

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



Table with 4 columns: DE, ET, OE, ES

Document Number: 2592798

Oil and Gas Location Assessment

New Location Amend Existing Location Location#: 413893

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.

Location ID: 413893 Expiration Date: 04/28/2014

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: PASCO SPADAFORA #2 Number: 413893 County: GUNNISON Quarter: NENE Section: 27 Township: 11S Range: 90W Meridian: 6 Ground Elevation: 7470 Define a single point as a location reference for the facility location. Footage at surface: 455 feet FNL, from North or South section line, and 510 feet FEL, from East or West section line. Latitude: 39.077040 Longitude: -107.426240 PDOP Reading: 1.5 Date of Measurement: 05/10/2010 Instrument Operator's Name: DAVID G. NICEWICZ

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

Special Purpose Pits: 0 Drilling Pits: 2 Wells: 2 Production Pits: 0 Dehydrator Units: 0 Condensate Tanks: 1 Water Tanks: 6 Separators: 2 Electric Motors: 0 Multi-Well Pits: 0 Gas or Diesel Motors: 0 Cavity Pumps: 0 LACT Unit: 0 Pump Jacks: 1 Pigging Station: 0 Electric Generators: 0 Gas Pipeline: 1 Oil Pipeline: 0 Water Pipeline: 1 Flare: 1 Gas Compressors: 0 VOC Combustor: 0 Oil Tanks: 0 Fuel Tanks: 0 Other: 0

6. Construction:

Date planned to commence construction: 06/01/2011 Size of disturbed area during construction in acres: 2.15
Estimated date that interim reclamation will begin: 09/01/2012 Size of location after interim reclamation in acres: 2.15
Estimated post-construction ground elevation: 7469 Will a closed loop system be used for drilling fluids: Yes
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: _____ Phone: _____
Address: _____ Fax: _____
Address: _____ Email: _____
City: _____ State: _____ Zip: _____ 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: 20030098 Gas Facility Surety ID: _____ Waste Mgmt. Surety ID: _____

9. Cultural:

Is the location in a high density area (Rule 603.b.): Yes No
Distance, in feet, to nearest building: 356, public road: 487, above ground utilit: 214
, railroad: 54069, property line: 1644

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.

IMPORTANT: SOME DATA FIELDS HAVE BEEN MODIFIED.

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: 37. fughes loam, 5-15% 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: _____

List individual species: _____

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): WELL PAD PREVIOUSLY CLEARED OF VEGETATION

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: 130, water well: 10248, depth to ground water: 44

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:

THIS LOCATION IS BEING AMENDED TO ACCOMMODATE THE SECOND WELL ON THIS PAD, THE PASCO SPADAFORA #3. THE EXISTING WELL ACCESS AND PIPELINE WILL BE USED FOR THE NEW WELL. WATER QUALITY PROTECTION MEASURES ARE DESCRIBED IN THE SITE SPECIFIC SECTION OF THE OPERATOR PROPOSED BMP NARRATIVE. SG INTERESTS PLANS TO DRILL THE NEW WELL IN LATE SPRING (MAY OR JUNE) OF 2011.

I hereby certify that the statements made in this form are, to the best of my knowledge, true, correct and complete.

Signed: _____ Date: 01/27/2011 Email: CDICKERT@SGINTERESTS.COM

Print Name: CATHERINE DICKERT Title: ENVIRONMENTAL & PERMIT MG

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: David S. Neslin Director of COGCC Date: 4/29/2011

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.

SENSITIVE AREA (SHALLOW GROUNDWATER) COAs:

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.

SENSITIVE AREA (CLOSE SURFACE WATER) COAs:

Location is in a sensitive area because of proximity to 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.

GENERAL SITE COAs:

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. At the time of closure, the drill cuttings must also meet the applicable standards of table 910-1.

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.

Due to the potential presence of seeps/springs in the area, the nearby hillside must be monitored for any day-lighting of drilling fluids throughout the drilling of the surface casing interval.

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 Kubezko; email dave.kubezko@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 to allow the sand to settle out before the fluids can be placed into any pipeline or pit located on the well pad. The flowback and stimulation fluid tanks must be placed on the well pad in an area with additional downgradient perimeter berming. The area where flowback fluids will be stored/reused must be constructed to be sufficiently impervious to contain any spilled or released material (per Rule 604.a.(4)).

Berms or other containment devices shall be constructed in compliance with Rule 604.a.(4) around crude oil, condensate, and produced water storage tanks.

