

Fact Sheet

Gas Development in the North Fork

According to Colorado State historic records, 116 gas wells have been drilled in the North Fork area on federally managed oil and gas leases, including split estate lands. There are currently about 78,000 acres of federal oil and gas leases on National Forest System (NFS) in the North Fork area. The first well drilled on record was completed on December 1, 1953 by James Cline to a depth of 435 feet.

Of the 116 wells, 15 are presently producing natural gas; 29 are capable of production, but are shut-in; and 72 have been drilled, abandoned and plugged. Records show that an additional 18 wells are proposed or in the approval process. On private land, records show that there are 38 wells: 16 are drilled, abandoned and plugged; 16 are producing or shut-in; and 6 are in the approval process.

The majority of these wells were drilled in the 1970s and 1980s. Most recent activity has related to re-drilling wells on existing well pads. One new well was drilled on NFS lands in 2008. There is currently interest in drilling 4 new wells in the North Fork area on NFS lands.

Bull Mountain Unit Area:

- Federally approved Unit Area on August 14, 2003. A federal unit provides for more orderly development by consolidating multiple lease holders' operations into a single unit.
- Area is located entirely in Gunnison County. The area sits just past the intersection of State Highway 133/ Gunnison County Road 265 on the North, the South boundary is approximately 3 miles north of the Paonia Reservoir, and all the lands between the Forest Service boundaries to the East and West.
- Total surface acres included within the designated unit area = 19,645 acres.
- Federal surface acres (all BLM) included within designated unit area = 500 acres.
- Federal mineral estate within designated unit area = 13,295 acres.
- Private mineral estate within designated unit area = 6,293 acres.
- Federal mineral lease holders within the designated unit area are SG Interests VII, Ltd., Falcon Seaboard Oil & Gas LP, Harry Dernick, Paradox Partners LLC and Margan Investments LLC.
- 11 wells capable of producing natural gas exist within the unit.
- Produced water is being injected into deeper formations in the same vicinity, rather than using ponds or trucking to ponds located elsewhere.
- 150 natural gas wells are proposed on 55 multiple-well pads constructed to contain one to three wells each
- Additional information regarding proposals to develop federal minerals within the Bull Mountain Unit may be found at:

http://www.blm.gov/co/st/en/BLM_Information/nepa/ufo.html



Gunnison Energy Corporation's Plan of Development for Hotchkiss Federal Wells

- The lands included in the Plan of Development are located on BLM public lands and private land in Gunnison County. All between State Highway 133 and West to the USFS Boundary and between approximately 1 mile North of the Paonia Reservoir to 3 miles North of the Paonia Reservoir.
- Environmental Assessment to drill 16 wells on 15 well pads approved by UFO BLM on February 10, 2009.
- 8 Applications for Permit to Drill (APDs) currently approved for drilling by Uncompahgre Field Office (UFO) BLM, one of which was drilled in 2009.
- 8 APDs remain to be submitted in association with this Plan of Development.
- All wells will be drilled to access Federal mineral estate beneath Private surface estate

Oak Mesa Proposed Unit information:

- Proposed area is located entirely in Delta County and sits between Dry Creek on the West, East Roatcap Creek on the East, USFS boundary on the North, and the South Rim of Oak Mesa.
- Total surface acres proposed for unit area = 24,821 acres.
- Federal (BLM) surface with federal minerals included in proposed unit area = 4,953 acres.
- Private surface with federal minerals included in proposed unit area = 17,661 acres.
- Private surface with private mineral estate within the proposed unit area = 2,207 acres.
- Federal mineral lease holders within the proposed unit area are Gunnison Energy Corporation, Retamco Operating Inc., and Richard A. Peterson
- Three natural gas wells have been drilled and abandoned within the proposed unit area since 2005.
- The unitization agreement has been proposed, but has not yet received Federal approval as the Oak Mesa Unit Area.
- There is no pipeline to transport the gas in the Oak Mesa area.

Other Potential Development in the Area

- Somerset Unit
 - Approved unit on Forest Service lands
- Huntsman Unit
 - Proposed unit on Forest Service lands

Wells Gulch Evaporation Ponds Proposal

- Area is located approximately 12 miles northwest of the City of Delta, Colorado.
- Wells Gulch Evap Inc., has filed a Right of Way (ROW) application with BLM UFO to use approximately 1,400 feet of existing road on public land to reach private land where they have proposed to construct an evaporation pond development on private land.
- The BLM Right of Way application is pending Threatened/Endangered Species and Cultural Resource inventory and reviews.
- There will be a public environmental review process regarding this project.

What is Split Estate?

- In split estate situations, the surface rights and subsurface rights (such as the rights to develop minerals) for a piece of land are owned by different parties. In these situations, mineral rights are considered the dominant estate, meaning they take precedence over other rights associated with the property, including those associated with owning the surface. However, the mineral owner must show due regard for the interests of the surface estate owner and occupy only those portions of the surface that are reasonably necessary to develop the mineral estate.
- Split estate came about during the homesteading period after 1910, when the federal government determined that some federal lands being given away to homesteaders had

subsurface value for mineral extraction. The government began selling the surface and either retaining the minerals or selling them to someone else.

- The BLM's split estate policy only applies to situations where the surface rights are in private ownership and the rights to development of the mineral resources are publicly held and managed by the Federal government.

What is Unitization?

- Unitization provides for the exploration and development of an area by a single operator so that drilling and production in the unit may proceed in the most efficient and economical manner.
- Units are delineated based on the geology of the area.
- Unit agreements normally encompass all oil and gas interests in all formations within the unit area.
- Federal leases committed to a unit may be extended by the drilling of a well that is capable of producing in paying quantities.
- By effectively eliminating internal property boundaries within the unit area, unitization permits the most efficient and cost-effective means of developing the underlying oil and gas resources.
- The BLM Authorized Officer has a responsibility to ensure that unit development proceeds in a way that continues to serve the public interest, regardless of whether the Federal lands comprise only a small fraction or a major part of the unit area.
- Unitization is normally proposed by lease-holders, but must be approved by the BLM.

More information regarding the oil and gas program may be obtained on-line at the following website addresses:

Federal Oil and Gas Leasing

http://www.blm.gov/co/st/en/BLM_Programs/oilandgas/leasing.html

Federal Oil and Gas Permitting

http://www.blm.gov/co/st/en/BLM_Programs/oilandgas.html

U.S. Forest Service

<http://www.fs.fed.us/r2/gmug/policy/#mine>

State of Colorado Oil and Gas Permitting

<http://cogcc.state.co.us/>

Colorado Uncompahgre Field Office NEPA website address

http://www.blm.gov/co/st/en/BLM_Information/nepa/ufo.html

Colorado Uncompahgre Field Office Planning website address

http://www.blm.gov/co/st/en/fo/ufo/uncompahgre_rmp.html

BLM Split Estate and Land Management Policy

http://www.blm.gov/wo/st/en/prog/energy/oil_and_gas/best_management_practices/split_estate.html

Delta County

www.deltacounty.com