PETROLEUM ASSOCIATION OF WYOMING

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November 29, 2001

Mr. James Connaughton
Chairman
Council on Environmental Quality
Executive Office of the President
17th and G Streets, N.W.
Washington, D.C. 20503

Attn: Ms. V.A. Stephens
White House Energy Task Force

Dear Mr. Connaughton:

The Petroleum Association of Wyoming (PAW) would like to thank the Council on Environmental Quality (CEQ) for the opportunity to comment on issues affecting mineral access to federal lands. PAW is Wyoming's largest and oldest oil and gas organization, the members of which account for over ninety percent of the natural gas and over seventy percent of the crude oil produced in the State. This CEQ Task Force will focus on issues that directly affect members of PAW.

In your request for information, PAW would like to submit the following example, which should be placed in the "Exploration and Production" category:

- **Surface disturbing mitigation decisions determined by BLM that could have an affect on the gas transportation market:**

  The Bureau of Land Management (BLM) has the responsibility of managing certain public lands in the West. Their management decisions include mitigation restrictions that revolve around the placement of oil and gas wells, roads, gathering lines, transportation pipelines, corridors, etc. The BLM Pinedale Field Office in Wyoming has recently made a decision that is concerning to PAW.

  A producer, Double Eagle Petroleum Company, participated as a non-operator in the drilling of five wells in the Pinedale Anticline area during the summer and fall of 2001. The company then filed a right-of-way (ROW) application with BLM on October 9, 2001 (see Attachment A) for a four (4) inch **temporary surface natural gas pipeline** to transport its share of the produced gas to market. There are two existing sales pipelines in the area of the five wells. Both pipelines are owned by Pipeline A, an affiliate of the operator that drilled the wells. Due to economic concerns, the non-operating partner chose to apply for a two-and-one-half (2½) mile temporary surface pipeline to connect with another pipeline owned by a third party pipeline company (Pipeline B) and this temporary line was

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proposed to be placed twenty-five (25) feet from the existing pipeline which is within an existing pipeline corridor (see Attachment C).

To provide CEQ with additional information, most gas in the Pinedale Anticline area or southwest Wyoming goes into three (3) main plants for processing (removing of liquids to meet sales pipeline standards). These plants include: The Opal Plant, the Granger Plant, and Black Fork's Plant all owned by different companies. All three plants are located near the town of Opal (40-60 miles south of the Pinedale Anticline Field). After the gas is processed at the plants, it generally flows west out of Wyoming. Frequently the company gathering the gas at the wellhead does not own the entire line from the well to the plant; however, the pipeline company has agreed with other pipeline companies to transport gas to the specified plant.

According to Double Eagle, currently the preferred market to deliver this gas to is the Opal Plant since there are five (5) pipelines at its tailgate (owned by five separate companies) and that Plant offers the most competition and accordingly offers the best prices to the producer. The offer initially proposed to Double Eagle by Pipeline A was to take all of the gas to its Black's Fork Plant. The problem with this proposal is that Pipeline A owns the Plant and the only pipeline out of the Plant. Based on October's index prices, Pipeline A's price was $.29/mcf below two other pipeline companies in the area.

The offer proposed by Pipeline B was to deliver gas to the Opal Plant for less gathering cost than Pipeline A. This would allow the operator less gathering cost and allow the delivery of gas to a preferable market. The only problem was that Pipeline B's interconnect was 2½ miles south of the five wells, hence the 2½ mile R-O-W request. Because of BLM's decision to reject the R-O-W application, the producer must use Pipeline A and pay more in gathering costs. This decision will in turn cause the producer to receive less money for the produced gas, pay more in transportation costs, and reduce the money paid to the royalty owners which in this case is the federal government.

BLM rejected the R-O-W application by stating that "[s]ince there is already sufficient capacity in existing pipelines to transport your natural gas, it has been determined that allowing this additional pipeline at this time would not be in the public interest and would cause undue and unnecessary degradation to the public lands" (see Attachment B)

It is not PAW's position to defend a particular company or project over another; however, PAW brings this example to CEQ's attention because there is a concern that BLM's land management decision to refuse granting the second pipeline connection based on surface disturbance will affect the market and potentially set a precedent for future projects on public lands. PAW believes that

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it is not within BLM's authority to make land management decisions that significantly affect the gas transportation market (i.e. pricing, available pipeline capacity, transportation, etc.).

Clear and concise written instructions should be issued to BLM state and field offices immediately to guide land management, surface disturbing decisions, which may potentially affect the gas transportation market. Once instructions are issued, careful oversight must be provided by the Administration to ensure that such instructions are interpreted and implemented as were intended.

