

September 21, 2009

Ms. Karen Spray Colorado Oil & Gas Conservation Commission P.O. Box 2651 Durango, CO 81302-2651

RE: 4M Installation and Startup Report

Ms. Spray:

LT Environmental, Inc. (LTE) is pleased to submit the Installation and Startup Report for the 4M Outcrop Mitigation Project in La Plata County Colorado to the Colorado Department of Natural Resources (DNR) Colorado Oil & Gas Conservation Commission (COGCC).

Background

The objective of the 4M methane mitigation system is to demonstrate the economical and technical viability to recover and use the uncontrolled methane along the Outcrop. Additional system goals are to operate while helping protect the environment, including reducing carbon emissions and improving plant growth. To accomplish these objectives, LTE designed and installed vapor collection and barrier systems for methane collection at both the South Fork Texas Creek and Pine River sites. At the South Fork Texas Creek site, the recovered methane is being used to run a turbine, which is generating electricity to operate the collection system. The turbine is also returning any excess power to the local electrical grid for credit as a renewable energy resource. The design, installation, and startup of the 4M methane mitigation system was completed in 2008 and 2009 as detailed in this report.

Mitigation System Design

LTE completed a soil vapor survey over the planned methane collection areas in 2008. The survey included use of a flux meter to measure the rate of methane seepage (mole/m2/day). Using the results of the survey, including field measurements and vegetation observations, the mitigation system layout was adjusted to optimize methane collection. Figure 1 and Figure 2 display the methane readings and the system layout for the South Fork Texas Creek site and Pine River site, respectively.

Site 1 for this project is located near the South Fork Texas Creek. To address the seep and optimize recovery of methane, the design for the Texas Creek seep area included installation of a reverse french drain and vapor barrier methane collection system over a 0.8 acre area. The designed collection area focused on areas where methane seepage was more prevalent as identified by previous field studies. Four collection areas were utilized.



Site 2 for this project is located near the Pine River. To address the seep and optimize recovery of methane, the design for the Pine River seep area included installation of a reverse french drain methane collection system over 0.7 acres utilizing four collection areas. In an effort to focus on areas where methane seepage was more prevalent and minimize oxygen recovery, some lengths of piping were solid while others were slotted, depending on the data collected during previous field studies.

Mitigation System Installation

In each of the South Fork Texas Creek collection areas, soil was removed to a depth of approximately 18-inches. Corrugated slotted drain piping was installed on 20-25 foot centers throughout the collection areas. The entire collection area was filled with approximately 9 inches of 3/8-1/2 inch gravel, and a 15-mil vapor barrier was installed over the rock. On top of the vapor barrier, soil was replaced and the area was seeded with a native mix.

At the Pine River collection areas, soil was removed to a depth of approximately 18-inches, where piping (both slotted and solid) was installed on 15 foot centers. Only the trenches where the piping was laid were filled with approximately 9 inches of 3/8-1/2 inch gravel under a 15-mil vapor barrier. On top of the vapor barrier, soil was replaced and the area was seeded with a native mix.

The horizontal collection piping at both sites was connected to header piping, which was connected to a valve manifold. Sampling ports allow for collection and analytical testing of the gas for each of the four collection areas. The valves allow for flow adjustment, making it possible to focus on the more productive areas for gas collection.

At both sites, the gas mixture is treated to remove moisture and filtered before being compressed. The process equipment is located in a small building on a concrete pad. At the South Fork Texas Creek site, the turbine is located in a separate building to isolate the gas collection and use components for safety. Each system includes a continuous methane and oxygen concentration detector. The sensors are connected to controls and are utilized to shut down the process equipment if the gas mixture is not able to be safely used to power the turbine or if the gas quality falls near the upper explosive range. A list of major equipment components is provided on Table 1.

At the South Fork Texas Creek site, a 30 kilowatt (kW) turbine fueled by the collected gas is utilized to create enough electricity to operate the collection equipment. The system is connected to the power grid allowing for the excess generated electricity to be returned to the grid.

The subsurface piping and vapor barriers were installed and the concrete building pads were poured during October 2008. The installation area was then seeded and straw covered in November 2008, prior to winter weather. Work was discontinued while mineral rights clarification and approval of the final access and use agreement by British Petroleum (BP) and the COGCC was accomplished. Over the winter months (November 2008 through March 2009), equipment was ordered. Installation of the remediation system equipment was completed from April 8, 2009 through May 7, 2009. The As-Built Drawings for both sites are included as Attachment 1.



Mitigation System Startup

Startup testing was accomplished May 5, 2009 through May 7, 2009 at both the South Fork Texas Creek and Pine River sites.

South Fork Texas Creek

During the startup, the turbine was gradually ramped up from the initial 2 kilowatt (KW) setting on May 5 to a rate of 10 KW on May 7. The system was able to sustain operation without disruption due to vacuum/pressure or gas quality issues with the turbine running at 10 KW. Normal system operation utilizes approximately 6 KW of electrical power, allowing the remaining 4 KW to be placed back into the grid for a net gain with regards to electrical consumption.

During startup, gas quality was observed to consist of approximately 80% methane in three of the four collection zones, with zone four having readings of approximately 60% methane. However, after allowing the system to operate constantly over the startup period, the gas quality in all four zones exhibited methane levels of approximately 80%. At the conclusion of startup, all four zones were utilized for gas collection.

During startup activities, LTE personnel identified grass growing in areas previously prohibitive of vegetative growth. Visual observations also identified that the level of gas bubbling through the South Fork Texas Creek had seemingly increased since the installation of the subsurface system. The observed increase in both the vegetative growth and the escaping gas is believed to be due to the installation of the vapor barrier in the four collection areas.

Pine River

Gas quality was observed to fluctuate between 30% and 40% methane in the four collection zones during startup. Because lower methane concentrations are not conducive to combustion, the mitigation system blower was utilized to vent the methane to the atmosphere. If future operations show higher methane levels, electrical generation equipment similar to that at the South Fork Texas Creek site could be installed.

Summary and Conclusions

Current operation suggests that the design, installation, and startup of the methane mitigation system were successful. Visual observations (vegetation and creek) and field readings (gas quality and electrical generation) lend credence to the success of the mitigation system. The next phase of the methane mitigation system will consist of operation and continued monitoring. During that time, normal operation and maintenance activities will be performed, as well as system optimization.



K. Spray Page 4

LTE appreciates the opportunity to provide services to the COGCC. Please call us at 303-433-9788 if you have any questions or comments regarding this report.

Sincerely,

LT ENVIRONMENTAL, INC.

Matthe Dielkelen

Matthew R. Vielhaber, P.E. Project Engineer

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Christopher E. Shephard, P.E. Principal/Group Manager

Attachments: Table 1 – Major Equipment List Figure 1 – South Fork Texas Creek Site Layout Figure 2 – Pine River Site Layout As-Built Drawings TABLE



TABLE 1MAJOR EQUIPMENT LIST

	Equipment	As-Built Drawing	Quanitity	Manufacturer	Model	Specifications
	KO Tank	P100	1	Busch	U8	
Fork Creek	Gas Compressor (M-1)	P100	1	Capstone	Gas-Pac	16 cfm @ 80 psig
South Texas (Dryer	P100	1	N/A	N/A	
	Electrical Generator (M-2)	P100	1	Capstone	C30	Natural Gas, Grid Connect, 30 kW, Turbine Driven, Industrial Package
River	KO Tank	P200	1	N/A	N/A	
Pine	Gas Blower (M-3)	P200	1	Gast	R3105N-50	28 in wc max vacuum, 1/3 Hp

