

**U.S. Department of the Interior
Bureau of Land Management
Uncompahgre Field Office
2465 South Townsend Avenue
Montrose, CO 81401**

Decision Record

DOI-BLM-CO-S050-2014-0020 CX (390)

PROJECT NAME: Two Gunnison Energy Corporation APDs on the Hotchkiss Federal (HKF) 12-89-17-11 well pad.

DECISION:

It is my decision to approve GEC's APDs for the following wells: DGU 12-89-17-11 CS2 and DGU 12-89-17-11 CS3.

MITIGATION MEASURES:

The APDs will be subject to the Conditions of Approval in Appendices A, B and C.

RATIONALE:

The Proposed Action is categorically excluded from further documentation in accordance with statutory NEPA categorical exclusion 390, Number 1, as granted in Section 390(b)(1) of the Energy Policy Act of 2005, for oil and gas exploration and development, as described in the CX. Impacts would not exceed those disclosed in the CO150-2008-035 EA.

COMPLIANCE WITH MAJOR LAWS and CONFORMANCE WITH LAND USE PLAN:

The decision is in compliance with applicable laws, regulations and policy, including the Endangered Species Act, Migratory Bird Treaty Act and National Historic Preservation Act. It is also in conformance with the Uncompahgre Basin Resource Management Plan (July 1989).

PUBLIC COMMENT:

The BLM informed the public about this project by listing it on the online Uncompahgre Field Office NEPA Register and a copy of the completed Statutory 390 Categorical Exclusion will be posted on the NEPA website.

ADMINISTRATIVE REMEDIES:

State Director Review

As provided in 43 CFR 3165.3(b), any adversely affected party that contests a decision of the authorized officer may request an administrative review, before the State Director, either with or without oral presentation. Such request, including all supporting documentation, shall be filed in writing with the BLM Colorado State Director (2850 Youngfield Street, Lakewood, CO 80215) within 20 business days of the date such decision was received or considered to have been received. Upon request and showing of good cause, an extension for submitting

supporting data may be granted by the State Director. Such review shall include all factors or circumstances relevant to the particular case.

Appeal

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals as provided in Sec. 3165.4 of this part, and pursuant to the regulations set out in 43 CFR Part 4.

Petition for Stay

As provided in part 3165.4(c), all decisions and approvals of the BLM State Director or Administrator Law Judge under this part shall remain effective (Full Force and Effect) pending appeal unless the Interior Board of Land Appeals determines otherwise upon consideration of the standards stated in this paragraph. The provisions of 43 CFR 4.21(a) shall not apply to any decision or approval of a State Director or Administrative Law Judge under this part. A petition for a stay of a decision or approval of a State Director or Administrative Law Judge shall be filed with the Interior Board of Land Appeals, Office of Hearings and Appeals, Department of the Interior, and shall show sufficient justification based on the following standards:

- (1) The relative harm to the parties if the stay is granted or denied,
- (2) The likelihood of the appellant's success on the merits,
- (3) The likelihood of irreparable harm to the appellant or resources if the stay is not granted,
- (4) Whether the public interest favors granting the stay.

Nothing in this paragraph shall diminish the discretionary authority of a State Director or Administrative Law Judge to stay the effectiveness of a decision subject to appeal pursuant to paragraph (a) or (b) of this section upon a request by an adversely affected party or on the State Director's or Administrative Law Judge's own initiative. If a State Director or Administrative Law Judge denies such a request, the requester can petition for a stay of the denial decision by filing a petition with the Interior Board of Land Appeals that addresses the standards described above in this paragraph.

NAME OF PREPARER: Thane Stranathan

NAME OF ENVIRONMENTAL COORDINATOR:  DATE: 4-9-14

SIGNATURE OF AUTHORIZED OFFICIAL: 
Barbara Sharrow
Field Manager

DATE SIGNED: 4-21-14

ATTACHMENTS - 3:

- 1 – Appendix A – EA Surface Use Conditions of Approval
- 2 – Appendix B – EA Downhole Conditions of Approval
- 3 – Appendix C – APD Conditions of Approval

Appendix A
BLM UFO
Environmental Assessment CO-150-2008-35 EA
Gunnison Energy Corporation
Surface Use Conditions of Approval

Under the Proposed Action Alternative, the following mitigation measures are included in the Surface Use Conditions of Approval (COAs) that would be attached to the Applications for Permit to Drill (APDs) submitted to the BLM.

