

EP-1
EP-2



Virginia Stephens
09/24/2001 01:26:33 PM

Record Type: Record

To: Andrea Sarzynski/WHO/EOP@EOP
cc:
Subject: Energy Streamlining Task Force Submissions

fyi.....

----- Forwarded by Virginia Stephens/CEO/EOP on 09/24/2001 01:29 PM -----



WFWhitsitt@aol.com
09/21/2001 04:52:22 PM

Record Type: Record

To: Edward A. Boling Energy Task Force/CEQ/EOP@EOP
cc: Horst Greczmiel/CEQ/EOP@EOP, Virginia Stephens/CEQ/EOP@EOP
Subject: Energy Streamlining Task Force Submissions

Attached are two initial submissions regarding energy project delays for consideration by the Task Force.

Please note the additions to your format, including front-page contact information for the respective companies.

We've also added a recommendation section.

If this format looks OK, I'll suggest it be used more broadly as we put out another reminder to DPC companies about the value of calling problems to the attention of the Task Force.

Finally, you'll notice we have mentioned in the submissions the need to implement results of a BLM nationwide permitting process benchmarking study. Although DPC recommended one during the presidential transition process, it is not clear whether it was initiated. If useful, I will be glad to make a submission restating that recommendation.

Thanks and keep up the good work!

Bill

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- att1.htm



- Access - CEQ BR Otero County (9-21-01).ZIP

TO: CEQ/ Energy Streamlining Task Force**Project/Problem:**

Resource Management Plan Amendment/Environmental Impact Statement (RMPA/EIS) for Federal Leasing in Sierra and Otero Counties, New Mexico

Entity Proposing Project:

Various Oil & Gas Companies; Burlington Resources Oil & Gas Company, LP (BR) is 50% interest owner in various projects proposed by Harvey E. Yates Company (HEYCO) in this area.

Contact: Eileen Dey
Regulatory Compliance Supervisor
Burlington Resources Oil & Gas Company, LP
3300 North A Street, Building 6
Midland, TX 79705-5406
915 688 9042
915 688 6009 (fax)
edey@br-inc.com

Type of Project:

Natural Gas and Oil Exploration and Production

[Resource Management Plan Amendment (RMPA)/Environmental Impact Statement (NEPA Planning) relating to a federal exploratory unit, designated as the Bennett Ranch Unit.]

Approval/Consultation Agencies;

Bureau of Land Management, Las Cruces Field Office, New Mexico

Brief Description of Project and Problem:Background and Overview

Potential habitat and a few sitings of the Aplomado Falcon, a T&E (threatened and endangered) species under the ESA (Endangered Species Act) in addition to the lack of sufficient oil and gas support in the existing RMP in response to the increased activity in the Resource Management area precipitated the need for the RMPA.

The current planning and environmental documents under which the Las Cruces BLM operates are the *Environmental Assessment: Oil and Gas and Geothermal Leasing in the White Sands Resource Area, 1981* and the *White Sands Resource Area Management Plan, 1986*. BLM's NOI (notice of intent) to amend the RMP, prepare an EIS, and conduct public scoping meetings was published in the Federal Register on October 15, 1998. All leasing was deferred until completion of the RMPA/EIS. HEYCO along with BR, formed a federal exploratory unit in Otero County in 1996. An initial exploratory well was drilled and completed as a producer on August 3, 1997. HEYCO, BR, and other operators subsequently nominated additional federal lands for leasing and the BLM declined to offer those lands for public sale.

In 1998 the BLM approved several confirmation wells (APDs) with attached conditions of approval that prohibits the wells from being produced. The draft RMPA/EIS, dated October 2000, contains onerous, restrictive stipulations pertaining to future development that are currently being contested by industry. Leasing in these counties has been shut down for at least 3 years, while in Hudspeth County, Texas, (due south) has been actively leased due to increased drilling activity and high oil and gas potential. The comment period for the DRMPA was extended several times in response to industry concerns and ended June 22, 2001. The final RMP is due to come out in December 2001 with no indication that industry concerns were taken into consideration.