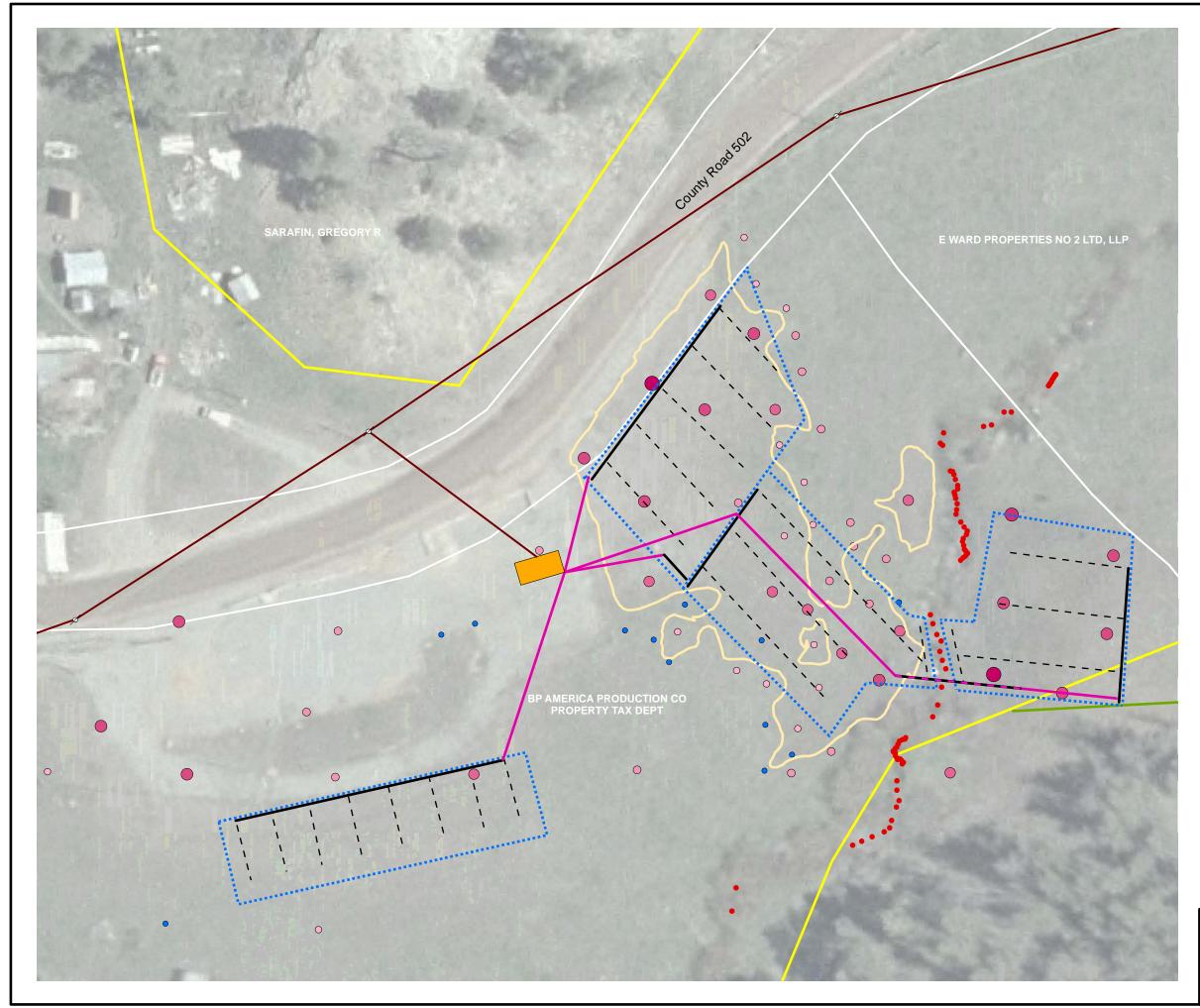
NOTE:

cfm - cubic feet per minute in wc - inches water column psig - pounds per square inch gauge Hp - horsepower kW - kilowatt N/A - not available



FIGURES





LEGEND

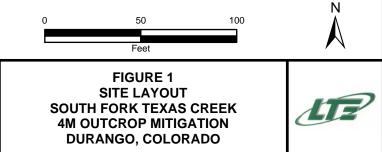
- Visible Methane Seeps in Surface Water
- + Gas Monitoring Probes
- Process Equipment Footprint
- Methane Flux Results (mole/m^2/day)
- 0.000000.00001 0.10000
- 0.10001 0.50000
- 0.50001 1.00000
- 1.00001 10.00000
- 10.00001 50.00000
- 50.00001 100.00000
- 100.00001 1175.00000
- ----- Overhead Electrical Line
- 15 mil Impervious Membrane
 - Parcel Boundary & Owner (white)
 - Stressed Vegetation

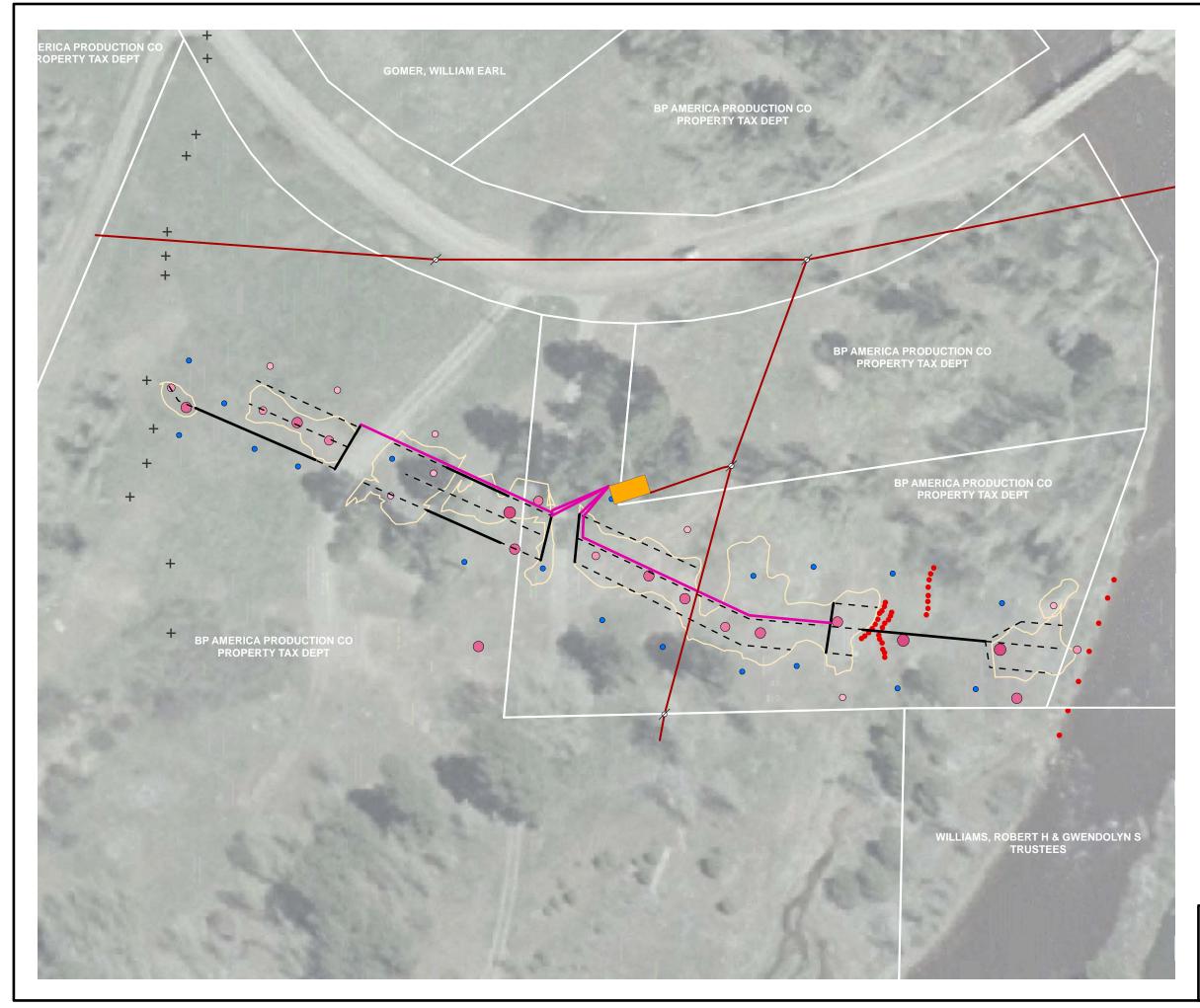
Piping

- 3" SCH 40 PVC
- ----- 3" SCH 80 PVC
- - 4" ADS Corrugated Piping (Slotted)
- 4" ADS Corrugated Piping (Solid)

Geology

- ----- Fruitland Formation (Kf)
- === Fruitland Formation Tongue (Kft)
- Kirtland Formation (Kk)
- Pictured Cliffs Formation (Kpc)
- === Pictured Cliffs Formation Tongue (Kpct)
- Quaternary Alluvium (Qa)
- Quaternary Gravel (Qg)





LEGEND

- Visible Methane Seeps in Surface Water
- + Gas Monitoring Probes
- Ø Power Pole
- Process Equipment Footprint
 - Stressed Vegetation
 - Parcel Boundary & Owner (white)
- ----- Power Line

Methane Flux Results (mole/m^2/day)

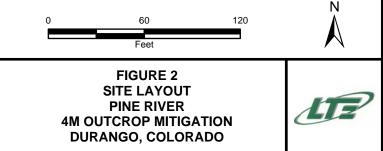
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- 1.09969 10.00000
- 10.98770 50.00000
- 100.00000
- 1175.00000

Piping

- - 4" ADS Corrugated Piping (Slotted)
- 4" ADS Corrugated Piping (Solid)

Geology

- ----- Fruitland Formation (Kf)
- === Fruitland Formation Tongue (Kft)
- Kirtland Formation (Kk)
- Pictured Cliffs Formation (Kpc)
- === Pictured Cliffs Formation Tongue (Kpct)
- Quaternary Alluvium (Qa)
- Quaternary Gravel (Qg)



