

News Release



IPAMS
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Ten Years Later: BLM Finally Implements Congressional Mandate

Agency to lease Naval Oil Shale Reserves 1 & 3 for natural gas development as required by 1997 Act of Congress; development plan is most restrictive in history

(DENVER)- The Independent Petroleum Association of Mountain States (IPAMS) today lauded the Bureau of Land Management's (BLM) scheduled lease sale of a tiny portion of the public lands on Colorado's Roan Plateau. Tomorrow's auction comes more than ten years after Congress directed the BLM to lease the Roan Plateau's Naval Oil Shale Reserves 1 & 3 (NOSR) for natural gas development.

"In 1997, Congress directed the BLM to lease these lands for energy development 'as soon as practical.' We believe that a 'practical' timeframe has long passed and that now is the time to allow responsible energy development on these lands," stated Marc Smith, IPAMS Executive Director.

"The Naval Oil Shale Reserves are estimated to hold at least 9 trillion cubic feet of natural gas, or enough energy to serve 3.6 million households for the next 20 years," said Marc Smith, IPAMS Executive Director. "Tapping this vast supply of clean, domestic energy is good news for American families who are beginning to question the government's resolve in meeting our nation's energy needs.

"The BLM's plan to develop clean-burning natural gas on the NOSR's in the Roan Plateau management area is the most environmentally restrictive plan for managing oil and natural gas development on public lands," Smith said. "The plan resulted from a nearly decade-long open and public process in which all stakeholders including community groups, environmental groups, local governments, Colorado's congressional delegation, the Colorado Division of Wildlife, Colorado Department of Natural Resources, Colorado Geological Survey, the Colorado Oil and Gas Conservation Commission, U.S. Fish and Wildlife Service, and other federal and state agencies were given a seat at the table.

"Our energy future starts today and it's time government provides the American people with the energy they own and have a right to," concluded Smith.

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Summary

- IPAMS supports the BLM's August 14, 2008 lease sale that includes the Naval Oil Shale Reserves (NOSR) 1 and 3 in the Roan Plateau management area.
- The NOSR was specifically set aside for energy development by Congress in the National Defense Authorization Act of 1997.
- The NOSR constitutes just a tiny portion of the overall Roan Plateau, and the plan for leasing and development is the most restrictive plan ever constructed for managing oil and natural gas development on public lands.
- IPAMS rejects the notion that this is an "either or" debate pitting environment concerns against energy development.
- The goal of the BLM's Roan Resource Management Plan (RMP) is "to protect key ecological, visual, and recreational values while allowing for the leasing and subsequent development of oil and gas resources under strict performance-based standards."
- The BLM has achieved this goal and the lease sale should proceed as planned.

Comments on the Ritter Administration's Protest Letter

- 1) **Develop the natural gas resource:**
 - IPAMS agrees with the Governor: the reserves in the NOSR are well documented at about 9 trillion cubic feet of natural gas, or enough to serve 3.6 million households for twenty years. This is a domestic resource important to meet the energy needs of the country.
 - The Administration's assertion that directional drilling, even with additional acreage off-limits and one-mile well-pad spacing, will result in complete recovery of the resource is unfounded at this point: geology, topography, reservoir pressure, and other factors dictate recovery. We cannot simply assume that directional drilling will always achieve a maximum reach.
- 2) **Protect the extraordinary natural values of the Roan Plateau:** The approach taken in the RMP is extremely restrictive:
 - Allows phased development of only 350 acres (1%) of surface disturbance on the top of the plateau at any given time.
 - Strict standards for reclamation before additional acreage may be disturbed.
 - Development only on multi-well pads spaced at least ½ mile apart with a maximum surface density of one pad per 160 acres.
 - Development only on slopes of less than 20%, thereby concentrating development away from sensitive canyon bottoms and habitat for sensitive species such as the Colorado River cutthroat trout.
 - Controlled, staged development of only one of six geographic areas on the top of the plateau at a time by a single operator acting on behalf of all lessees.
 - 23,000 acres of wildlife security areas in the planning area as identified by the Colorado Division of Wildlife.
 - Drilling is limited from December through April in nearly 35,000 acres of critical big game winter range below the rim.
 - 38,427 acres (51% of the Roan planning area) are set aside from any development at all.

