

March 15, 2001

House of Representatives
Committee on Resources
Subcommittee on Energy and Mineral Resources

**“Domestic Natural Gas Supply and Demand:
The Contribution of Public Lands and the OCS:**

Robert W. Fisher
President
Montana Petroleum Association

Senior Vice President/Managing Partner
Ballard Petroleum Holdings, LLC

Madam Chairman, Members of the Committee, for the record my name is Robert Fisher and I am the President of the Montana Petroleum Association (MPA) and Managing Partner in a small independent exploration and production company headquartered in Billings, Montana. It is a distinct honor to be here today at the invitation of Congressman Rehberg to represent the MPA and independent oil and gas business at work in the Rocky Mountain States.

Independent producers supply over half of the nation's natural gas needs. The company I helped establish, Ballard Petroleum, is one of the few independent producers remaining in the state of Montana. I am here today to attempt to convey to this committee the challenges facing all exploration companies in their quest to help this Nation meet its energy needs. Specifically, I would like to address some of the findings of the 1999 National Petroleum Council report on natural gas, entitled "Meeting the Challenges of the Nation's Growing Natural Gas Demand".

The 1999 NPC report was prepared at the request of then Secretary of Energy, Federico Pena. Secretary Pena noted that, "For a secure energy future, government and private sector decisions makers need to be confident that industry has the capability to meet potential significant increases in future natural gas demand."—A very prophetic outlook indeed.

It is important to note that in 1998 the Clinton administration was restricting air emissions from coal-fired generation facilities forcing this sector towards increased natural gas usage to meet new air quality standards and at the same time fostering an environment in our federal land management agencies that continued to restrict access to government lands and access to the basic resource. To put these various forces in motion without consideration of the impact on the commodity of natural gas was poor policy decision making at best, and a recipe for long term supply problems.

The 1999 NPC report identified several key factors influencing natural gas supply and deliverability to this nation. These factors include:

- Access to resources and rights-of-way
- Continued technological advancements
- Financial requirements for developing new supply and infrastructure
- Availability of skilled workers
- Expansion of the U.S. drilling fleet
- Lead times for development
- Changing customer needs

In regards to the National Petroleum Council's report I would like to relate my company's specific interactions with various government agencies and other examples of Montana's attempts to help meet this Nation's energy needs.

First, a history of various federal agency actions was prepared to give this Committee a reference point from which to evaluate the ability of the industry in Montana to help assist this Nation in the development of energy resources and power generation.

In January 1994 the **Beaverhead National Forest** began scoping for a new Environmental Impact Statement (EIS) for oil and gas leasing. In February 1996 a Record of Decision (ROD) was issued concerning the original 2,149,300 acres.

- Legally Unavailable 503,400 acres (23%)
- Administratively Unavailable 9000 acres (<1%)
- Administratively Available 1,636,900 acres (76%)

Of the “Administratively Available” acreage the following designations were enacted:

- No Surface Occupancy (NSO) 479,300 acres (22%)
- Controlled Surface Use (CSU)/
Timing Limitations (TL) 741,700 acres (35%)
- Standard Terms (STD)* 415,900 acres (19%)

*Bureau of Land Management (BLM) standard lease terms are applicable.

In February 1996 a Record of Decision was issued by the **Helena National Forest** covering approximately 997,700 acres. In July 1996 the Forest Service promptly withdrew their 2/96 ROD because of other “reasonably foreseeable projects” that had arisen since the EIS was prepared. Subsequently, a new ROD was issued in May 1998 with the following leasing availability designations:

- Legally Unavailable 144,500 acres (14.48%)
- Administratively Available 853,200 acres (85.52%)

Of the “Administratively Available” acreage the following designations were enacted:

- Discretionary Unavailable 185,100 acres (18.55%)
- No Surface Occupancy 384,700 acres (38.56%)
- Controlled Surface Use
and or Timing Limitations 258,700 acres (25.93%)
- Standard Terms Only 24,700 acres (2.48%)

Finally, in September 1997 a Record of Decision was issued for 1,862,453 acres in the Rocky Mountain Division and the Jefferson Division of the **Lewis and Clark National Forest** with the following leasing availability designations:

- Legally Unavailable 614,458 acres (33%)
- Administratively Available 1,247,995 acres (67%)

Of the “Administratively Available” lands the following designations were enacted:

• No Lease	356,111 acres	(19.12%)
• No Surface Occupancy	363,033 acres	(19.49%)
• Controlled Surface use	393,793 acres	(21.14%)
• Controlled Surface Use and or Timing Limitations	135,058 acres	(7.25%)
• Standard Lease Terms	0 acres	(0%)

It is important to note that for the Rocky Mountain Division no lands were offered for lease. Only certain lands will be offered for lease in Central Montana in the Jefferson Division of the Lewis and Clark National Forest.