AS-BUILT DRAWINGS



COLORADO OIL AND GAS CONSERVATION COMMISSION 4M OUTCROP MITIGATION DURANGO, CO

AS-BUILT DRAWINGS

G100 TITLE SHEET AND INDEX OF DRAWINGS

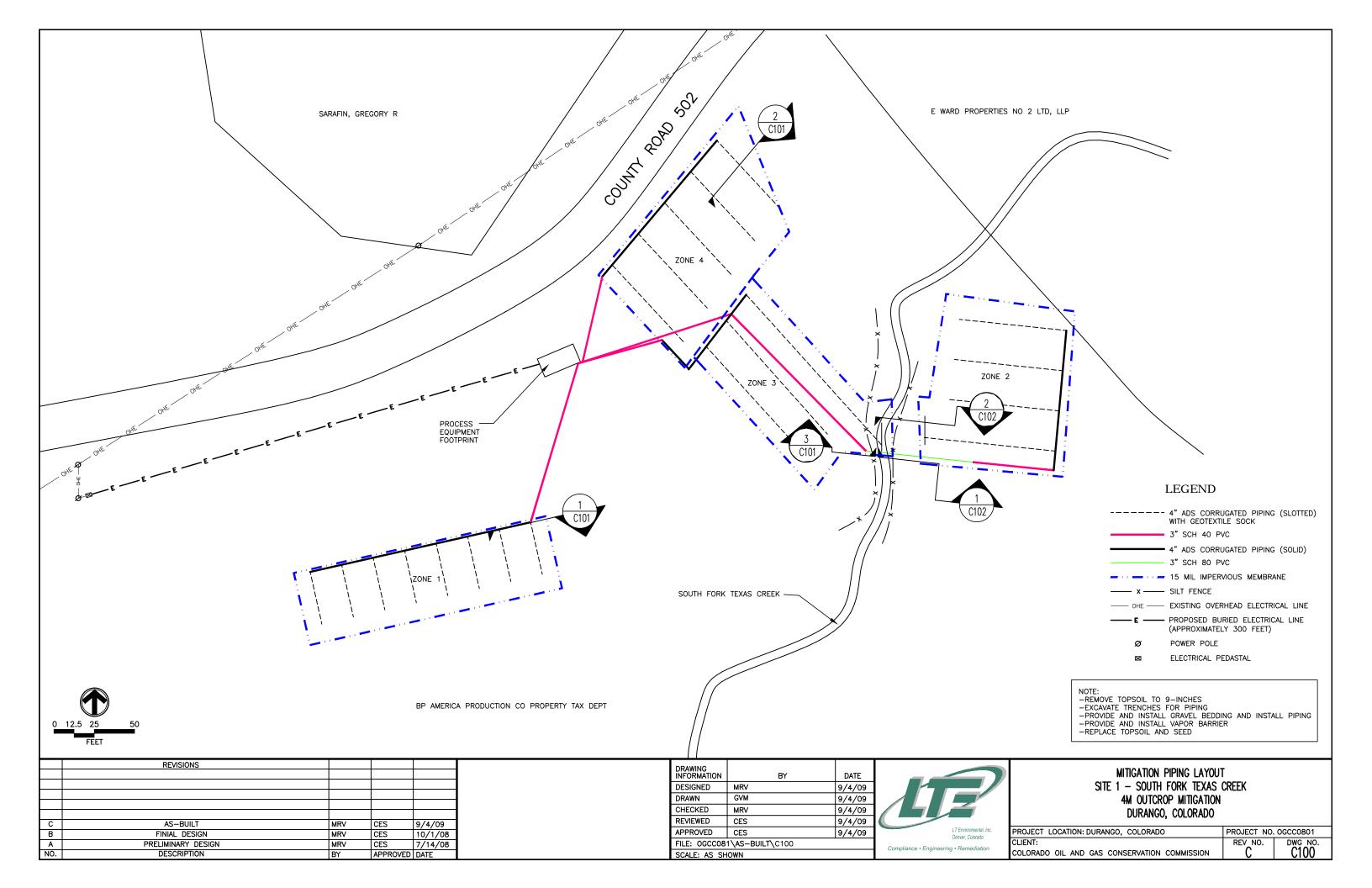
SITE 1 – SOUTH FORK TEXAS CREEK

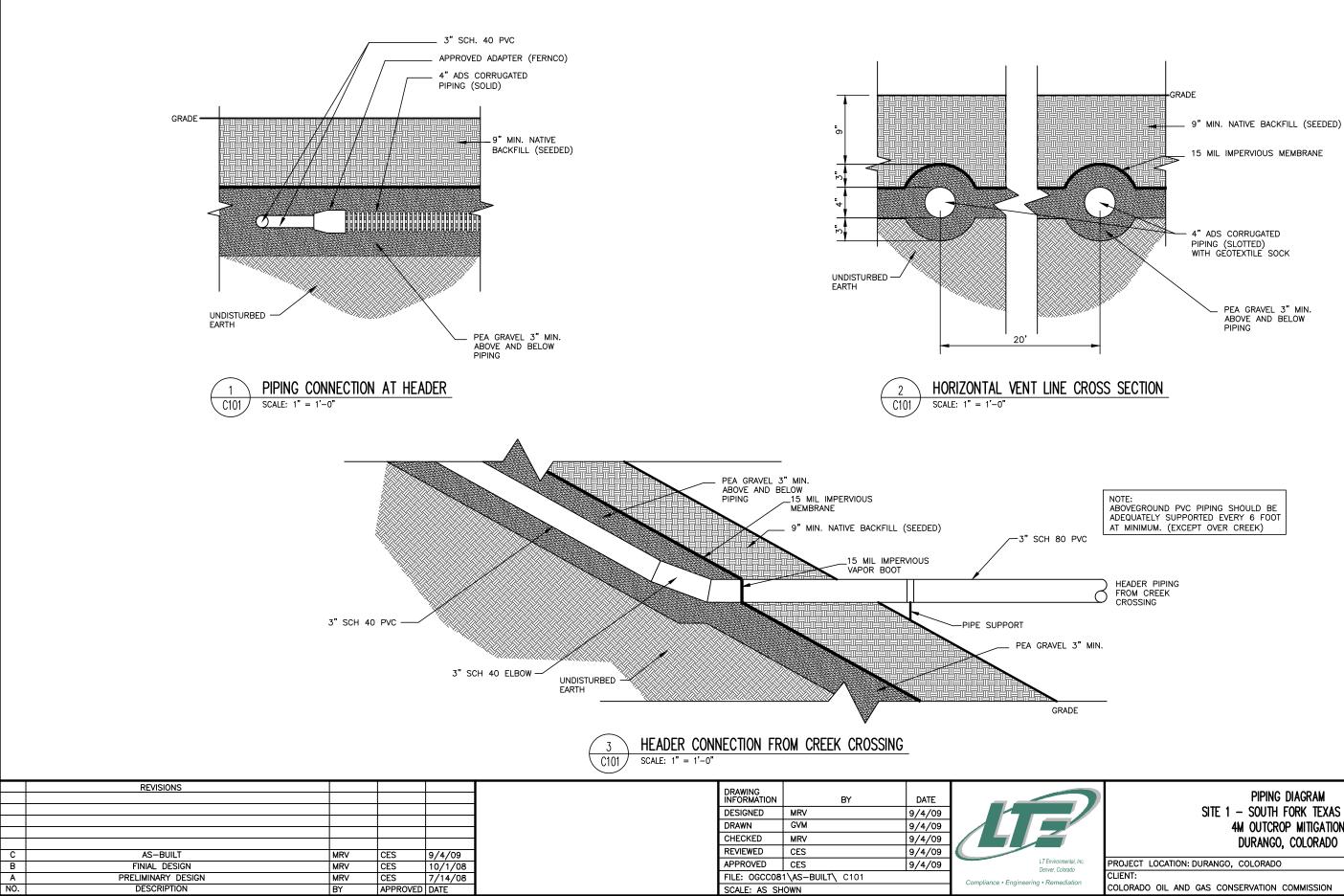
- C100 MITIGATION PIPING LAYOUT
- PIPING DIAGRAM C101
- PIPING AT CREEK CROSSING C102
- C103 CONCRETE PAD DETAILS
- C104 EQUIPMENT BUILDING DETAILS
- P100 PROCESS FLOW AND INSTRUMENTATION DIAGRAM
- P101 VALVE MANIFOLD
- P102 PROCESS EQUIPMENT LAYOUT

SITE 2 – PINE RIVER

- C200 MITIGATION PIPING LAYOUT
- C201 PIPING DIAGRAM
- C202 CONCRETE PAD DETAILS
- C203 EQUIPMENT BUILDING DETAILS
- P200 PROCESS FLOW AND INSTRUMENTATION DIAGRAM
- P201 VALVE MANIFOLD
- P202 PROCESS EQUIPMENT LAYOUT

