



Testimony
of
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on behalf of the
Independent Petroleum Association of Mountain States
&
Independent Petroleum Association of America
before the
Committee on Resources
U.S. House of Representatives
March 7, 2001

Independent Petroleum Association of Mountain States

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Mr. Chairman, members of the committee, I am Neal Stanley, Senior Vice President of Forest Oil Corporation, and President of the Independent Petroleum Association of Mountain States (IPAMS). Both Forest Oil and IPAMS are based in Denver, Colorado. Today, I am testifying on the behalf of the Independent Petroleum Association of America (IPAA), and IPAMS. IPAA and IPAMS represent thousands of independent oil and natural gas producers across the nation. Independents drill 85 percent of the wells in the U.S., and produce 40 percent of the oil and two-thirds of the natural gas.

I would like to thank this committee for focusing its attention on the significance of government lands in developing a sustainable national energy policy. Energy policy cannot be developed in a vacuum. Policies that either limit or encourage energy development on government land have very real consequences. As such, I imagine that we all desire land policies that will provide for human needs, contribute to the sustainability of communities, and concurrently help secure the health of the land for the benefit of current and future generations.

Despite our best conservation efforts, electricity demand in the United States will continue to increase as a function of our growing population and the role of computers in our new economy. The role of natural gas in meeting this new demand cannot be understated. Ninety-five percent of all the new power plants now scheduled to be built will run on natural gas. Electricity produced from natural gas fired generation will increase from 15 percent to 40 percent by the year 2020. Reports from the Department of Energy, Gas Research Institute, National Petroleum Council and American Gas Association show natural gas consumption increasing from 22 trillion cubic feet (TCF) this year to 35 trillion cubic feet (TCF) in 2020.

The oil and gas industry can meet the nation's growing demand for natural gas, but the price of natural gas will be dependent upon a number of factors, most notably, having adequate access to the resource in a timely manner. Policies that promote reasonable access to the nation's abundant supplies of natural gas will bring gas to market more quickly and also lower the price of this energy.

Exhibit #1 is a map showing government lands. The various colors represent the different agencies with surface management responsibility. A map showing the federal government's mineral interest in the western United States would encompass an even larger portion of the West than is depicted on this map. Fifty-two percent of the land in the western United States is managed by federal and state governments.

Exhibit #2 shows the total estimated natural gas resources in the lower 48 states, with the corresponding percentage of those resources that are subject to severe, if not outright, prohibitions on access.

Developing the substantial domestic natural gas reserves in offshore areas of the Eastern Gulf of Mexico, Atlantic Ocean, and California 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 reserves are viewed as gas reserve areas, not oil. Those coasts are not at risk. Too often, these policies seem to be predicated on the events that occurred 30 years ago. Federal moratoria policy needs to be reviewed. New policies need to be based on a sound understanding of today's technology.

Offshore Lease Sale 181 is scheduled for December 2001 and is outside the areas covered by moratoria. The resources contained in this sale area, approximately 7.8 TCF of gas and 1.9 billion barrels of oil, are important to the nation and surrounding coastal states. We strongly recommend the sale stay on schedule. This sale includes much needed gas resources for the Gulf of Mexico to even partially meet this country's natural gas needs.

In the Rocky Mountains, where abundant supplies of natural gas exist, federal policies prohibit access to an estimated 137 trillion cubic feet of natural gas. Long -term sustainable gas production will be achievable only through the development of frontier areas such as the Rockies. Without access to such areas, industry will not be able to keep pace with steeper decline rates in the mature basins.

Impediments to gaining access for natural gas development come in many forms. Recent monument designations, new policies prohibiting road construction, and continuous wilderness reviews prohibit access to some areas. Administrative withdrawals, inaction, and extensive delays work similarly to restrict access. Outdated resource management plans and overly restrictive surface-use requirements also prevent access. The constraints differ in severity, but in each case, these impediments work individually and cumulatively to prevent the development of natural gas.