The summary of these three combined Forest Service decisions is as follows:

Total Forest Service Acres	5,009,453 acres	
• Legally Unavailable	1,262,358 acres	(25.2%)
• Legally Available	3,747,095 acres	(74.8%)
▪ Administratively/ Discretionary Unavailable	194,100 acres	(3.87%)
▪ No Lease	356,111 acres	(7.10%)
▪ No Surface Occupancy	1,227,033 acres	(24.15%)
▪ Controlled Surface Use and or Timing Limitations	1,529,251 acres	(30.53%)
▪ Standard Lease Terms	*440,600 acres	(8.80%)

*94% of these available acres are in the Beaverhead National Forest

These combined decisions have potentially cost the State of Montana 10 to 30 TCF in natural gas reserves. This equates to tens of billions in revenues for local and state government.

In October 1997 Mike Dombeck, Head of the U.S. Forest Service, issued a memo to all employees of the USFS stating the following:

“Recently, Forest Supervisor Gloria Flora and the staff of the Lewis and Clark National Forest made a decision to not allow any further exploration for oil and gas on the Rocky Mountain Front. The decision was widely and positively covered by the media, including several national outlets. This decision was based primarily on the will of the people who responded to the draft EIS and preferred alternative. If collaborative stewardship is to be a cornerstone of our working relationship with the American people, we must, as the Lewis and Clark National Forest has done, demonstrate that the will of all people will be one of our key

bases for decisions, along with sound science and resource objectives. This is true conservation leadership.”

When you have people in the highest positions of government praising their employees for eliminating access and locking up the resource base then you create an environment that fosters opposition to Congressionally mandated Multiple-Use land policies. The greatest concern of our industry following these decisions was the copycat phenomenon that would ensue following, in particular, the No-Lease Decision of the Lewis and Clark Forest. This perceived threat to responsible resource development and to basic access is now coming to fruition in the State of Wyoming in the recently released Preferred Alternative for the Bridger-Teton Forest. The Forest Service decision to adopt a “No Lease” policy even after a 10-year process to prepare the Bridger-Teton Land and Resource Management Plan is in total disregard for the science and detailed planning that went into the document. This latest decision by the Forest Service bypasses Congressional directives for multiple-use and places another 370,000 acres in a “de-facto” wilderness classification and more resources off limits.

Following these decisions, of course, was the designation of Monument status for almost one-half million acres along the Upper Missouri River and the Clinton Administration’s Roadless Initiative that locked up over 6 million acres of Forest Service land in Montana.

Attitudes must change!

NIMBY: Not in my back yard

BANANA: Build Absolutely Nothing Anywhere Near Anyone

NOPE: Not On Planet Earth

Our country cannot afford the radical swings of policy that can adversely effect our environment or our national security. Responsible development with utmost care for the environment is not mutually exclusive!

The problem facing this industry and this Nation is reasonable access to resources! The National Petroleum Council went further in its recommendations by stating that “The Council believes that unprecedented and cooperative effort among industry, government, and other stakeholders will be required to develop production from new and existing fields and build infrastructure at sufficient rates to meet the high level of demand indicated in this study.”

Specific examples of the regulatory burden and inefficiencies are everywhere. As an independent exploration company Ballard Petroleum (BPL) has dealt with many of the Regional BLM and Forest Service offices throughout the western U.S.

In the Manti-LaSal Forest of Utah it took BPL 10 months to receive a permit to drill a single well. The well was drilled in 2 weeks time on Forest Service lands and subsequently plugged. We then left the area for the winter months and came back to reclaim the well pad per USFS regulations. The USFS intervened and requested changes to the previously approved USFS reclamation plan. These changes then had to be re-submitted and re-approved. This process took the entire summer and early fall period.

The USFS instructed reclamation to begin just prior to the fall snow period. BPL began reclamation knowing that there was a significant chance of snow and that operations would be forced to stop due to heavy snows. The snow came, we were forced to leave and then subsequently served with a non-compliance letter for not reclaiming the well pad in a timely manner. If BPL had been left alone, BPL would have properly reclaimed the location in June and July of 2000. Instead, the USFS bureaucracy cost BPL the entire summer period of decent working weather due to the USFS mandated changes to a previously approved USFS reclamation plan!

