

GUNNISON COUNTY PLANNING COMMISSION
PRELIMINARY AGENDA: Friday, January 20, 2012

- 8:45 a.m.**
- **Call to order; determine quorum**
 - **Approval of Minutes**
 - **Election of Vice-Chair**
 - **Unscheduled citizens:** A brief period in which the public is invited to make general comments or ask questions of the Commission or Planning Staff about items which are not scheduled on the day's agenda.
- 9:00 a.m.** **Gunnison Energy Corporation**, public hearing/work session/possible action, request for the construction of a 5-acre drilling pad to accommodate multiple wells. Two wells, the Federal 1289 H1 & H2, are proposed to be drilled in 2012, located west of Highway 133 on the Hotchkiss Ranch, in the SWNE Section 18, Township 12 South, Range 89 West, 6th P.M., northwest of Paonia Reservoir.
- 10:00 a.m.** **Seaglass Holding, Inc./Minex Exploration**, work session/no action, request to conduct mineral exploration activities in the Powderhorn area to quantify the extent, volume, grade and type of mineralization in the exploration area for rare earth minerals. Drilling is proposed to take place at five locations, with 2-3 holes drilled per site. The exploration activities are located in two separate areas; one area approximately 8.5 miles south of Powderhorn, in the vicinity of Rudolph Hill and one area approximately 6 miles northwest of Powderhorn, west of County Road 26. Rudolph Hill sites include: Site No. 1 is located within Section 24, Township 46 North, Range 2 West, N.M.P.M. and Site No. 2 is located within Section 24, Township 46 North, Range 1½ West, N.M.P.M. County Road 26 sites include: Sites No. 3, 4 and 5 are located within Sections 4 & 10, Township 47 North, Range 3 West. All sites are located on federal lands.

Adjourn

**GUNNISON COUNTY PLANNING COMMISSION
REGULAR MEETING
January 20, 2012

The Gunnison County Planning Commission conducted a regular meeting, in the Commissioners' Meeting Room in the Blackstocks Government Center, Planning Commission meeting room. **Present were:**

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| Chairman- Ramon Reed | Director of Community Development- Joanne Williams |
| Commissioner-Kent Fulton | Assistant Director of Community Development- Neal Starkebaum |
| Commissioner- Jim Seitz | Planner-Cathie Pagano |
| Commissioner-Susan Eskew | Community Development Department Services Manager-Beth Baker |
| Alternate Commissioner- AJ Cattles | |
| Alternate Commissioner-Warren Wilcox | |

Others present as listed in text

With a quorum present Chairman Ramon Reed opened the regular meeting of the Commission.

Moved; by Fulton seconded by Wilcox to appoint Jim Seitz to serve as Vice Chairman of the Planning Commission; the motion passed unanimously.

GUNNISON ENERGY CORPORATION: The Gunnison County Planning Commission (Commission) conducted a public hearing. They reviewed the request for the construction of a 5-acre drilling pad to accommodate multiple wells. Two wells, the Federal 1289 H1 & H2, are proposed to be drilled in 2012, located west of Highway 133 on the Hotchkiss Ranch, in the SWNE Section 18, Township 12 South, Range 89 West, 6th P.M., northwest of Paonia Reservoir.

With a quorum present Chairman Ramon Reed opened the public hearing.

Administrative Services Manager Beth Baker confirmed public notice; the applicants submitted proof of posting and certified mailing receipts, and the Planning Office had the public notices published in the Crested Butte News and the Gunnison Country Times.

Gunnison Energy Corporation Lee Fyock discussed the application. He explained the drill site is in the NW corner of the county; the majority is on Hotchkiss Ranch properties. They are requesting approval for a five acre pad which would include use of the water storage facilities and disposal wells, it will be fenced. Including water storage will reduce the truck traffic significantly, no hauling water to or from the pad. The five acre pad could eventually hold a dozen wells. The entire five acre pad will be bermed. All the storm water will be diverted around the site. When all the drilling is completed the site would be reseeded and the pad will be dropped back to about two acres; it will be rounded off and recontoured. The pad will be level with the road.

Fyock said there would be two cuttings pits and each would be lined with 30 mil liners; liners will be removed tested and be buried with the cuttings inside. The water can be reused or put down the disposal well.

Fyock said the wells are on the Hotchkiss Ranch and Forest Service properties. He noted the holes will not go straight down; technology allows for turns around corners. They hope to reach 7000 ft. in depth and up to one mile horizontally.

Fyock explained drainage and erosion controls; the storm water will go around the pad, all water will be filtered, riprap will be installed to help prevent erosion. Trees and shrubs will be planted around the perimeter. There will be top soil, gravel and seed set.

Fyock said there will be weekly on site inspections done by storm water inspectors. The people on site will also be checking things. Monthly inspections will be done until the site is reclaimed. Fyock will provide a copy of the check list used by the storm water inspectors.

Fyock added that they have a maintenance agreement with Gunnison County. No County roads will be used for access; they do have a CDOT permit.