A natural starting point for looking at limits on access is with the restrictions that effectively reduce access where oil and gas leasing has already occurred. Take for example a common restriction on drilling during winter months to protect Big Game Winter Range. In order to facilitate the growth of deer and elk herds, land managers prohibit drilling during winter months. My personal experience of sitting on many drilling rigs throughout the Rockies has been that these animals are not the least bit bothered by our activity. Nevertheless, the impacts of this restriction are significant. Hundreds of wells could have been drilled this winter alone to help offset the expected shortages of natural gas that we will encounter this summer. And for what purpose, or benefit, do land managers restrict drilling? So that the herd can increase in size only to be hunted the next fall. If there is any real trade-off between closing an area or opening it to development, the tradeoff seems to be between energy development and hunting. And so we must decide, should American consumers be paying a higher price for energy to subsidize elk hunters?

Examples like this point out an important shortfall in land management policy. There has been no clear direction for land managers with respect to energy development on government land. Accordingly, each land manager assigns a relative value to the development of energy with no sense of how his or her actions contribute to or detract

from the nation's energy sustainability. Mixed messages and a lack of accountability have led to a situation where land managers focus entirely on process with no apparent regard for the outcome. If left unattended, this lack of direction will become even more disastrous.

Another example that illustrates the BLM's failure to recognize the urgency to develop natural gas can be seen in a recent wildcat well Forest Oil drilled in southwest Wyoming. In this case, the BLM's interpretation of field rules ended up costing Forest Oil \$120,000, and even more when you consider the opportunity costs associated with delays. The well site was six miles from an improved road with an existing two-track road that led to the location. The BLM required Forest Oil to design and construct an improved road to the location at a cost of \$90,000, even though the well was only going to take 20 days to drill. If drilling proved it to be a dry hole, we would not need to continue to go to that location. Indeed, the well was a dry hole that cost the company \$800,000 to drill. After we plugged the well, the BLM required Forest to either maintain the road forever, or reclaim the road to its previous two-track status. It will cost Forest another \$30,000 to reclaim the road. The money wasted, \$120,000, could have been spent drilling more wells.

Natural gas companies rely on federal land managers to process their permit requests in a timely manner. Without the necessary environmental studies, permits, and authorizations, access to drill on federal lands is prohibited. Throughout the gas-rich basins of the Rocky Mountain Region, backlogs for issuing permits to drill and rights-of-way for roads and pipelines continue to grow. Many resource management plans are outdated and revisions are being required before any leasing and development can occur. Staffing is short in many offices and the problem seems to get worse with time. The use of sophisticated mapping tools and other technologies could ameliorate some of these problems but, as with many other issues, addressing agency priorities and goals is a necessary first step.

Exhibit #3 shows the surface use restrictions and seasonal restrictions on a southwestern Wyoming federal lease. Please notice the length of time associated with each restriction and also note the amount of time required to drill a typical 8,000-foot well and a horizontal well. Companies exploring for natural gas have a very short window to drill wells. If the BLM has not processed the permits in time to meet that window of opportunity, the company will have to release the drilling rig they have contracted and wait another year before drilling. Which brings me to my next point, which is the importance of agency readiness, staffing, and technological sophistication.

Exhibit #4 demonstrates the time requirements associated with operating on private land and federal land. The right side of the table shows the timeframe to get a well permitted and drilled. The difference between drilling on private land and federal lands is 3 months versus 1-3 years.

To further illustrate the pervasiveness of land access problems throughout the Rocky Mountain Region, the following three examples are provided.

Exhibit #5 is a map of the newly designated Canyons of the Ancients National Monument in southwestern Colorado. Canyons of the Ancients encompasses McElmo Dome, one of the Rocky Mountain region's most significant sources of natural gas used for advance d oil and gas recovery in Colorado, New Mexico and Texas. On the map, of the 183,000 acres within the Monument's boundary, there are nearly 155,000 acres of active federal leases, 141,000 of which are held by production or are included in four federal production units.

