

## VERMILLION BASIN WORKING GROUP NOTES & CONCLUSIONS

**DATE:** July 11, 2005

**ATTENDING:** Steve Bonowski, Jeff Comstock, Fred Conrath, T. Wright Dickinson, Tom Gray, Suzanne Jones, Reed Morris, Dawn Nottingham, Randy Ray, Mariana Raftopolous, and Jane Yazzie.

### **NWCOS has already agreed to:**

Alternative A: open to oil and gas development, open to ORVs

Alternative D: closed to oil and gas development, closed to ORVs

Goal of Working Group meeting is to come up with ideas for Alternatives B & C

### **LIST OF IDEAS DISCUSSED for Alternatives B & C:**

[Note: The working group discussed these ideas but did NOT come to agreement about the merit of the ideas listed below or on whether BLM should consider them. Any conclusions reached are noted in the Conclusions section below.]

Limiting development over time/Phased development:

- # of wells/time
- # of wells/area
- Delaying leasing until after leased lands outside Vermillion Basin have been put into production, to phase in development across landscape for wildlife and to limit boom/bust

Limiting amount of surface disturbance:

- Requiring clustered development through multi-well pads, directional drilling
- Restricting road development (# of miles allowed, or where roads can be sited)
- Dividing leasing into north/south zones (e.g., allow leasing in high/medium areas, but not in low/no known areas—however, that means what map is agreed to is particularly important)

Guiding surface disturbance to particular areas:

- Limiting development to existing roads
- Dictate where exploration can occur: e.g., north/south zoning, or requiring access from outside area (i.e., directional drilling)

Other ideas:

- Gather more information before committing (e.g., by getting more 3-D seismic testing done, looking at other testing that has been done)
- Allowing larger leases so dealing with fewer operators (who can afford 3-D seismic, less likely to disappear, more likely to employ specific practices)
- Separate exploration from development by articulating specific and separate guidance for managing exploration and development

### **DISCUSSION NOTES:**

Suzanne opened meeting by suggesting that the work group focus on thinking of creative ideas to give to BLM that would be useful to analyze in one of the alternatives so that BLM/NWCOS would have useful information to proceed with (e.g., how much of the recoverable gas could be gotten using directional

drilling from outside the boundaries of Vermillion Basin, and at what cost, so that BLM/NWCOS could contrast an NSO option with other development options).

Ray proposed try to get more 3-D seismic testing done so that fewer exploratory wells would be needed. He proposed that BLM encourage 3-D testing by leasing larger parcels (e.g., 4 square miles) so would be more affordable.

--Fred said that 3-D info might help define some tracts, but probably would not alter high-medium-low potential.

--Some said that smaller operators would be locked out by larger lease parcels and that some large companies might not as environmentally sensitive; others thought it would be good because larger operators might be less likely to disappear after drilling without reclaiming, would be the only ones able to afford seismic, would mean dealing with fewer operators.

--Jane raised concerns that the national energy bill pending in Congress could be changing the rules on what stipulations would be required on normal drilling operations, so is a moving target.

--Earlier (2-D?) seismic testing has already been done throughout Vermillion Basin but is not publicly available, so BLM is not using this data in current planning. Several folks thought this was inefficient and unfortunate—FRED CONRATH AGREED TO LOOK HARDER IN OLDER RECORDS FOR ANY PUBLICLY AVAILABLE DATA

--Suzanne noted that BLM still would not have access to any new 3-D testing, so that it wouldn't necessarily help the agency or NWCOS plan, even though a public resource was at stake.

T. Wright wanted to make sure to preserve industry's right to explore, even in areas with "no known potential." He proposed to limit amount of exploration (e.g., to 4 wells/section), and to separate exploration requirements from development requirements.

--Fred said that 4 wells are too few to thoroughly explore an area.

--Larger leases with seismic testing means you could use fewer test wells, but still split exploration and development.

--Suzanne and others felt that opening all areas to exploration meant that there would be no certainty for those concerned about conservation of wildlands, and so was inappropriate.

In general, lots of going back and forth about how industry couldn't agree to development restrictions until they knew what the gas resources were after exploration, and conservationists arguing that there could be no conservation certainty for what landscape would eventually look like (and therefore no consensus) unless development restrictions could be agreed to up front. This is the crux of the issue.

--Fred agreed that because Vermillion Basin is a special management area (due to degree of controversy and lots of public values) that it was possible to have special requirements apply; (e.g., put into leases, "In this area, beware" that additional restrictions may apply.

