

**BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY
RESOLUTION NO. 11-25**

**A RESOLUTION APPROVING
HOTCHKISS WATER STORAGE FACILITY
MAJOR IMPACT OIL AND GAS OPERATIONS PERMIT NO. 2011-05
NE1/4 SECTION 18, TOWNSHIP 12 SOUTH, RANGE 89 WEST, 6TH P.M.
GUNNISON ENERGY CORPORATION**

WHEREAS, Gunnison Energy Corporation has submitted an Oil and Gas Operations application for the construction and operation of the Hotchkiss Water Storage Facility, a Centralized Exploration & Production Waste Management Facility. The Facility will consist of two water storage pits, an upper pit of 322,150 barrels (bbl) or 13,530,300 gallons and a lower pit of 140,500 barrels (bbl) or 5,901,000 gallons, to provide storage, reuse and disposal of produced water for completion/hydraulic fracturing of multiple gas wells. Produced water and flowback fluids will be transported via existing, buried pipelines. Engineering controls to be implemented to aid in monitoring and mitigating potential impacts to surface and groundwater include high level alarms, double liners (60-mil high density polyethylene [HDPE] fabric) separated by a synthetic drainage layer material (such as Geonet®), a sump collection system, and site specific monitoring wells. The pits may be used 24 hours per day, 7 days per week during operations. The site will be manned as needed during normal operations and during completion operations. The facility will operate in a limited capacity during the winter. At completion of the operation, the pits will be closed, the liners removed and the area reclaimed. The use of the Hotchkiss Water Storage Facility is intended to greatly reduce the impacts of truck traffic associated with water transportation and will reduce the numbers of frac tanks required on individual well pads for completion/fracing operations; and

WHEREAS, Section 1-103 E.3. of the *Gunnison County Temporary Regulations For Oil and Gas Operations* defines a process of review of applications for an *Oil and Gas Permit for a Major Oil and Gas Operation*, which included provision of testimony at jointly held public hearings with the Gunnison County Planning Commission on the applications on June 10, 2011, June 17, 2011 and July 1, 2011;

AND WHEREAS, the Board of Commissioners did, on July 5, 2011 receive and review the information within the Planning Commission's Recommendation, and as referenced by the attached July 1, 2011 Planning Commission's Recommendation of the Hotchkiss Water Storage Facility - Major Impact Oil and Gas Operations Permit No. 2011-05, and considered it in evaluating the application;

NOW, THEREFORE, the Board hereby adopts in full the Planning Commission's Recommendation, with these Findings and Conditions of Approval, as amended by the Board:

Findings:

1. Approval is limited to the location and activities described in the application, as amended, for the Hotchkiss Water Storage Facility. Any substantive change will require either an application for amendment of this permit, or submittal of an application for a new permit, in compliance with applicable requirements of the *Temporary Regulations for Oil and Gas Operations*, or as those may be hereinafter amended.

2. That the use of produced water from the existing wells and the reuse of the flowback water for multiple oil and gas operations is an efficient use of water and minimizes the consumption of water for the proposed operations.
3. That the use of the Hotchkiss Water Storage Facility will significantly reduce the truck traffic associated with water transportation for the oil and gas operations.
4. Pursuant to *Section 1-104: Application Submittal Requirements for Oil and Gas Permits, Gunnison County Temporary Regulations for Oil and Gas Operations* "County Regulations", Gunnison County engaged Weaver Boos Consultants, LLC, to review the application, which included an on-site review, an analysis and review of the proposed facility, to opine on compliance with the *Gunnison County Temporary Regulations for Oil and Gas Operations* and provide proposed recommendations.
5. That the review of the State COGCC Regulations by Weaver Boos Consultants, LLC was to inform what the State requirements are and how the facility was to be constructed and operated, not to determine whether the application was in compliance with the State Regulations.
6. Weaver Boos Consultants, LLC, provided final review comments in a Memorandum, dated June 24, 2011 for the Hotchkiss Water Storage Facility. The Memorandum expressed concerns about water quality impacts, Section 1-107G. Those concerns are addressed in land use permit conditions recommended below. Public testimony and other evidence on the record also expressed concerns about water quality.
7. Subject to the land use permit conditions of approval included in this Recommendation, below, the application would comply with *Section 1-107* of the County Regulations.
8. That the County use of a qualified consultant to perform monitoring/inspection of the construction and operation of the Hotchkiss Water Storage Facility is necessary to ensure that the Hotchkiss Water Storage Facility is constructed in conformance with the land use permit conditions imposed herein.
9. This review and recommendation incorporates, but is not limited to, all the documentation submitted to the County and included within the Planning Office file relative to this application; including all exhibits, references and documents as included therein.
10. 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.
11. 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.

