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Day 1: Wednesday, August 4, 2004: Oil & Gas Production Facilities and Platteville Gas Processing Facility

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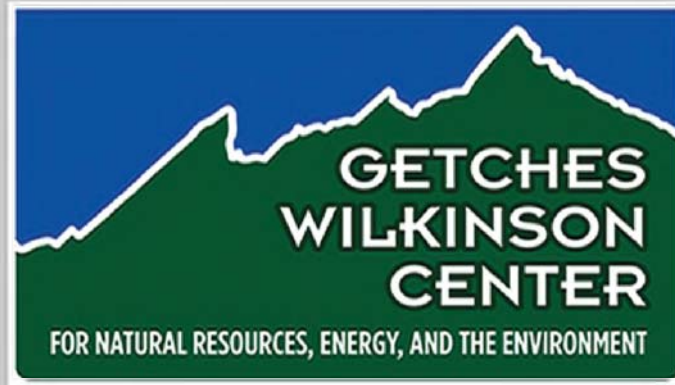
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**Oil and Gas Production Facilities
and
Platteville Gas Processing Facility**

Testimony

Of

Bruce Thompson

Before The

Committee on Energy and Natural Resources

U.S. Senate

July 10, 2003

STATEMENT
OF
BRUCE THOMPSON
FOR

THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, THE AMERICAN PETROLEUM INSTITUTE, THE DOMESTIC PETROLEUM COUNCIL, THE INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS, THE NATIONAL OCEAN INDUSTRIES ASSOCIATION, THE NATIONAL STRIPPER WELL ASSOCIATION, THE NATURAL GAS SUPPLY ASSOCIATION, THE PETROLEUM EQUIPMENT SUPPLIERS ASSOCIATION, THE US OIL & GAS ASSOCIATION, THE ASSOCIATION OF ENERGY SERVICE COMPANIES

AND

| | |
|--|---|
| California Independent Petroleum Association | Michigan Oil & Gas Association |
| Colorado Oil & Gas Association | Mississippi Independent Producers & Royalty Association |
| East Texas Producers & Royalty Owners Association | Montana Oil & Gas Association |
| Eastern Kansas Oil & Gas Association | National Association of Royalty Owners |
| Florida Independent Petroleum Association | Nebraska Independent Oil & Gas Association |
| Illinois Oil & Gas Association | New Mexico Oil & Gas Association |
| Independent Oil & Gas Association of New York | New York State Oil Producers Association |
| Independent Oil & Gas Association of Pennsylvania | Ohio Oil & Gas Association |
| Independent Oil & Gas Association of West Virginia | Oklahoma Independent Petroleum Association |
| Independent Oil Producers Association Tri-State | Panhandle Producers & Royalty Owners Association |
| Independent Petroleum Association of Mountain States | Pennsylvania Oil & Gas Association |
| Independent Petroleum Association of New Mexico | Permian Basin Petroleum Association |
| Indiana Oil & Gas Association | Petroleum Association of Wyoming |
| Kansas Independent Oil & Gas Association | Tennessee Oil & Gas Association |
| Kentucky Oil & Gas Association | Texas Alliance of Energy Producers |
| Louisiana Independent Oil & Gas Association | Texas Independent Producers and Royalty Owners |
| | Wyoming Independent Producers Association |

Mister Chairman, members of the committee, I am Bruce Thompson, Executive Director – Public and Industry Affairs, Forest Oil Corporation. This testimony is submitted on behalf of the Independent Petroleum Association of America (IPAA), the American Petroleum Institute (API), the Domestic Petroleum Council (DPC), the International Association of Drilling Contractors (IADC), the National Ocean Industries Association (NOIA), the National Stripper Well Association (NSWA), the Natural Gas Supply Association (NGSA), the Petroleum Equipment Suppliers Association (PESA), the US Oil & Gas Association (USOGA), the Association of Energy Service Companies, and 33 cooperating state and regional oil and gas associations. These organizations represent petroleum and natural gas producers, the segment of the industry that is affected the most when national energy policy does not recognize the importance of our own domestic resources.

The purpose of the hearing is to discuss the reasons behind the high price of natural gas, its effect on the economy and to consider potential solutions. While this testimony will address these issues in more detail, there are three key points that it will emphasize.

First, the natural gas price situation that is now being addressed was foreseeable and, in fact, was forewarned.

Second, there are no simple, short-term solutions. However, what has happened can be the basis for making better policy choices in the future and those choices need to be made.