Another example of stifling regulatory oversight experienced by BPL was in the Powder River Basin of Wyoming in 1999/2000. In order to permit a single well on the USFS administered Thunder Basin Grasslands it took BPL 6 months to receive an approved permit to drill. It took 8 days to drill the well.

Generally speaking, when operating in the Powder River Basin of Wyoming, it takes one week to two weeks to drill 5000 to 12000 feet in depth. It takes the Forest Service a minimum of 6 months to permit a single well as opposed to 30-45 days for the BLM to permit the same. The industry in the United States needs to drill thousands of new wells every year to arrest the natural decline of known resources and to develop new reserves to meet this Nation's energy needs. If you examine production volumes in this country you will find that all producing areas are declining in production except for one area in Wyoming, the Powder River Basin.

In the Rocky Mountain States of Montana, Wyoming, Colorado and Utah there are 44,655,799 acres of Forest Service lands and 45,771,563 available acres of BLM lands. (1995 statistics) The National Petroleum Council report identifies additional resources by region in excess of 300 TCF in the Rocky Mountain Foreland Basins and Overthrust Province. Continued restriction of access to these resource areas will only drive investment away. Our federal, state and local economies will continue to lose revenues. Our nation will continue to lose good paying natural resource jobs and will become even more dependent on imports of all resources, not just natural gas and oil.

Montana and the Western States have a wealth of natural resources that can be responsibly developed. Eastern Montana can supply the Nation with super-compliant low sulphur coal. Coalbed Natural Gas is just beginning to be developed in Montana and could supply several TCF for future energy needs. Montana's Overthrust province may hold in excess of 20 TCF but is currently out of reach because of recent USFS decisions. The representatives for the western States need to take a much more aggressive role in Federal lands decisions or their state economies will suffer!

The Oil and Gas Industry can address the concerns voiced by the National Petroleum Council pertaining to investment, drilling fleet expansion, technological advancement, training skilled workers and contracting lead times for development.

Our industry cannot solve government lands access issues without “**unprecedented cooperation**” from our government! Federal surface ownership in the western U.S totals

more than 252 million acres. The Forest Service needs to have a specific mandate from Congress that directs that prudent, environmentally sound resource development needs to be considered on an equal footing with current environmental and “sense of place” issues that are dominating the decision processes. Public land managers of the Forest Service are ignoring Congressional mandate **that directs the Forest Service to support, facilitate, and administer the orderly exploration, development, and production of mineral and energy resources on National Forest System lands to help meet the present and future needs of the nation.**

There are those in the government and the press that are very quick to point the accusatory finger of blame at industry, but please examine the facts and your sacrosanct positions. The government, in aggregate, is the largest natural gas producer in our country and therefore benefits enormously from this resource base. At the same time the government is further restricting access to the resource base at an alarming pace, both onshore and offshore through moratorium, No Surface Occupancy, No Lease declarations and regulatory overlap of Timing Limitations and Controlled Surface Use stipulations.

The greatest impediment to securing our Nation’s natural gas resources for energy generation is our own Federal government! Since the early 1980’s there has been an enormous amount of discussion/reporting on the ever-increasing volumes of imports and potential energy shortages. Well, the energy shortages are here (California and the Northwest United States), imports are at all time highs and government continues to reduce access to oil and gas minerals on public lands. Our country has just experienced something that many of us only thought happened in third world nations and portions of the Former Soviet Union – rolling black outs and power shortages. With snow pack and moisture levels at record lows in the Northwest and low levels of natural gas in storage the individual consumer and all of business has not seen the end of the energy shortages and high power bills!

As a Nation it is easy to sit back and enjoy low inflation and a vibrant economy while putting off the nagging question of energy policy when the raw commodity is cheap. Now that energy has everyone’s attention our Nation rushes to govern, as more often than naught, by crisis. My brother served in Desert Storm, for cheap oil. He came home - others did not! Leadership demands that this Nation describe a course that best meets the demand for energy, in high or low commodity price environments, that protects our citizenry and arguably the strongest economy on earth.

If you can’t access the basic resources don’t be surprised when you reach for the light switch and there is no light!

