

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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August 9, 2012

Mr. Jeffrey D. Stevenson
Shell Frontier Oil & Gas Inc.
3737 Bellaire Blvd.
Houston, TX 77025

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta Piñeda
Director

Re: Shell Frontier Oil & Gas Inc., Notice of Intent (NOI) P-2010-026, Modification No. 2 Request Approval.

Mr. Stevenson:

The Division of Reclamation, Mining and Safety has completed the review of the above referenced Notice of Intent modification application. It appears that the request meets the requirements of the Act and Rules. Therefore, staff is pleased to inform Shell Frontier Oil and Gas Inc. that Modification No. 2 is approved.

Modification No. 1 addresses the following:

- Construction of a 3 wire steel / wood post fence around entire perimeter of the East Lease RDD area.

The terms of the Modification No. 2 approved by the Division are hereby incorporated into Permit No. P-2010-026. All other conditions and requirements of Permit No. P-2010-026 remain in full force and effect.

The Division currently holds a statewide reclamation bond of \$28,000,000.00 for prospecting on public land which is adequate to reclaim the site.

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".

Travis Marshall
Environmental Protection Specialist

cc: Steve Shuey, DRMS

Paul Daggett
BLM – White River Field Office
220 E. Market Street
Meeker, CO 81641

Enclosure(s): Update Reclamation Cost Estimate

COST SUMMARY WORK

Task description: Reclamation Cost Estimate

Site: Multi-Mineral RDD Lease Permit Action: Reclamation Cost Estimate Permit/Job#: P2010026

PROJECT IDENTIFICATION

Task #: 001 State: Colorado Abbreviation: None
Date: 8/10/2011 County: Rio Blanco Filename: P026-001
User: THM

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
01a	Demolition and Disposal	DEMOLISH	1	0.00	\$543,198.48
02a	Seal all open boreholes per regulatory requirements	BOREHOLE	1	976.40	\$881,615.55
03a	Backfill and regrade storm water pond	DOZER	3	1.88	\$967.91
04a	Regrade site (excluding pond and access road)	DOZER	3	51.70	\$26,666.52
05a	Regrade site access road	DOZER	3	13.33	\$6,877.53
06a	Rip all regraded surfaces to a depth of 18 inches prior to s	RIPPER	3	6.12	\$3,161.00
07a	Replace stockpiled topsoil over 12.2 acres	SCRAPER1	1	33.33	\$18,494.17
08a	Pinyon Pine / Utah Juniper 3.91 acres	REVEGE	1	0.00	\$13,719.13
08b	Revegetate 6.66 acres mid-slope community	REVEGE	1	6.66	\$9,846.54
08c	Revegetate 1.63 acres of upland drainage community	REVEGE	1	1.63	\$3,568.75
09a	Mobilization	MOBILIZE	1	8.00	\$13,587.89
10a	Subsurface Reclamation Costs	NETHOUR	1	250.00	\$531,861.00
<u>SUBTOTALS:</u>				1349.05	\$ \$2,053,564.47

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance:	2.02	Total =	\$41,482.00
Performance bond:	1.05	Total =	\$21,562.43
Job superintendent:	674.52	Total =	\$39,999.04
Profit:	10.00	Total =	\$205,356.45
		TOTAL O & P =	\$308,399.92
		CONTRACT AMOUNT (direct + O & P) =	\$2,361,964.39

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs):	500.00	Total =	500.00
Engineering work and/or contract/bid preparation:	4.25	Total =	\$100,383.49
Reclamation management and/or administration:	5.00		\$118,098.22