Third, there will be some who will advocate the failed policies of the past – policies like limiting the use of natural gas or controlling its price. These choices must be avoided. Their past failures alone demonstrate that they will not result in the development of the natural gas supply that is needed to meet demand.

Avoiding Bad Choices

Taking this last point first, the use of natural gas to generate electricity is drawing a significant amount of current attention. Some question whether natural gas should be the fuel of choice in most of the new electrical generation capacity. Some have proposed that new natural gas electricity generation capacity be prohibited. Few seem to recognize that the driving force behind these investments are the national environmental policies that value the clean burning benefits of natural gas. Fewer still suggest what alternative energy sources would provide the new electricity that is needed while maintaining these environmental standards. And unfortunately, only a tiny number recognize that the new gas fired electricity generating facilities are 40 to 50 percent more efficient than existing gas fired capacity which allows the same amount of electricity to be generated with roughly half the volume of natural gas.

Policymakers need to clearly understand the nature of the natural gas industry before rushing to judgments on limiting its use. Far better solutions are available through encouragement of conservation and sound expansion of supply.

The Supply Challenge – It Was Foreseeable; It Was Forewarned

Initially, it is important to put the current supply and demand situation in some perspective. The United States will remain principally dependent on oil and natural gas for the foreseeable future to meet its energy demands. Recent projections by the Energy Information

Administration (EIA) show the oil and natural gas will provide for about 65 percent of domestic energy over the next several decades.

Second, it is essential to recognize that current natural gas prices and supply constraints are the consequences of past decisions. More importantly, they are the result of failures to respond to clear forewarnings that action needed to be taken.

Back in 1999, when the National Petroleum Council (NPC) transmitted its *Natural Gas* study, it concluded:

The estimated natural gas resource base is adequate to meet this increasing demand for many decades.... However, realizing the full potential for natural gas use in the United States will require focus and action on certain critical factors.

It was a clear signal that action needed to be taken. Moreover, it was a call that was echoed by those in the industry that have sought greater access to the national resource base. IPAA was one of those many voices. Looking back at testimony IPAA has presented both before and after the NPC study, there has been a clear and increasingly urgent call for changes to national policies.

For example, in January 1999, Steve Layton testifying before this Committee about the damage being done to the domestic oil and natural gas industry from the low oil prices of 1998-99 described the consequences to domestic natural gas production as follows:

Without this infrastructure it is not only the nation's oil industry at risk but its future natural gas use as well. This country has a vision of building a future on expanded use of clean burning natural gas. The industry has been challenged to increase natural gas production by about 40 percent – that is a net increase of 40 percent. It will require production not only for that increase but to replace supplies that are depleted during the same timeframe. It cannot happen without a healthy oil industry. Oil and gas are found together. They rely on the same tools, the same science, the same skills, the same financial resources.

In June 2000, Jerry Jordan testifying before this Committee described the increasing importance of natural gas in domestic energy supply:

1. *Natural gas is an increasingly important element of domestic energy supply.* The National Petroleum Council *Natural Gas* study concluded that domestic natural gas demand will increase from the current 22 trillion cubic feet per year (Tcf/yr) to 29 Tcf/yr by 2010. Most of this increase will be needed to fuel expanding electricity generation. The study concluded that:

U.S. gas demand will be filled with U.S. production, along with increasing volumes from Canada and a small, but growing, contribution from liquefied natural gas (LNG) imports.... Two regions—deepwater Gulf of Mexico and the Rockies—will contribute most significantly to the new supply.... U.S. production is projected to increase from 19

TCF in 1998 to 25 TCF in 2010, and could approach 27 TCF in 2015. Deeper wells, deeper water, and nonconventional sources will be key to future supply.

Importantly, this study concludes that these future natural gas needs can be met through domestic resources supplemented by other North American resources, but only if conditions are met.

He then described the critical need to address access to the national resource base:

For example, we cannot expect to meet our nation's needs for clean burning natural gas without reasonable access to the resource. The NPC *Natural Gas* study and all other analyses conclude that the Rockies contain significant extractable reserves of natural gas. Yet, in the Rockies access is being limited. It is either the unanticipated outcome of laws, regulations, and plans that unintentionally deny access or the manipulation of these laws to produce that outcome. In either case, access limitations are not the result of a clear policy decision. Consequently, we need a commitment from Congress and the Administration that these types of constraints will be eliminated or restrained and proper funding will be provided on a continued basis to allow environmental documents, leases, and drilling permits to be issued in a timely fashion.