- The operator shall notify the BLM Authorized Officer at least 48 hours prior to initiation of construction.
- The operator is required to correct all maintenance deficiencies when documented and directed by the Authorized Officer.

AIR QUALITY

- If dust becomes a problem during any phase of the operations, the operator will be required to provide dust abatement measures to the road and pad location. These will include water or magnesium chloride, gravel, emulsified asphalt, or other dust palliatives, as approved by the BLM or surface owner, to decrease the application frequency. More specific requirements for dust abatement are described in the *Fugitive Dust Control Plan* (Appendix F of the POD).
- Disturbed areas within the project area would be seeded with a BLM- or surface owner-approved seed mix to stabilize soils and reduce the impacts of dust created from wind erosion and would be revegetated in accordance with GEC's *Environmental Protection Plan* (Appendix L of the POD).
- Operators will be required to be in compliance with the Colorado Department of Public Health and Environment (CDPHE) standards for emissions.

CULTURAL RESOURCES

- If subsurface cultural resources are unearthed during operations, activity in the vicinity of the cultural resource will cease and a BLM representative notified immediately. Pursuant to 43 CFR 10.4 the holder of this authorization must notify the Authorized Officer (AO), by telephone, with written confirmation, immediately upon the discovery of human remains, funerary items, sacred objects, or objects of cultural patrimony. Further, the operator must stop activities in the vicinity of the discovery and protect it for 30 days or until notified to proceed by the AO.
- The operator is responsible for informing all persons associated with this project that they will be subject to prosecution for knowingly disturbing Native American Indian shrines, historic and prehistoric archaeological sites, or for collecting artifacts of any kind, including historic items and/or arrowheads and pottery fragments from federal lands.

INVASIVE, NON-NATIVE SPECIES

- Mandatory noxious weed control is required on the well pads and access roads used by the lessee/operator for the life of the well. Consultation with BLM and Gunnison County Cooperative Extension is required to determine treatment for noxious weeds, if identified.
- All seed mix, erosion control materials, and reclamation materials will be certified weed free.

- All construction vehicles and equipment will be cleaned, power-washed, and free of soil and vegetation debris prior to entry and use of access roads to prevent transporting weed seeds. Surface disturbance and vehicular travel will be limited to approved locations. Construction equipment will be restricted at all times to the road right-of-way (ROW).
- Wash stations will be required at designated infestation areas. Equipment will be power-washed to remove soil and propagules prior to leaving the infested area.
- The operator will monitor for and control noxious weeds on all disturbed areas. Method of control will be by approved mechanical or biological methods or an herbicide approved by BLM, in accordance with Vegetation Treatments on Bureau of Land Management Lands in 17 Western States Programmatic Environmental Impact Statement and the UFO Pesticide Use Proposal (PUP). Application of herbicides must be under direct field supervision of a Colorado State certified pesticide applicator and treatment records must be turned into the BLM within 15 days of treatment. A pesticide use proposal and pesticide application record will be obtained prior to treatment and turned into the BLM within 15 days following herbicide application.
- Road base will be obtained from a certified weed free quarry when possible.
- Where invasive species, such as downy brome (a.k.a., cheatgrass), establish in project areas at levels greater than in the surrounding vegetation, the BLM may require control of that species. A BLM UFO official will be notified as soon as reasonably possible if either yellow toadflax or leafy spurge is found in the project area.

MIGRATORY BIRDS

- Surveys for the presence of nesting raptors will be conducted by a qualified biologist within at least a 0.5-mile radius around each proposed well pad, and within 50 feet of all access roads, ancillary facilities, and any other type of surface disturbance activity in potential habitat. Surveys for breeding raptors should be completed from March 1 through July 31 and prior to project activities that would take place during that breeding season. Drilling and/or surface disturbance shall not occur from May 15 through July 15 within 0.5 mile of active raptor nests. Clearances for project development shall expire on May 1 of the following year. Exceptions to this rule shall be considered by authorized officer on a case-by-case basis. Completed survey reports shall be submitted to a BLM biologist.
- If feasible, surface disturbing activities shall occur outside the core breeding period for migratory birds (May 15 through July 15).