When the monument was designated, the BLM proposed stringent surface use restrictions on 79,000 acres, including a No Surface Occupancy stipulation. Given the BLM's predilection for restricting access, the Resource Management Plan that will be developed for the monument creates even more uncertainty for producers.

Exhibit #6 is a map of Jack Morrow Hills Resource Area in southwestern Wyoming. The Environmental Impact Statement for the Green River Resource Management Plan, which includes the Jack Morrow Hills area, was started in 1989, with the Record of Decision finally issued eight years later, in October 1997. The decision of whether to lease for oil and gas exploration and development in Jack Morrow Hills area was deferred in the ROD until a Coordinated Activity Plan for the area could be completed, which took another four years. When the Draft EIS for the CAP was issued, the preferred alternative was for "staged leasing," effectively postponing leasing decisions indefinitely. On the map, areas designated as potential Wilderness Study Areas (WSA) are shown in light blue stippling. Note that there are active leases and leases held by production within the new WSAs.

The attached map of the Jack Morrow Hills area shows the BLM-managed mineral estate with active oil and gas leases in yellow. Of the 623,000 acres within the red boundary of the Jack Morrow Hills area, there are 239,000 acres of active federal leases, 36,000 of which are productive. Also note that within the CAP area, there are 137,890 acres recommended as Wilderness Study Areas.

Exhibit #7 is a map showing the entire state of Utah. Current leases are shown in yellow, a total of 3,567 active federal leases. Also shown on the map are the BLM's 1990 recommendations for three million acres of new Wilderness Study Areas, as well as former Interior Secretary Babbitt's reinventory of an additional three million acres, described in the map's legend as "HR1500 Boundaries". Note that the proposed Wilderness Study Areas include lands that are already leased, making development as difficult as the examples of Jack Morrow Hills and Canyons of the Ancients. Not shown on the Utah map are the nearly 29,000 leases that were previously leased in the past but were not renewed as a direct result of administrative direction from Washington.

These examples are only a few of many examples of the overzealous application of singular surface uses that preclude other resource development. Other examples, some even more egregious, would include the backlog of drilling permits and rights of way applications in northeastern Wyoming; *de facto* wilderness management of Wyoming's Bridger/Teton National Forest and Montana's Rocky Mountain Front; and excessively

stringent application of NEPA planning documents and subsequent delays in Utah, Colorado, Montana, and the Dakotas.

My final point is that the employment of advanced technology for both land managers and industry must occur if we are to reach our goals. Research and development spending by the oil and gas industry has decreased from \$10 billion to \$2 billion per year over the past twenty years as the large integrated companies have shrunk in size. Yet we know that past innovations from this R&D, such as horizontal drilling and 3-D and 4-D seismic, have provided significant increases in the recovery of oil and gas. Frontier areas like the Rocky Mountain region will require new and sophisticated technologies to develop a large portion of the unconventional gas resources found in the region. Federal efforts to aid the R&D effort by directing a portion of federal oil and gas royalties to a research fund would be a significant win-win program. Increased R&D spending will increase oil and gas production, resulting in a commensurate increase in federal royalties.

In conclusion, I would remind the committee that natural gas resources are not uniformly distributed across the landscape. Even so, natural gas development can coexist with other values. We do not need to choose between “this **or** that” use of public land. Responsible management can allow for “this **and** that” use. Responsible management can provide for human needs, contribute to the sustainability of communities, and concurrently help secure the health of the land for the benefit of current and future generations.

I view the balance between energy supply, and hence, price and access to government land as a teeter-totter. If the energy industry is shut out from government lands, then the price of energy will obviously be much higher. If we have access to more land where the resource exists, then the price of energy will be much lower. The American people and this Congress must balance the perceived trade-offs of allowing reasonable access to government land with the tangible benefits of securing an adequate supply of natural gas to meet the nation’s near-term energy needs.