--Marianna raised concerns about whether specific restrictions are an RMP-level decision.

--Jeff said that we should have looser requirements for exploration, stronger requirements for development, and identify outcomes and manage for those outcomes in the area.

--Jane said that we need to figure out a way to provide both certainties for development AND certainties for conservation.

--T. Wright agreed that conservation principles must be a part of the lease requirement, but doesn't want to specify tools. He thought that if there is a known resource, we should fully develop it, but raised the idea that this might be done with 160-acre spacing; when one well is reclaimed, then can drill another well, but doesn't want a lot of wells. Don't want to ruin the scenery – so hide wells, bury them; don't want to see them, hear them or smell them, but have as many as you like. In his own surface agreement, T. Wright limited development to no more than 2 wells per 160 acres, but no limits on where wells were placed.

--Reed was concerned that while managing for outcomes and hiding well was admirable, that conservationists are still left without certainty that objectives for limiting development would be met or that outcomes (such as preserving the area's naturalness) would be thrown out the window.

--Fred said that default spacing is 40 acres. BLM can better control roads, powerlines and pump stations than we can the siting of wells. Quoted from EPCA that BLM needs to lease high and medium potential lands, but should focus protection in low and no known areas.

--Jeff proposed allowing development as long as reclaimed area to exact condition in 40 years; others said that wildlife and recreation needs need to be taken into account now, not in 40 years, plus important that any development be done right.

--Seemed to be some agreement on the zoning concept (although T. Wright would like exploration to still be allowed in no known potential areas, which Suzanne and others strongly opposed). Everyone agreed with strong reclamation standards, although less clarity about whether current stipulations are adequate or not.

Suzanne raised idea of phasing in leasing and/or development of the area, perhaps by postponing any Vermillion Basin until already-leased lands surrounding the Basin had been put into production. She mentioned that BLM recently lost NEPA lawsuit in Montana because failed to consider phased development in Powder River Basin. Phased development can benefit community by evening out production over many years so less likely to have boom/bust cycle.

--We ran out of time to discuss fully, but opposition was raised to idea of phased LEASING (county would rather get lease money all at once, since phased exploration might reveal no find so less lease money in future); less resistance was raised to idea of phased DEVELOPMENT, since development often happens that way naturally due to shortage of drill rigs.

--Fred Conrath stated that the agency cannot dictate the placement of wells.

[Meeting leader also notes that we ran out of time to fully discuss an NSO development option involving directional drilling, which would be useful for the BLM to analyze within the range of options to show whether it is feasible or not, and to contrast with other development options.]

## **SUMMARY**

In general, some folks continue to support full energy development of Vermillion Basin (possibly with some restrictions), while others remain equally adamant that all of Vermillion Basin should be protected from energy development.

However, regarding the full range of alternatives, we reached agreement that the following list had "some merit for BLM to explore" in Alternatives B & C (without getting into which provisions should be in which alternative – leave to BLM to decide):

1) Any development should be "done right" and "look different than elsewhere" given special nature of Vermillion Basin and the controversy surrounding it.

2) BLM should try north/south zoning that allows development in high/medium potential areas, but protects low /no known potential areas from energy development.

3) Where development is allowed, BLM should explore limiting amount of new roads and limiting SURFACE disturbance of well pads. While there was no agreement on trying to direct the siting of WELLS, folks thought it was okay for BLM to direct the siting of ROADS, and perhaps to restrict development to pads adjacent to existing roads in the area (e.g., the boundary roads that divide the five proposed wilderness units).

4) BLM should consider merits of leasing larger parcels within Vermillion Basin in order to encourage seismic testing (and therefore fewer exploratory wells), having fewer operators to deal with in the area, and decreasing the possibility of leasing to a “fly-by-night” company. (It was discussed that 4 sections was the maximum lease parcel size BLM could offer, besides in Alaska.)

Other Issues Discussed

We weren't able to reach agreement on the idea of phasing LEASING of Vermillion Basin, and while some participants thought BLM should explore idea of phasing DEVELOPMENT of the area (e.g., limiting number of rigs or wells per year), others strongly opposed the concept. Fred Conrath agreed to take a preliminary look into the concept. [Note: Since this meeting occurred, Fred Conrath has looked into this idea but has not proposed to include phased development in the Resource Management Plan for the Little Snake Resource Area at this time.]