THREATENED, ENDANGERED, AND SENSITIVE SPECIES

- Waste water from project activities will not be discharged into any surface waters and will be removed from the site or injected into a permitted Class II well, according to CDPHE and Colorado Oil and Gas Conservation Commission (COGCC) standards. With the Programmatic Biological Opinion (PBO) and mitigation, the Proposed Action will not jeopardize the continued existence of any listed Colorado River fish species, its designated critical habitat, or contribute to the USFWS listing of any BLM sensitive species.
- The Operator will consult with the USFWS if any Threatened or Endangered species are discovered on or adjacent to project development areas.

WASTES AND HAZARDOUS MATERIALS

- Signs will be posted on site to identify potential hazards associated with operation, including chemical hazards.
- For all treatment chemicals, Material Safety Data Sheets (MSDS) files will be maintained on site during the drilling and completion operations. Equipment operators will be required to wear appropriate personal protective equipment (PPE) to minimize exposure to potential hazards.
- Drainage control will be constructed around the perimeter of the well locations during the drilling and work-over phase of the operation to contain any accidental spills. The well pad will be designed to prevent off-site runoff water from entering the pad.
- Construction of the berms surrounding containers, tanks, or tank batteries will be designed to prevent lateral movement of fluids through the used materials, prior to storage of fluids. The berms must be constructed to contain, at a minimum, 150% of the storage capacity of the largest tank within the berm. All load lines and valves will be placed inside the berm.
- Control and containment mitigation will be included in the Spill Prevention, Control, and Countermeasures (SPCC) Plan and Health and Safety Plan (HASP) in the event of a release of a hazardous substance or material. The plans will be provided to BLM prior to construction so approval can be completed prior to any disturbance operations. The following elements will be included in the SPCC Plan.
 1. The operator will specifically address the following measures in the SPCC Plan for handling of a leak, spill, or release event.
 - a. Identification of the chemical parameters and sampling requirements to be analyzed in the event of a spill, leak, or release, for each petroleum product or hazardous substance handled in or transported onto the drill sites.
 - b. How a spill will be prevented and/or how amount will be minimized from reaching surface water.
 - c. List of the required contacts for federal, state, and local agencies regarding reportable spills or leaks.
 - d. How documentation will be maintained over time pertaining to the circumstances of releases, amount and duration of release, the measures taken to control the release, and the measures taken to minimize or mitigate the impacts from the release.
 - e. How released material that has not reached surface water will be recovered.
 - f. Plans to collect water samples documenting the duration and severity of any release that could reach surface water (near the release site, and at impacted downstream locations within the zone of impact).
 2. All releases (unless the reportable spill quantity is less than 10 gallons) of any substance to soil or water will be immediately reported to BLM reportable Compliance Officers. Containment of the spill will occur immediately. Clean up of a spill will occur within 3 days, or as soon as practicable, and proof of cleanup provided for the record.
- To further facilitate coordination with local emergency services, GEC will provide mapped locations of the proposed well sites, including Global Positioning System (GPS) location (latitude/longitude), and MSDS sheets in the SPCC Plan, Fire Prevention Plan, and HASP to the federal agencies with responsibility for drilling activities. A courtesy copy will be provided to the

respective emergency services personnel, as applicable, in advance of any exploration drilling activities. In addition, the operator will have phones or radios onsite, as appropriate, to provide accessibility to emergency services.

- Upon demobilization of the drilling rig, the drilling pad will be cleaned up of all excess materials, debris, and any other fluids encountered and disposed of in an approved manner. The same process will be repeated upon demobilization of the completion rig.
- The operator committed methods for handling waste disposal are as follows.
 1. Sanitary facilities will be provided on site via chemical toilets and sewage holding tanks. GEC will coordinate with surface owners and authorized BLM personnel ensure that sewage will be properly disposed of
 2. During all construction, drilling, and completion operations, trash and garbage will be placed in appropriate caged containers and the container and contents transported to a CDPHE-approved sanitary landfill.
 3. Waste oils from equipment will be stored on site in secondary containment during operations and recycled at an approved facility immediately upon demobilization of the drilling and completion equipment.
 4. Where possible, fluids should be reused.

