

Kubeczko, Dave

From: Kubeczko, Dave
Sent: Friday, June 01, 2012 1:06 PM
To: Kubeczko, Dave
Subject: FW: SG Interests I, Henderson-611S90W#9 SWNW Pad, SWNW Sec 9 T11S R90W, Gunnison County, Form 2A#400256030; COGCC's Response to LGD Comments
Attachments: Scan No. 2034381_SG Interests I LTD, Henderson-611S90W SWNW Pad_COGCC Response to LGD Comments_2A#400256030_06012012.pdf
Categories: Dark Teal Category

Scan No 2034381

COGCC Response to Gunnison County LGD Comments

2A#400256030

From: Kubeczko, Dave
Sent: Friday, June 01, 2012 12:54 PM
To: 'David Baumgarten'
Cc: Neal Starkebaum; Brenda Wiseman
Subject: SG Interests I, Henderson-611S90W#9 SWNW Pad, SWNW Sec 9 T11S R90W, Gunnison County, Form 2A#400256030; COGCC's Response to LGD Comments

David,

COGCC appreciates Gunnison County's participation in the LGD comment portion of the Form 2A permitting process. Attached is COGCC's Responses to Gunnison County's Comments submitted on April 3, 2012 for SG Interests', Henderson-611S90W#9 SWNW Pad, 2A#400256030. These responses will become an attachment to the Form 2A. If you have any questions, please do not hesitate to call me at (970) 309-2514 (cell), or email. Thanks.

Dave

David A. Kubeczko, PG
Oil and Gas Location Assessment Specialist

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Gunnison County LDG Comments

Regulatory Form 400256030

SG Interests I Ltd; Henderson-611S90W #9 SWNW Pad; Gunnison County

Comments submitted on April 3, 2012:

COGCC's responses to Gunnison County's LGD Comments are indicated below shown in blue text following each comment.

If you have any questions, please do not hesitate to call me at (970) 309-2514 (cell), or email. Thanks.

Dave

David A. Kubeczko, PG

Oil and Gas Location Assessment Specialist

Comment No. 1 - REQUEST FOR CONSULTATION WITH COLORADO DIVISION OF WILDLIFE (CDOW).

Form 2A indicates that the proposed location is in a "sensitive wildlife habitat area." Gunnison County acknowledges the applicant's proposed "Best Management Practices" (including those that address wildlife habitat), but requests a formal consultation with CPW to discuss wildlife issues – including the suggestion that a broad, area – wide, wildlife evaluation be performed.

COGCC Response to Comment No. 1 - REQUEST FOR CONSULTATION WITH COLORADO DIVISION OF WILDLIFE (CDOW).

Per Rule 306. **CONSULTATION. b. Consultation with local government.**

(1) Local governments that have appointed a local governmental designee and have indicated to the Director a desire for consultation shall be given an opportunity to engage in such consultation concerning an application for Permit-to-Drill, Form 2, or an Oil and Gas Location Assessment, Form 2A, for the location of roads, production facilities and well sites prior to the commencing of operations with heavy equipment.

(2) Within fourteen (14) days of its notification pursuant to Rule 305, the local governmental designee may notify the Commission and the Colorado Department of Public Health and Environment by electronic mail of its desire to have the Colorado Department of Public Health and Environment consult on a proposed oil and gas location, based on concerns regarding public health, safety, welfare, or impacts to the environment.

Gunnison County does not have the ability to request a wildlife consultation with the Colorado Parks and Wildlife (CPW) through the COGCC. This location had an onsite inspection with COGCC, National Forest Service (NFS), and SG Interests on October 11, 2011. Gunnison County and CPW were asked by the NFS after this onsite if they wanted to have their own onsite inspection. No request was made. In addition, the CPW did request a wildlife consultation with the operator for this proposed location that was conducted on April 27, 2012 and attended by SG Interests, CPW, NFS, and Gunnison County. Please refer to CPW's comment (dated May 4, 2012) on the Form 2A below:

CPW and the operator discussed options for avoiding and minimizing impacts to wildlife at an onsite that occurred on April 27th, 2012. The onsite was attended by SG, USFS, COGCC, and members from the Gunnison County Planning Commission. At the onsite we discussed that the location is within SWH (Elk Winter Concentration Area). The location is on a south facing slope that is utilized by wintering big game animals. The operator has submitted Best Management Practices (BMPs) and other measures that may result in some 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 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 site specific BMPs implemented by the operator to reduce impacts. The well pad density within the 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 incorporating this well into a comprehensive wildlife mitigation plan for the entire area, including but not limited to the Bull Mountain Unit, to address the cumulative impacts to wildlife from the ongoing development of new wells, roads, pipelines, compressors, and other ancillary facilities.

