

OIL & GAS WORKSHOP

Dec. 3, 2008

Cortez, Colo.

About 60 people attended the public workshop, which was presented by the San Juan Public Lands Center, BLM Canyons of the Ancients National Monument, and Montezuma County.

The purpose was to present an overview of the oil and gas permitting process for different governmental entities. The workshop was facilitated by Mike Preston, manager of the Dolores Water Conservancy District, who explained that he was acting as a volunteer and not as a representative of the district.

James Dietrich, federal lands coordinator for Montezuma County, noted that energy development moves in boom-bust cycles. At the present, there appears to be considerable interest in oil and gas in this area, and exploration and drilling are on the upswing.

Oil and gas production is very important to Montezuma County, providing about 40 percent of property-tax revenues. It has other economic benefits as well, providing a boon to area businesses such as restaurants, motels, gas stations and equipment dealers.

Energy development is a complicated issue and more meetings may be needed.

Federal process

Tom Rice, Bureau of Land Management (BLM) natural-resource specialist with the Dolores Public Lands Office (DPLO) of the San Juan Public Lands, provided an overview of energy resources in the local area.

He noted that the BLM is the agency that administers federally owned minerals that lie on federal lands or beneath private lands. However, the federal agencies have no oversight on private land of noise, air quality, or many other concerns related to energy development, which are regulated by the state. The BLM does have responsibility to manage spills on private land if the mineral is federally owned.

Quite a bit of leasing is occurring on local BLM lands. Not as much is taking place on local National Forest lands because the San Juan National Forest is revising its resource management plan and, as part of that process, is analyzing energy leasing before approving more leases.

No new leasing is being done within the BLM Canyons of the Ancients National Monument at present, but there are many existing leases for carbon dioxide (CO₂) and natural gas within the monument. CO₂ is used to boost recovery of oil from wells as near as Aneth, Utah, and as far away as west Texas.

Tom explained some of the geologic formations relevant to energy exploration in the local area.

Oil is found mostly in the far southwestern corner of the state and south into Navajo lands. CO₂ is found in the McElmo Dome Field, centered on Canyons of the Ancients National Monument.

In recent months much seismic exploration has been conducted in search of natural gas in the Cahone area. Seismic exploration involves sending energy into the subsurface and using the resulting sound waves to provide a picture showing where oil

and gas deposits might lie. Seismic testing can be done using a vibrasize buggy or by drilling holes and exploding TNT in those holes.

Jamie Sellar-Baker, associate manager with the DPLO, explained the federal permitting process for energy development. She said the DPLO wants to facilitate the orderly development of mineral resources and to learn the public's concerns about energy production.

In their resource management plans, the federal public-lands agencies take a systematic approach to analyzing the existing and future management direction of public resources. The revised draft management plan for San Juan Public Lands has been released, with its accompanying Environmental Impact Statement (EIS), and is tentatively slated to be finalized in 2010.

A supplement to the plan regarding oil and gas will probably be released in the summer of 2009. There will be a public-comment period of at least 90 days for the supplement.

When making decisions about leasing, agency personnel consider such factors as valid existing rights (what lands are already leased), areas to be closed to oil and gas leasing (such as Wilderness Study Areas, Wild and Scenic Rivers, and other special areas), and reasonably foreseeable development.

Leases that are granted may carry stipulations such as no surface occupancy (meaning that drilling must be done from another location), timing limitations (e.g., to protect wildlife during certain seasons), and controlled surface use.

A tiered NEPA (National Environmental Policy Act) process must be followed when leasing is being considered. The EIS is only the first stage. Applications for Permit to Drill (APDs) typically require another level of NEPA analysis.

The BLM does leasing four times a year, through a competitive bidding process. There are no restrictions on who can bid; a private landowner can purchase his own minerals but he/she has to develop those resources or the lease will be rescinded. Leases are for a 10-year period. A very small percentage of leased land is actually developed. Sometimes the same property is leased over and over by different companies.

Information is available to the public on-line or at the public-lands office regarding what acreage is available for leasing. The public can find out about ownership of leases through master title plats for federal land. Notices of staking, which are part of the process for APDs, are posted in a public place, usually the local public-lands office.

Jamie said public input can sometimes influence decision-making. She has asked for deferrals (from development) of many parcels in the last three years. One of the main reasons was because of the presence of the Gunnison sage grouse, a species that is considered to be in severe decline. However, deferrals are very site-specific; each situation is unique.