CONTINGENCY: 3.00 Total = \$61,606.93

TOTAL INDIRECT COST = \$588,988.56

TOTAL BOND AMOUNT (direct + indirect) = \$2,642,553.03

DEMOLITION WORK

Task description: Demolition and Disposal

Site: Multi-Mineral RDD Lease Permit Action: Reclamation Cost Estimate

Permit/Job#: P2010026

PROJECT IDENTIFICATION

Task #: 01A
Date: 8/8/2011
User: THM

State: Colorado
County: Rio Blanco

Abbreviation: None
Filename: P026-01a

Agency or organization name: DRMS

UNIT COSTS

Location adjustment: 91.30 %

Structure or Item Description	Dimensions	Demolition Menu Selection	Quantity	Unit	Unit Cost	Total Cost
Electrical Transformer	25'L x 15'W x 15'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	5,625.00	CF	\$1.27	\$7,160.63
- concrete pad	25'L x 15'W x 6"T	Demo. and on-site disposal in existing pit, 6 in. thick - Max. 200 ft. push	375.00	SF	\$1.57	\$588.75
- pad foundation - caisson type (no footer)	6 @2ft. dia x 12ft. L	Demo. and on-site disposal in existing pit, 1.0 ft. x 2 ft. - Max. 50 ft. push	72.00	LF	\$6.23	\$448.56
- powerline extension from main line to transformer	single pole 1,175LF	Powerline or telephone line, overhead, wood - Single pole	1,175.00	LF	\$2.60	\$3,052.65
Pipe barrier between access road and transformer	156'L steel gaurd rail	Railing, roadside guiderail and posts (posts on 20 ft. centers)	156.00	LF	\$11.04	\$1,722.24
G-8701 unit superstructure + gutting	20'L x 10'W x 10'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	2,000.00	CF	\$1.27	\$2,546.00
- concrete pad	20'L x 10' W x 6"T	Demo. and on-site disposal in existing pit, 6 in. thick - Max. 200 ft. push	200.00	SF	\$1.57	\$314.00
- concrete foundation/footer	6@2ft. dia x 12ft. L	Demo. and on-site disposal in existing pit, 1.0 ft. x 2 ft. - Max. 50 ft. push	120.00	LF	\$6.23	\$747.60
Footbridge between G-8701 unit and control room	25' L x 5' H x 5'W	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	625.00	CF	\$1.27	\$795.63
Control room - superstructure + gutting	60'L x 20'W x 25'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	30,000.00	CF	\$1.27	\$38,190.00
- entryway and stairs (2 sets)	35'L total x 5'W x 5'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	875.00	CF	\$1.27	\$1,113.88
- concrete floor	60'L x 20'W x	Demo. and on-site	1,200.00	SF	\$1.57	\$1,884.00

- concrete pad	20'L x 10'W x 6"T	Demo. and on-site disposal in existing pit, 6 in. thick - Max. 200 ft. push	200.00	SF	\$1.57	\$314.00
- concrete foundation/footer	6@ 2ft. dia. x 12 ft. L	Demo. and on-site disposal in existing pit, 1.0 ft. x 2 ft. - Max. 50 ft. push	72.00	LF	\$6.23	\$448.56
Electric Heater bldg. - superstructure + gutting	40'L x 20'W x 25' h	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	20,000.00	CF	\$1.27	\$25,460.00
- concrete floor	40'L x 20'W x 8"T	Demo. and on-site disposal in existing pit, 8 in. thick - Max. 200 ft. push	800.00	SF	\$2.09	\$1,672.00
- concrete foundation/stemwall	120' perimeter x 8"T x 2'	Demo. and on-site disposal in existing pit, 8 in. thick - Max. 200 ft. push	240.00	SF	\$2.31	\$554.40
- concrete footer, strip type	120' perimeter x 1.5'Tx2.	Demo. and on-site disposal in existing pit, 1.5 ft. x 3 ft. - Max. 200 ft. push	120.00	LF	\$14.12	\$1,694.40
Pipe rack #2 - heater bldg. to loadout - superstructure	70'L x 6'W x 2'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	840.00	CF	\$1.27	\$1,069.32
- concrete cable tray foundation caissons (20 ft. ctrs)	5 x 2 @ 2ft. dia. x 6'L.	Demo. and on-site disposal in existing pit, 1.0 ft. x 2 ft. - Max. 50 ft. push	120.00	LF	\$6.23	\$747.60
Piping - test pad	150'L x 4'W x 2'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	1,200.00	CF	\$1.27	\$1,527.60
Pipe rack #2 - heater bldg. to loadout - superstructure	685'L x 6'W x 2'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	8,220.00	CF	\$1.27	\$10,464.06
- concrete cable tray foundation caissons (20 ft. ctrs)	36 x 2 @ 2ft. dia. x 6'L	Demo. and on-site disposal in excavated pit, 1.5 ft. x 2 ft. - Max. 50 ft. push	216.00	LF	\$9.57	\$2,067.12
Cooler bldg. No. 1 - superstructure + gutting	37'L x 25'W x 25'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	23,125.00	CF	\$1.27	\$29,438.13
- concrete floor	37'L x 25'W x 8"T	Demo. and on-site disposal in existing pit, 8 in. thick - Max. 200 ft. push	925.00	SF	\$2.09	\$1,933.25
- concrete foundation wall	144' per. x 8"T x 2'H	Demo. and on-site disposal in existing pit, 8 in. thick - Max. 200 ft. push	288.00	SF	\$2.31	\$665.28
- concrete footer, strip type	144' per. x 2'T x 3'H	Demo. and on-site disposal in excavated pit, 2.0 ft. x 3 ft. - Max.	144.00	LF	\$19.30	\$2,779.20