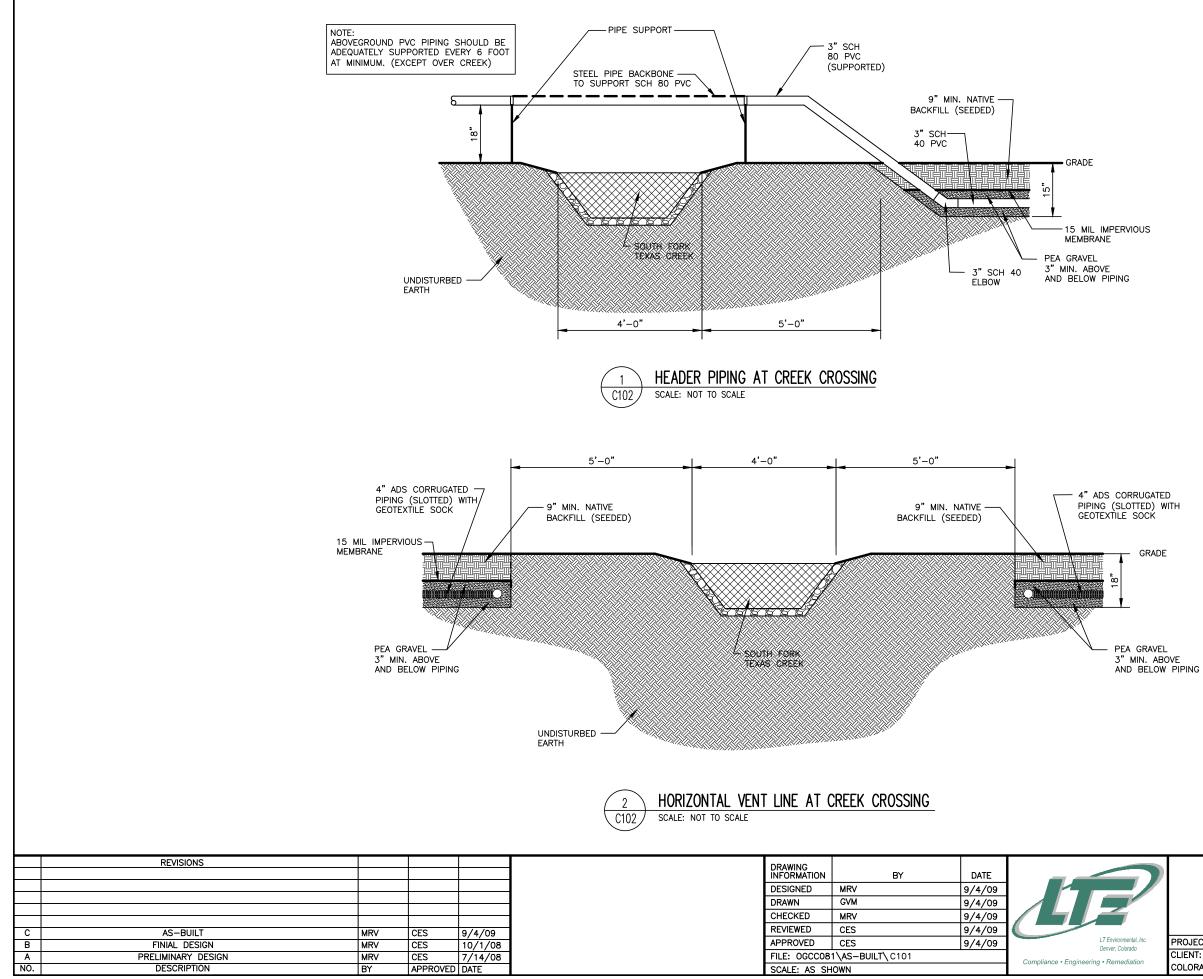
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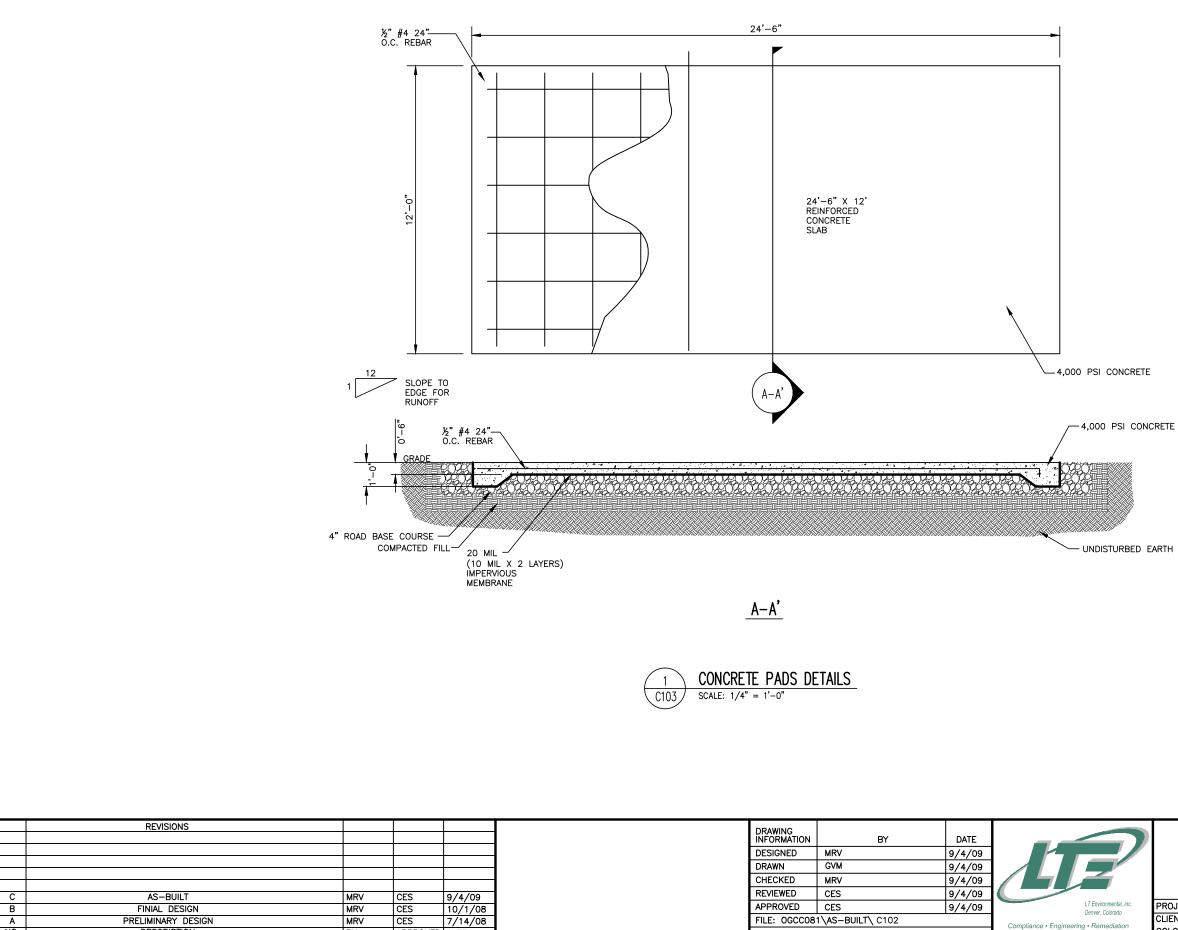
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PROJECT LOCATION: DURANGO, COLORADO	PROJECT NO.	. 0GCC0801
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PIPING AT CREEK CROSSING SITE 1 - SOUTH FORK TEXAS CREEK 4M OUTCROP MITIGATION DURANGO, COLORADO

