

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF THE PROMULGATION AND	)	CAUSE NO. 1
ESTABLISHMENT OF FIELD RULES TO GOVERN	)	
OPERATIONS IN WEST MUDDY CREEK FIELD,	)	DOCKET NO. 1106-GA-XX
GUNNISON COUNTY, COLORADO	)	
	)	

APPLICATION

The Commission staff has initiated this request for a modification to a Comprehensive Drilling Plan previously approved by Commission Order 1-143, dated March 30, 2009. The background and basis for the requested modification is as follows:

1. Commission Rule 216 authorizes the creation of Comprehensive Drilling Plans that are intended to identify foreseeable oil and gas activities in a defined geographic area, facilitate discussion about potential impacts, and identify measures to minimize adverse impacts to public health, safety, welfare and the environment, including wildlife resources, from such activities.

2. On March 30, 2009, the Commission entered Order No. 1-143 approving an application by Gunnison Energy Corporation ("GEC") for the approval of GEC's Hotchkiss Federal Comprehensive Drilling Plan ("CDP"), for lands in Gunnison County, including Sections 17 through 20, Township 12 South, Range 89 West, 6<sup>th</sup> P.M.

3. Commission Rule 216.h. provides that an approved Comprehensive Drilling Plan may be modified using the same process as that leading to the acceptance of the original Plan, either upon the initiative of the operator or upon the initiative of the Director, upon a showing that there has been a change to the basis upon which the Plan was developed. Rule 216.h. further states that in considering the modification, the Commission's focus shall be only on the proposed modifications.

4. Commission staff has been in consultation with GEC and other parties for purposes of making a minor amendment of the CDP to provide for the construction of the Hotchkiss Water Storage Facility, consisting of two pits, necessary for the safe and efficient beneficial reuse and disposal of produced water. No additional changes to the approved CDP are contemplated at this time.

5. Parties to the discussions on amending the CDP have included: GEC, Commission staff, Department of Public Health and Environment, Division of Wildlife, Gunnison County, U.S. Bureau of Land Management and the surface owner. The parties have reached consensus and recommend the proposed modifications to the CDP.

6. The proposed modification considers the construction and operation of a Centralized Exploration and Production (E&P) Waste Management Facility ("Hotchkiss Water Storage Facility") to manage the storage, beneficial reuse and disposal of water produced from GEC's existing, proposed and future oil and gas (O&G) production wells. This water storage facility is necessary to support natural gas production activities associated with the Hotchkiss Ranch Project Area on property owned by Hotchkiss Ranches and operated by GEC. The project is located in Township 12S, Range 89W, Section 18 of Gunnison County.

7. The Hotchkiss Water Storage Facility proposed in this amendment is part of the critical infrastructure needed to safely and efficiently manage the storage, beneficial reuse and disposal of produced water. The produced water would be stored in two pits, (one being approximately 307,000 barrels and the other approximately 137,000 barrels) for reuse in drilling and completion operations and/or pumped via existing pipeline infrastructure to an existing underground injection well for disposal. Both pits would be constructed adjacent to the existing road and pipeline between the Hotchkiss Federal 1289 #18-31 well and the Hotchkiss 1289 #18-22 (18-22 WDW) injection well.

8. No additional roads or pipelines will be required as the existing roads and pipelines initially approved for the CDP by the Commission and Gunnison County and in use at this time will provide the necessary infrastructure. GEC proposes to construct and operate the facility during the summer of 2011. Initial use of the facility would be to provide water for drilling and completing the Hotchkiss Federal 1289 #18-22A. The same infrastructure would be utilized for

future wells as outlined in the original CDP approval. The schedule of drilling additional wells is pending extended production results of the above mentioned well and other wells drilled during the past two years.

9. Water for well completion would be from currently producing non-tributary coal bed methane wells which were permitted by the Colorado State Engineer’s Office for beneficial use. Water from these wells is currently being disposed of in the 18-22 WDW water disposal well. The pits and existing infrastructure would provide storage and reuse of this produced water as well as reduce the amount of truck traffic and quantity of temporary storage tanks needed for future drilling and completion operations.

10. Commission staff is bringing forward this Application in the public interest to facilitate the ultimate construction and implementation of the proposed Hotchkiss Water Storage Facility. The proposed amendment to the CDP will provide for greater efficiency in the management of GEC’s produced water, with less environmental impact because of reduced truck traffic for water hauling than what would occur in the absence of the proposed amendment. The CDP modification provides for more efficient water management than that which was contemplated at the time the initial CDP was considered. This serves as the primary basis for this minor modification to the previously approved CDP. This Application is to initiate public participation in the Commission’s hearing process, through the Notice of Hearing on this matter.

11. The proposed CDP amendment merely amends the CDP to allow the planning and construction of the Hotchkiss Water Storage Facility. GEC will still be required to go through the Commission approval process for the permit necessary to construct the Hotchkiss Water Storage Facility as well as any other governmental agency requirements. Consultations with other agencies will be minimized however, as conditions of approval of facilities covered by the CDP have been pre-negotiated among referral agencies and the Commission.

12. Documents supporting the original CDP and the proposed modification are available for inspection in the COGCC web-based document management system as images under facility number 2028.

Commission staff respectfully requests that this matter be set for hearing, that notice of hearing be given as required by law, and that upon hearing, the Commission enter an order approving the CDP Amendment as proposed.

Dated: April 29, 2011

Colorado Oil and Gas Conservation Commission

By: \_\_\_\_\_  
David Neslin, Director