

TO: Planning Commission

SUBJECT: Planning Commission Decision
SG Interests I, Ltd.
Eck 12-90-1 Gas Well Project
Minor Oil and Gas Operation
File No. OG2012-02

PREPARED BY: Neal Starkebaum, Assistant Director
Gunnison County Community Development Department

DATE: April 6, 2012

APPLICANT: SG Interests I, Ltd.
PO Box 26
Montrose, CO 81402

At its regular meeting of April 6, 2011, the Planning Commission unanimously approved the following Minor Oil and Gas Operation Decision, as amended, moved by Kent Fulton and seconded by Jim Seitz Kent Fulton:

PROJECT SUMMARY:

The applicant requests an Oil and Gas Operations permit for the Eck 12-90-1 natural gas well, which includes the construction of an approximately 2.5-acre well pad, the Eck 12-90-1 #1 well, one future gas well, a water disposal well and installation of gas and produced water pipelines to connect to the existing collection system.

Operations Plan:

Drilling: The well will be drilled using a conventional rotary drilling rig, operating 24 hours a day. Cuttings and drilling fluids will be maintained in a plastic lined reserve pit.

Completion: The well will be completed using a conventional daylight rig. Hydraulic fracturing is the planned stimulation for the well.

Transporting: If productive, the gas will be transported by buried pipeline. Produced water will be trucked or transported by buried pipeline.

Production: Production will be performed by conventional means. If artificial lift is required, a pumping unit will be used.

Post-Operation: If production is non-commercial, the well will be plugged and abandoned according to COGCC rules.

SURFACE OWNERSHIP:

Gunnison Hunting Properties, LLC
100 Waugh Drive, Suite 400
Houston, TX 77007

MINERAL OWNER:

Gunnison Hunting Properties, LLC
100 Waugh Drive, Suite 400
Houston, TX 77007

WELL LOCATION:

The well project is located west of Highway 133, on lands legally described as Lot 1, 2, 3, 4, (N/2N/2) S/2NE/4, S/2NW/4, tract in N/2N/2S/2 (being 247' on east and 240' on west 28.75 +/- acres in Section 1, Township 12 South, Range 90 West, 6th P.M.; total of 296.43 acres. Specific location of the site is identified on a map in the Community Development Department file.

ACCESS:

The applicant states access to the well will be via existing private roads, connecting to CR 265 and State Highway 133. SG Interests and Gunnison Energy Corporation have an existing agreement with Gunnison County to maintain County Road 265, for the application of magnesium chloride by Gunnison County, with financial reimbursement provided by SG Interests and Gunnison Energy.

GUNNISON COUNTY PUBLIC WORKS COMMENTS:

Comments were received from Allen Moores, Assistant Director, Gunnison County Public Works in an email of March 7, 2012. Summarizing his comments, he notes:

“From my observations on the ground it is apparent that there is a definite physical barrier between each of the proposed pad sites and the wetlands of concern.”

DOCUMENTS INFORMING THIS REVIEW AND ACTION:

This review and recommendation incorporates, but is not limited to, all the documentation submitted to the County and included within the Planning Office file relative to this application, including all exhibits, maps, references and documents.

GUNNISON COUNTY, COLORADO TEMPORARY REGULATIONS FOR OIL AND GAS OPERATIONS: The application was reviewed for compliance with the *Gunnison County, Colorado Temporary Regulations for Oil and Gas Operations, May 18, 2004*, and is defined as a Minor Oil and Gas Operation Project.

The applicant submitted a request for a technical infeasibility waiver for the gas and produced water pipelines. The gas and water pipeline route will cross wetland areas between the well pad and the closest gathering system pipelines. The proposed pipeline alignment does not meet the setback standard in *Section 1-107: Oil and Gas Operation Standards, H. Waterbody Setbacks*.

The applicant has also submitted a request for a technical infeasibility waiver for the gas wells and well pad, which is less than the required 500 foot setback from waterbodies (wetlands). The proposed well pad does not meet the setback standard in *Section 1-107: Oil and Gas Operation Standards H. Waterbody Setbacks*.

WORK SESSIONS:

Work sessions were held by the Planning Commission on:

February 17, 2012

April 6, 2012

SITE VISIT:

Due to seasonal limitations for access to the site and in lieu of a site visit by the Planning Commission, Allen Moores, Assistant Director, Gunnison County Public Works Department, attended a site visit on February 10, 2012 with the applicant, representatives from the Colorado Oil and Gas Conservation Commission and the Colorado Division of Parks and Wildlife. He provided written comments to the Planning Commission of his observations of the site and the surrounding area.

PUBLIC HEARING:

A public hearing was held by the Planning Commission on March 16, 2012. At that time, Gunnison County resident Ralph/Butch Clark said he was present to learn what is being proposed. He was concerned with the disposal of the produced water.

A letter was received from Ted Eck, dated March 8, 2012, noting concerns regarding the name of the well and several technical issues.

A letter was received from Matt Reed, Public Lands Director, High Country Citizens Alliance, dated February 23, 2012, noting concerns with the application.

All testimony presented, and the full record of that hearing, including all testimony, is hereby incorporated into this record.