FOLLOW-UP ADDRESS:

Robert William Fisher
2018 Constellation Trail
Billings, Montana 59105

(406) 259-8790 ext 203 – Work

Comments Summary:

Montana State Representatives need to be aggressively involved in all Federal lands policy discussions and decisions.

Forest Service decisions in the last decade have all but ignored technological advances and environmentally sound practices that allow for prudent development of the resource base in favor of “sense of place” issues.

Responsible development is not mutually exclusive of caring for the environment.

Supply problems will continue to occur if the Federal government continues to reduce access to the resource.

Rocky Mountain States contain over 300 TCFG and can be the major contributor to our Nation’s energy needs.

A leadership role by the Federal government in formulating an energy policy for this Nation is critical. Stop governing by crisis! Plan for the future!

Our Nation needs “*Unprecedented Cooperation*” to meet its’ energy needs.

We have finally caught the Soviet Union – we’ve got power shortages too!

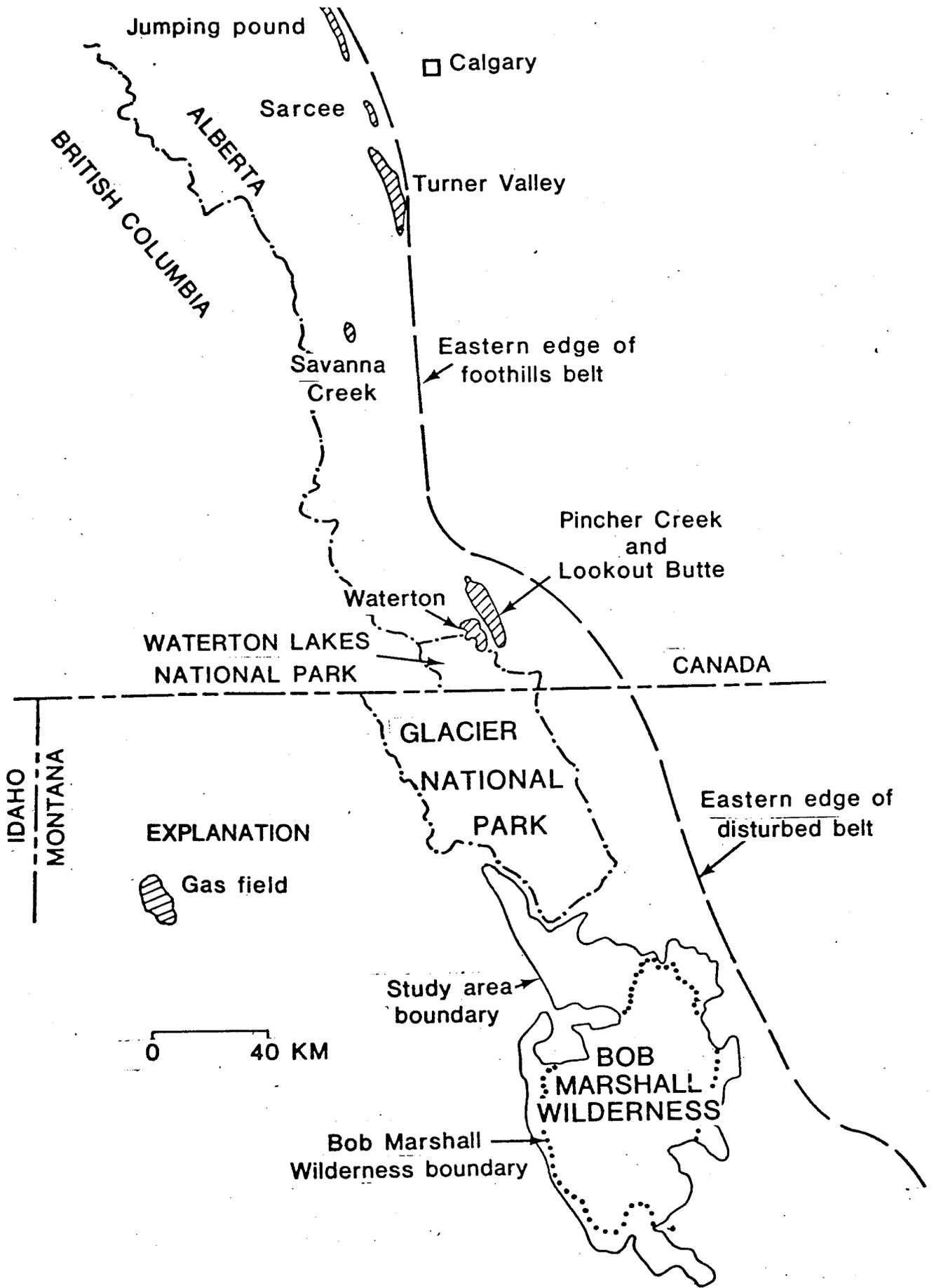
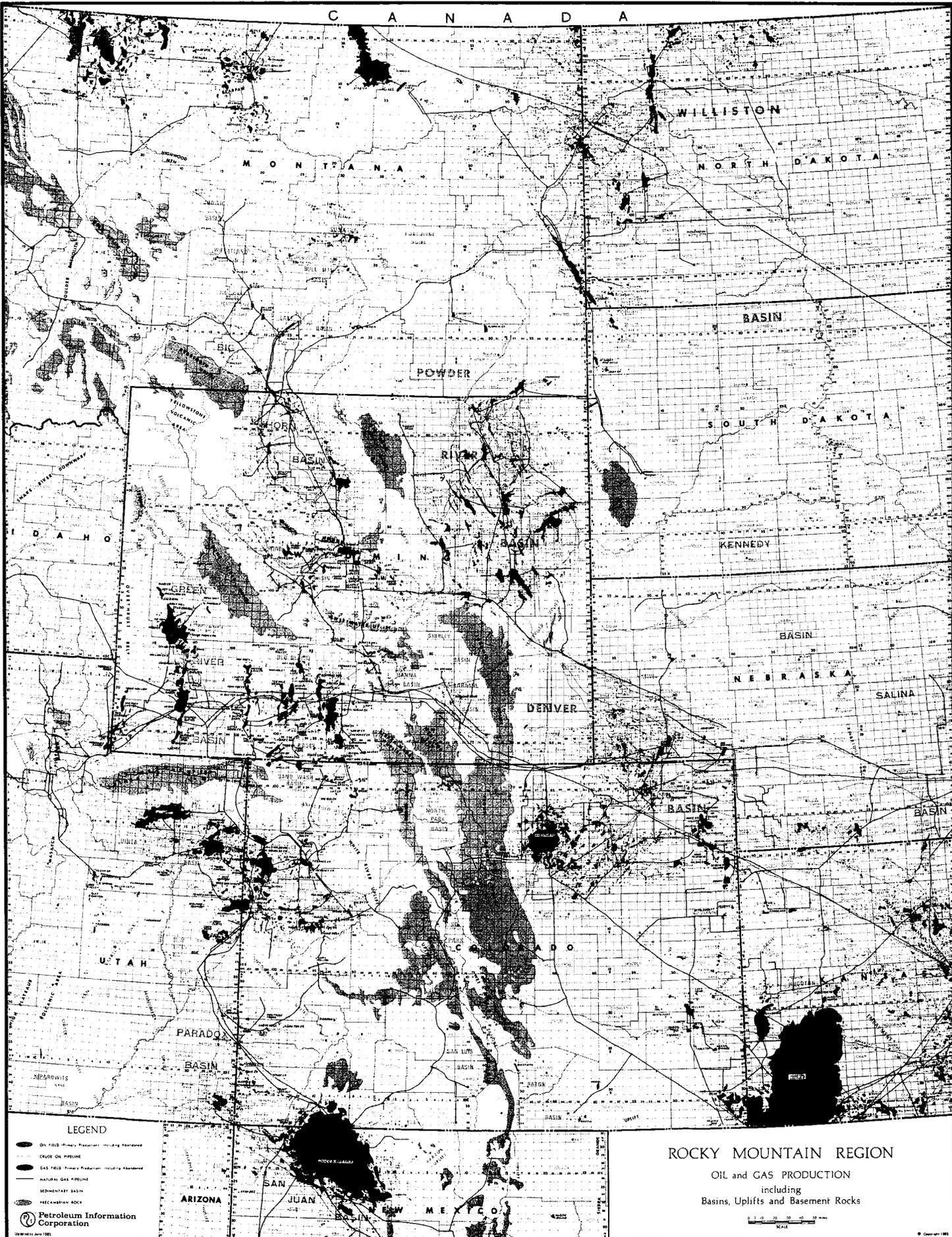


Figure 15.-Map showing Bob Marshall Wilderness and gas fields in southern Alberta Foothills (cross hashed pattern)



