TO: **Planning Commission**

SUBJECT: ***DRAFT* Planning Commission Decision**
SG Interests I, Ltd.
Sperry/Clinger 11-90-1 Gas Well Project
Minor Oil and Gas Operation
File No. OG2012-09

PREPARED BY: **Neal Starkebaum, Assistant Director**
Gunnison County Community Development Department

DATE: **October 19, 2012**

APPLICANT: **SG Interests I, Ltd.**
1485 Florida Road, Suite C202
Durango, CO 81301

PROJECT SUMMARY:
The applicant requests an Oil and Gas Operations permit for the Sperry/Clinger 11-90-1 gas well project, which includes the construction of an approximately 2.5-acre well pad, five gas wells, construction of an access road and gas and water pipelines to connect to the existing SG collection system, southeast of the proposed pad site.

Operations Plan:
Drilling: The well will be drilled using a conventional rotary drilling rig, operating 24 hours a day. Cuttings and drilling fluids will be maintained in a plastic lined reserve pit.
Completion: The well will be completed using a conventional daylight rig. Hydraulic fracturing is the planned stimulation for the well.
Transporting: If productive, the gas will be transported by buried pipeline. Produced water will be trucked or transported by buried pipeline.
Production: Production will be performed by conventional means. If artificial lift is required, a pumping unit will be used.
Post-Operation: If production is non-commercial, the well will be plugged and abandoned according to COGCC rules.

SURFACE OWNERSHIP:
Sperry Land Company
3797 County Road 265

MINERAL OWNER:
Clinger Trust
c/o John Baldwin
9745 East Hamden Avenue, Suite 230
Denver, CO 80231-4922
Leased to SG Interests I, Ltd.

Sperry Land Company
20215 F Road
Delta, CO 81416

Lonnie H and Renee Deal
PO Box 265
Eckert, CO 81418-0265

WELL LOCATIONS:
The well project is located in northwest Gunnison County, legally described as HES 68 in Sections 11, 12 and HES 137 in Section 1, 2, 11, 12, & Lots 5, 6, 7 in Section 11, all in Township 11 South, Range 90 West, 6th P.M.

Specific location of the well pad is identified on a map in the Community Development Department file.

ACCESS:
Access to the project area is via County Road 265 and private roads. 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.

The applicant submitted a request for a technical infeasibility waiver for the well pad, access road and gas and produced water pipelines, as all are located less than 500 feet from a waterbody (Spring Creek). The proposed pipeline alignment does not meet the setback standard in *Section 1-107: Oil and Gas Operation Standards, H. Waterbody Setbacks.*

WORK SESSIONS:
Work sessions were held by the Planning Commission on:
August 3, 2012
October 19, 2012

SITE VISIT:
The Planning Commission attended a site visit at the well pad on August 3, 2012. The site is located on private lands on which the owner will not allow public access. Therefore, only two Planning Commission members, at a time, visited the site. The Commissioners related their observations at the September 7, 2012 meeting, noting that the pad site and access road seems reasonable for the requested Oil and Gas Operation.

PUBLIC HEARING:
A public hearing was held by the Planning Commission on September 7, 2012 and continued to September 21, 2012. At that time, Dan McIntyre stated his concerns with practices by SG Interests, such as leaving gates open and noise from a pump jack in the area and potential safety issues related to the increase in traffic to the well site.

A letter was received from Mark Carter, dated September 6, 2012, noting concerns with potential impact to his water supply and his mineral rights.

All testimony presented, and 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 public testimony finds that:

1. Approval is limited to the location and description of the SG Interests I, Ltd. Sperry/Clinger 11-90-1Gas Well Project, 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.

2. Subject to the Technical Infeasibility Waiver and 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.*

3. The applicant has requested a term of permit of five years in which to drill all five wells, which the Planning Commission finds appropriate.

4. The closest waterbody is Spring Creek (and adjacent wetlands), which is identified as an intermittent stream (waterbody), according to information from Steve Tuck, Lead Water Commissioner, District 40 – North Fork, Colorado Division of Water Resources.

5. The applicant has identified that the closest waterbody, Spring Creek (and adjacent wetlands), is within 500' of the well pad, the road access and gas and water pipelines.