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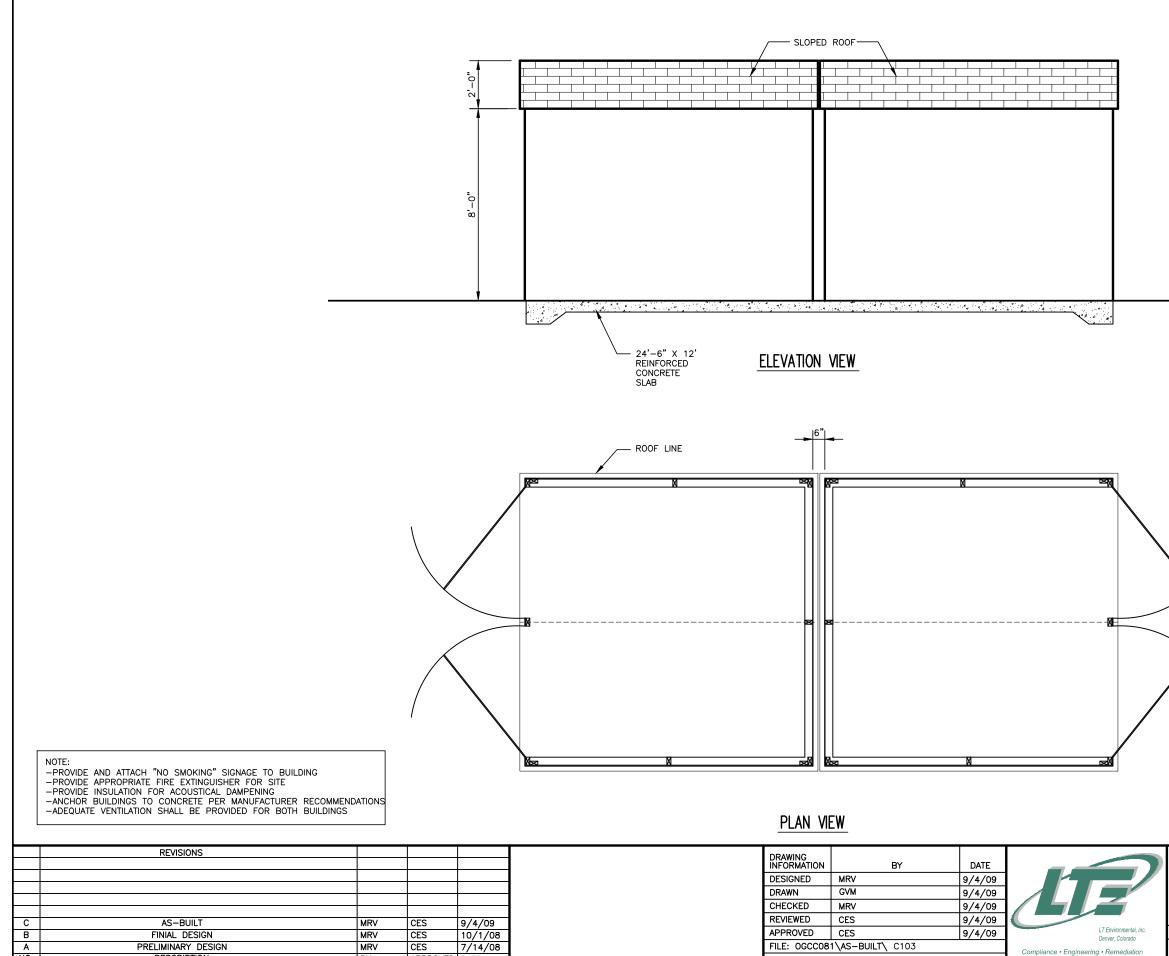
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CONCRETE PAD DETAILS SITE 1 - SOUTH FORK TEXAS CREEK 4M OUTCROP MITIGATION DURANGO, COLORADO

PROJECT LOCATION: DURANGO, COLORADO	PROJECT NO.	. 0GCC0801
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EQUIPMENT BUILDING DETAILS SITE 1 - SOUTH FORK TEXAS CREEK 4M OUTCROP MITIGATION DURANGO, COLORADO

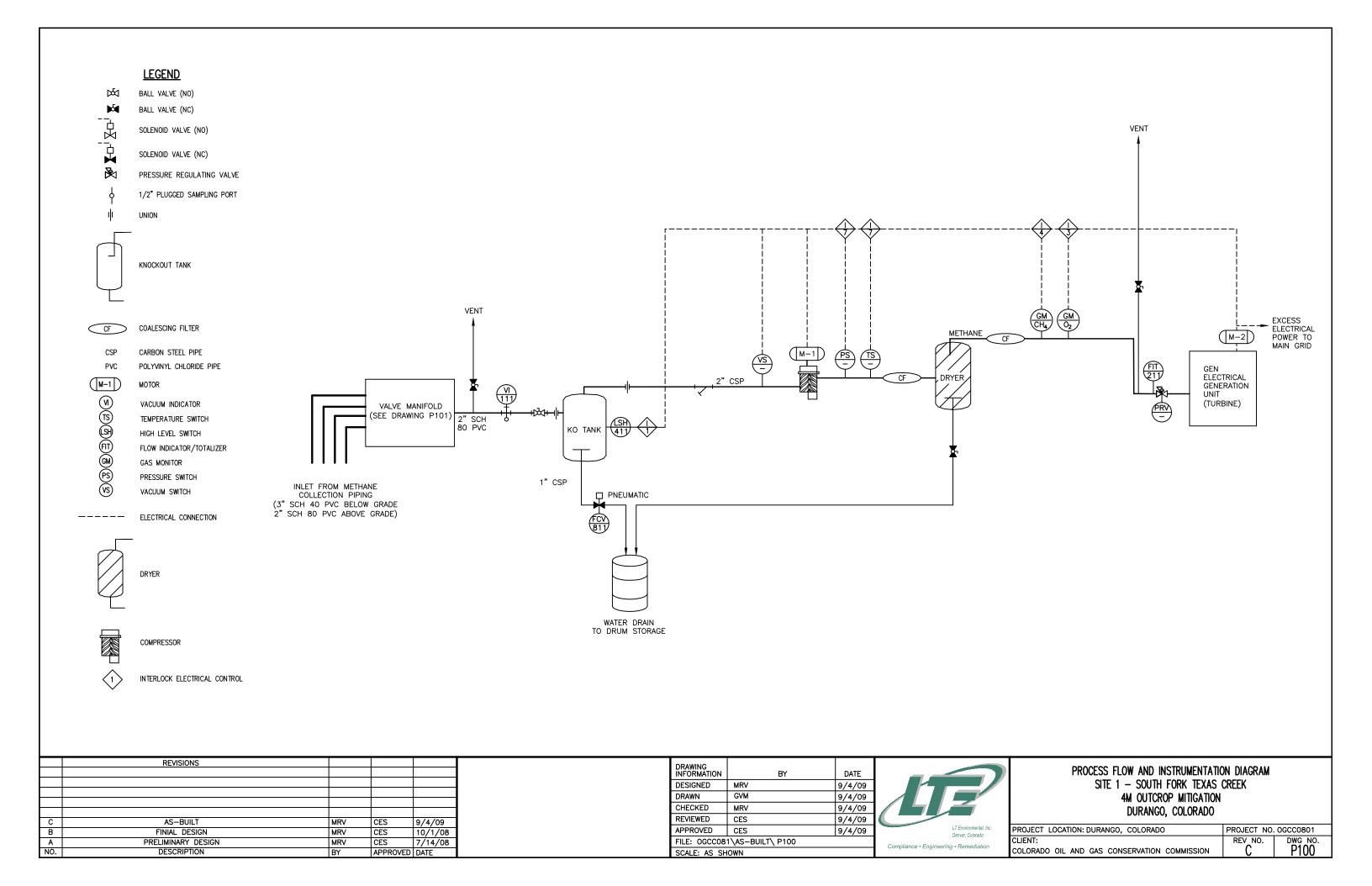
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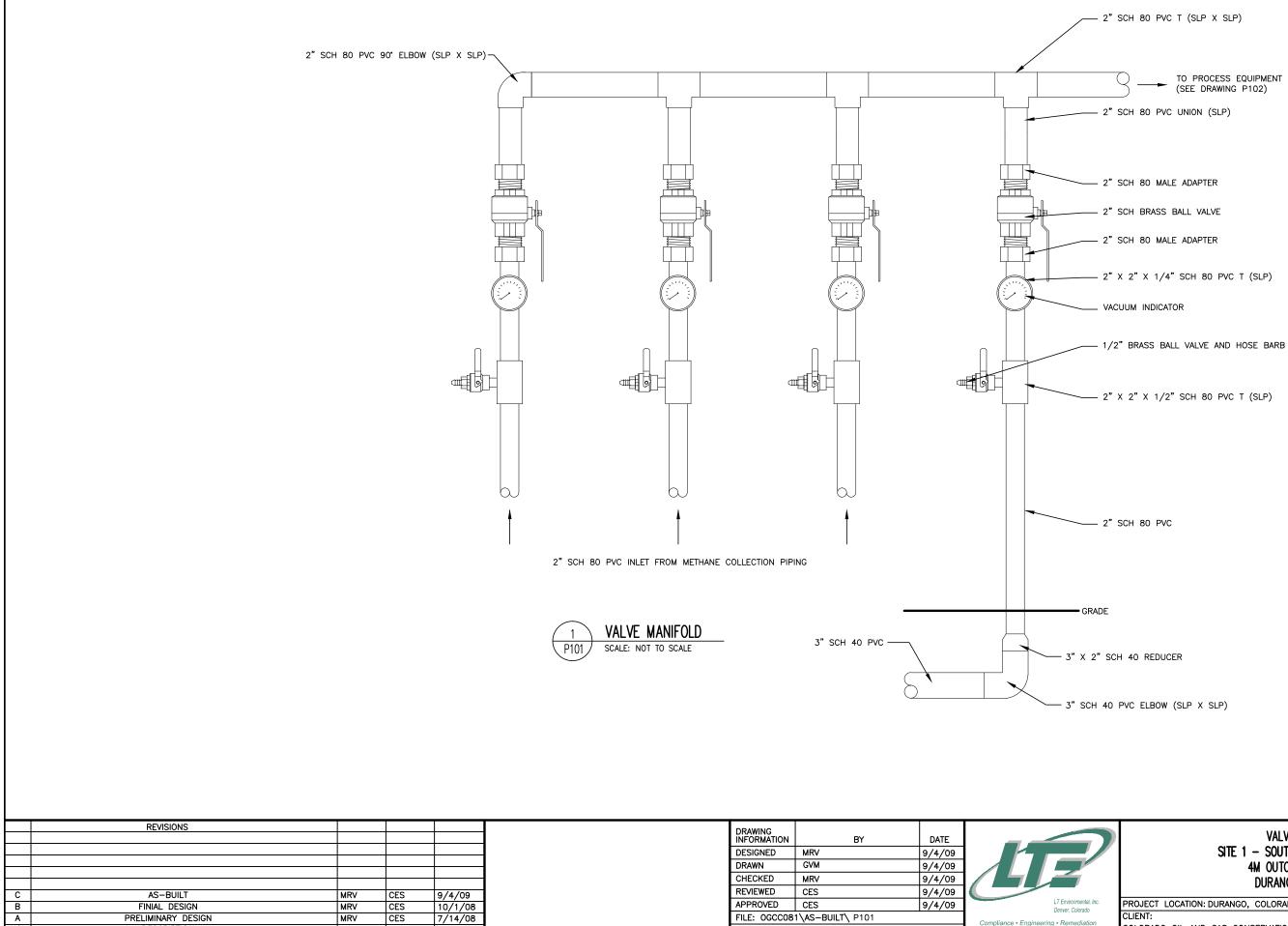
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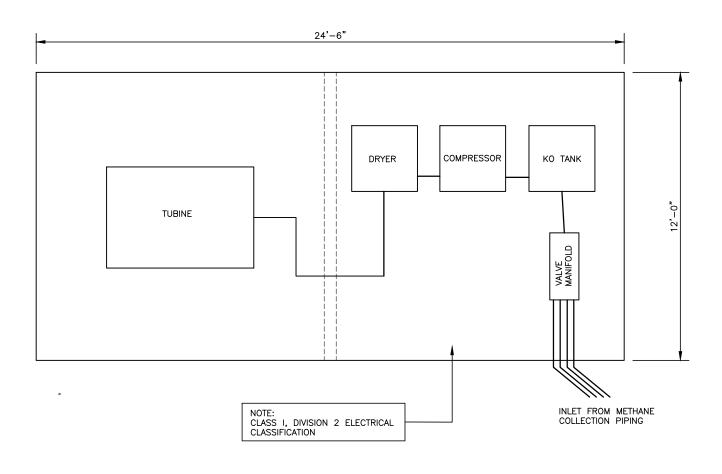
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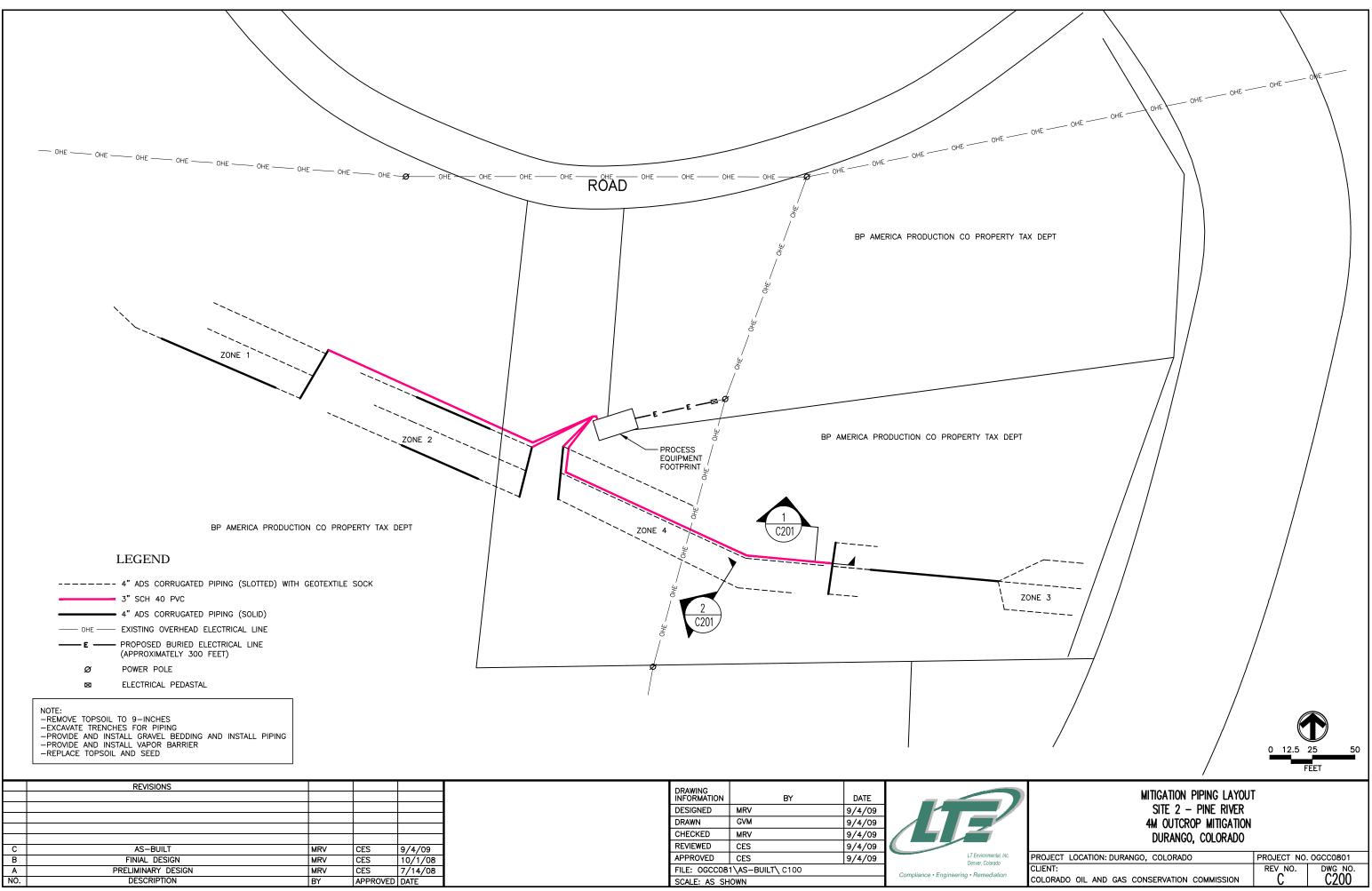
VALVE MANIFOLD SITE 1 - SOUTH FORK TEXAS CREEK 4M OUTCROP MITIGATION DURANGO, COLORADO