LEGEND

- OIL FIELD Primary Production including Reservoir
- CRUDE OIL PIPELINE
- GAS FIELD Primary Production including Reservoir
- NATURAL GAS PIPELINE
- SEDIMENTARY BASIN
- PRECAMBRIAN ROCK

ROCKY MOUNTAIN REGION

OIL and GAS PRODUCTION including Basins, Uplifts and Basement Rocks



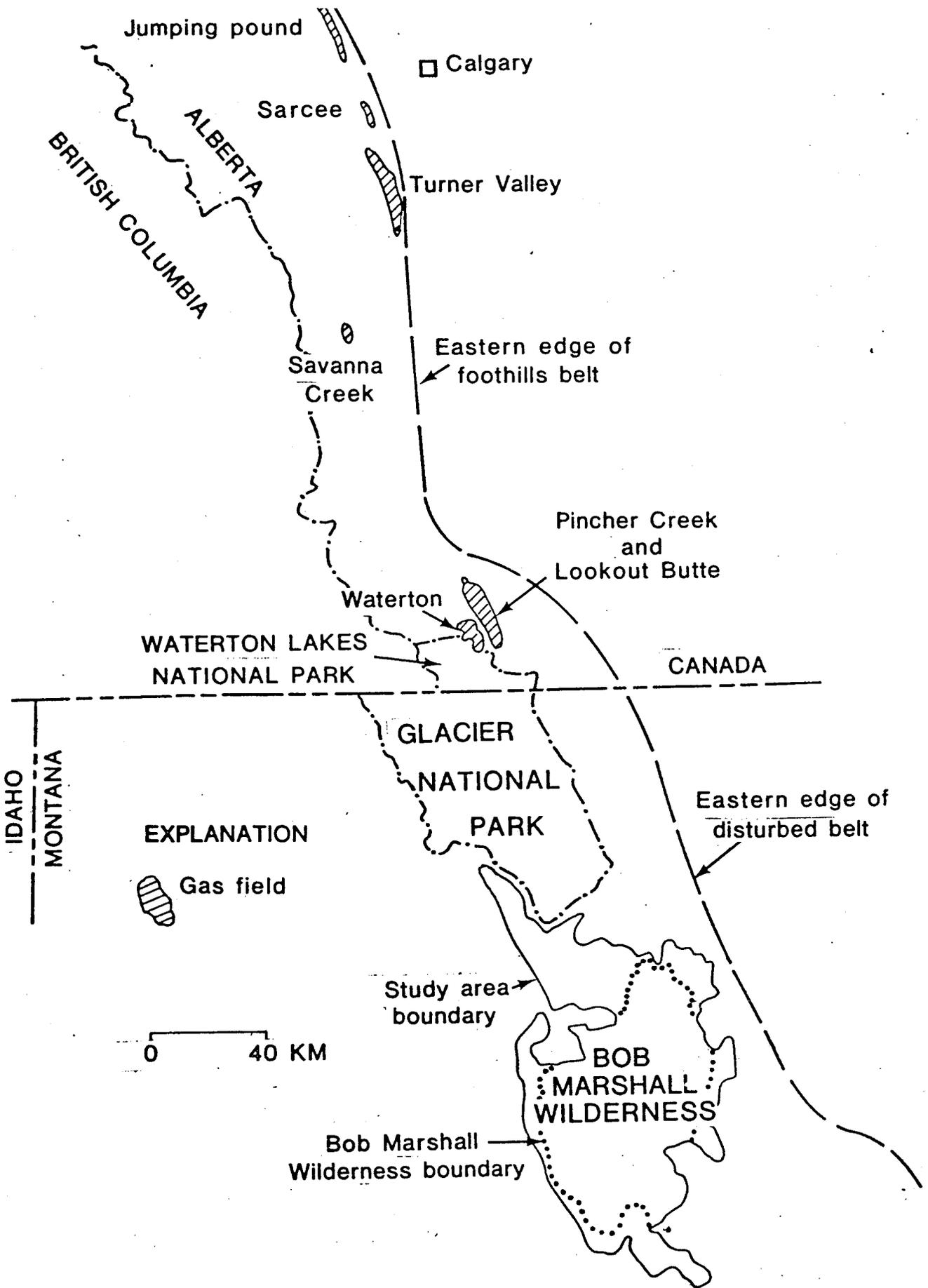


Figure 15.-Map showing Bob Marshall Wilderness and gas fields in southern Alberta Foothills (cross hashed pattern)