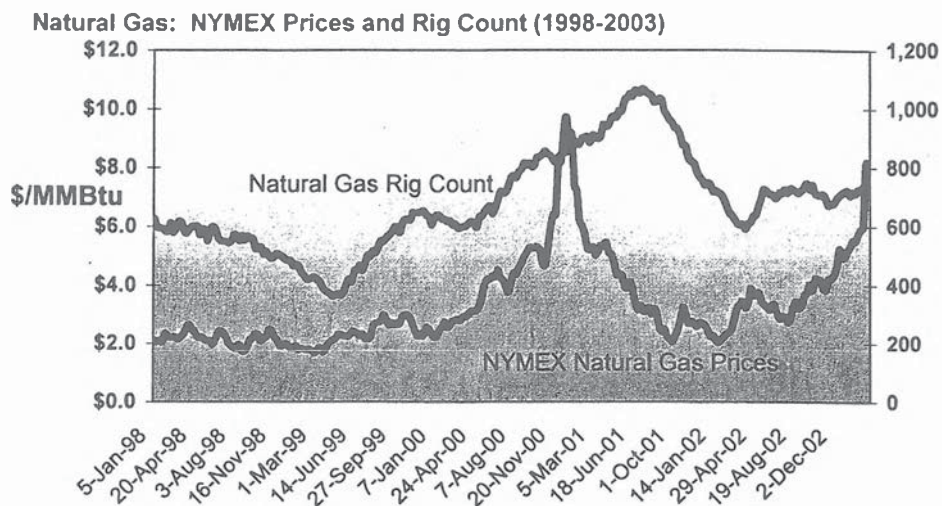
Earlier this year, Diemer True testifying before the House Committee on Resources summarized the dynamics of the past several years on natural gas supply in 2003:

Going back to year-end 2000, we briefly saw the results of natural gas supply shortages. As storage dwindled, prices soared and consumers had to deal with the consequences. The initial phase of that supply-demand imbalance reflected the effects of low gas prices and unusually low oil prices in 1998-99 on capital availability to develop domestic natural gas supply. These historically low petroleum prices resulted in capital expenditure budget cuts for domestic producers exceeding 30 percent in 1999. The natural gas drilling rig count dropped by over 40 percent at its lowest point. In 1999, new wells failed to replace existing reserves.

The petroleum price recovery and the industry's recognition that future natural gas demand would increase led by more and more electricity generated by gas powered turbines triggered a robust rebound in drilling for natural gas. Rig counts went to record levels. But, the lag in new production caused by the low petroleum prices left a tight market by the end of 2000. Higher prices resulted in more drilling rigs searching for natural gas, but production still declined. U.S. natural gas production today is lower than it was five years ago.

The higher prices also reduced short-term demand. In reality, the abatement of high natural gas prices resulted from significant demand decreases not from supply increases.

In the latter months of the 2001, prices had fallen to levels comparable to the first part of 1999 and rig counts began to fall as well. By year-end



2001 rig counts had fallen to April 2000 levels. While rig counts rose to around 700, they were well below the 1000 rate that was achieved in the fall of 2001. The implication of these lower rig counts was clear – supply levels would not be sustainable.

Now, in early 2003, the implication has become reality. Natural gas supplies have been stressed by a cold winter and natural gas prices are in the range of \$6.00 per thousand cubic feet. Natural gas drilling rig counts are in the range of 750. Estimates suggest that domestic natural gas production fell by around 2.8 percent in 2002. Clearly, the challenge facing natural gas producers is twofold – maintaining existing natural gas supply and increasing that supply to meet future demand. Access to federal resources play a significant role in meeting this challenge as well as barriers to development, which also adversely affects production. This remains complicated and new events suggest a worsening situation.

Since that testimony, prices have continued at high levels as winter demand drew down natural gas storage levels. Storage is now being replenished with an expectation that it might reach normal levels before next winter depending on summer demand. However, the continuing high prices have put pressure on demand, particularly in the process gas user component of the industry. Meanwhile, producers are responding with increased drilling activity. Drilling rig counts are 25 percent higher than they were at the beginning of 2003. Nevertheless, natural gas that is found today can take from 3 to 18 months to reach the market depending on where it is found and what infrastructure exists to get it to the market.

Managing The Short-Term; Learning From The Past

The challenge now is to determine what options make the most sense to meet short-term needs and how to alter policies to produce better results in the future. Most frequently, there are four options that draw the greatest attention:

- Demand reduction
- Increased use of Liquefied Natural Gas (LNG)
- Development of Alaskan natural gas
- Improvements in the development of lower-48 and offshore natural gas.