The agencies establish what lands are available for leasing, but their overriding philosophy is that oil and gas reserves are there for the benefit of the nation.

Lease development involves:

- Geophysical exploration
- Wildcat drilling (the percent of such wells that prove successful is slim, about 10 percent)
- Development drilling

- Production activities (roads, pipelines, compressor stations)
These subsequent actions usually require another level of NEPA analysis.

For Colorado Leasing Program information, see the web site:
www.blm.gov/co/st/en/BLM_Programs/oilandgas/leasing.html

For Best Management Practices, see
www.blm.gov/co/st/en/BLM_Programs/oilandgas.html

State process

Karen Spray, Southwest Region environmental protection specialist with the Colorado Oil and Gas Conservation Commission (COGCC), discussed state oversight and permitting of energy development.

The COGCC is a regulatory agency that is part of the Colorado Department of Natural Resources. It was created by the legislature to promote development of oil and gas resources, consistent with the protection of public health, safety and welfare.

It is required by law to make and enforce rules regarding oil and gas development. It is not authorized to act on civil matters such as trespass and other private-land issues.

The COGCC is headquartered in Denver; most hearings take place there, as does permitting. Field operations, however, are going on primarily on the Western Slope and in the southeastern portion of the state.

The COGCC currently has three staff people in Southwest Colorado. All are based in Durango and operate from their home offices. They are:

- Karen Spray, environmental protection specialist (970-259-1619)
- Mark Weems, engineering field inspector (970-259-4587)
- Leslie Melton, engineering field inspector (970-259-4587)

For more information see the COGCC's extensive web site,
www.cogcc.state.co.us.

The state hotline for reporting spills and other complaints is 1-888-235-1101.

The COGCC is doing a major revision of its rules and regulations. Because the new rules will be stricter than the old, a flurry of permitting occurred in 2008. Final deliberations regarding the new rules were to be conducted Dec. 9-11. Implementation of new rules will be phased in, probably beginning in June 2009. More details about the rule-making may be provided at the next meeting.

The COGCC reviews and issues conditions of approval for COGCC-regulated wells (involving privately owned mineral rights on private land). It gives a review and recommendations to other authorities (BLM or tribal) for non-COGCC-regulated wells but does not make conditions of approval.

Operators of wells must post bonds with the state. The COGCC also maintains an environmental response fund for emergency use, such as plugging a well that nobody owns.

The COGCC has many production rules regarding, drilling, reclamation, pit closures, noise, production-equipment setbacks and much more.

It has specific Exploration and Production (E&P) Waste Management Rules regarding wastes such as produced water, drilling fluids and cuttings, oily wastes, and others. E& P wastes must be properly stored, handled, transported, treated, recycled and disposed of.

The Air Quality Control Commission under the Colorado Department of Public Health & Environment oversees issues of air quality and air pollution related to energy production.

County process

Casey McClellan, vice chair of the Montezuma County Planning Commission, and Susan Carver, Montezuma County planning director, explained the county's process for permitting oil and gas exploration and production on private lands.

When an application for an oil- or gas-related operation, such a well, is received by the county planning office, the zoning of the parcel in question must be ascertained. Under the county's land-use code, certain activities including energy exploration and drilling can be permitted on larger agricultural tracts and on unzoned parcels without changing the zoning; however, the applicant must obtain a high impact permit and a special use permit. This involves several steps, including submission of a completed application, review by the planning commission, and a public hearing before the county commissioners. The process usually takes 63 to 70 days to complete.

In response to questions, Casey and Susan said if a proposal meets all the county's standards it is not likely to be turned down, but mitigation of serious adverse impacts will be required. At the state and federal levels, even if a project receives a permit, it can be reviewed and halted for any violations. The same is true for the county.

Next meeting

A second meeting on oil and gas will be scheduled in February. Issues suggested for the agenda were:

- Split estates
- Groundwater impacts, including to wells
- Air-quality impacts
- Noise
- Industry process and practices
- Economic and other community benefits
- The CDOW's role
- Pipeline reclamation and bonding
- Surface-use agreements
- Public health and safety issues
- Other counties' regulations, possibly La Plata, Archuleta, Saguache and Gunnison counties.

Audience members were asked to "vote" for the topics they preferred by placing dots next to the topics on the flip charts. The four topics at the top of this list received the most votes.