

FORM
2A

Rev
04/01

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:

400256012

Date Received:

03/06/2012

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:

429333

Expiration Date:

06/19/2015

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: 1485 FLORIDA RD #C202

City: DURANGO State: CO Zip: 81301

3. Contact Information

Name: Catherine Dickert

Phone: (970) 2096464

Fax: (970) 2520636

email: cdickert@sginterests.com

4. Location Identification:

Name: Federal 12-89-7 Number: #1

County: GUNNISON

Quarter: NESE Section: 7 Township: 12S Range: 89W Meridian: 6 Ground Elevation: 7377

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: 1431 feet FSL, from North or South section line, and 730 feet FEL, from East or West section line.

Latitude: 39.025470 Longitude: -107.371390 PDOP Reading: 2.0 Date of Measurement: 11/28/2011

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" value="2"/>	Wells: <input type="checkbox" value="1"/>	Production Pits: <input type="checkbox"/>	Dehydrator Units: <input type="checkbox"/>
Condensate Tanks: <input type="checkbox"/>	Water Tanks: <input type="checkbox" value="4"/>	Separators: <input type="checkbox" value="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"/>	Pigging Station: <input type="checkbox" value="1"/>
Electric Generators: <input type="checkbox"/>	Gas Pipeline: <input type="checkbox" value="1"/>	Oil Pipeline: <input type="checkbox"/>	Water Pipeline: <input type="checkbox" value="1"/>	Flare: <input type="checkbox" value="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: 07/16/2012 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: 2.70
 Estimated post-construction ground elevation: 7373 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: _____ 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: _____ 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: 1650, public road: 2525, above ground utilit: 2525
 , railroad: 39875, property line: 730

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: 18. Bulkley clay loam, 12-25% 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: 10/20/2010
List individual species: musk thistle, big sagebrush, grasses, Gambel oak, rabbitbrush

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: 625, water well: 1940, 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:

The notice of surface use and damages agreement is attached to the Form 2 that accompanies this form. That Form 2 is document #400253932.

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

Signed: _____ Date: 03/06/2012 Email: cdickert@sginterests.com

Print Name: Catherine Dickert Title: Env & Permit Manager

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: 6/20/2012

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:

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.

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.

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.

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

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.

Notify the COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubezcko; email dave.kubezcko@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).

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.

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.

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
2034327	CORRESPONDENCE
2034382	CORRESPONDENCE
400256012	FORM 2A SUBMITTED
400256046	LOCATION PICTURES
400256048	LOCATION DRAWING
400256052	HYDROLOGY MAP
400256059	ACCESS ROAD MAP
400256116	REFERENCE AREA MAP
400256119	REFERENCE AREA PICTURES
400256122	NRCS MAP UNIT DESC
400256125	CONST. LAYOUT DRAWINGS
400256135	SENSITIVE AREA DATA
400257360	SURFACE AGRMT/SURETY

Total Attach: 13 Files

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
OGLA	COGCC Field Inspector will notify Gunnison County LGD upon receipt of Form 42 as part of MOU.	3/5/2012 3:20:39 PM
Permit	LGD comments addressed by OGLA correspondence doc #2034327 attached to 2A. LGD passed & pub. comments waived. Final Review--passed.	3/1/2012 3:21:10 PM
OGLA	Initiated/Completed OGLA Form 2A review on 05-07-12 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, sediment control pad, and pipeline testing COAs from operator on 05-07-12; received acknowledgement of COAs from operator on 05-16-12; passed by CPW on 04-16-12 with operator submitted BMPs (with permit application) and additional BMPs acceptable, and recommended that a WMP be discussed; addressed LGD comments from 02-14-12 on 06-01-12 (email correspondence is attached); passed OGLA Form 2A review on 06-01-12 by Dave Kubeczko; 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, sensitive area, sediment control pad, and pipeline testing COAs.	5/7/2012 11:28:49 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 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.</p>	4/16/2012 10:55:12 AM
Permit	added SUA attached to APD, added related APD	3/19/2012 8:02:29 AM
LGD	<p>1.Request for Colorado Division of Wildlife (CDOW) Consultation.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 CDOW to discuss wildlife issues - including the suggestion that a broad, area-wide, wildlife evaluation be performed.</p> <p>2.Onsite Inspections.</p> <p>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.</p> <p>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.</p> <p>3.Access Permit.Gunnison County requests that the applicant be required by COGCC to obtain from Gunnison County the necessary access permit for road construction to this site.Additionally, Gunnison County respectfully requests that the COGCC work with Gunnison County to determine which end of the access road will be utilized; Gunnison County prefers that the access be from the south side.</p> <p>Thank you,</p> <p>David Baumgarten</p> <p>Gunnison County Attorney</p> <p>Local Government Designee</p>	3/13/2012 10:40:17 AM
Permit	Operator input surface and minerals information and comment about the SUA. This form has passed completeness.	3/7/2012 1:28:10 PM
Permit	Returned to draft. Missing surface and minerals information and SUA.	3/7/2012 7:27:54 AM

