netted pits, and sensitive area COAs.	12/27/2011 3:53:41 PM
Permit	Corrected typos and changed distance to nearest road to 550'	12/27/2011 10:28:27 AM
Permit	Plugging bond invalid. QtrQtr should be Lot 6. Surface and minerals information missing.	12/21/2011 10:39:31 AM

Total: 8 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Drilling/Completion Operations	Flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or pit located on the well pad or into tanker trucks for offsite disposal. The entire level pad will be surrounded by a berm to contain any potential release on the well pad. The berm is approximately 2 ½ feet in height around the pad except at the entrance where it is approximately 1 1/2 feet in height to allow vehicles to drive over it. Tanks will be set on compacted earth in an area of the pad that has been constructed on cut soils.

Total: 1 comment(s)