

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY
Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
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John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta Piñeda
Director

July 24, 2012

Mr. Jeff Stevenson
Shell Exploration & Production Company
3737 Bellaire Blvd.
Houston, TX 77025

Re: Shell Exploration & Production Company, Notice of Intent (NOI) P-2012-013, Mahogany Research Project – Private Land Well Pad Discharges to Ground Water, Notice of Deficiency.

Dear Mr. Stevenson,

The Division of Reclamation, Mining and Safety (DRMS) has reviewed the Mahogany Research Project – Private Land Well Discharges to Ground Water Notice of Intent to Conduct Prospecting Operations (NOI), No. P-2012-013, submitted July 6, 2012. The NOI has a few clarifications that need to be addressed in order for the notice to be considered adequate to begin operations.

1. In order to protect the prevailing hydrologic balance discharges to groundwater shall not have an impact to the prevailing water quality of the receiving aquifer. The proposed operation intends to discharge water with a total dissolved solids (TDS) value below 10,000 mg/L. All water that has a TDS value above 10,000 mg/L will be hauled offsite to an approved waste disposal facility. Please explain the rationale of infiltrating water with a higher TDS value than the receiving Uinta aquifer.
2. The NOI proposes to apply produced ground water by a spray type water truck for dust suppression of the water meets applicable discharge requirements. Water with a TDS higher than 1.25 times background values shall not be applied to road surfaces in order to protect existing soil and surface water qualities that exist in the Yellow Creek drainage basin.
3. Please supply information that characterizes the water quality of the receiving aquifer (Uinta) along with the general water quality of the water intended to be disposed of for TDS, oil & Grease, and alkalinity or acidity (pH).

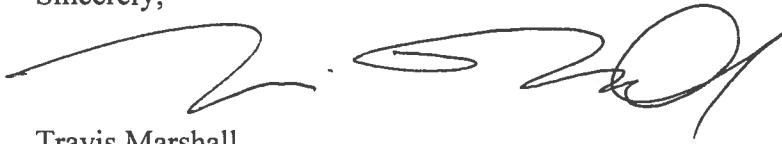
Per Rule 5.3.1(b) the operator shall address all identified deficiencies within 60 days of this notification. Please submit a response to the listed items as soon as possible prior to September 22, 2012 to allow the Division time to review your response. If your response or a written

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request for an extension is not received by September 14, 2012 the request for the NOI may be denied.

If you need additional information, please contact me at the Division of Reclamation, Mining and Safety, Grand Junction Field Office, 101 S. 3rd St., Suite 301, Grand Junction, Colorado 81501, telephone no. (970) 241-2042.

Sincerely,

A handwritten signature in black ink, appearing to read 'Travis Marshall', with a stylized, flowing script.

Travis Marshall
Environmental Protection Specialist

ec: Russ Means, DRMS