Total: 8 comment(s)

BMP

Type	Comment
Drilling/Completion Operations	Line pits to protect groundwater. Use centralized facilities where water is stored for reuse between completion operations. Connect water storage facilities to well sites with temporary pipelines to reduce truck traffic. Use produced water as much as possible in operations to reduce use of fresh water (completions, hydrostatic testing, etc.). Reclaim pits as quickly as practical after use and ensure that pit contents do not contaminate soil. Verify soil condition with testing. Remove and properly dispose of pit contents at an approved disposal facility. Dispose of or recycle pit liners at designated facilities.
Wildlife	Areas designated as Sensitive Wildlife Habitat will be constructed and operated in compliance with the requirements of COGCC Rule 1203, General Operating Requirements in Sensitive Wildlife Habitat and Restricted Surface Occupancy Areas unless the Director has granted a waiver from one of these requirements. Enforce policies that protect wildlife such as prohibiting firearms and dogs from all project-related areas and by educating employees on wildlife protection practices. Dispose of trash appropriately. Instruct employees not to feed wildlife or otherwise attract them to project sites. Instruct employees and contractors to drive at safe speeds and to be alert to wildlife and livestock on roadways whenever driving for a project-related reason. Conduct wildlife and vegetation surveys to determine presence of any Threatened, Endangered, or sensitive species or their habitat in the project vicinity. Take appropriate protection measures as indicated by the results of these surveys. Construct fences and netting that are appropriately sized and reinforced to function in the environmental conditions and for the species of the region. Maintain wildlife fencing and netting as needed. 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. Screen water suction hoses to exclude fish and other aquatic life when necessary. 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. Reclaim disturbed areas that are not needed for long-term operations as quickly as possible in order to restore wildlife habitat value to areas surrounding projects.
Site Specific	Drilling pits will be lined with an impervious liner. Fluids contained at a well site during drilling and completion operations will have secondary containment designed to hold 110% of the stored fluid volume.
Final Reclamation	Whenever possible, complete final reclamation activities so that seeding occurs during the first optimal season following plugging and abandonment of wells and closure of facilities. Salvage and store topsoil from the surface of all construction areas for use during interim and final reclamation. Use locally adapted seed in reclamation efforts whenever available and approved by the landowner. Prepare the seedbed appropriately prior to seeding an area. Replace rocks on surface at density of surrounding areas. Seed at times of the year when germination and success is highest. Apply weed free mulch and crimp or otherwise treat the mulch so that it remains in place thus preserving seeds and retaining moisture to enhance seed germination and seedling survival. Control weeds in areas surrounding reclamation areas when possible to prevent recolonization of recently reclaimed areas by weed species. When necessary, fence livestock and wildlife out of newly reclaimed areas until reclamation standards have been met and plants are capable of sustaining grazing and trampling. Monitor reclamation efforts as needed and make corrections when necessary. Keep records of inspections for state inspectors to review when requested.
Material Handling and Spill Prevention	Instruct all employees on the aspects of the spill prevention and response plan relevant to their position at the start of their employment. Promptly report spills to agencies as required. Remediate spills on disturbed areas prior to reclamation.
Planning	When siting access roads, pads, pipelines, and facilities consider impacts to wildlife habitat, agriculture, water resources, recreation, and visual resources. Consider visual impact of cut and fill slopes. Minimize the number, size and distribution of well pads as practicable. Locate pads and facilities near existing roads and pipelines where possible. Minimize pipeline right-of-way and access road width as much as possible while maintaining safe construction and use conditions. Adequately size pipelines, well pads, and facilities to accommodate both current and expected gas production. Engage local stakeholders and landowners in the planning process to reduce landuse conflicts.