It is appropriate, then, to examine each of these.

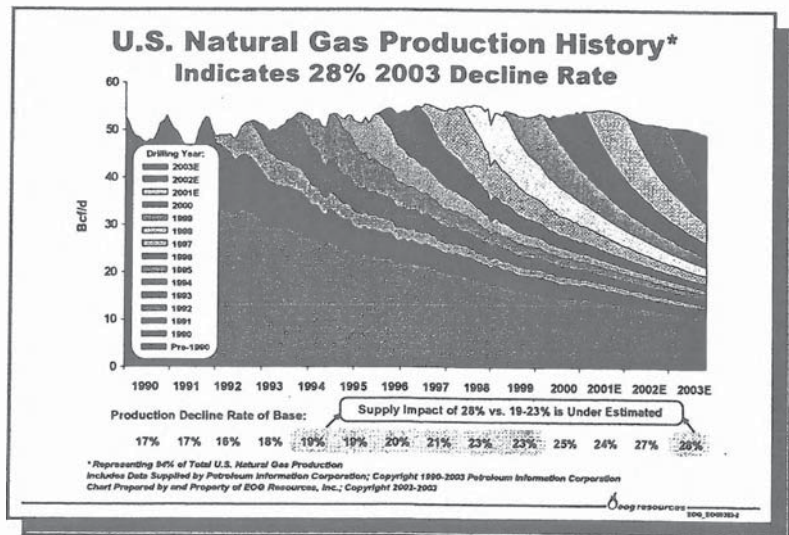
In the short-term, demand alterations will be the only realistic option if the market remains as tight as it has been. IPAA believes that attention should be directed toward conservation measures that can be implemented in the short-term to reduce the pressure that has occurred in the market and has probably had its greatest effect on the process gas users. This component of the natural gas marketplace is an important element of the nation's manufacturing infrastructure. Because it largely competes in the international marketplace, it is more susceptible to price shifts and has shown in the past that it can exit the United States if forced to that choice. In the 2000-2001 period of high natural gas prices, shifts in demand – particularly in the fertilizer industry – were significant factors in the market that ultimately led to lower prices. Unfortunately, the dramatic shift that occurred also had the effect of reducing investment in new supply.

While LNG will grow to be a larger component of the natural gas supply mix, it is not the panacea that some analysts have seemed to consider it. First, it will take several years for the necessary investments to be made and for permitting of facilities to take place before significant growth in its share of the market will occur. Second, these investments will only occur if the natural gas price justifies them. A precipitous drop in price like that of 2001 would chill interest in LNG. Regardless, a major impact in supply from imported LNG is years away. Moreover, the experience of stumbling into the current structure of crude oil imports – with all the reliance on unstable sources that it entails – should trigger wariness in policymakers about how reliance on foreign sources of natural gas should be handled.

Although there has been significant interest in the development of Alaskan natural gas and the pipeline options to deliver it to the lower-48 states, all the estimates of its development predict that Alaskan natural gas will not be a factor until the next decade.

Consequently, expanding domestic supplies inevitably requires better development of the resources in the lower-48 states and the federal offshore.

While analyses like the 1999 National Petroleum Council *Natural Gas* study and the newly released EPCA study by the Bureau of Land Management have focused on the resources that need to be developed to meet future demand – particularly with regard to federal lands – the challenge of maintaining existing supply has not received the attention it deserves.



The first and perhaps most compelling challenge to maintaining existing supply is coping with increasing rates of depletion. Conventional natural gas wells begin to deplete as soon as they begin to produce. But over the past decade, producers have seen average depletion rates climb from 16 percent per year to 28 percent per year. In somewhat simplified terms, this means that producers must initiate new production essentially equivalent to the current annual production from the Western and Central Gulf of Mexico each year just to stay even. New technologies like 3-D seismic enable explorationists to find smaller reservoirs. Enhanced production technologies like horizontal drilling are allowing better and more environmentally effective development of reserves. But finding smaller reserves and producing them more effectively makes the challenge of maintaining existing natural gas supply more difficult.