WATER QUALITY, SURFACE

- Releases of hazardous substances or fuels during construction and operation will be contained and disposed of in accordance with state and federal regulations.
- Temporary erosion and sediment control measures will be applied during the interim period between construction activity and final reclamation. Silt fences or other sediment filtering devices such as weed-free straw bales will be installed along drainage channel banks where sedimentation may occur and at the base of all slopes adjacent to wetlands. Sediment filtering devices will be cleaned out and maintained in functional condition throughout the life of the project. To avoid the possibility of mulching materials entering waterways, loose mulch (i.e., mulch not crimped into the soil surface, tackified, or incorporated into erosion control blankets) will not be applied to drainage channel banks.

WATER QUALITY, GROUND

- Releases of hazardous substances or fuels during construction and operation will be contained and disposed of in accordance with state and federal regulations.
- In the event the cement circulation is lost, a cement bond log will be required by BLM to ascertain if remedial cementing is required to provide an adequate seal between the casing and the strata.
- An initial baseline inventory of untested springs or water wells will be completed for water sources within a 1-mile radius of the well prior to construction of the well pad. The testing parameters will be consistent with the established water source baseline database associated with oil and gas drilling in Gunnison County.
- If an exploration well is found to be capable of production and if fresh groundwater zones are encountered during exploration drilling, the operator will install a groundwater monitoring well adjacent to the specific gas well. The groundwater wells will be completed to monitor the fresh

groundwater zone(s). If a groundwater well is installed, it will be monitored on a semi-annual basis for water level, total petroleum hydrocarbons, benzene, toluene, ethyl benzene, xylene, specific conductance, total dissolved solids (TDS), pH, sulfate, nitrate, nitrite, ammonia, methane, hydrogen sulfide, selenium, and barium. Data reports will be submitted to the BLM within one month after the laboratory analyses are complete.

- If a well produces water at volumes greater than 1,500 barrels of liquid per day (bblpd) after 60 days of continuous operation, and if this water is less than 2,000 milligrams per liter (mg/L) TDS, the gas well will be shut in until it can be determined whether the source of the water is or is not interconnected with shallow water-bearing units or surface water.

WETLANDS AND RIPARIAN ZONES

- On a site-specific basis, full delineation and Clean Water Act permitting would be required prior to any construction activity to mitigate and minimize project effects.
- Appropriate BMPs for sediment and erosion control such as seeding, water bars, silt fencing, ditches, and reclamation measures are part of the proposed project. Erosion control measures would be placed around well pads and along the pipeline to divert precipitation runoff from entering the well pads and ROW as well as diverting the runoff from construction of well pads from flowing directly into stream channels and riparian areas. Installation of erosion control measures would also serve to filter sediment-laden stormwater prior to leaving construction, well pad, pipeline, and access road areas.
- The lessee and operator would be required to comply with the Clean Water Act, the State of Colorado Stormwater Regulations, and all other applicable laws pertaining to oil and gas operations in wetland and riparian areas.
- The use of erosion control BMPs would be used to minimize the potential of erosion and sediment transport.

SOILS

- Drainage on the well pad areas will be controlled to minimize off-site migration of disturbed soils. Vehicle and pedestrian traffic will be restricted to the well pads and access roads to prevent further soil mixing and compaction outside of the proposed project area. Upon plugging and abandonment of the well following its useful life, the disturbed areas will be seeded to BLM or surface owner specifications.
- Water bars, ditches, and culverts will be used as needed to protect surface water resources and control erosion.
- The operator will adhere to the construction, maintenance, reclamation; guidelines and requirements in the BLM Gold Book (Surface Operating Standards for Oil and Gas Exploration
- Once well production has ceased, the entire pad would be reclaimed prior to requesting final abandonment and subsequent bond release.

VEGETATION

- Topsoil shall be segregated and stored separately from subsurface materials to avoid mixing during construction, storage, and interim reclamation. Subsurface materials should never be placed on top of topsoil material at any point in the operation.