to pipe rack	stl pipe	connections - 10 in. diameter pipe				
Flare system piping - pipe rack No. 2 to flare stack	158'L x 4" dia. ins. stl	Pipe, steel, welded connections - 4 in. diameter pipe	158.00	LF	\$6.97	\$1,100.72
- piping "t" supports above grade	8@ 3'W x .5'H stl pipe	USER PROVIDED ITEM	64.00	LF	\$7.60	\$486.40
- piping "t" support foundations	8@2' dia. x 6'L	Demo. and on-site disposal in existing pit, 2.0 ft. x 3 ft. - Max. 50 ft. push	48.00	LF	\$18.68	\$896.64
- flare stack superstructure	4" dia. x 50' H guy wires	USER PROVIDED ITEM	1.00	EA	\$1,416.00	\$1,416.00
- flare stack guy wire foundations	4@2' dia. x 6'L	Demo. and on-site disposal in existing pit, 1.5 ft. x 2 ft. - Max. 50 ft. push	24.00	LF	\$9.34	\$224.16
Tank battery - verticle tanks - tank bodies	10 stl. tanks @ 12'x20'	USER PROVIDED ITEM	10.00	EA	\$4,642.75	\$46,427.50
- stairs/catwalk	2@25'L x 3'W x 5'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	750.00	CF	\$1.27	\$954.75
- concrete containment pad	115'L x 58'W x 12"T	Demo. and on-site disposal in excavated pit, 12 in. thick - Max. 200 ft. push	6,670.00	SF	\$3.22	\$21,477.40
- concrete containment curb wall	346'P x 8"T x 3'H	Demo. and on-site disposal in excavated pit, 8 in. thick - Max. 200 ft. push	1,038.00	SF	\$2.36	\$2,449.68
- concrete containment footer	346'P x 2'T x 3'H	Demo. and on-site disposal in excavated pit, 2.0 ft. x 3 ft. - Max. 200 ft. push	346.00	LF	\$19.30	\$6,677.80
- tank surface inlet/outlet piping to pipe rack #2	240'L x 4-6"dia ins. stl.	Pipe, steel, welded connections - 10 in. diameter pipe	240.00	LF	\$13.95	\$3,348.89
- tank vent & associated piping	31'L x 4-6"dia. ins. stl.	Pipe, steel, welded connections - 10 in. diameter pipe	31.00	LF	\$13.95	\$432.56
Cooler bldg. No. 2 - superstructure & gutting	25'L x 20'W x 25'H	Plant (1S) demo./off-site disposal in approved landfill - Max. 60 mile haul	12,500.00	CF	\$1.27	\$15,912.50
- concrete floor	25'L x 20'W x 8"T	Demo. and on-site disposal in excavated pit, 8 in. thick - Max. 200 ft. push	500.00	SF	\$2.14	\$1,070.00
- concrete foundation wall	90'P x 8"T x 2'H	Demo. and on-site disposal in excavated pit, 8 in. thick - Max. 200 ft. push	180.00	SF	\$2.36	\$424.80
- concrete footer, strip type	90'P x 2'T x 3'H	Demo. and on-site disposal in excavated pit, 2.0 ft. x 3 ft. - Max. 200 ft. push	90.00	LF	\$19.30	\$1,737.00
- piping - cooler bldg. to pipe rack	60'L x 4-6" dia. ins. stl	Pipe, steel, welded connections - 10 in.	60.00	LF	\$13.95	\$837.22

- culvert #2 - drainage to pond under loadout loop road	2ft. dia. CMP x 35'L	Pipe, corrugated metal (CMP) - 24 in. diameter pipe	35.00	LF	\$3.10	\$108.50
Dump fees for non-concrete building material	tonnage est. at 75% CY vl	USER PROVIDED ITEM	758.00	ton	\$58.22	\$44,130.76
Removal of BLM 8'-10' Chain link Fence	8'H chain link	Fencing, chain link, including posts and fabric - 8 ft. to 10 ft. high	4,770.00	LF	\$2.74	\$13,069.80
Removal of 3 wire Permieter Fence	3'H 3 wire	Fencing, barbed wire, - 3 strand	10,000.00	LF	\$1.28	\$12,800.00

Job Hours: 0.00

Subtotal
(unadjusted): \$594,960.00

Total Cost
(adjusted for location): \$543,198.48