



Office of the Gunnison County Attorney

David Baumgarten · County Attorney

Art Trezise · Deputy County Attorney

September 28, 2012

*Sent by UPS Overnight Mail and
Email: Matt.Lepore@state.co.us*

Matt Lepore, Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Application Seeking Hearing on the Approval of an Application for Permit-to-Drill, Form 2 and Oil and Gas Location Assessment, Form 2A
COGCC Document No. 400256142 and 400256030 dated 9/20/2012
SG Interests I Ltd, Federal 11-90-9 #3 a/k/a Henderson 611S90W#9 SWNW,
Number 383447

Dear Mr. Lepore,

The Board of County Commissioners of the County of Gunnison, Colorado ("Gunnison County"), pursuant to Colorado Oil and Gas Conservation Commission ("COGCC") Rule 305.d.(2) and 503.b.(7).C., respectfully seeks that a hearing be conducted by the COGCC on the approval of an Application for Permit-to-Drill, Form 2, and on the approval of an Oil and Gas Location Assessment, Form 2 A, regarding:

1. Name of Operator: SG Interests I, Ltd.
2. Address of Operator: 1485 Florida Rd, #C202, Durango, CO 81301
3. Well Name: Federal 11-90-9, referred to in the Form 2A as Henderson 611S90W#9 SWNW, Number 383447
4. Well Number: #3
5. API Number: 05 051 06112 00
6. County of Location: Gunnison County
7. Surface Owner: Federal
8. Mineral Owner: Federal
9. Date of Approval of Form 2 and Form 2A: September 20, 2012

From the onset of this request for a hearing, it is of significant importance to state explicitly that Gunnison County recognizes that oil and gas are valuable natural resources that should be extracted and put to beneficial use. There is, however, the potential for impacts to public health, the environment and wildlife, that can be caused by the extraction of those resources. The potential for the impacts should be fully explored, and the impacts reasonably and responsibly avoided or mitigated.

In this particular matter, the surface owner and the mineral owner are one and the same – the United States of America. Yet, the United States Forest Service:

1. Has only initiated recently its NEPA scoping process;
2. Has not determined whether an Environmental Assessment will be required; and
3. Therefore, has not analyzed the potential impacts to the environment or wildlife;
4. And has not taken the requisite federal action to make available for extraction the potential minerals at this site.

As required by COGCC Rule 503.b.(7).C., Gunnison County acknowledges its burden to bring forward evidence sufficient for the COGCC to make the preliminary findings specified in Rule 508.j. at the onset of such hearing; namely:

- (1.) "That the public issues raised by the application reasonably relate to potential significant adverse impacts to public health, safety and welfare, including the environment and wildlife resources, that are within the Commission's jurisdiction to remedy;
- (2.) That the potential impacts were not adequately addressed by ... such permit;
- (3.) That the potential impacts are not adequately addressed by the rules and regulations of the commission."

As an offer of proof to meet its burden, Gunnison County respectfully suggests that it was premature – and unnecessary – for the COGCC to issue the Form 2 and Form 2A without the advantage of the information that may be provided by completion of the NEPA process – because that process will ultimately result in a federal action that unconditionally or conditionally approves this site, or disapproves it.

As an additional offer of proof to meet its burden, and of the prudence of waiting for the NEPA process to be completed, Gunnison County notes that during the COGCC staff review, the COGCC was informed by the Colorado Parks and Wildlife ("CPW") on May 4, 2012 that:

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.

Gunnison County requests as its relief that the Form 2 and Form 2A be held in abeyance until the COGCC can be informed by a completed NEPA process and federal action.

Also, although not a component of this request for a hearing, Gunnison County would like to express its appreciation of Marc Morton who is fulfilling one of the newly created positions of Local Government Liaison for the Colorado Oil and Gas Conservation Commission. His availability to Gunnison County generally and in this matter in particular have been of great value.

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

Respectfully submitted,

A handwritten signature in black ink that reads "David Baumgarten". The signature is written in a cursive, flowing style.

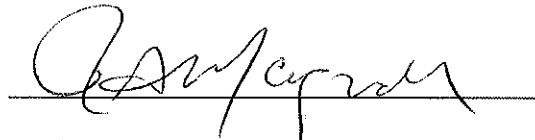
David Baumgarten
Gunnison County Attorney
Gunnison County Local Government Designee

Cc: Board of County Commissioners of the County of Gunnison, Colorado
Matthew Birnie, County Manager
Art Trezise, Deputy County Attorney
Marlene Crosby, Director of Public Works
Joanne Williams, Director of Community Development
Neal Starkebaum, Asst. Director of Community Development
Gunnison County Planning Commission

CERTIFICATE OF SERVICE
AND
LIST OF ALL PERSONS ENTITLED TO NOTICE

I hereby certify that on this 28th day of September, 2012, the original plus thirteen copies of the above and foregoing Application Seeking Hearing on the Approval of an Application for Permit-to-Drill, Form 2 and Oil and Gas Location Assessment, Form 2A was placed in the UPS Overnight Mail, postage pre-paid, and sent by email addressed as follows:

Matt Lepore, Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203
Email: Matt.Lepore@state.co.us



I further certify that on this 28th day of September, 2012, a true and correct copy of the above and foregoing Application Seeking Hearing on the Approval of an Application for Permit-to-Drill, Form 2 and Oil and Gas Location Assessment, Form 2A was placed in the U.S. First Class Mail, postage pre-paid, and sent by email addressed as follows:

Catherine Dickert
SG Interests I, Ltd.
1485 Florida Rd, #C202
Durango, CO 81301
Email: cdickert@sginterests.com

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