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 Form 2A. As currently proposed, the access road and pipeline would add approximately 1.4 acres of surface disturbance to the Form 2A. CPW is concerned that the proposed location will unnecessarily fragment wildlife habitat and exacerbate functional habitat loss due to the additional habitat loss, and long-term human disturbance associated with drilling, production, and maintenance of this facility. We discussed several alternate locations for the facility that would avoid and minimize impacts to wildlife by reducing the length of the access road and pipeline, including several areas south of road 265A, an area adjacent to Gunnison Energy's storage yard (apx 1400ft southwest), and an area approximately 500 ft west of the proposed location.

Any of the alternate locations identified would minimize disturbance and habitat fragmentation to wintering elk as compared to the proposed location. All of the alternate locations would decrease the access road and pipeline disturbance, and consolidate facilities and human activities near existing facilities and roads (Rules 1203.a.3 and 1203.a.5). In addition, the area approximately 500 ft west of the proposed location is over a small ridge, and would utilize topographic features to maintain a seclusion area for wintering big game (Rule 1203.a.14). In 2003, a permit was issued by the COGCC in this alternate location. Although this well was never drilled, this previously permitted location avoids and minimizes impacts to wildlife more than the proposed location.

As discussed at the onsite, any location south of FS Road 265A are on a different lease and therefore not possible. The NFS and SG Interests have review several alternate locations for this well pad prior to determining that the current proposed location is the best. The NFS has the responsibility for both the protection of all surface resources and the development of the mineral resources. They need to seek a balance between all surface resources/uses/issues when evaluating the Federal Application Permit for Drilling (APD). The NFS has their own resource specialists and will conduct a detailed analysis of this location, which has already been moved based on the October 11, 2011 onsite due to a rangeland study plot nearby. They moved it to grove of aspens that are not healthy and should be removed. Based on information on the Form 2A and discussions with the NFS, COGCC believes that this is an appropriate location for the development of the mineral resources. The COGCC will defer any consideration of relocation of the pad, access road, and pipelines to the NFS.

Comment No. 2 - ONSITE INSPECTIONS.

- a. Gunnison County requests the COGCC conduct onsite inspection of the site before and during drilling to ensure the pad and structures are built to standards.
- b. Gunnison County requests that the COGCC authorize Gunnison County to inspect the access road and drill pad before drilling equipment is mobilized onto the site.

COGCC Response to Comment No. 2 - ONSITE INSPECTIONS.

- a. The following condition of approval has been placed on this Form 2A permit and address the COGCC's new notification policy using the new **Form 42**, "Notice of Notification (Notice of Hydraulic

Fracturing)". COGCC will try to conduct inspections during the operations at this well pad location, based on timing and staff availability.

COA 26 - Notify the COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us), the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) and the COGCC Field Inspector for Mesa Delta, and Gunnison Counties (Chuck Browning; email chuck.browning@state.co.us) 48 hours prior to start of pad construction, pit liner installation, rig mobilization, spud, and start of hydraulic stimulation operations using Form 42 (the appropriate COGCC individuals will automatically be email notified, including the LGD for hydraulic stimulation operations).

- b. Gunnison County, as well as the public, are allowed to observe oil and gas operations at any public access location (well pad, pit, access road, etc.) and report any issues or concerns to the COGCC. COGCC does not designate other individuals/entities with the authority to access locations and do inspections. Gunnison County would be able to observe the upgrading of the access road if they have the permission/authority to access the surface owners property.

Comment No. 3 - ROAD WEIGHT RESTRICTIONS/OVERWEIGHT LOADS ON ROADS.

Gunnison County suggests that applicant be required to break down loads hauled on or off the well site to a legal load weight to lessen impact on roads.

COGCC Response to Comment No. 3 - ROAD WEIGHT RESTRICTIONS/OVERWEIGHT LOADS ON ROADS.

The COGCC cannot enforce local governmental permitting requirements; those are the responsibility of the operator and the local governmental permitting agency. In addition, the following rules address exemptions under the Form 2A permit process:

303. REQUIREMENTS FOR FORM 2, APPLICATION FOR PERMIT-TO-DRILL, DEEPEN, RE-ENTER, OR RECOMPLETE, AND OPERATE; FORM 2A, OIL AND GAS LOCATION ASSESSMENT.

d. FORM 2A, OIL AND GAS LOCATION ASSESSMENT.

(2) **Exemptions.** A new Form 2A shall not be required for the following:

- A. Surface disturbance, other than drilling a new well or constructing a drilling or production pit, occurring at an existing oil and gas facility within the originally disturbed area, even if interim reclamation has been performed;
- B. For an oil and gas location covered by an approved Comprehensive Drilling Plan;
- C. Gathering lines;
- D. Seismic operations;
- E. Pipelines for oil, gas, or water; or
- F. Roads.**

It is COGCC's understanding that SG Interests I will obtain all necessary permits and will abide by any and all conditions/restrictions on those permits during oil and gas activities at this location.

Comment No. 4 - LINE WITHIN 500 FEET OF HENDERSON CREEK.

Gunnison County requests that the COGCC explore with the applicant re-route of the line so it doesn't go within 500 feet of Henderson Creek.

COGCC Response to Comment No. 4 - LINE WITHIN 500 FEET OF HENDERSON CREEK.

