TO: **Planning Commission**

SUBJECT: ***DRAFT* Planning Commission Decision**
SG Interests I, Ltd.
Federal 11-90-9 Gas Well Project
Minor Oil and Gas Operation
File No. OG2012-06

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

DATE: **May 3, 2013**

APPLICANT: **SG Interests I, Ltd.**
PO Box 26
Montrose, CO 81402

PROJECT SUMMARY:
The applicant requests an Oil and Gas Operations permit for the Federal 11-90-9 Gas Well Project, which includes the construction of a well pad, five gas wells and installation of gas and produced water pipelines to connect to the existing collection system.

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:
U.S. Forest Service – Department of Agriculture
Paonia Ranger District
403 N. Rio Grande Avenue
P.O. Box 1030
Paonia, CO 81428

MINERAL OWNER:
Dept. of Interior - Bureau of Land Management
2465 S. Townsend Avenue
Montrose, CO 81401

PROJECT LOCATION:
The gas well project is located north of Forest Road 265, within Section 9, Township 11 South, Range 90 West, 6th P.M. Specific location of the site is identified on a map in the Community Development Department file.

ACCESS:
The applicant states access to the well will be via a new road, constructed from Forest Road 265.

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.

COLORADO PARKS AND WILDLIFE:
The Colorado Parks and Wildlife (CPW) provided comments to the Colorado Oil and Gas Conservation Commission, May 4, 2012, noting that that proposed gas well pad is located within an Elk Winter Concentration Area and identified concerns related to the cumulative impacts of increasing well pad density and ancillary facilities on wildlife habitats in the area. The proposed location will unnecessarily fragment wildlife habitat and exacerbate functional habitat loss due to the additional habitat loss, and long-term human disturbance associated with drilling, production, and maintenance of this facility. Several alternate locations were identified for the facility that would avoid and minimize impacts to wildlife by reducing the length of the access road and pipeline, including several areas south of road 265A, an area adjacent to Gunnison Energy's storage yard (approx. 1400ft southwest), and an area approximately 500 ft west of the proposed location. CPW recommended that SG consider incorporating this location into a comprehensive wildlife mitigation plan that addresses the cumulative impacts from all of SG's proposed development in the area, including the Bull Mountain Unit and surrounding area. Alternatively, CPW recommended to the COGCC and the USFS that one of the identified alternate locations be selected to avoid and minimize unnecessary site-specific impacts to wintering big game.

U.S. FOREST SERVICE:
Levi Broyles, Paonia District Ranger, GMUG National Forest, issued a Decision Memo on the Surface Use Plan of Operations, on March 12, 2013, for the Federal 11-90-9 #3 Well, and was evaluated under Section 390 of the Energy Policy Act of 2005 and as a Categorical Exclusion, including Appendix A, Conditions of Approval for 11-90-9 #3 Surface Use Plan of Operations.

GUNNISON COUNTY CONSULTATION:
Gunnison County hired Hayden-Wing Associates, LLC to provide consultation on wildlife issues associated with the Federal 11-90-9 well project. Comments were received from Matthew R. Dzialak, Senior Ecologist, Hayden-Wing Associates, LLC, for Gunnison County, letter of March 29, 2013, noting that the COGCC Form 2A and U.S. Forest Service decision memo Conditions of Approval are sufficient and mirror or exceed conditions placed on many other development actions.

***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 pipeline and road construction. The pipeline and road construction is within 500 feet of a waterbody (Little Henderson Creek) for a portion of the alignment, approximately 250 feet at its closest point. The proposed pipeline and road construction 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:
April 6, 2012
May 3, 2013

SITE VISIT:
The Planning Commission conducted a site visit on April 27, 2012. The Commission members noted their observations including the difficult terrain and proximity of the well pad to Little Henderson Creek and the Forest Service road.

PUBLIC HEARING:
A public hearing was held by the Planning Commission on May 4, 2012. At that time a letter was received from Sandy Shea, dated April 12, 2012, identifying concerns about planning for gas well operations in Gunnison County.

The public hearing was continued until:
June 1, 2012
July 6, 2012
August 17, 2012
September 21, 2012
October 19, 2012
November 16, 2012
January 1, 1013
March 1, 2013
April 19, 2013

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. Federal 11-90-9 Gas 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. The Colorado Parks and Wildlife provided comments to the COGCC on May 4, 2012, identifying potential impacts to elk and elk habitat at the proposed Federal 11-90-9 well pad location.

3. The U.S. Forest Service issued a Decision Memo on the Surface Use Plan of Operations, on March 12, 2013, for the Federal 11-90-9 #3 Well, and that the proposal was evaluated under

Section 390 of the Energy Policy Act of 2005 as a Categorical Exclusion, including Appendix A, Conditions of Approval for the Federal 11-90-9 #3 Well, including conditions to mitigate impacts to wildlife habitat.

4. An analysis of the wildlife issues related to the Federal 11-90-9 #3 Well was prepared by Matthew R. Dzialak, Senior Ecologist, Hayden-Wing Associates, LLC, for Gunnison County, letter of March 29, 2013, noting that the COGCC Form 2A and U.S. Forest Service decision memo Conditions of Approval are sufficient and mirror or exceed conditions placed on many other development actions.

5. The applicant has identified a waterbody (Little Henderson Creek) within 500' of the proposed road and pipeline route.

6. The applicant requests a technical feasibility waiver for the pipeline and road alignment. The pipelines and road will be within 500 feet of a waterbody (Little Henderson Creek) along the route. The pipeline alignment cannot meet the setback standard of *Section 1-107: Oil and Gas Operation Standards*, H. Waterbody Setbacks. There is no economical technology commercially available to construct the gas and produced pipelines in compliance with the waterbody setbacks. 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. Therefore, the granting of a technical infeasibility waiver for the pipelines is appropriate.

7. 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.*

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

9. 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. Federal 11-90-9 Gas Well Project; Oil and Gas Operations Permit No. OG2012-06 with the following conditions:

1. This permit is limited to the description of the SG Interests I, Ltd. Federal 11-90-9 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.

2. The applicant shall provide copies of any Spill Reports, associated with the Federal 11-90-9 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 reports required by the Colorado Oil and Gas Conservation Commission or the U.S. Forest Service regarding water quality sampling, associated with the Federal 11-90-9 Gas Well Project, to the Community Development Department.

4. 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.

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.

7. 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.