Problem/Recommendations

To ensure that environmentally compatible exploration activity will be allowed in order to continue to evaluate the energy supply potential of Otero County, there should be:

- full consideration of the potential impacts of each alternative analyzed in the RMPA with respect to the recovery of energy resources;
- prompt finalization of the RMPA, with associated implementation of energy supply initiatives as identified by the administration;
- prompt approval of any APD or other permitting process improvements identified as part of the ongoing nationwide BLM permitting benchmarking project;
- no restrictions or stipulations adopted in the RMPA that exceed reasonable protection that would prevent economic development without commensurate environmental benefit; and,
- a post-plan monitoring program instituted to determine the effectiveness and necessity of the stipulations and the overall management objectives of the RMPA.

EP-2

TO: CEQ/ Energy Streamlining Task Force

Project/Problem:

Lookout Wash Unit (Carbon County, WY) Drilling Permits
(including anticipated future applications.)

Entity Proposing Project:

Cabot Oil and Gas Corporation

Contacts: Greg Moredock
Director of Government Relations
1200 Enclave Parkway
Houston, TX. 77080
(281) 589-4679
greg.moredock@cabotog.com

Bob Merrill
Landman, Rocky Mountain Region
600 17th Street
Suite 900, North
Denver, CO. 80202
(303) 226-9400
bob.merrill@cabotog.com

Type of Project:

Natural gas and oil exploration and production

Approval/Consultation Agencies:

Bureau of Land Management (Wyoming State Office and Rawlins Field Office)

Brief Description of Project and Problem:

Background and Overview

A variety of requirements and issues must be addressed when obtaining well APDs (Applications for Permit to Drill), right of ways for roads and pipelines, seismic permits, and permits for other surface disturbance operations from the BLM, and often this process is laborious and time consuming. It is not uncommon for the process to take up to a year or more to complete for a single well, particularly if the well involved is on lands located within the boundary of an Environmental Impact Statement (EIS).

The APD must address a variety of technical geologic and engineering issues. In addition, a variety of non-technical issues must be addressed which often consume most of the time and effort incident to a specific permit. The single most time consuming project, as noted above, might be the requirement for or the inclusion of the well site lands in an EIS. The EIS area may encompass tens of thousands of acres. It is not uncommon for an EIS to consume up to two years or more for completion. During the EIS period, the lands included therein are subject to limitations imposed by an Interim Drilling Policy (IDP). The IDP may significantly limit or even preclude the drilling of the well until the Record of Decision (ROD) is issued.

Operations on federal lands are also subject to a variety of requirements that may delay or otherwise control the approval or timing of when such operations may be conducted. In some instances these requirements may totally preclude operations on a specific tract of land despite its productive potential. In such cases directional drilling with its incumbent additional risk and cost may be the only alternative. Many leases are subject to multiple requirements that may allow operations during only a small portion of the year. Such limitations necessarily complicate budget concerns and operations scheduling, leading to delayed or deferred wells and resulting supply.

A specific example of this is the Cabot Lookout Wash Unit located in Carbon County, Wyoming. The Lookout Wash Unit includes approximately 15,000 acres and is located within the Desolation Flats Natural Gas Development Project ("DFNGDP"). The DFNGDP includes approximately 250,000 acres. The DFNGDP is presently subject to the preparation of an EIS. While arguably a governmental function, this EIS, as with other EISs elsewhere, is being funded by a group of oil & gas industry operators, including Cabot, at a cost of approximately \$750,000, in order to expedite the completion and approval of the Record of Decision ("ROD"). The EIS process often prohibits or limits operations until the ROD for the project is issued.

At Lookout Wash, an IDP has been issued for the DFNGDP during the preparation of the EIS. The IDP was prepared consistent with Council on Environmental Quality ("CEQ") regulations.