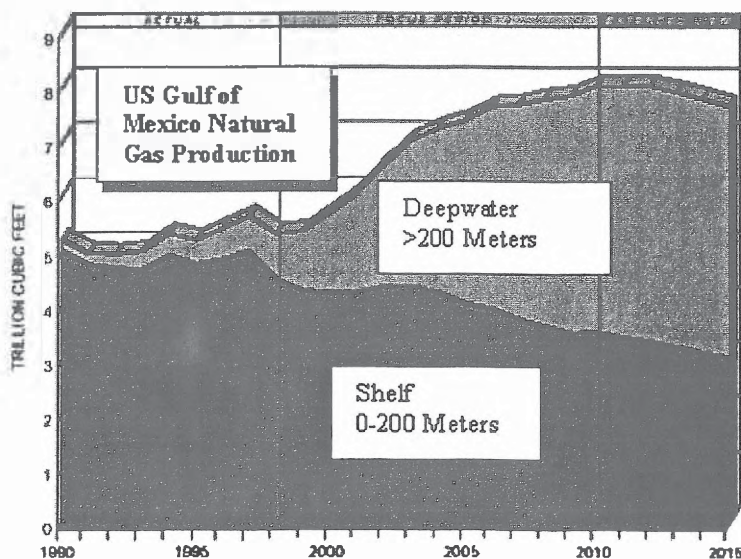
Second, it is important to understand the extent of development of the existing resource base. Some opponents of accessing additional federal lands suggest that the current resource base should be the first focus. In reality, it already is. Developing the current resource base for both conventional and unconventional natural gas is the source of existing supply. When the rig count grew to 1000, this is where it had to grow. But this resource base has supplied natural gas for the past 50 plus years. These mature reserves are harder and more costly to develop. New reserves in these areas are smaller and deplete faster or are deeper and more costly to develop. But, there is no doubt that these resources will continue to be developed as quickly as access is provided, natural gas prices justify development and capital is available to do so.

Policymakers need to understand these implications clearly. These are the conditions that are defining the current supply and demand balance. Not only must they be addressed, but the industry must also be capable of increasing natural gas supply to meet future increased demand.

Natural gas consumption is expected to grow by almost 50 percent by 2025. While recent events may have slowed the pace of this growth – an issue that is being assessed again by the National Petroleum Council – future natural gas consumption will likely grow at a pace that will require an energy policy that allows the full potential of natural gas to be developed. This cannot be done without more access to, and development of, government-controlled resources. However, development of these resources remains a substantial challenge.

Offshore - Western and Central Gulf of Mexico

These portions of the Gulf of Mexico have proven to be a world-class area for natural gas as well as petroleum production, accounting for over 25 percent of domestic natural gas production. Production comes from the continental shelf, the deepwater, and the emerging ultra-deepwater. The NPC study projects that future production increases in these areas is essential to meet projected demand. However, future production increases will hinge on federal



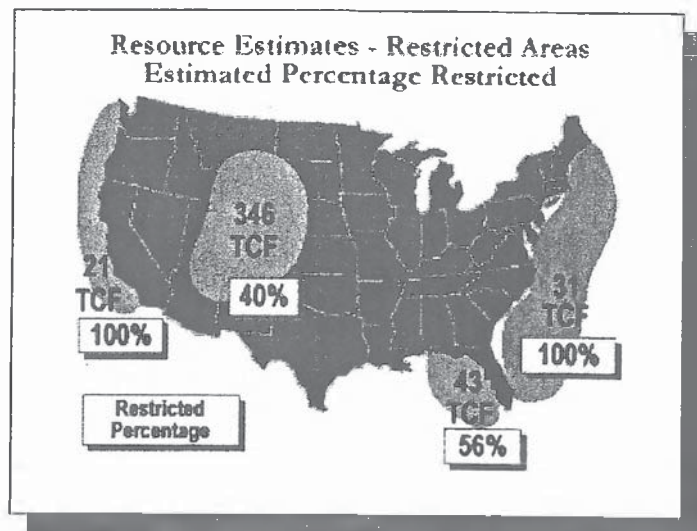
offshore policies. The most significant of these in the Western and Central Gulf of Mexico relate to royalty policies. However, improvements to coastal zone management review policies could also help avoid costly delays in developing new supplies.

Legislation reported by this committee includes a number of provisions designed to enhance exploration and production in this offshore region. These include:

- Provisions for royalty incentives in the Western and Central Gulf of Mexico. It should parallel and extend the relief now being provided administratively in recent lease sales – those occurring after the House passed its bill.
- Provisions to address deep drilling for natural gas on existing leases
- Provisions to create additional authority to develop RIK programs that will allow for more effective use of the highly desirable approach. RIK eliminates the complexities of determining the royalty value thereby saving both the government and the producer from the convoluted determinations that are now necessary and are frequently questioned – sometimes years after the sales occur. Offshore production is particularly suited for royalty-in-kind (RIK) – paying the royalty with production instead of dollars. It is a more economical and fairer approach. Recent actions to fill the Strategic Petroleum Reserve could utilize 80 percent of this offshore royalty oil. RIK should be encouraged for natural gas.
- Provisions for royalty relief for marginal wells on both federal onshore and offshore properties for both oil and natural gas. This relief encourages the continued production of these wells in times of low oil and/or natural gas prices. Retaining production from these wells is in the national interest and the provision should be included in the final bill.