- Mandatory noxious weed control would be required on the well pads and access roads used by the lessee/operator for the life of the well. Consultation with BLM and Gunnison County Cooperative Extension would be required to determine treatment for noxious weeds, if identified.
- All seed mix, erosion control materials, construction materials, and reclamation materials would be a certified weed free mix approved by the BLM.
- Seeding will be performed in accordance with BLM requirements as described in the Environmental Protection Plan (Appendix L) of the POD. Selection of grass and shrub species for revegetation will be based on pre-construction community composition and soil types, as well as establishment potential, soil stabilizing qualities, post-construction land use objectives, and BLM and fee-landowner recommendations. All reclaimed areas will be seeded with a weed-free seed mix appropriate to the rainfall zone, elevation, soils, and temperature regime of the site. The BLM and the surface owner must approve the seed mix.
- Reclamation activities, including control of exotic plants and reseeding, will be required until the reclaimed site supported a plant community made up of desirable species that achieves 80 percent of the vegetation cover found in adjacent, undisturbed vegetation.
- If damage to reclamation reseeding efforts or site specific BMPs is incurred around any well pads due to continued use or presence of livestock, the operator is encouraged to consult with the surface owner as to the problem and if necessary, construct an enclosure fence in accordance with BLM recommended construction standards for enclosure fences in livestock areas installed for a period of two years or until seeded species are firmly established, whichever occurs later.

AQUATIC SPECIES

- Drainage controls will be placed around the well pads during the drilling and work-over phase of the operation to prevent precipitation runoff from entering the well pad and to control any accidental spill of motor fuel or other fluids.
- Construction activity in the vicinity of West Muddy Creek, Buzzard Creek, Coyote Gulch, and Deadman Gulch will include the installation of BMPs as needed to protect surface waters and control erosion.
- Water bars, ditches, and culverts will be used as needed to protect surface water resources and control erosion.
- The lessee and/or operator are required to comply with the Clean Water Act, National Pollution Discharge Elimination System, State of Colorado Stormwater Management Regulations, and all other applicable laws pertaining to oil and gas operations.

TERRESTRIAL WILDLIFE

- Seasonal timing stipulations for no surface use from December 1 to April 30 will be in place to protect crucial deer and elk winter ranges. This stipulation does apply to construction and drilling but not apply to operation and maintenance of production facilities.
- Long-term footprints of the well facilities would be reduced to the smallest practical area.

ACCESS AND TRANSPORTATION

- Should the wells prove productive, and/or future wells be proposed, a comprehensive transportation plan will be developed for the area to ensure utilization of the existing road network and provide a maintenance schedule for access roads.

- The operator shall provide for the safety of the public using State Highway 133 during construction of the project and drilling of the wells. This includes, but is not limited to, posting of appropriate signs to alert traffic on the highway of potential stops or delays when construction equipment is either using the highway or turning off or onto the highway to access the project area.
- Construction-produced fugitive dust will be reduced by watering access roads, as necessary.
- No construction or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support such equipment. If the equipment creates ruts in excess of four (4) inches deep, the soil shall be deemed too wet to adequately support the construction equipment.

FIRE

- The operator will have sufficient fire equipment on hand during the fire season for the drilling crew to respond to a small fire start including fire extinguishers and a gasoline powered water pump.
- The operator will install approved spark arrestors on all combustion engines used on the job.
- Crews will have the interagency and local fire contact information available to them so that they can report any potential incidents that may occur.
- All GEC company employees receive general training on fire and fire reporting procedures; however, they are not typically qualified to respond to a wildland fire and all uncontrolled fires will be immediately reported to the appropriate incident response contact.

