

# Colorado Unitization Status

January 25, 2012

## ***PROPOSED LAKE RIDGE UNIT***

SG Interests, LTD (SG Interests) submitted an application to BLM Colorado on May 17, 2011, for the proposed Lake Ridge Oil and Gas Unit Agreement, which includes approximately 32,400 acres, approximately 27,700 acres of which are U.S. Forest Service surface lands. The operator plans to initially drill two obligation wells in the unit area. The BLM is currently reviewing SG Interests' application; however, no decisions have been made.

### **Leases**

Gas drilling and development has been occurring in this general area since the 1950s. Substantial conventional gas production exists to the west of the proposed unit and the deeper shale reservoir target in the immediate area remains untested. The U.S. Forest Service decision making these National Forest lands available to oil and gas leasing was disclosed in an Oil and Gas Leasing Environmental Impact Statement completed in 1993.

The leases in the Lake Ridge Unit area have been identified as having a high potential for oil and gas development in the draft Colorado River Valley Resource Management Plan revision. Several existing units are located near the proposed Lake Ridge Unit.

### **Current Stipulations**

The leases in the unit proposal are heavily stipulated. Timing stipulations address issues ranging from wildlife to cross-country skiing corridors. Partial No Surface Occupancy stipulations are in place on 12 of the leases that protect resources as diverse as steep slopes and ski areas.

### **Foreseeable Development in the Lake Ridge Unit Area**

Four wells were previously drilled in the unit area: three were dry holes and none are currently in production. The proposed unit lies on the eastern flank of the Piceance Basin structure and the area is considered to have high potential for oil and gas development. Intense gas development exists 15 miles to the north and west of the unit area with hundreds of gas wells in production. Numerous wells are located between that area and the proposed unit boundary. Several units are also located adjacent to the west and south of the proposed unit.

The Thompson Divide area has extensive coal deposits and coal mining has occurred in the area since 1892. The last operating mine closed in the 1980s, but extensive reserves of high quality low sulfur coal remains.

The Thompson Divide Coalition (Coalition) based out of Carbondale, Colorado, and other members of the public oppose unitization and any drilling in the proposed unit area.