Offshore - Eastern Gulf of Mexico, Atlantic Ocean, and California

Developing the substantial domestic natural gas resources in most of these three areas is prohibited by moratoria. President Clinton extended these moratoria for another ten years in 1998 saying, "First, it is clear we must save these shores from oil drilling." This is a flawed argument ignoring the state of current technology; it results in these moratoria preventing natural gas development as well as oil. In fact, both the Eastern Gulf and the Atlantic resources are viewed as gas resource areas, not oil – those coasts are not at environmental risk. Too often, these policies are predicated on the events that occurred 30 years ago. For example, no Eastern Gulf of Mexico sale occurred from 1988 to 2001. The recent sale took place only under greatly reduced conditions.



However, this year another ominous step was taken when the federal government decided to purchase leases that have not been developed, primarily due to regulatory limitations, in the Eastern Gulf of Mexico. This action led to calls for similar purchases off the coast of California and on other government controlled land. While the merits of each case should be reviewed, following such a course also serves to limit the available resource base at a time when it needs to be expanded.

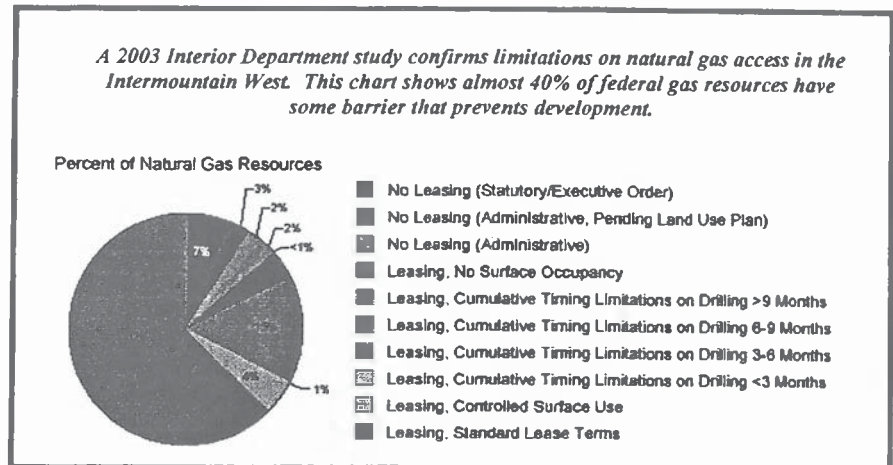
Federal policy needs to be reconsidered. It needs to be based on a sound understanding of today's technology. When the NPC analyzed natural gas resources that were being inhibited by regulation of these areas, it concluded that over 70 trillion cubic feet of natural gas in these areas are precluded from development. Unfortunately, as soon as any discussion of offshore development begins, a barrage of reaction occurs claiming that any such discussion threatens the resort based economies of those coastal states – a consequence that has failed to occur in those states where offshore development exists and resort economies also thrive. IPAA commends the Senate for rejecting a recent amendment that would have eliminated a provision in the current Senate bill that authorizes an inventory of offshore energy resources.

Onshore Restrictions - A Mosaic of Regulations and Prohibitions

Much of the onshore natural gas resource base is located in the Intermountain West. Yet, much of this resource base is constrained. And, it is clear that this area is a critical battleground between those who seek to develop domestic natural gas and those who seek to prevent development. Not only must energy producers navigate through a mosaic of regulatory constraints, producers must now deal with a series of strategic efforts to delay and prevent the necessary use of these national resources.

The regulatory framework to obtain permits to develop energy resources on federal lands is layered with complex and sometimes conflicting requirements. Federal Land Managers must operate through Resource Management Plans (RMPs) that require extensive Environmental Impact Statements (EISs). These address a wide variety of impacts regarding the use of the land. Formulating these RMPs and EISs requires consultation and, in some cases, concurrence with other federal agencies and the states. These agencies, such as the U.S. Fish and Wildlife Service, are tasked with implementing laws, like the Endangered Species Act (ESA), that do not consider the balance needed between their wildlife management objectives and national energy needs. Yet, the Federal Land Manager is developing a plan in most cases for multiple use federal lands.