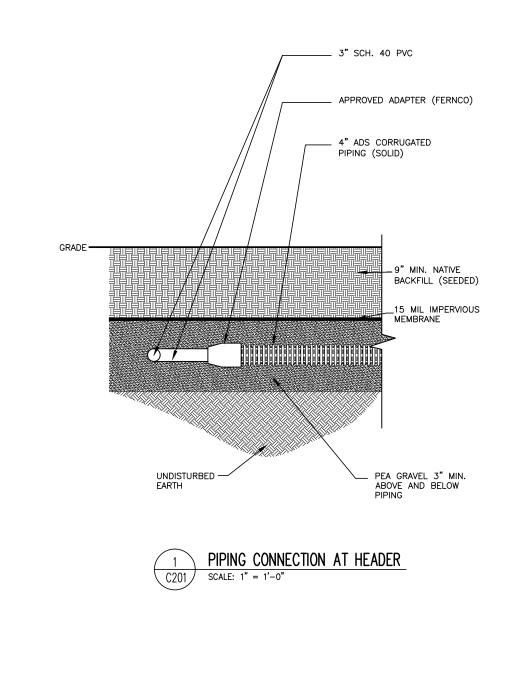
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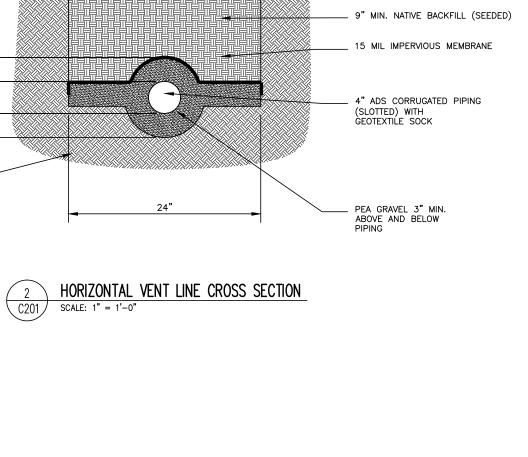
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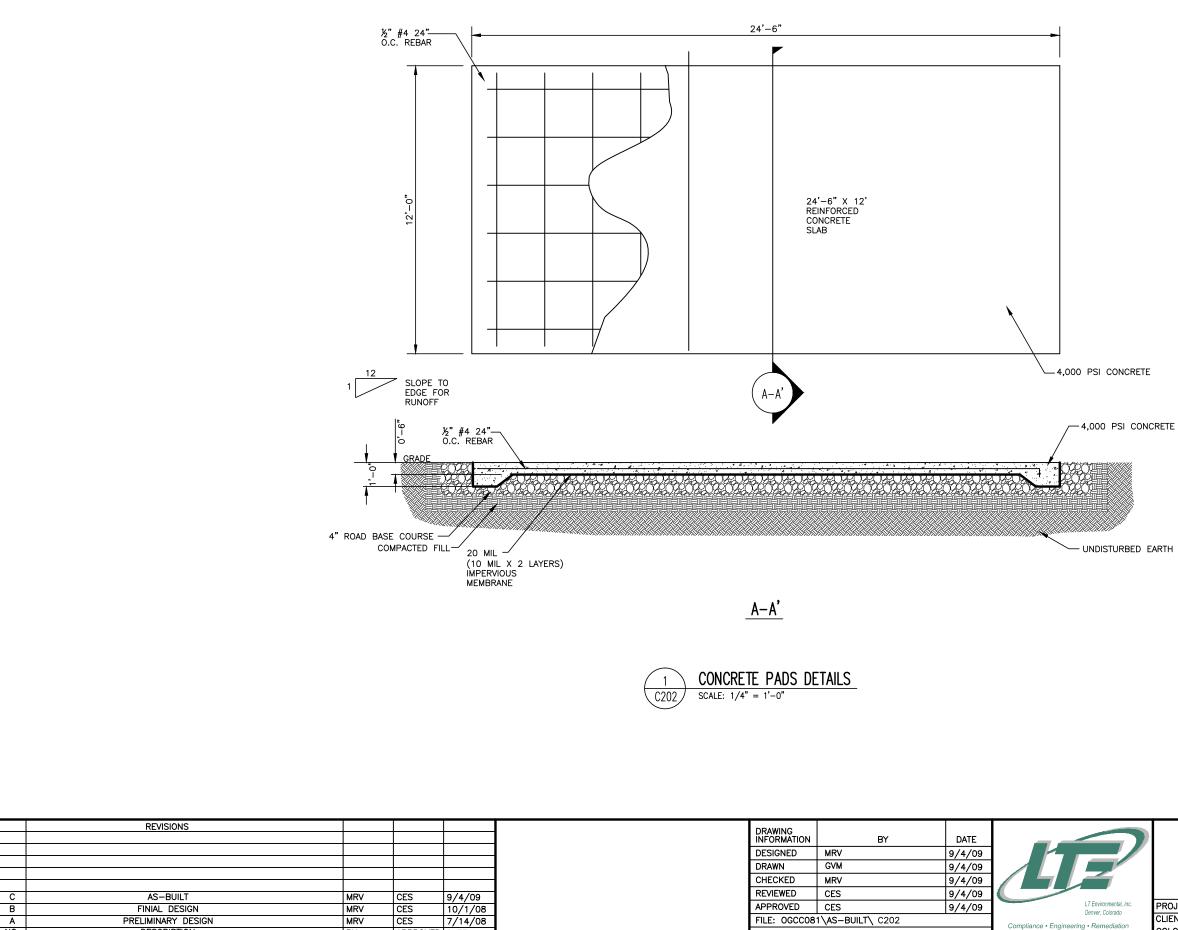