The following rules address exemptions under the Form 2A permit process:

303. REQUIREMENTS FOR FORM 2, APPLICATION FOR PERMIT-TO-DRILL, DEEPEN, RE-ENTER, OR RECOMPLETE, AND OPERATE; FORM 2A, OIL AND GAS LOCATION ASSESSMENT.

d. FORM 2A, OIL AND GAS LOCATION ASSESSMENT.

- (2) **Exemptions.** A new Form 2A shall not be required for the following:
- A. Surface disturbance, other than drilling a new well or constructing a drilling or production pit, occurring at an existing oil and gas facility within the originally disturbed area, even if interim reclamation has been performed;
 - B. For an oil and gas location covered by an approved Comprehensive Drilling Plan;
 - C. Gathering lines;
 - D. Seismic operations;
 - E. Pipelines for oil, gas, or water; or
 - F. Roads.

As previously stated in Comment No. 1 above, the NFS has the responsibility for both the protection of all surface resources and the development of the mineral resources. They will evaluate the locations of the access road and any pipelines during their review of the Federal . In addition, based on COGCC's review, the following conditions of approval have been placed on this Form 2A permit and address the county's issues/concerns about the proposed location's (well pad, access road, and pipelines) proximity to nearby Henderson Creek:

COA 23 - 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, and maintained in good condition.

COA 46 - 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.

COA 5 - Operator must implement best management practices to contain any unintentional release of fluids, including any fluids conveyed via temporary surface pipelines or buried permanent pipelines.

COA 7 - There is the potential for shallow groundwater; therefore either a lined drilling pit or closed loop system must be implemented.

COA 25 - 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 with a drainage ditch constructed interior to that berm in order to contain any potential release on the well pad. The berm is approximately 2 ½ feet in height around the pad except at the access road entrance where a culvert is located. Any fluid in the interior drainage ditch would be contained in the ditch and culvert until clean up. During fracturing operations, the site will be manned 24-hours per day so that any leak or spill can be quickly identified and dealt with. Tanks will be set on compacted earth to decrease the permeability of the soil.

COA 11 - Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface pipelines or reconfiguration of the permanent pipeline network.

COA 58 - 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.

COA 44 - The access road will be constructed to prevent sediment migration from the access road to nearby surface water or any drainages leading to other nearby surface waters.

COA WR9 - Water Testing: Prior to drilling, operator shall sample the two (2) closest domestic water wells, springs, or surface water features within a one (1) mile radius of the proposed oil and gas location. Testing preference shall be given to domestic water wells and springs over surface water. Testing of surface water features shall only be conducted if two (2) water wells or springs do not exist within a one (1) mile radius of the selected oil and gas location. If possible, the water wells or springs selected should be on opposite sides of the oil and gas location not exceeding a one (1) mile radius. If water wells or springs on opposite sides of the oil and gas location cannot be identified, then the two

(2) closest wells or springs within a one (1) mile radius of the oil and gas location shall be sampled. The sample location shall be surveyed in accordance with Rule 215.

Based on COGCC's review of nearby water wells and surface water; COGCC suggests that a water well located approximately 6472 feet to the west-southwest of the proposed well pad (Permit No. 266485 - - Hachenberry, James R, domestic/stock well; with a total depth of 6 feet bgs and a pumping rate of 15 gpm) and Henderson Creek immediately to the south, be the two locations for this sampling. If sampling of this water well is not feasible or possible, the operator may suggest other wells/locations as appropriate.

Initial baseline testing shall include laboratory analysis of, at a minimum, all major cations and anions, total dissolved solids, iron and manganese, nutrients (nitrates, nitrites, selenium), dissolved methane, pH, specific conductance, and benzene, toluene, ethylbenzene, and xylenes ("BTEX"). Sampling shall be performed by qualified individuals using methods consistent with commonly accepted environmental sampling procedures. Field observations such as pH, temperature, specific conductance, odor, water color, sediment, bubbles, and effervescence shall also be included. The operator may also analyze for all constituents in Table 910-1 for consistency of previous sampling events.

After 90 days, but less than 180 days of completion of the first proposed well a "post-completion" test shall be performed for the same analytical parameters listed above and repeated one (1), three (3) and six (6) years thereafter. If no significant changes from the baseline have been identified after the third test (i.e. the six-year test), no further testing shall be required. Additional "post-completion" test(s) may be required if changes in water quality are identified during follow-up testing. The Director may require further water well sampling at any time in response to complaints from water well owners.

If free gas or a methane concentration level greater than 1 mg/l is detected in a water quality testing well, gas compositional analysis, and stable isotopes of both the carbon and hydrogen isotopes of methane shall be performed to determine gas type (thermogenic, biogenic or a mixture).

Copies of all test results described above shall be provided to COGCC and the landowner where the water quality testing well is located within three (3) months of collecting the samples used for the test. The analytical data and surveyed well locations shall also be submitted to the COGCC in an electronic data deliverable format.

Thank you,

David Baumgarten
Gunnison County Attorney
Local Government Designee