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today.

Exhibit #1



Exhibit #2

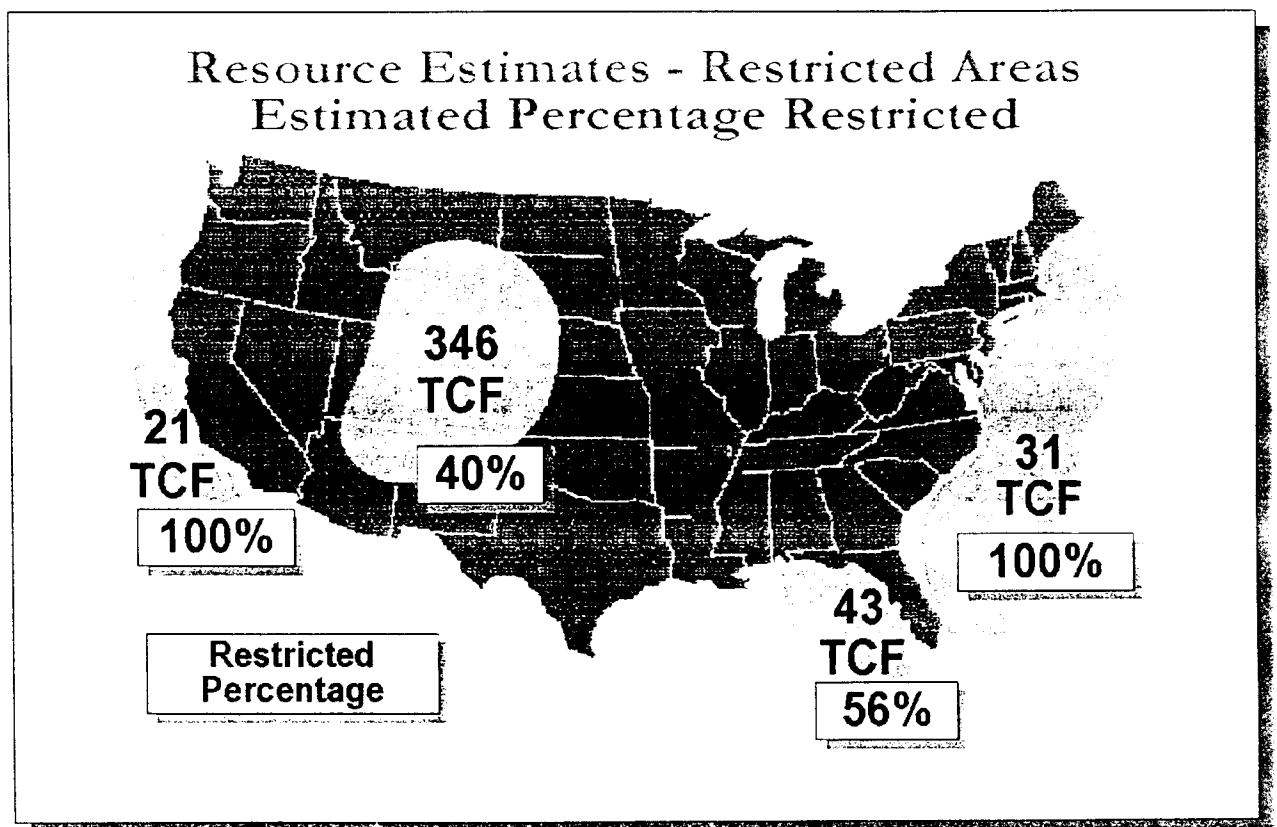


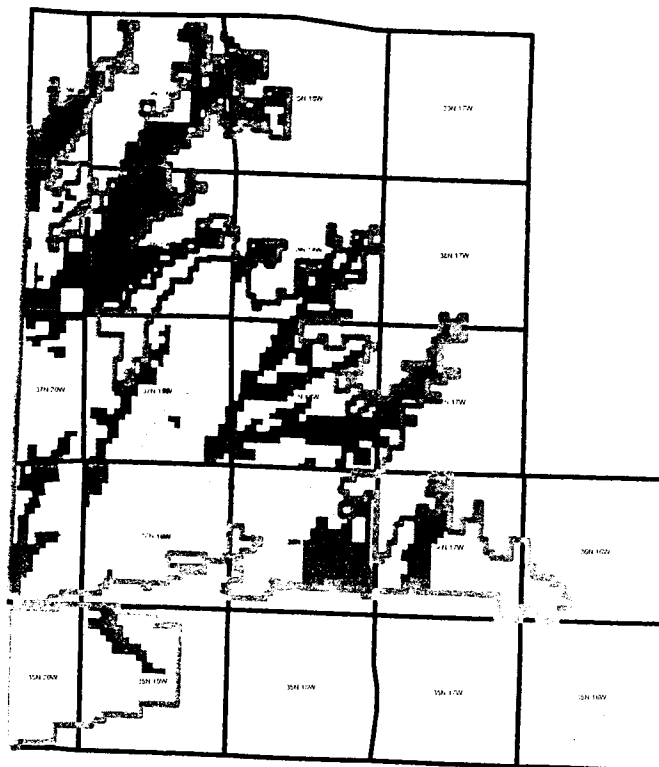
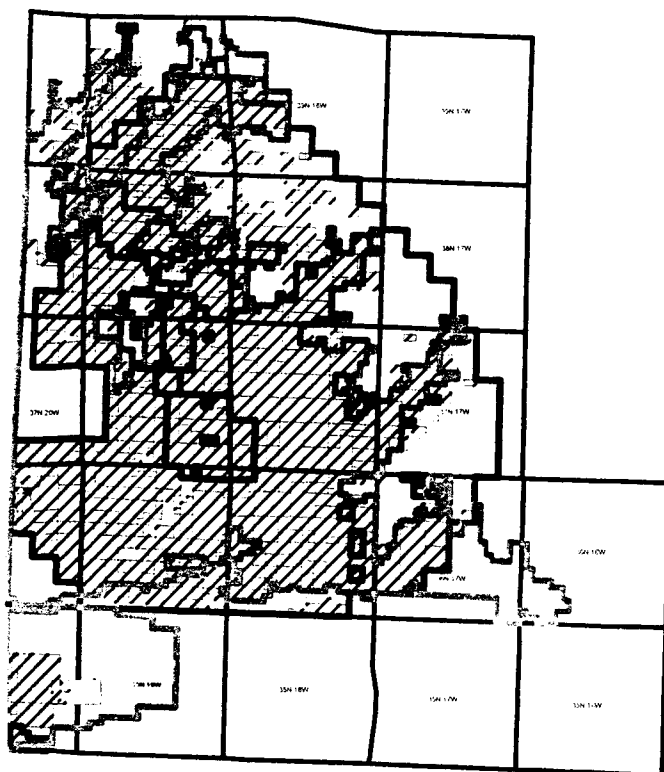
Exhibit #3 Surface Use / Seasonal Restrictions on a Southwestern Wyoming Federal Lease

Wildlife Restrictions	January	February	March	April	May	June	July	August	September	October	November	December
Big Game Winter Range												
Sage Grouse Lek												
Sage Grouse Nesting												
Mountain Plover Breeding												
Mountain Plover Nesting												
Raptor Nesting												
a) Burrowing Owl												
Archaeology Weather Restriction												
Section 7 Prairie Dog Avoidance												
Typical 8000' Well												
Typical Deep Horizontal Well												