PALEONTOLOGICAL RESOURCES

- Conduct a museum records search to 1) determine whether any known fossil localities occur within the study area; 2) assess the potential for disturbance of these localities during construction; and 3) further evaluate the paleontological sensitivities of the Ohio Creek Member (of the Mesaverde Formation), the Wasatch Formation, and Quaternary deposits within the study area.
- Conduct a field survey and inspect the study area for 1) surface fossils, 2) exposures of potentially fossiliferous rock, and 3) areas in which fossiliferous rocks could be disturbed during the proposed project. Data collected during the field survey would include types of fossils observed and significance if a determination is possible in the field, the geographic extent of each locality, lithologies of fossil-producing bed(s), Universal Transverse Mercator (UTM) coordinates, and stratigraphic information as appropriate or possible. All fossil occurrences would be recorded and all potentially significant (identifiable and/or well-preserved) fossils would be collected.
- All fossils collected would be cleaned, prepared, identified, and transferred to an approved repository.
- The results of the paleontological survey would be analyzed and presented in a paleontological report prepared using BLM guidelines. In the report, additional recommendations (clearance, sampling, monitoring, salvage, or avoidance) would be made.

NOISE

- The Colorado Oil and Gas Conservation Commission (COGCC) requires that oil and gas operations comply with state maximum permissible noise levels. In the hours between 7:00 a.m. and the next 7:00 p.m. the noise levels permitted below may be increased ten (10) db(A) for a period not to exceed fifteen (15) minutes in any one (1) hour period. The allowable noise level for periodic, impulsive or shrill noises is reduced by five (5) db(A) from the levels shown (802 COGCC).

ZONE	7:00 am to next 7:00 pm	7:00 pm to next 7:00 am
Residential/Agricultural/Rural	55 db(A)	50 db(A)
Commercial	60 db(A)	55 db(A)
Light industrial	70 db(A)	65 db(A)
Industrial	80 db(A)	75 db(A)

- If production is achieved and noise exceeds Colorado noise emission limits as per Colorado Revised Statutes title 25, Environmental Control, Article 12, “Noise Abatement” (C.R.S. 1973,25-12-101 et seq., available at <http://www.michie.com/colorado/>) and becomes a nuisance with any production operations, adequate muffling techniques, such as hospital-type mufflers, would be applied.

RANGE MANAGEMENT

- Prior to and during construction, the operator will keep BLM grazing allotment permittees and fee-lands ranchers informed regarding schedules to allow them ample opportunity to move livestock away from the ROW.
- Gates and fences will be installed along the ROW as required. Hard or soft plugs will be left or installed to allow livestock to cross to either side of the ROW during construction. Gates, fences, and cattle guards will be repaired or replaced after construction as agreed to with the fee-landowner or BLM. These facilities will be left in as good as or better shape than the pre-construction condition. Fences crossed by the pipeline and cattle guards or gates on access roads or within the ROW damaged during construction on BLM lands will be rebuilt or replaced in accordance with BLM specifications.
- If project activities occur between April 15 and November 15, the operator will achieve dust control primarily through application of water or an approved dust palliative to reduce airborne dust and damage to roadside vegetation communities.

RECREATION

- All recreation activities, including hunting, will be prohibited within the construction ROW. GEC will post signs at the boundaries of the areas under construction.

VISUAL RESOURCES

- All activities should remain in accordance with the BLM Gold Book standards for visual/scenic resources.
- Long-term facilities would be painted with a BLM Standard Environmental Color to blend in with the surrounding natural environment. BLM would be consulted for

approval of the color selection. The selected color would be one or two shades darker than the dominant background color and be a semi-gloss paint to resist weathering and staining.

- During reclamation, roads would be re-contoured back to their original contour and rough texture so to match the “texture” of the surrounding landscape.

COMPLIANCE/MONITORING

- On-going compliance inspections and monitoring of drilling, production and post-production activities will be conducted by UFO staff. Specific mitigation developed in this EA and the lease terms and conditions will be followed. The Operator will be notified of compliance related issues in writing, and depending on the nature of the issue(s), will be provided 30 days to resolve such issues.
- For private surfaces, the BLM approved seed mix is recommended, but the surface landowner has ultimate authority over the seed mix to be used in reclamation. The seed shall contain no noxious, prohibited, or restricted weed seeds and shall contain no more than 0.5 percent by weight of other weed seeds. Seed may contain up to 2.0 percent of “other crop” seed by weight, including the seed of other agronomic crops and native plants; however, a slower percentage of other crop seed is recommended. Seed tags or other official documentation shall be supplied to the BLM Uncompahgre Field Office Natural Resource Specialist upon completion of each seeding activity necessary during the life of the project.