Storm Water/Erosion Control	<p>Appropriately maintain roads by surfacing, crowning, and maintaining ditches to prevent runoff from damaging water quality. Use and maintain erosion and sedimentation control devices at all disturbed areas as described in the project-specific or field-wide stormwater management plan. Install energy dissipation structures at culvert outfalls to prevent soil erosion. Install and maintain check dams or other structures in road ditches to slow flowing water and prevent scouring and sedimentation. Use trench breakers when needed to prevent water from flowing from waterbodies into pipeline trenches. Construct water bars along pipeline ROWs to prevent erosion on hillsides. Install trench breakers around the pipe to prevent water from flowing along the buried pipe and causing trench subsidence. Protect soil and spoil piles during storage with sediment barriers until stabilized. Use temporary seeding on piles that will be stored for long-term. Avoid direct discharge of pipeline hydrostatic test water to any lake, wetland, or natural stream or river. Use appropriate erosion and sedimentation devices as specified in the hydrostatic discharge permit/plan. Conduct stormwater inspections and document regrowth of vegetation on disturbed areas. Correct problems areas as they are noted. Remove and properly dispose of degraded or unneeded silt fencing and erosion control materials in a timely fashion.</p>
Interim Reclamation	<p>Salvage and store topsoil from the surface of all construction areas for use during interim and final reclamation. Use locally adapted seed in reclamation efforts whenever available and approved by the landowner. Prepare the seedbed appropriately prior to seeding an area. Seed at times of the year when germination and success is highest. Apply weed free mulch and crimp or otherwise treat the mulch so that it remains in place thus preserving seeds and retaining moisture to enhance seed germination and seedling survival. Control weeds in areas surrounding reclamation areas when possible to prevent recolonization of recently reclaimed areas by weed species. Monitor reclamation efforts as needed and make corrections when necessary. Keep records of inspections for state inspectors to review when requested.</p>
Interim Reclamation	<p>Choose reference areas that are representative of the pre-construction conditions and that are relatively free of noxious weeds. Document the area during the growing season so that an appropriate seed mix can be chosen for reclamation activities. Schedule construction in streams and rivers at low water periods to minimize disturbance to this habitat.</p>
Construction	<p>Apply water or other dust suppressant to roads and other work sites as needed to control fugitive dust. Reduce right-of-way width as much as possible and use equipment mats when crossing wetlands and streams with pipelines. Complete waterbody and wetland crossings within 24 hours if possible. Crown pipeline trenches to allow for soil compaction over time and prevent subsidence.</p>
General Housekeeping	<p>Projects will be constructed and operated in compliance with the terms and stipulations applied to permits including those issued by the Colorado Air Pollution Control Division, Colorado Water Quality Control Division, USDA Forest Service, and US Bureau of Land Management. Treat and control noxious weeds on new and existing facilities, roads, pipeline corridors, and well pads. Limit speeds on access roads and work sites to prevent road damage and dust problems. Encourage car pooling to the project site and restrict parking to designated parking areas. Educate employees and contractors about weed issues. Clean trucks and equipment of weeds, seeds and weed propagules prior to bringing this equipment on site. Limit vehicle and equipment parking to designated parking areas. Reduce noise by using effective sound dampening devices and/or techniques as needed. Gate access roads where necessary to minimize and control access and reduce disturbance. Install automated emergency response systems where appropriate to facilitate rapid response and prevent accidents. Locate, design, and paint aboveground facilities to minimize the impact to visual resources. Remove all unnecessary equipment from project sites during the production phase. Remove unneeded fencing (and cattle guards) on project sites. Replace degraded or hazardous fencing as needed. Sample and test surface water and drinking water from select sites (considering state and local requirements) for comparison to baseline water quality conditions.</p>

Total: 11 comment(s)