This process creates delay, confusion, and conflict. It produces a series of access and development limitations. Collectively, the effects are significant. The NPC's *Natural Gas* study estimated that access to 137 trillion cubic feet of natural gas in the Intermountain West was limited by regulation. Taking a different approach, the Bureau



of Land Management (BLM) released its EPCA access report and reached a conclusion that roughly 40 percent of the natural gas resources in the federal lands it studied was restricted. Moreover, these studies were largely focused on constraints that exist at the leasing phase of the process. Even in those areas where the EPCA study suggests that there are no stipulations, that assessment applies only at the leasing level. When Applications for Permits to Drill (APDs) are sought, stipulations can still be required. Such stipulations can be extensive. For example, at one southwestern Wyoming site that was analyzed, stipulations effectively limit operations to only about six weeks per year.

There are no simple answers to this issue or a single solution that will address the problems. What is required is a commitment to develop these access policies with a full recognition of the importance of developing the natural gas resource. The National Energy Policy recognized the magnitude of these limitations. Executive Orders to consider energy supply implications in

A Mosaic of Seasonal Restrictions (Source: PAMS)

| Wildlife Restrictions | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Big Game Winter Range | | | | | | | | | | | | |
| Sage Grouse Lek | | | | | | | | | | | | |
| Sage Grouse Nesting | | | | | | | | | | | | |
| Mountain Plover Breeding | | | | | | | | | | | | |
| Mountain Plover Nesting | | | | | | | | | | | | |
| Raptor Nesting | | | | | | | | | | | | |
| Borrowing Owl | | | | | | | | | | | | |
| Archeology Weather Restriction | | | | | | | | | | | | |
| Section 7 Prairie Dog Avoidance | | | | | | | | | | | | |
| Typical 8000 ft. Well | | | | | | | | | | | | |
| Typical Deep Horizontal Well | | | | | | | | | | | | |

Executive Orders to consider energy supply implications in federal decision making and to convene a task force to improve permitting are important first steps in developing a response. These early efforts have resulted in specific tasks within various Executive Branch departments that should improve the permitting process.

Adequate agency funding and staffing is needed at the key field offices responsible for permitting and it needs to be directed toward the permitting process. Lack of funding has limited the ability of the agencies to permit, to monitor permits, and to enforce permit requirements – leading to consequences that encourage conflicts between the different users of federal land. It has resulting in shifting the federal responsibility for developing EISs and other National Environmental Policy Act (NEPA) requirements to private parties where it was never intended to reside.

But the direct permitting aspect of addressing these access issues is only one part of a much larger debate. Besides these issues, energy producers are also confronting broad and aggressive efforts to otherwise delay or prevent access – strategies of misdirection, of litigation, and of division. Congress needs to recognize these efforts for what they are and react accordingly.

Prior to the EPCA study, development opponents consistently used a strategy of misdirection. They alternated between suggesting that the issues of federal land access were related to opening national monuments or that 95 percent of the federal lands were open to permitting and there was no issue. The EPCA study has helped focus the debate on the real areas of concern – federal lands available for multiple use and the restrictive lease stipulations that inhibit their use. But, even with this new information, it is likely that development opponents will try to minimize the very significant issues associated with land use stipulations.

It is equally clear that development opponents are undertaking an aggressive strategy of litigation to thwart access in the Intermountain West. When the EPCA study was released, the reaction was quick and certain:

"If you bid on a lease on public land, you can expect (environmental litigation)." – Peter Morton, The Wilderness Society, Dow-Jones Newswires, January 21, 2003

The federal government is now confronted with litigation threats and actions at every step in its process. Litigation has been filed to prevent exploration activities designed to identify possible resources. Litigation is filed over granting permits, challenging existing RMPs and opposing revisions to EISs. The primary result of this litigation is delay and more delay – and no new energy supplies. Delay is a key component of the strategy. Energy producers must invest capital, must replace and expand their production. If opponents to development can forestall access, it forces producers to shift their investment elsewhere. The longer producers are delayed, the higher the likelihood that they will give up on an area. This is the ultimate objective of this strategy of litigation, but it is ultimately a strategy that costs the nation domestic natural gas and impacts our energy security.

The circumstances surrounding efforts to develop resources – particularly coal bed natural gas – in the Powder River Basin of Wyoming and Montana can demonstrate the type and magnitude of these challenges. The events in this area have unfolded over the past two decades and present an unfortunately characteristic pattern of the problems confronting natural gas development in the Intermountain West. Following is a chronological review of the events in the Powder River Basin.