FINDINGS:

The Gunnison County Planning Commission, having considered the application, all exhibits and public testimony finds that:

1. Approval is limited to the location and description of the SG Interests I, Ltd. Eck 12-90-1 Gas Well Project as described in the application. Any change will require either an application for amendment of this permit, or submittal of an application for a new permit, in compliance with applicable requirements of the *Temporary Regulations for Oil and Gas Operations*, or as those may be hereinafter amended.
2. Subject to the Technical Infeasibility Waiver and the Conditions of Approval included in the Decision, below, the application is consistent with *Section 1-107: Oil and Gas Operations Standards, Gunnison County Temporary Regulations for Oil and Gas Operations, May 18, 2004*.
3. The applicant has requested a term of permit of five years in which to drill all five wells, which the Planning Commission finds appropriate.
4. The applicant has identified waterbodies (wetlands) within 500' of the well pad.
5. Allen Moores, Assistant Director, Gunnison County Public Works, provided comments regarding the project in an email of March 7, 2012, in which he identified that:
"From my observations on the ground it is apparent that there is a definite physical barrier between each of the proposed pad sites and the wetlands of concern."
6. The proposed well pad does not meet the 500' setback of *Section 1-107: Oil and Gas Operation Standards, H. Waterbody Setbacks*. Based upon onsite field observations and comments from Allen Moores, Assistant Director, Gunnison County Public Works, there is a physical geographic separation consisting of a rise in elevation of approximately 20 vertical feet between the well pad and the wetlands. The Planning Commission finds, in accordance with *Section 1-107: Oil and Gas Operation Standards P. 2.*, that a technical infeasibility waiver is warranted because there is no economical technology commercially available to install the well pad in a location more than 500 feet from all waterbodies, simultaneously protecting the safety of drilling employees by keeping the center of the well pad on the "cut" soils, rather than fill material.

7. The applicant submitted a request for a technical feasibility waiver for the gas and produced water pipelines. The gas and water pipeline route will cross wetland areas between the well pad and the closest gathering system pipelines. The proposed pipeline alignment cannot meet the setback standard of *Section 1-107: Oil and Gas Operation Standards, H. Waterbody Setbacks*. There is no economical technology commercially available to construct the gas and produced water pipelines in compliance with the waterbody setbacks. Granting of the waiver will not cause substantial injury to the owner or occupant of adjacent lands; and the waiver will not cause substantial injury to the environment. Therefore, the granting of a technical infeasibility waiver for the pipelines is appropriate.
8. The applicant submitted a *Wildlife and Vegetation Assessment Report*, prepared by Rocky Mountain Ecological Services, Inc. dated December 2011, which included several recommended actions to provide mitigation for impacts to wildlife, which have been incorporated as conditions of approval.
9. This review and decision incorporates, but is not limited to, all the documentation submitted to the County and included within the Planning Office file relative to these applications; including all exhibits, references and documents as included therein.

DECISION:

The Gunnison County Planning Commission, having considered the submitted applications, all exhibits, documentation and public testimony, and having reached the above Findings, hereby approves SG Interests I, Ltd. Eck 12-90-1 Gas Well Project; Oil and Gas Operations Permit No. OG2012-02 with the following conditions:

1. This permit is limited to the description of the SG Interests I, Ltd. Eck 12-90-1 Gas Well Project. Any substantive change will require either an application for amendment of this permit, or submittal of an application for a new permit, in compliance with applicable requirements of the *Temporary Oil and Gas Regulations*, or as those may be hereinafter amended.
2. The applicant shall provide copies of any Spill Reports, associated with the Eck 12-90-1 Gas Well Project, as required by the Colorado Oil and Gas Conservation Commission, to the Community Development Department.
3. The applicant shall provide copies of reports to the Colorado Oil and Gas Conservation Commission regarding water quality sampling, associated with the Eck 12-90-1 Gas Well Project, as required by the Colorado Oil and Gas Conservation Commission, to the Community Development Department.
4. The access road shall be maintained in compliance with the Stormwater Management Plan.
5. All disturbed wetland areas shall be adequately fenced to exclude livestock until such time that the reclamation has been established.
6. Gas and water pipeline crossings of wetland areas shall be double lined.
7. All trash shall be placed in bear-proof dumpsters.
8. The applicant shall employ best management practices to ensure that generators and other loud equipment do not impact wildlife.

9. Nothing in this decision is or shall be construed to be a limitation on Gunnison County participating in any future regulatory process for said wells.
10. This permit may be revoked or suspended if Gunnison County determines that any material fact set forth herein or represented by the applicant was false or misleading, or that the applicant failed to disclose facts necessary to make any such fact not misleading.
11. Approval of this use is based upon the facts presented and implies no approval of similar use in the same or different location and/or with different impacts on the environment. Any such future application shall be reviewed and evaluated, subject to its compliance with current regulations, and its impact to the County.
12. Approval of this permit is based upon the facts presented and implies no approval of similar use in the same or different location and/or with different impacts on the environment and community. Any such future application shall be reviewed and evaluated, subject to its compliance with current regulations, and its impact to the County.