Exhibit #4

Timeframes for Oil and Gas Drilling - Comparison of State & Federal Land		
Access Issue	Government Lands	Private Lands
Nominate Lands	1 month	NA
Clear Listing	3-6 months	NA
Negotiate and Acquire Lease	NA	1-3 months
Lease Sale	6 months	NA
Lease Issuance	2 months	NA
NEPA (EIS or EA)	TBD	NA
- Environmental Impact Statement (EIS)	1-3 years	NA
- Environmental Assessment (EA)	6-18 months	NA
Notice of Staking	1 month	NA
Archaeology Weather Restrictions	11/15 thru 4/15	NA
On-Site Inspection with BLM Official	1 month	NA
Wildlife Restrictions	TBD	NA
- Big Game Winter Range	11/15 thru 3/15	NA
- Raptor	2/1 thru 7/31	NA
- Sage Grouse	3/1 thru 7/15	NA
- Prairie Dogs (Black Footed Ferrets)	3/1 thru 9/15	NA
- Mountain Plover	3/15 thru 8/15	NA
- Burrowing Owl	6/1 thru 9/15	NA
Sensitive Resource	TBD	NA
Rights-of Way	3-6 months	2 weeks
No Surface Occupancy	TBD	NA
Permit Issued	3-24 months	3-4 weeks
Total Time from Drilling Idea until 1st Well Drilled	12-36 months	2-4 months

CANYON OF THE ANCIENTS OIL & GAS ACTIVITY IN THE MONUMENT AREA



Federal Oil & Gas Leases

/// Leases Held by Production

Active Federal Leases

Active Federal Units

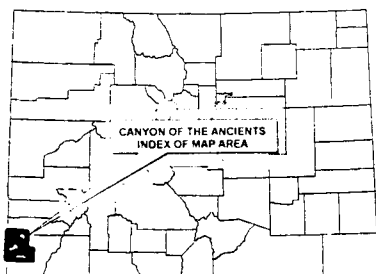
CANYON OF THE ANCIENTS National Monument Boundary

Township Boundaries

Federal Surface Access Stipulations

No Surface Occupancy

Controlled Surface Use



CANYON OF ANCIENTS WITHDRAWAL 182,875 Acres
ACTIVE FEDERAL LEASES WITHIN AREA 154,702 Acres
LEASES HELD BY PRODUCTION IN AREA 140,732 Acres
NO SURFACE OCCUPANCY IN AREA 65,164 Acres
CONTROLLED SURFACE USE IN AREA 14,039 Acres