Timeline for Powder River Basin (PRB) Oil and Gas Environmental Impact Statement (EIS)

- | | |
|---------------------------------|---|
| <i>1985 & 1986</i> | Buffalo & Platte River Resource Management Plans (RMPs) are approved. Neither of the plans specifically addresses coal bed natural gas drilling. |
| <i>1992 – 1997</i> | Buffalo RMP is revisited and evaluated. The evaluation results in determining that the RMP planning and management decisions are still valid. |
| <i>Throughout 1990's</i> | Environmental analyses are conducted on a variety of coal bed natural gas project proposals in compliance with NEPA. Each of the analyses covered the effects of the proposed actions and alternatives, including the cumulative effects of the projects combined with other development and actions within the area. Based on these analyses, it was determined that amendments to the Buffalo RMP were not necessary. |
| <i>March 1998</i> | BLM begins an EIS to analyze the development of 3,000 to 5,000 coal bed natural gas wells in the Wyodak project area of the Powder River Basin. During development of the EIS, coal bed natural gas drilling on state and private lands increases dramatically in the PRB. |

- May & June 2000* BLM announces its intent to conduct an environmental impact analysis of oil and gas development in the PRB. Notice of Intent to prepare an EIS published in the Federal Register on June 21, 2000.
- August 2000* BLM determines that levels of development approved in the Record of Decision, analyzed in the Wyodak EIS, have been reached. BLM will no longer approve Applications for Permits to Drill (APDs) for coal bed natural gas wells on federal lands and/or minerals within the PRB. BLM essentially places an embargo on new coal bed natural gas development on federal lands in the PRB. Coal bed natural gas projects on state and private lands are allowed to proceed.
- January 2002* Draft EISs (DEIS) issued for coal bed natural gas development in the PRB in Wyoming and in the entire State of Montana.
- May 2002* Public comment period on the DEIS closed. Over 17,000 comment letters were received on the two documents. US EPA Region 8 Office questions the validity of the DEIS.
- January 2003* Final EISs issued for coal bed natural gas development in the PRB and the State of Montana. One month protest period announced for both documents.
- April 30, 2003* Record of Decision (ROD) regarding oil and natural gas development in the PRB and Montana issued by the BLM. The ROD will allow up to 51,000 coal bed natural gas wells to be drilled in the entire region.
- May 1, 2003* Coalition of environmental groups and landowners file suit in Montana to block implementation of the ROD.
- Present* Suit attempting to block implementation of ROD pending in the courts. No stay preventing approval of APDs has been granted.

The history of the Powder River Basin EIS process presents two particularly perplexing issues. The first occurred when the EPA Region 8 Office raised objections to the DEIS after it had been under development for several years. This raises serious questions regarding the procedures used by the federal government in addressing energy permitting. The second issue is now unfolding. Clearly, there is a strategy of litigation being pursued to prevent development of the federal resource base in the Powder River Basin. However, while the tactic is clear, the courts have not succumbed to the strategy by issuing a stay of permitting. Nevertheless, a large backlog of APDs exists at the BLM and there appears to be no movement to expedite approval of these APDs. It appears that the BLM is self-imposing a stay on permitting.

The pending Senate legislation includes provisions to address the first of these issues. A pilot program is included that would enhance the coordination between the various federal agencies in the most active field offices. The intent of these provisions is to avoid future situations where one federal agency prevents another federal agency from carrying out its energy leasing and permitting activities because it was not involved in the EIS process early in its development. This approach offers the potential for improved federal agency interactions. Similar efforts are being developed by the administration's energy permit streamlining task force.

However, these efforts only address the leasing and permitting process from the federal agency perspective. The larger question that the Congress and the administration must consider is whether more direct efforts are necessary to either compel or allow action in the face of the strategies that are being used to prevent development of the federal resource base. Other proposals have been suggested to force timely agency action. In the past proposals have been developed based on peril points where conditions are so critical that the President would be authorized to alter procedural requirements while maintaining substantive environmental protections.

Congress has an opportunity to address these other limitations. It can provide an improved process to assure that environmentally sound natural gas development can occur. If Congress believes that the current natural gas market situation – high prices, concerns over adequate natural gas supply – warrants more aggressive approaches to the leasing and permitting processes on federal lands, it has the power to create such processes.

Thank you for the opportunity to provide this perspective on the challenges facing natural gas production in the United States.