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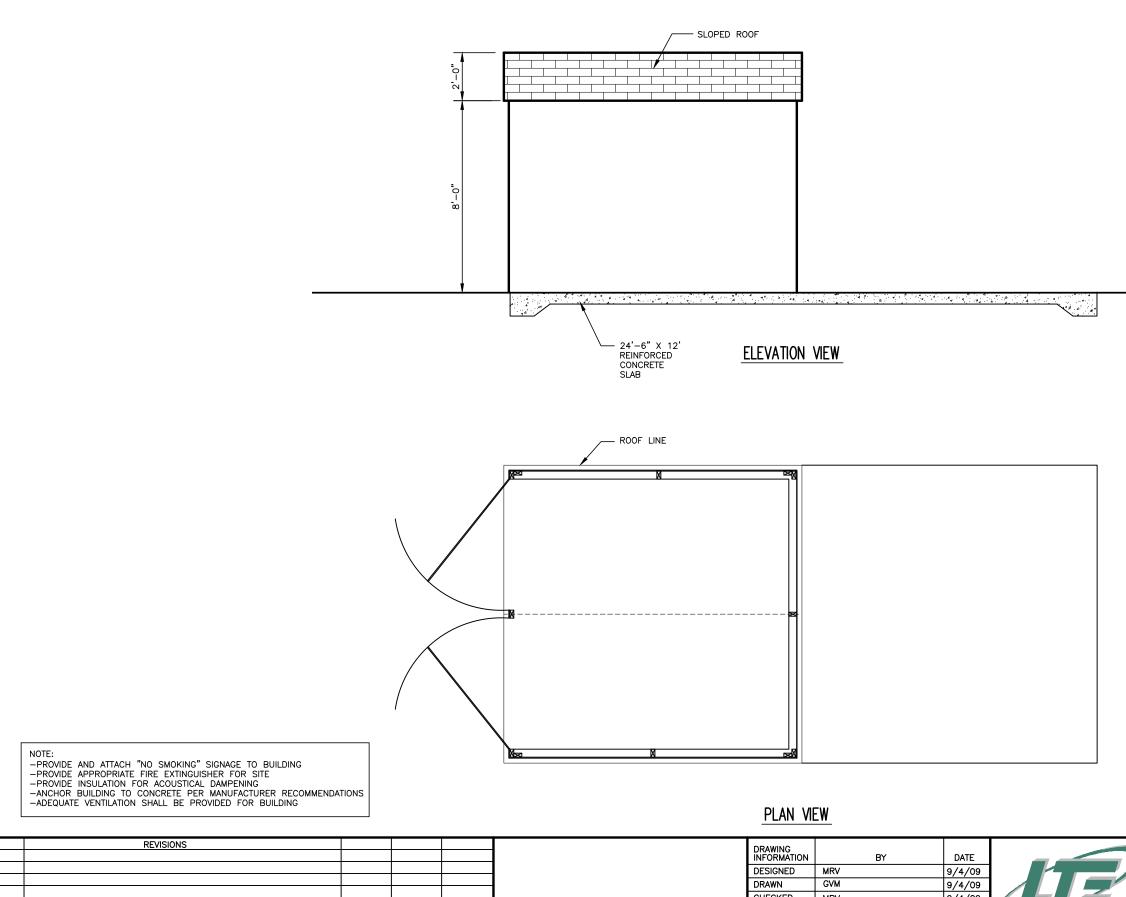
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CONCRETE PAD DETAILS SITE 2 - PINE RIVER 4M OUTCROP MITIGATION DURANGO, COLORADO