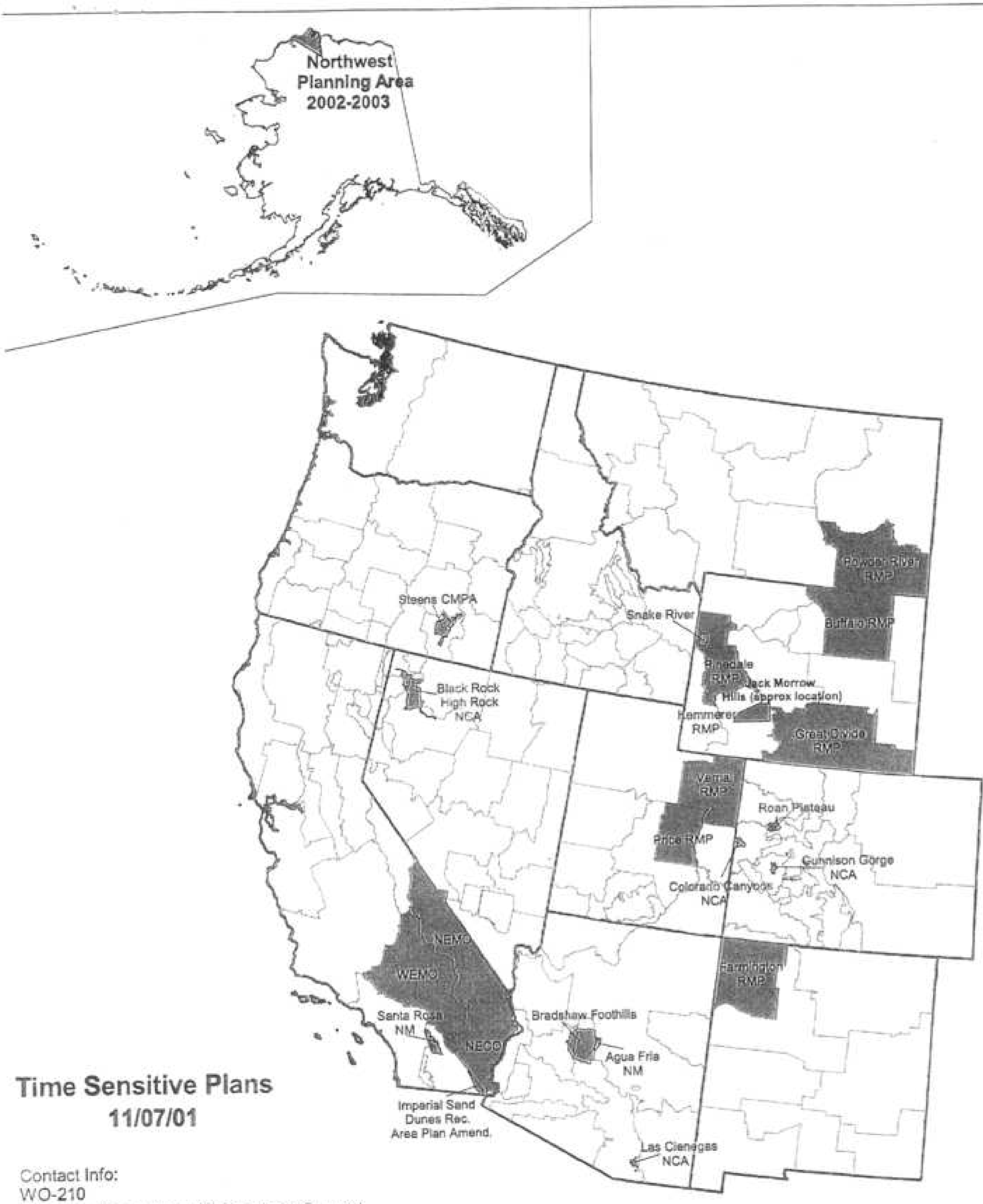
PAW appreciates this opportunity to provide meaningful comment to the CEQ Energy Task Force regarding issues that affect our ability to access public lands for purposes of natural resource development and industry will continue to strive for a balance between economic growth and environmental protection. Should you have questions or require additional information, please do not hesitate to contact me.

Sincerely,

Dru Bower

Dru Bower
Vice President
Petroleum Association of Wyoming

Cc: The Honorable Gale Norton
The Honorable Ann Veneman
The Honorable Spencer Abraham
The Honorable Jim Geringer
The Honorable Craig Thomas
The Honorable Mike Enzi
The Honorable Barbara Cubin
Mr. Steve Degenfelder
Mr. Curt Parsons
Mr. Kirk Steinle
Mr. Rick Robitaille
Mr. Gene George
Mr. Joe Icenogle
Ms. Claire Moseley
Mr. Bob Ugland



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