Fyock said there was be an onsite wildlife inspection, October 17, 2011, which included the Co. Dept of Health, BLM, and the County.

Fyock said there have been three environment assessments for the BLM; no endangered species in the immediate area and it's not near Lynx habitat. Raptor surveys have been done in the past, another survey will be done in April, before the drilling in May. It will be done by biologist John Monarch.

Fyock explained this is not on prime or unique farmlands. The surface agreement with Hotchkiss ranches states there will be chain link fencing with barbed wire at the top; when complete it will be returned to what the surface owner requires.

Fyock said the ground water quality is addressed in the storm water management plan. He added there are three domestic wells within a mile; samples have been collected since 2005. Results of the sampling will be provided to the County.

Fyock explained the wells will not be within 500 ft of a water body; there is one stock pond, and the nearest water body, West Muddy Creek, is 2,300 ft away.

Fyock said there has been a cultural study conducted.

Fyock noted the wildfire hazard plan has been submitted and is updated annually; annual fire protection training is done. The site is not located near any geo-hazards. He added that the general emergency plans are updated annually.

Fyock stated that no County financial guarantee is needed and no County waiver has been requested.

Commissioner Seitz requested an explanation of a rat hole and a mouse hole. Fyock explained it is a place for the pipe to be set off to the side if needed. Seitz asked if using horizontal drilling would decrease the need for waivers for setbacks from water bodies; Fyock explained the terrain, property lines, lease lines, etc. also influence if a waiver is needed.

Reed inquired about the long term aspects of the cuttings pits; Fyock said they may have to haul cuttings off in the future. They expect to leave the cuttings in place at this time. The pits will be covered; they are intended to be dry pits.

Public Comments-

Gunnison County citizen Butch Clark said there are new techniques to deal with fluid disposal.

Applicant Response- none

Staff Comments- Starkebaum stated the Planning Office had not received any comments from public.

Chairman Reed closed the public hearing at 9:50 A.M.

GUNNISON ENERGY CORPORATION; The Gunnison County Planning Commission (Commission) conducted a work session . They reviewed the request for the construction of a 5-acre drilling pad to accommodate multiple wells. Two wells, the Federal 1289 H1 & H2, are proposed to be drilled in 2012, located west of Highway 133 on the Hotchkiss Ranch, in the SWNE Section 18, Township 12 South, Range 89 West, 6th P.M., northwest of Paonia Reservoir.

With a quorum present Chairman Ramon Reed opened the work session

Reed seated A.J. Cattles.

The Commission reviewed the draft decision of approval.

MOVED; by Seitz seconded by Cattles to approve OG-11- 00008 as amended. The motion passed unanimously.

PROJECT SUMMARY:

The project involves the construction of an approximate 5-acre drilling well pad to accommodate future multiple gas wells. Two wells, the Federal 1289 HL1 & HL2, are proposed to be horizontally drilled in 2012. If the wells are productive, the gas will be transported by the construction of a 6 inch gas line, connecting to the Hotchkiss Gas Gathering system.

SURFACE OWNERSHIP:

Mr. John Hotchkiss
Hotchkiss Ranches, Inc.
619 Shepard's Lane
Hotchkiss, CO 81419

MINERAL OWNER:

United States of America, Bureau of Land Management
Federal Lease Serial Number COC-65106 & COC-74129
Assigned to Gunnison Energy Corporation on September 2, 2001

WELL LOCATION:

The site is located west of Highway 133 on the Hotchkiss Ranch, in the SWNE Section 18, Township 12 South, Range 89 West, 6th P.M., northwest of Paonia Reservoir.

ACCESS:

Access to the site will be via existing private roads, from State Highway 133. No new road construction is required. SG Interests and Gunnison Energy Corporation have an existing agreement with Gunnison County to maintain County Road 265, for the application of magnesium chloride by Gunnison County, with financial reimbursement provided by SG Interests and Gunnison Energy.

DOCUMENTS INFORMING THIS REVIEW AND ACTION:

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, maps, references and documents.

GUNNISON COUNTY, COLORADO TEMPORARY REGULATIONS FOR OIL AND GAS OPERATIONS: The application was reviewed for compliance with the *Gunnison County, Colorado Temporary Regulations for Oil and Gas Operations, May 18, 2004*, and is defined as a Minor Oil and Gas Operation Project.

REFERRAL AGENCY COMMENTS:

Scott Morrill, Gunnison County Emergency Services, provided comments in an email dated December 18, 2011: "I have reviewed Gunnison Energy's application for the Hotchkiss 1289 HL1 and HL2 Wells. The primary focus of Gunnison County Emergency Management regarding this application is on Section 18, Emergency Response Plan. I have no comments relative to this application, but will say that Gunnison Energy's Emergency Response Plan was previously approved, and they provide regular updates to the plan. These updates include new well location information, as well as changes in personnel and emergency contact information. Thanks for the opportunity to review this application."