Conditions of Approval:

1. This approval is limited to the location and activities identified in the application, as amended, for the Hotchkiss Water Storage Facility. Any substantive change will require either an application for amendment of this permit, or submittal of an application for a new permit, in compliance with applicable requirements of the County Regulations, or as those may be hereinafter amended.

2. Prior to the construction of the Hotchkiss Water Storage Facility, the applicant shall provide copies of all applicable state and/or federal agency permits for the facility, to the Community Development Department.
3. Prior to the construction of the Hotchkiss Water Storage Facility, the applicant shall submit verification of approval from the Colorado Oil and Gas Conservation Commission of the final preliminary closure plan to the Community Development Department.
4. Prior to the construction of the Hotchkiss Water Storage Facility, the applicant shall provide the following information to the Community Development Department. The applicant shall design the capacity of the French Drain system to drawdown the water table beneath the entire pit footprint areas using a worst case hydraulic conductivity of 1.0×10^{-4} cm/sec. Alternatively, slug testing three existing piezometers would provide real world, in-situ conductivity values to be used for French drain design and drawdown computations. Indicate the results of the drawdown computations on the Storage Facility Cross Section A-A' (sheet 4 of 27 in the Form 28, Attachment F Engineering Package).
5. Prior to the commencement of the operation of the Hotchkiss Water Storage Facility, the applicant shall provide the following information to Community Development Department. Indicate how the action leakage rate (ALR) will be adjusted and documented based on the measured fluid accumulation in the initial 72-hour clean water leak test prior to exploration and production fluid acceptance. Provide a written description in the operating plan of the daily and metered pump out requirements for all leak detection sumps. Include in the operating plan that the volume of removed fluids will be recorded daily and compared to the ALR on a daily basis. The records shall be kept onsite and made available upon request by the County.
6. Prior to construction of the Hotchkiss Water Storage Facility, the applicant shall execute and fund a Monitoring and Inspection Compliance Agreement, as directed by the Board of County Commissioners and developed by the County Attorney's office and the applicant. The agreement shall constitute the applicant's agreement to fund a County approved inspector to provide inspections/monitoring at identified milestones during the construction and operation of the Hotchkiss Water Storage Facility to ensure compliance with land use permit conditions.
7. The applicant shall provide copies of all reports to the Colorado Oil and Gas Conservation Commission regarding all water sampling associated with the Hotchkiss Water Storage Facility, as required by the Colorado Oil and Gas Conservation Commission, to the Community Development Department, for the life of the pit operations through closure.
8. The applicant shall provide copies of all Sundry Notices submitted to the Colorado Oil and Gas Conservation Commission associated with the Hotchkiss Water Storage Facility, to the Community Development Department, for the life of the pit operations through closure.
9. Prior to the commencement of operation of the Hotchkiss Water Storage Facility, the applicant shall provide a copy of the final Operating Plan and final Spill Prevention, Containment and Countermeasure Plan to the Community Development Department.
10. The applicant shall provide copies of all Spill Reports associated with the Hotchkiss Water Storage Facility, as required by the Colorado Oil and Gas Conservation Commission, to the Community Development Department, for the life of the pit operations through closure.

11. 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. -
12. 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.

AND WHEREAS, the Board of County Commissioners directed the following:

1. Staff shall provide a scope of work for the monitoring/inspections of the milestones for construction and operation of the Hotchkiss Water Storage Facility by the County's Consultant; and
2. Staff shall provide the Monitoring and Inspection Compliance Agreement for Board review and approval; and

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Gunnison County, Colorado, hereby approves the Hotchkiss Water Storage Facility - Major Impact Oil and Gas Operations Permit No. 2011-05.

INTRODUCED by Commissioner Swenson, seconded by Commissioner Chamberland, and adopted this 12th day of July, 2011.

**BOARD OF COUNTY COMMISSIONERS
OF GUNNISON COUNTY, COLORADO**

(Voted against resolution.)
Hap Channell, Chairperson

Paula Swenson
Paula Swenson, Commissioner

Phil Chamberland
Phil Chamberland, Commissioner

Attest:

[Signature]
Deputy County Clerk