PROJECT LOCATION: DURANGO, COLORADO	PROJECT NO.	. 0GCC0801
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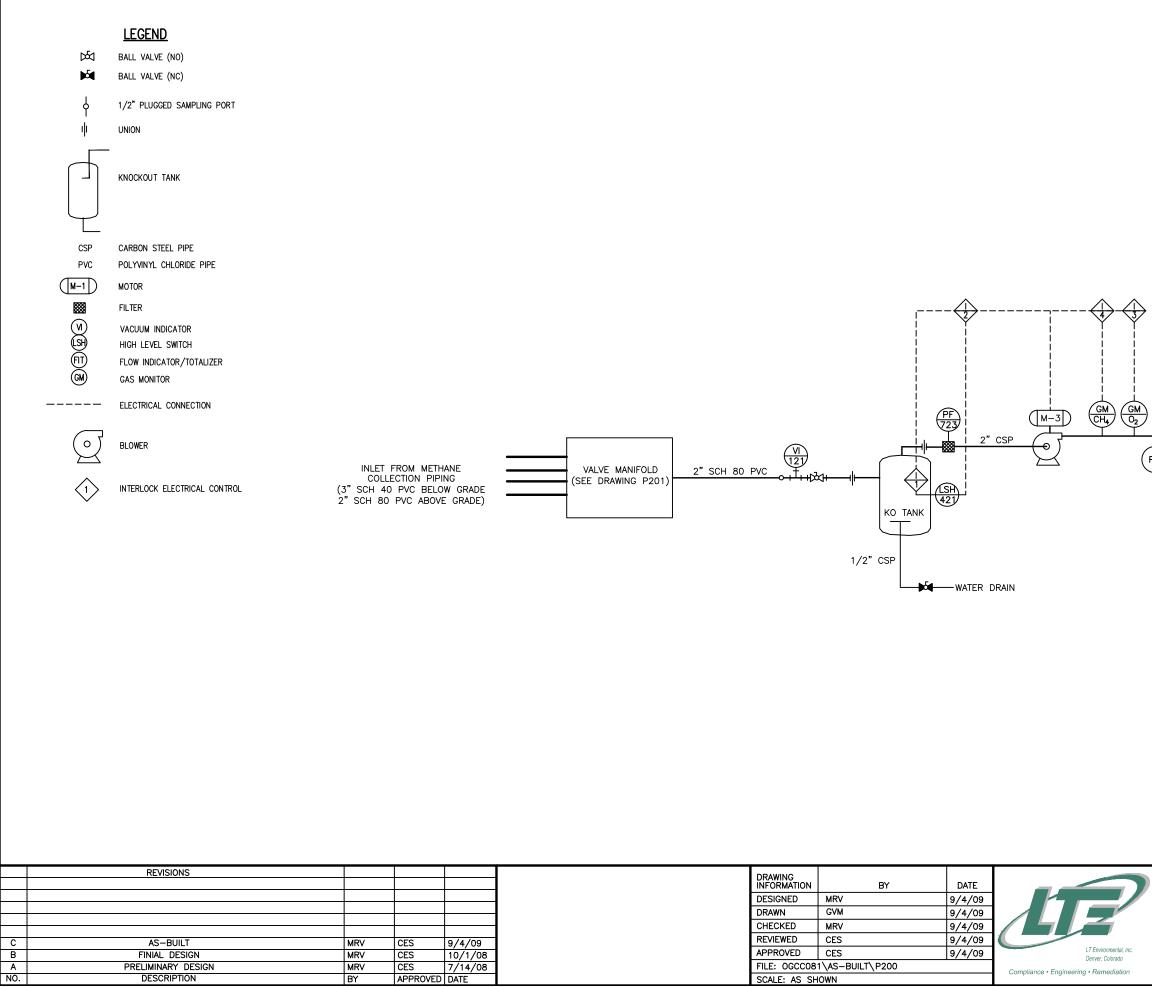
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[REVIEWED	CES	9/4/09			
[APPROVED	CES	9/4/09	LT Environmental, Inc. Denver, Colorado	PROJECT LOCATION: DURANGO, COLORADO	PROJECT NO. OGCC0801
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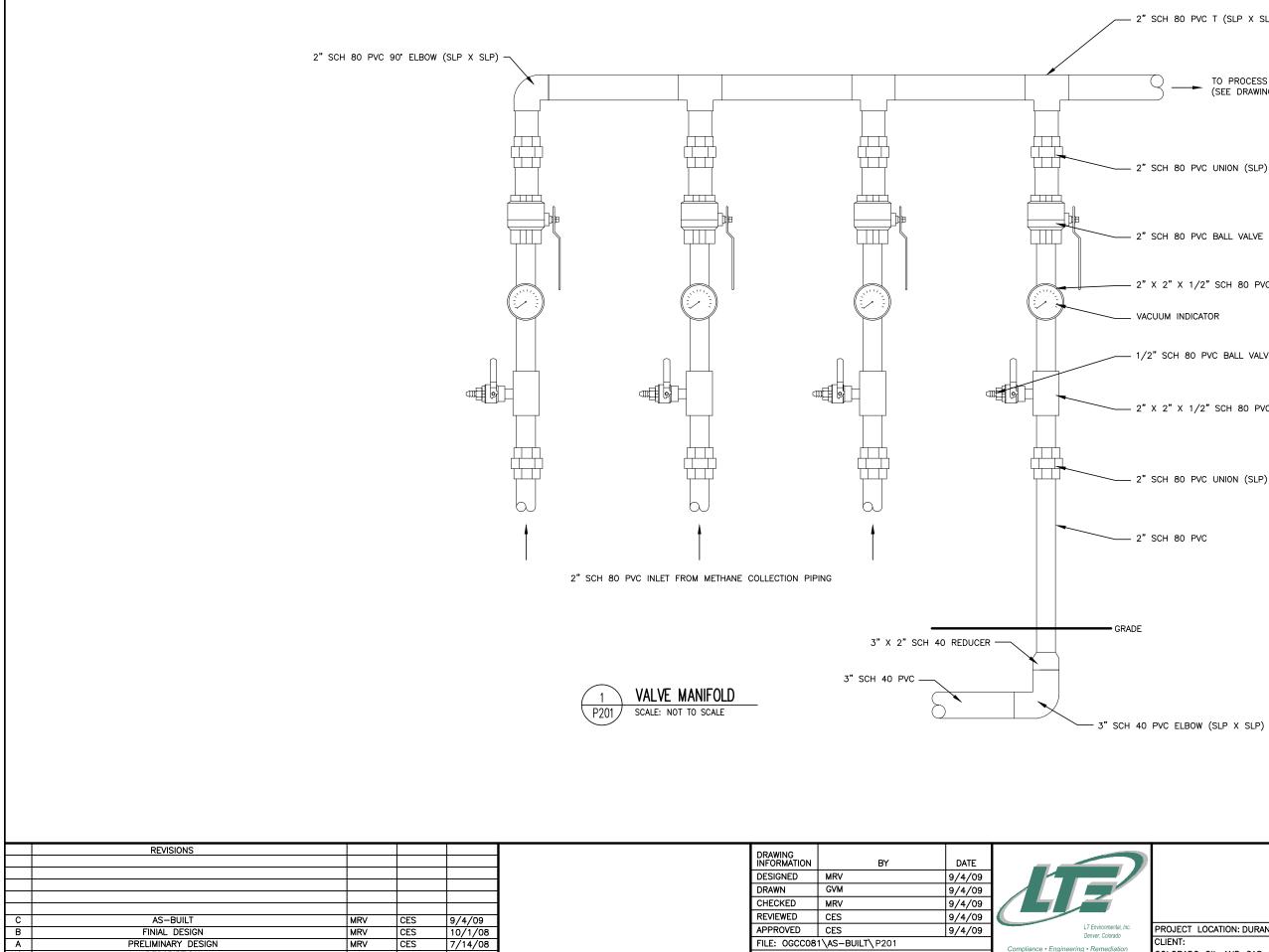






PROCESS FLOW AND INSTRUMENTATION DIAGRAM SITE 2 - PINE RIVER 4M OUTCROP MITIGATION DURANGO, COLORADO

PROJECT LOCATION: DURANGO, COLORADO	PROJECT NO.	. 0GCC0801
CLIENT: COLORADO OIL AND GAS CONSERVATION COMMISSION	rev no. C	dwg no. P200



APPROVED DATE

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DESCRIPTION

- 2" SCH 80 PVC T (SLP X SLP)

TO PROCESS EQUIPMENT (SEE DRAWING P202)

- 2" SCH 80 PVC UNION (SLP)

– 2" SCH 80 PVC BALL VALVE

- 2" X 2" X 1/2" SCH 80 PVC T (SLP)

1/2" SCH 80 PVC BALL VALVE AND HOSE BARB

- 2" X 2" X 1/2" SCH 80 PVC T (SLP)

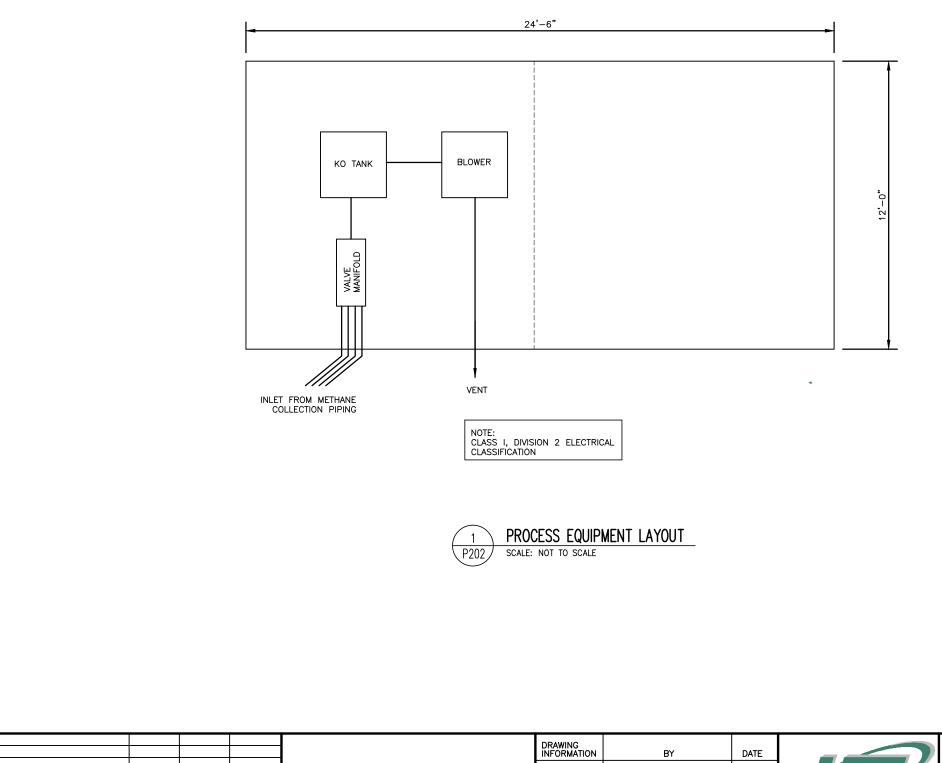
- 2" SCH 80 PVC UNION (SLP)

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VALVE MANIFOLD SITE 2 - PINE RIVER 4M OUTCROP MITIGATION DURANGO, COLORADO

PROJECT LOCATION: DURANGO, COLORADO	PROJECT NO.	. OGCC0801
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