

GUNNISON COUNTY, COLORADO

OIL AND GAS OPERATION PERMIT NO. OG2007-03

NO SIGNIFICANT IMPACT OIL AND GAS OPERATION GUNNISON ENERGY CORPORATION SHEEP NATURAL GAS GATHERING PIPELINE

ADMINISTRATIVE REVIEW CERTIFICATION NO. 45 SERIES 2007

AN ACTION APPROVING AN OIL AND GAS OPERATION PERMIT APPLICATION FOR GUNNISON ENERGY CORPORATION SHEEP NATURAL GAS GATHERING PIPELINE

**LOCATED WITHIN SECTION 1, TOWNSHIP 12 SOUTH, RANGE 91 WEST 6TH P.M.;
SECTION 6, 31 AND 32, TOWNSHIP 12 SOUTH, RANGE 90 WEST 6TH P.M.;
SECTIONS 8, 9, 17, 20 AND 29, TOWNSHIP 11 SOUTH, RANGE 90 WEST 6TH P.M.;
SECTIONS 8, 9, 17, 20 AND 29, TOWNSHIP 11 SOUTH, RANGE 90 WEST 6TH P.M.;
SECTION 20, 21, 27 AND 28, TOWNSHIP 11 SOUTH, RANGE 90 WEST 6TH P.M.;**

WHEREAS, Gunnison Energy Corporation, and owners of the private lands with pipeline easements, which include: Bar K Ranch, Inc., Randy Ed Spadafora, Ed Spadafora, and Nick Hughes; and public lands, which include the USDA - United States Forest Service, Grand Mesa, Uncompaghre and Gunnison National Forests, Paonia Ranger District, has applied for an Oil and Gas Operation Permit to construct and operate the Sheep Gas Gathering System; including: a 12-inch diameter natural gas pipeline and a 6-inch diameter water pipeline to be located within a 50-foot right-of-way (ROW) authorized by a U.S. Forest Service Special Use Authorization (SUA). The SUA would have a term of 30 years. Of the approximately 10.8 miles of proposed pipeline, about 6.6 miles would be National Forest lands, and the remaining 4.2 miles would be located on private lands. The proposed pipeline system has two sections, called the Sheep and the Ault sections, which are described below.

The Sheep segment would extend approximately 6.7 miles between its southern origin point on private land in Section 1, T 12 S, R 90 W, and its northern terminus at the junction with the existing Ragged Mountain Pipeline in Section 9 T 11 So, R 11 W. About 3.9 miles of the Sheep section would be on NFS lands, the remainder on private lands.

The Ault segment would extend approximately 4.1 miles between its easterly origin point on private land in Section 27, T 11 S, R 90 W., and its westerly terminus at the junction with the Sheep section on private lands in Section 20, T 11 S, R 90 W. About 2.7 miles of the Ault section would be on NFS lands.

This pipeline, and related facilities, is proposed to transport natural gas from oil and gas leases on private and federal lands to the regional market. GEC proposes to construct the Sheep segment from its northern terminus to the intersection point with the Ault segment and then construct the Ault segment.

Gunnison Energy Corporation -- Sheep Natural Gas Gathering Pipeline

All roads utilized for construction include County Road 265, Forest Road (FR) 265, FR 851, FR 851A, FR 704, and FR 849.1A. Access to the project area would primarily be via County Road 265 to the Forest boundary utilizing the above listed roads; and

WHEREAS, Section 1-103 E.1. of the *Gunnison County Colorado Temporary Regulations For Oil and Gas Operations* defines a process of review of Oil and Gas Permit Applications for No Significant Impact Oil and Gas Operations as Administrative Review. After a review of the relevant facts related to the proposed Oil and Gas Operation with the *Temporary Regulations For Oil and Gas Operations*, the Gunnison County Planning Department finds the following:

Findings:

1. The application is subject to the *Gunnison County Temporary Regulations For Oil And Gas Operations*, adopted by the Gunnison County Board of County Commissioners May 9, 2003, BOCC Resolution No. 2003-50, amended – May 18, 2004 BOCC Resolution No. 2004-27.
2. The application is subject to Board of County Commissioners Resolution No. 07-04, *A Resolution Reinstating Application of Portions of the Gunnison County Temporary Regulations Oil and Gas Operations*.
3. The Oil and Gas Operation, without mitigation, in its proposed location is unlikely to have any significant adverse impacts to the County taking into consideration *Section 1-107 Oil and Gas Operation Standards, Gunnison County Temporary Regulations For Oil And Gas Operations*.
4. The U.S. Forest Service has prepared an Environmental Assessment for the project, dated April 2007.
5. Gunnison County Public Works has submitted comments stating that the applicant is working with Gunnison County to ensure needed road repairs on County Road No. 265 and has committed funding, for the repairs, to be escrowed and used by Gunnison County, by execution of a Road Improvements Agreement.

Conditions of Approval:

1. This permit is limited to the activities described within the application and as depicted on plans submitted as part of this application. Expansion or change of this use will require submittal of an application for an amendment or a new permit, in compliance with the applicable requirements of the *Gunnison County Colorado Temporary Regulations For Oil and Gas Operations*.
2. The applicant shall not use County Road No. 265 for any traffic associated with the construction of the pipeline, including but not limited to the transportation of heavy equipment and pipe or water trucks, until such time as Gunnison County has executed a Road Improvements Agreement for the proposed improvements to County Road #265.
3. The applicant shall obtain any necessary state and federal permits, as applicable.

4. The applicant shall obtain any required transportation or access permits from the Gunnison County Public Works Department prior to mobilization of equipment on County Road No. 265 and shall comply with any requirements for signage and traffic control during mobilization.
5. This permit may be revoked or suspended if Gunnison County determines that any material fact set forth herein or represented by the applicant was false or misleading, or that the applicant failed to disclose facts necessary to make any such fact not misleading.
6. Approval of this use is based upon the facts presented and implies no approval of similar use in the same or different location and/or with different impacts on the environment. Any such future application shall be reviewed and evaluated, subject to its compliance with current regulations, and its impact to the County.

NOW, THEREFORE, Oil and Gas Operation Permit No. OG2007-03 is approved as a No Significant Impact Oil and Gas Operation and is so certified by the undersigned.

THIS CERTIFICATION AND THE PERMIT GRANTED HEREBY shall not be effective unless and until a copy is recorded in the Office of the Clerk and Recorder of Gunnison County.

/s/
Neal Starkebaum
Assistant Director of Planning

ATTEST:

Gunnison County Clerk and Recorder