STATE OF COLORADO



DATA CURRENT: JANUARY 05, 2001

SOURCE OF DATA: BUREAU OF LAND MANAGEMENT,
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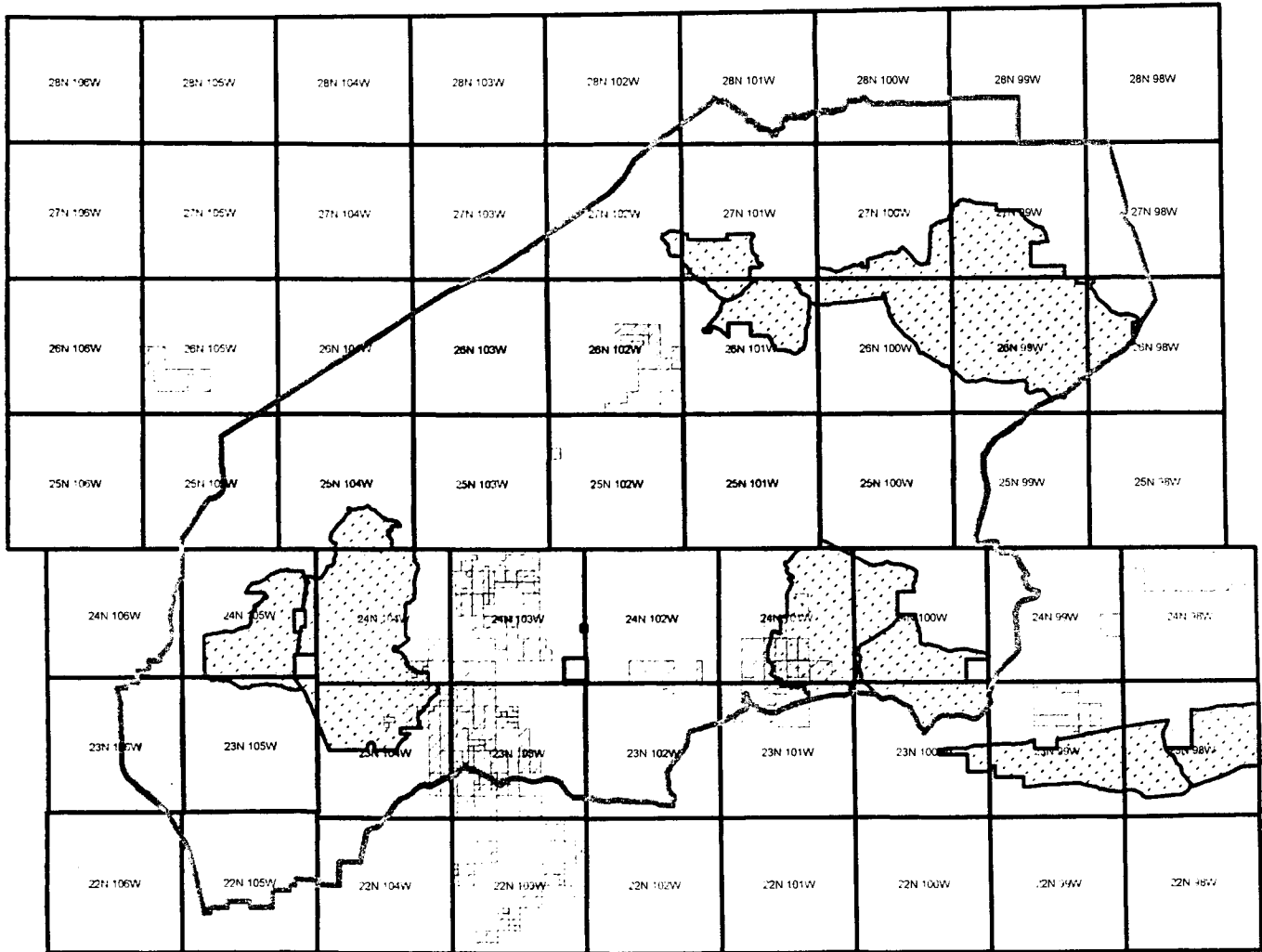


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JACK MORROW HILLS OIL & GAS ACTIVITY IN THE COORDINATED ACTIVITY PLAN



JACK MORROW HILLS
Coordinated Plan Boundary

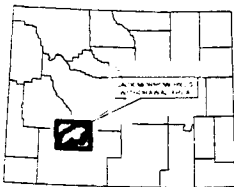
Wilderness Study Areas

Federal Oil & Gas Leases

Leases Held by Production

Active Federal Leases

Township Boundaries



WYOMING

DATA CURRENT: JANUARY 05, 2001

SOURCE OF DATA: BUREAU OF LAND MANAGEMENT,
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JACK MORROW HILLS WITHDRAWAL 623,000 Acres