Cabot recently drilled the Lookout Wash Unit #40-30 well under the IDP. As detailed below, the drilling of this well required the exercise of considerable effort and resources to eventually obtain Bureau of Land Management ("BLM") approval to drill.

The APD for the subject well was submitted to the Rawlins Field Office of the BLM on October 4, 2000. Cabot, as the Unit Operator, personally met with the Reservoir Management Group of the BLM on February 12, 2001 and then with Rawlins Field Office on February 20, 2001, to discuss the approval of this APD as well as other operational matters. The Reservoir Group submitted a memo to the Rawlins Field Office dated February 27, 2001 wherein the Reservoir Group concluded on the basis of geologic information supplied by Cabot that the well was necessary to define the northern limit of the field. However, the memo did not specifically state that the well was an exploratory well as is required by the IDP.

The Rawlins Field Office, by its decision letter dated March 7, 2001, advised Cabot that the APD for the subject well would not be approved until the ROD was issued. The Rawlins Field Office cited National Environmental Policy Act ("NEPA") limitations on BLM action which would have an adverse environmental impact or limit the choice of reasonable alternatives for the EIS as well as their classification for the subject well as neither exploratory nor confirmation. Subsequently, the Reservoir Group supplemented their memo to the Rawlins Field Office concluding that the well was an exploratory well, and was necessary to define the northern limit of the field. The Rawlins Field Office, by its decision letter dated March 30, 2001, advised Cabot of the receipt of this revised memo, but reiterated its previous position that the APD would not be approved until the ROD was issued.

On April 25, 2001 Cabot requested a Wyoming BLM State Director Review of the March 30, 2001 decision of the Regional Field Office denying approval of Cabot's APD. The State Director Review was held in Cheyenne on May 18, 2001.

Cabot argued that the approval of the APD for the subject exploratory well was authorized and warranted based on geologic data and the fact that the well was not located within any currently identified sensitive resource areas. Accordingly, issuance of the APD would not be a violation of the CEQ regulations. Finally, on June 6, 2001, the Wyoming BLM State Director issued its decision supporting Cabot's position. The APD was approved by the Rawlins Field Office on June 29, 2001. The well was subsequently spud on August 8, 2001.

Between April 24, 2001 and April 30, 2001, Cabot filed four APDs with the Rawlins Field Office for drilling directional wells. The IDP specifically provides that the drilling of additional wells from existing locations will be authorized with appropriate stipulations and mitigation measures. Cabot has received no response from the Rawlins Field Office on any of these APDs.

Subsequent to issuance of the State Director Review Decision Letter on June 6, 2001, the Rawlins Field Office proposed to revise the IDP. The proposed revisions included but were not limited to excluding the Reservoir Management Group from consultation with regard to the classification of wells under the IDP and defining an exploratory well in terms other than as utilized in the State Director Decision Letter. The definition proposed by the Rawlins Field Office for an exploratory well was overly vague and ambiguous with terms which allowed the Rawlins Field Office great discretion in classifying a proposed well as exploratory or otherwise. Their revised definition stated that an exploratory well is not implicitly based on geology, geophysics or reservoir engineering, but is primarily based on the NEPA requirement that all surface options be available and not compromised until the EIS is completed.

Problem /Recommendations

Since Cabot plans to continue exploration activities on Federal lands, it is important that:

- the APD approval process, including all regulatory sub-processes involved, be expedited to the fullest extent possible;
- results of the nationwide BLM permitting process benchmarking study be applied to the processes in all BLM field offices to ensure best practices;
- BLM field offices be consistent in the limitations imposed by Interim Drilling Policies; and,
- time limits on the EIS process be promulgated and enforced.

A final concern, is the under-staffing apparent in many of the BLM local field offices. We find many of the BLM staff helpful, conscientious and hard working. However, it is clear that sufficient BLM staff is not available to perform the volume of work currently required of them. The unavoidable result of this situation is delay in processing applications and approving permits which might otherwise occur in a more timely fashion.