**Appendix B
BLM UFO
Environmental Assessment CO-150-2008-35 EA
Gunnison Energy Corporation
Downhole Conditions of Approval**

Downhole COAs will be attached to each Application for Permit to Drill (APDs) as they are submitted for approval by operator to BLM.

Self Contained Drilling Rigs, Closed-Loop Mud Systems

- A. Conditions of Approval common to all instances of drilling using a closed-loop system:
- During drilling operations, if the operator has not constructed a lined reserve pit on the well pad, cuttings produced from a closed-loop drilling system shall be stored in a temporary surface impoundment or proper above-ground container.
 - Temporary impoundments shall be lined with a minimum 12 mil impermeable barrier on suitable bedding material in order to eliminate opportunity for leakage or destruction of the liner.
 - The operator will take steps to ensure that any cuttings from the drilling process are not mixed with or make contact with reserved top-soil material at any stage of the project.
 - Free liquid associated with cuttings stored in the temporary impoundment will be vacuumed off prior to permanent disposal of the cuttings and disposed of at a regulated facility.
 - The temporary cuttings impoundment shall be protected in order to minimize precipitation contact or movement of cuttings due to weather events.
 - Any lined pits or lined temporary impoundments created by the operator on the well pad shall not be constructed on any portion of the location that is considered fill material.
 - Potential stormwater drainage shall be diverted around the temporary cuttings impoundment.
- B. Conditions of Approval common to permanent disposal of cuttings generated from a closed-loop system:
- The operator may choose to permanently dispose of dry cuttings using one of the following methods:
 - Dry cuttings can be permanently buried on location in a lined cuttings trench in accordance with pit construction and reclamation guidance (BLM Gold Book, 4th edition, 2007).
 - The operator may elect to sample cuttings in the temporary impoundment prior to burial to assure compliance with Colorado State pit closure standards. If the sampling option is exercised, laboratory reports showing compliance with Colorado State pit closure standards shall be submitted to the BLM authorized officer. If cuttings are determined not to exceed the listed concentration levels of State of Colorado COGCC pit closure standards, then the operator may request approval via Sundry notice to the BLM authorized officer to bury the cuttings in an unlined trench or pit, on the cut

- area of the well pad and covered with a minimum (3) feet of clean fill material between the cuttings and topsoil replaced during reclamation.
- Dry cuttings can be removed from the location and disposed of at an approved disposal facility. The liner utilized as a barrier for the temporary cuttings impoundment shall be disposed of at a regulated facility once cuttings are removed.

Appendix C
BLM UFO and BLM TRFO
DGU 12-89-17-11 CS2, DGU 12-89-17-11 CS3
Gunnison Energy Corporation
APD Conditions of Approval

Surface Use Conditions of Approval

1. Continue annual collection and report results of macroinvertebrate samples and Wolman pebble counts at established sites in order to better characterize annual variation in sedimentation within the watershed.

Drilling Plan Conditions of Approval

Appropriate BLM contact names and numbers are included in the final APD package sent to the operator once the APD is approved.

1. Notify BLM Tres Rios Field Office, at least 24 hours prior to:
 - a. Spudding well (including dry hole digger or rat hole rigs).
 - b. Running and cementing all casing strings.
 - c. BOP Tests
2. All BOP tests will be done per Onshore Order #2.
3. If a BLM inspector is not present during the initial BOP test, please provide chart record.
4. Surface/Production casing cement volumes to be determined from caliper logs and adjusted to insure cement to surface. If cement does not circulate to surface on surface/intermediate string, verify top of cement with a cement bond log.
5. Submit copies of all logs to Tres Rios Field Office and in Log ASCEE Standard (LAS) format.
6. If any operations are to start over the weekend, notify Tres Rios Field Office by noon the Friday before. If any problems arise after hours or on weekends, call BLM personnel using the home phone numbers listed on the "INFORMATION NOTICE – APD's". Do not leave a message on an answering machine.
7. Collect stabilized bottom hole pressure and submit to BLM Tres Rios Field Office.
8. If flex hoses are to be used during the drilling operations then a variance request via a sundry notice needs to be summited along with manufactures specifications.
9. No changes are to be made to this approval without first contacting BLM Tres Rios beforehand.