6. The closest existing SG Interests gas/water pipeline collection system is located on the adjacent Falcon Seaboard Diversified Inc. property, associated with the Falcon Seaboard 11-90-12 #1 and #1A gas wells, located to the south of the proposed well pad.

7. The closest existing road, that would provide access to the proposed well pad, is located on the adjacent Falcon Seaboard Diversified Inc. property, associated with the Falcon Seaboard 11-90-12 #1 and #1A gas well pads, located to the south of the proposed well pad.

8. The northern boundary of the Bull Mountain Unit includes the north Section lines of Sections 11 and 12, Township 11 North, Range 90 West, 6th P.M.

9. The applicant submitted a request for a technical feasibility waiver for the gas well pad. The proposed well pad does not meet the standard of *Section 1-107: Oil and Gas Operation Standards*, H. Waterbody Setbacks. Based upon onsite field observations and evidence provided in discussions with the applicant at the work session and the public hearing, the Commission finds that there are several factors affecting the technical infeasibility waiver request:

    a. The proposed well pad is located on a bench above the Spring Creek drainage. The well pad location and the Spring Creek drainage are hydrologically separated by a physical topographic feature, consisting of a small topographic rise between the well pad location and the Spring Creek drainage. From the western edge of the drop-off into the Spring

Creek drainage the topography slopes downhill to the southeast and away from the Spring Creek drainage. Surface flows would move down gradient to the southeast and away from the Spring Creek drainage, minimizing potential impacts to the closest waterbody (Spring Creek).

b. The applicant has indicated that based upon unitization requirements, to drill to a mineral lease located outside of the Bull Mountain Unit, the well is required to be located outside of the Bull Mountain Unit. The well is required to be located north of the section lines of Sections 11 and 12, continuous with the Sperry property, at this location. The proposed location is warranted and the feasibility to connect to the closest, existing SG Interests gas/water pipeline collection and road system, on the east side of the Spring Creek drainage, will minimize potential adverse impacts from additional road and pipeline construction.

c. The applicant has indicated that the location of the well pad is necessary to drill and collect both the mineral resource from the Sperry mineral lease (vertically) and attain the necessary displacement to achieve the engineered bend to intersect with the targeted area within the Clinger mineral lease. The bend (to horizontal), requires a minimum distance from the targeted mineral lease. The only location to drill the well on the Sperry parcel, capture both the Sperry and Clinger mineral resource and meet the necessary distance from the targeted mineral lease, is on the east side of the Spring Creek drainage.

10. The Planning Commission finds, in accordance with Section 1-107: Oil and Gas Operation Standards P. 2., that a technical infeasibility waiver is warranted and the applicant will implement the best available technology to conduct the Oil and Gas Operation, to the maximum extent feasible. Granting of the waiver will not cause substantial injury to the owner or occupant of adjacent lands; and the waiver will not cause substantial injury to the environment.

11. 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 these applications; including all exhibits, references and documents as included therein.

DECISION:
The Gunnison County Planning Commission, having considered the submitted applications, all exhibits, documentation and public testimony, and having reached the above Findings, hereby approves SG Interests I, Ltd. Sperry/Clinger 11-90-1 Gas Well Project; Oil and Gas Operations Permit No. OG2012-09, with the following conditions:

1. This permit is limited to the description of the SG Interests I, Ltd. Sperry/Clinger 11-90-1 Gas Well Project. 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. The term of permit for the Operation is five years.

2. The applicant shall provide copies of all Spill Reports, associated with the Sperry/Clinger 11-90-1 Gas Well Project, as required by the Colorado Oil and Gas Conservation Commission, to the Community Development Department.

3. The applicant shall provide copies of all reports to the Colorado Oil and Gas Conservation Commission regarding water quality sampling, associated with the Sperry/Clinger 11-90-1

Gas Well Project, as required by the Colorado Oil and Gas Conservation Commission, to the Community Development Department.

4. The applicant has agreed to install a secondary, tertiary containment berm on the western side of the well pad.

5. Nothing in this decision is or shall be construed to be a limitation on Gunnison County participating in any future regulatory process for said wells.

6. 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.

7. 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.

8. 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.