CDPHE consulted with Gunnison County during two conference calls for the Cow Skull 11-89-18, HL 11-89-19 #1 Pad and the Pasco Spadafora #2 Pad applications all owned by SG Interests. The second conference call involved SG Interests, CDPHE Stormwater, Gunnison County and COGCC. The issues included the sensitive area determination, proposed COAs and BMPs, the Stormwater Management Plan and automated leak detection for the pit liners. The COAs and BMPs were settled, SG Interests agreed to provide the proposed stormwater management plan for the Gunnison County planning commission meeting and automated leak detection for the liners were discussed but the determined to be too expensive and unreliable.

Attachment Check List

Att Doc Num	Name
2033660	CORRESPONDENCE
2033664	LOCATION DRAWING
2033665	LOCATION PICTURES
2566519	LOCATION PICTURES
2592798	FORM 2A
2592799	LOCATION PICTURES
2592800	LOCATION PICTURES
2592801	LOCATION PICTURES
2592802	LOCATION PICTURES
2592803	LOCATION PICTURES
2592804	LOCATION PICTURES
2592805	HYDROLOGY MAP
2592806	LOCATION DRAWING
2592807	ACCESS ROAD MAP
2592808	NRCS MAP UNIT DESC
2592809	MULTI-WELL PLAN
2592810	PROPOSED BMPs
2592811	SENSITIVE AREA DATA

Total Attach: 18 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
DOW	Operator bmps will suffice to address wildlife concerns at this location. However, the CDOW feels that this location is part of a larger plan of development and encourages the operator to address cumulative impacts to wildlife resources by completing a wildlife mitigation plan.	3/25/2011 3:55:22 PM
OGLA	Initiated/Completed OGLA Form 2A review on 03-16-11 by Dave Kubeczko; requested clarifications and acknowledgement of 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 from operator on 03-16-11; received clarifications and acknowledgement of COAs from operator on 03-17-10; conducted CDOW/COGCC onsite 03-15-11; passed by CDOW on 03-25-11 with operator submitted BMPs (with permit application) and additional BMPs acceptable; passed OGLA Form 2A review on 03-31-11 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.	3/16/2011 12:55:38 PM

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LGD	<p>I am the Local Government Designee for Gunnison County, Colorado.</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).Based on documentation filed with this regulatory form, this site is in a Sensitive Wildlife Habitat Area.</p> <p>2.REQUEST FOR CONSULTATION WITH COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT (CDPHE).</p> <p>Please consider this to be a formal request for a consultation with the Colorado Department of Public Health and Environment (CDPHE).This request if based on documentation filed with this regulatory form indicating that this is a sensitive area and that a Rule 901.e. Sensitive Area Determination was performed.See: III below.</p> <p>3.REQUEST FOR SPECIFIC CONDITION.</p> <p>I request that the Commission include, as specific conditions: 1. That the Operator is required to obtain all necessary Gunnison County permits. 2. NOTE: The Sensitive Area Determination Checklist states that Ault Creek is approximately 460' to the southwest of the location ... The elevation of the proposed well is higher than the elevation of the creek.It is possible that an uncontrolled release from the well pad could travel downslope to the creek ... It is also possible that the nearby irrigation ditches could be impacted by an accidental release on the well pad.This risk is illuminated by the further comment that the proposed/new or existing facility (will) have ... pits that will contain hydrocarbons and chlorides or other E and P waste.That is, (a) drilling pit may be onsite. I request that the Commission consider that -given the above - the site be required to be a closed loop system.</p>	2/28/2011 9:54:52 AM
Permit	changed distance to road to 487 feet	2/23/2011 4:09:38 PM
Permit	E-mailed D. Kubeczko who is ok with them submitting photos later, and will let them know if he needs other changes. sf	2/16/2011 4:49:54 PM
Permit	On hold for a location drawing and corrected location pic's. sf	2/2/2011 3:38:46 PM

Total: 6 comment(s)

BMP

<u>Type</u>	<u>Comment</u>
Wildlife	<ul style="list-style-type: none"> • When working in water (wetlands, ponds, etc.) SG will make sure that any of its equipment that will contact the water, such as water tanks, water trucks, etc. is clean and free of aquatic nuisance species. Cleaning will be accomplished by following the protocol described in COGCC Rule 1204.a.2. SG will require contractors to follow the same protocol when bringing in equipment to work in water. • Whenever a pit is left open prior to reclamation, it will be fenced and covered with netting to prevent wildlife and birds from entering the pit. If it necessary to postpone pit closure due to winter conditions, excess water will be removed from the pit and solids in the pit will be fenced and tarped and will exclude wildlife and birds. • When scheduling projects in Elk Winter Concentration Areas, SG will make reasonable attempts to observe a winter timing restriction on heavy activity in these areas from December 1st through April 15th.

Total: 1 comment(s)