WORK SESSIONS:

Work sessions were held by the Planning Commission on:
December 2, 2011
January 20, 2012

SITE VISIT:

A site visit will be scheduled for later this summer/fall. The Planning Commission conducted a site visit to the Hotchkiss Water Storage Facility, which is in the immediate vicinity of the proposed well pad, in 2011.

PUBLIC HEARING:

A public hearing was held by the Planning Commission on January 20, 2012. At that time Butch Clark noted that someone should pay attention to injection fluids underground and the potential for earthquakes. The full record of that hearing, including all testimony, is hereby incorporated into this record.

FINDINGS:

The Gunnison County Planning Commission, having considered the application, all exhibits and testimony finds that:

1. Subject to the Conditions of Approval included in the Decision, below, the application is consistent with *Section 1-107: Oil and Gas Operations Standards, Gunnison County Temporary Regulations for Oil and Gas Operations, May 18, 2004*.
2. Approval is limited to the location and description of the Gunnison Energy Corporation Section 18 well pad, Federal 1289 H1 and H2 wells, as described in the application. Any 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.
3. This review and decision 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.

DECISION:

The Gunnison County Planning Commission, having considered the submitted application, all exhibits, documentation and public testimony, and having reached the above Findings, hereby approves Gunnison Energy Corporation Section 18 well pad, Federal 1289 H1 and H2 wells and gas flowline; Oil and Gas Operations Permit Nos. OG2012-08, for construction of the Section 18 well pad, the Federal 1289 H1 and H2 wells and gas flowline, as a Minor Oil and Gas Operation, with the following conditions:

1. This permit is limited to the description of the Gunnison Energy Corporation Section 18 well pad, Federal 1289 H1 and H2 wells, and gas flowline. 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 Oil and Gas Regulations*, or as those may be hereinafter amended.
2. 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.
3. 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.
4. Approval of this permit 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 and community. Any such future application shall be reviewed and evaluated, subject to its compliance with current regulations, and its impact to the County.

SEAGLASS HOLDING/ MINEX EXPLORATION; The Gunnison County Planning Commission (Commission) conducted a work session. They discussed the request to conduct mineral exploration activities in the Powderhorn area to quantify the extent, volume, grade and type of mineralization in the exploration area for rare earth minerals. Drilling is proposed to take place at five locations, with 2-3 holes drilled per site. The exploration activities are located in two separate areas; one area approximately 8.5 miles south of Powderhorn, in the vicinity of Rudolph Hill and one area approximately 6 miles northwest of Powderhorn, west of County Road 26. Rudolph Hill sites include: Site No. 1 is located within Section 24, Township 46 North, Range 2 West, N.M.P.M. and Site No. 2 is located within Section 24, Township 46 North, Range 1½ West, N.M.P.M. County Road 26 sites include: Sites No. 3, 4 and 5 are located within Sections 4 & 10, Township 47 North, Range 3 West. All sites are located on federal lands.

With a quorum present Chairman Ramon Reed opened the work session.

Assistant Director of Community Development Neal Starkebaum presented an aerial map to illustrate the locations of the proposed drilling. He noted that the public hearing is set for Feb. 3, 2012.

Applicant Greg Schifrin was present via phone conversation.

Reed was concerned with the surface disturbance of the drilling sites; Schifrin said this was done with snow on the ground; they will be reclaiming it at a later date.

Reed noted a timing restriction as the Sage grouse Coordinator's primary recommendation. County Rd. 26 is closed to motorized traffic March 15 to May 15 annually. There are exceptions for property owners.

Reed expressed concern with the potential for radiation exposure; Schifrin said they measure the radiation and the quantity. The applicant will measure the radio activity in the sumps and the radio activity of the rock 50 ft away. Reed said the decision will reference this and require reporting.

Schifrin offered to have an additional site visit to sites one and two.

Commissioner's Site Visit Comments:

Fulton- the first site was a bit too far from the road to get a good look at. Site # five has been drilled, it looked like a lot of open sage areas, there was good visibility.

Eskew- Surface disturbance to the site is disappointing.

Wilcox- Saw no reclamation yet, no particular problems at this time. This was really rocky ground, no deep rutting or deep soil that creates deep ruts.

Cattles- The access is good.

Seitz- Noted previous mining activities on Iron Hill,- echoed the concern with the lack of reclamation on site five.

Reed- Both sites are very remote. No major impact off site that will become a concern, because of the remoteness of it.

The Commission directed staff to prepare a draft decision of approval for the next meeting with the applicant, which will be a public hearing conducted on February 3, 2012. The commissioners directed staff to include the applicant obtaining approval from the BLM before accessing BLM roads to the sites. The applicant will not use County closed roads for access. The applicant will measure radiation and provide the information to the Community Development Department.

END OF DAY DISCUSSION:

The BOCC has moved the joint meeting with the Planning Commission to Friday, March 2, 2012.

Reed adjourned the meeting at 11:45 A.M.

/S/ Beth Baker
Community Development Department Services Manager
Gunnison County Community Development Department