HIGH COUNTRY CITIZENS' ALLIANCE

PO Box 1066 • Crested Butte, Colorado 81224
(970) 349-7104 • FAX: (970) 349-0164
office@hccaonline.org • www.hccaonline.org

February 23, 2012

Gunnison County Planning Commission
c/o Neal Starkebaum
Assistant Director
Gunnison County Community Development Department
221 North Wisconsin, Suite D
Gunnison, CO 81230

Via electronic email to NStarkebaum@gunnisoncounty.org

RE: SG Interests Requests for Wells and Well Pads

Dear Gunnison County Planning Commission,

High Country Citizens' Alliance (HCCA) submits the following comments and recommendations regarding proposals by SG Interests I, Ltd. (SG) for the Hughes 11-90-26 #2 gas well and well pad, and the Eck 12-90-1 #1 pad, gas well and water disposal well. Given the recent $550,000 settlement paid by SG and Gunnison Energy for fraud and violations of federal antitrust statutes (documents attached), HCCA urges the Planning Commission to proceed with caution and careful analysis of the applications. It is clear that extra attention should be given to these applications and all future activities by both SG and Gunnison Energy in light of their exposed fraudulent behavior.

On February 15 the U.S. Department of Justice announced that it had reached a settlement with SG and Gunnison Energy requiring the companies to pay $550,000 in fines for their actions relating to natural gas lease auctions in 2005.[1] In short, the companies colluded to defraud the American public out of lease sale proceeds by signing an agreement not to compete against each other in the bidding process. As a result, the United States received less revenue from the sales than would have been obtained had the companies bid competitively for the parcels.

This anticompetitive behavior by SG casts a shadow over the company's recent applications for development in Gunnison County, as well as their representations that they are and will be good stewards of the environment and public health. SG's violations serve to erode the public trust in this company. HCCA strongly urges that you consider SG's applications for industrial gas development in the context of their fraudulent conduct.

[1] See http://www.justice.gov/opa/pr/2012/February/12-at-219.html.

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Aside from the overarching matter described above, the activities planned by SG have the potential to degrade water quality, air quality and wildlife habitat in the North Fork. While the applications are for activities on private lands, spills, leaks and other failures could compromise natural resources and public health. Despite precautions by SG, water contamination may occur from spilled fracturing fluids on-site or in transportation, through corroded well casings, or from underground methane and fluid movement. HCCA implores the Planning Commission to incorporate all feasible stipulations and conditions into permitting of these activities to prevent and mitigate potential pollution.

In addition to risks to water quality HCCA is concerned about impacts to air quality. Studies have shown that 3.6 to 7.9 percent of the methane from gas production escapes into the atmosphere over a well's lifetime.[2] This is an alarming amount of greenhouse gas vented into the air. HCCA encourages the Planning Commission to seek conditions that would limit this release.

Finally, both applications from SG call for activities in sections with mapped elk winter range and winter concentration areas. Elk and big game are highly sensitive to disturbance, especially in winter months. Further industrial development in a relatively rural landscape could negatively impact elk mortality, with ripple effects for hunting and the overall economy of the North Fork. HCCA asks that the Planning Commission consider the nexus between the proposed development and elk population vitality.

SG's actions indicate that careful analysis is warranted in considering these applications and future activities in Gunnison County. Thank you for your consideration of these comments.

Sincerely,

Matt Reed

Matt Reed
Public Lands Director

[2] Howarth RW, R Santoro, A Ingraffea 2011 Methane and the greenhouse gas footprint of natural gas from shale formations. Climatic Change doi: 10.1007/s10584-011-0061-5.