ACTIVE FEDERAL LEASES WITHIN AREA 239,000 Acres

LEASES HELD BY PRODUCTION IN AREA 36,000 Acres

WILDERNESS STUDIES IN JACK MORROW 137,890 Acres



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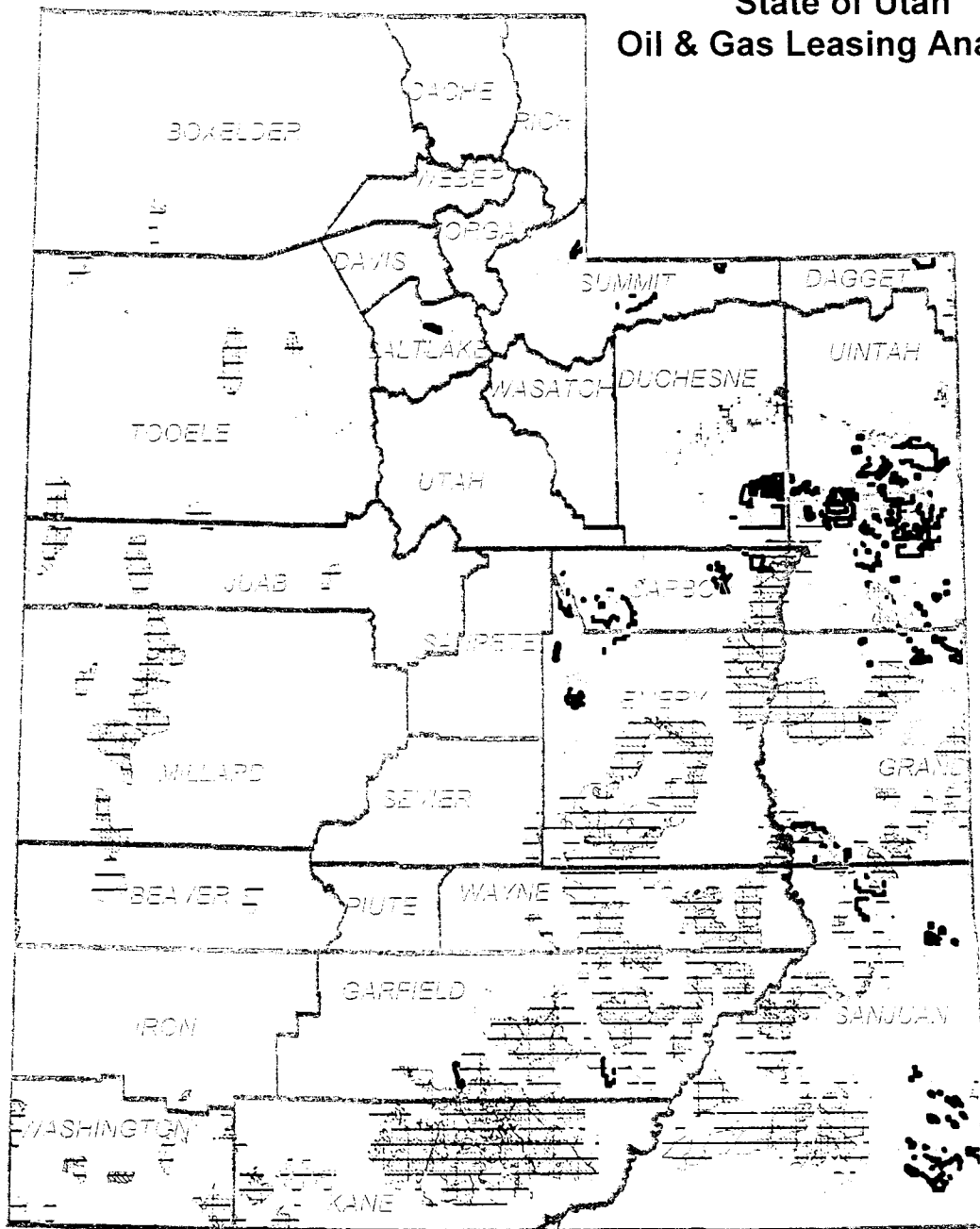


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State of Utah Oil & Gas Leasing Analysis



ACTIVE FEDERAL O&G LEASES

3,567 ACTIVE FEDERAL O&G LEASES



FEDERAL O&G LEASES HBP

1,452 O&G LEASES HBP



TRIBAL O&G AGREEMENTS

122 FEDERAL O&G UNITS



FEDERAL EXPLORATORY UNITS



UTAH WSA BOUNDARIES



HR 1500 BOUNDARIES

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