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- 21,034 acres protected as Areas of Critical Environmental Concern (ACEC).

3) Economic Return to the State of Colorado:

- The development of the natural gas in the Roan Planning Area offers a significant source of State revenue, from the State's share of Federal royalties, rents and bonuses, up to \$2.4 billion the year the NOSR is leased, and between \$5 billion and \$6 billion in royalties and production taxes over a thirty year period.
- IPAMS is concerned that protests of the lease sale will depress revenues, as some operators may shy away from bidding amidst the controversy. Operators in the Intermountain West constantly have roadblocks thrown up in front of them from protests and suspensions of federal leases, but the attention of environmental groups on the Roan Plateau is particularly intense. By failing to recognize the extremely protective nature of the plan, politicians add in further uncertainty.
- Operators may be inclined to pay less in a phased leasing situation because they are unable to secure a sufficient lease position. An operator does not want to invest significant resources in proving up a particular field only to have another company come in and take advantage of that knowledge. Asking the first leaseholder to make that investment for subsequent leaseholders would decrease the value of the lease sales.

4) **Provide for a sustainable, long-term economy:** Allowing companies to lease and develop the substantial natural gas resources in the NOSR will ensure a stable, sustainable economy in Western Colorado for many years to come. Allowing the full lease sale to proceed, rather than in an uncertain, phased manner, will go a long way to ensuring that operators can conduct the long-term planning necessary to do so.

5) **Encourage improvements in technology:** By proceeding with the full lease, the BLM will provide operators with the certainty necessary to make investments in the best technologies.

6) The BLM should not lease the top of the Roan Plateau in Phases:

- The Administration's argument that the lease sale would compress the revenue into one near-term payment that would do little or nothing for future generations ignores its power to work with the State General Assembly to judiciously allocate revenues.
- Other oil and natural gas producing states such as Wyoming have been very successful in establishing trust funds with oil and gas revenues for education, infrastructure, and other purposes that benefit future generations.
- The BLM would be overstepping its authority and infringing on state affairs if it became involved in the allocation of the State's share of royalties.
- The BLM has done an admirable job of balancing multiple interests in the Roan plan while following the mandates of the Transfer Act and other laws governing multiple-use land management. Industry is not happy with this very restrictive plan, but the sign of a good compromise is that nobody got 100% of what they wanted.

Counter to the Colorado Environmental Coalition's Protest

- In general, the protest from the Colorado Environmental Coalition (CEC) and other groups includes many of the same arguments used to stop oil and natural gas development in Colorado and the Rockies over the last several years.
- CEC has given no consideration to the fact that the amount of the Roan Plateau up for leasing is extremely small, and that the plan for development is extremely restrictive.
- CEC continues to claim support from a large segment of the local population, citing about 75,000 comments in support of no leasing on the top. Yet these comments were from people they mobilized with scare tactics about how the BLM's plan is not protective of natural resources, and only 7% of the comments were from Colorado citizens.

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- The NEPA process is not a popularity contest, and comment periods are to gather substantive comments, not 75,000 “me too’s” from mobilized citizens. In this way, the BLM can balance the impacts with the benefits, and give voice to the millions of citizens in Colorado and the nation who benefit from natural gas produced in Colorado and the lower prices afforded by a secure, domestic supply of vital energy resources.
- The BLM has balanced competing interests, yet these environmental groups will not be satisfied until every one of their demands is met.

About IPAMS

The Independent Petroleum Association of Mountain States (IPAMS), founded in 1974, is a non-profit trade association representing more than 400 independent oil and natural gas producers, service and supply companies, banking and financial institutions and industry consultants committed to environmentally responsible oil and natural gas development in the Intermountain West. More information on IPAMS and its members is available at www.ipams.org.