



IPAMS
Independent
Petroleum
Association
of
Mountain
States

410 Seventeenth Street ♦ Suite 700 ♦ Denver, Colorado 80202 ♦ 303/623-0987 ♦ FAX: 303/893-0709 ♦ www.ipams.org

January 13, 2010

The Honorable Michael F. Bennet
United States Senate
702 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Bennet:

This is an exciting time in our nation's history as the U.S. is leading a global renaissance in natural gas development, employing new technologies and millions of American workers to make an enormous domestic supply of clean energy available for many generations to come. The conventional wisdom about the limits of natural gas supply no longer holds true. U.S. natural gas supply is robust enough to shoulder a larger percentage of our nation's long-term electricity generation needs while also helping our nation wean itself from foreign oil imports by increased use in the transportation sector. American natural gas provides concrete solutions to our most pressing economic, environmental and energy security challenges.

However, policies being contemplated by Congress and the Obama Administration would constrain our ability to produce American energy and create jobs. I would like to call your attention to the "reforms" to the federal onshore natural gas and oil program announced by Interior Secretary Ken Salazar last week. These changes will have severe negative impacts on the balanced development of American energy, jobs and state revenue in the West, and I urge your support in opposing these changes, which have not yet been formalized into policy.

The Independent Petroleum Association of Mountain States (IPAMS) represents over 400 companies engaged in environmentally-responsible exploration and production of natural gas and oil in the Intermountain West. Public lands in the West, where over 50% of production is federal, are crucial to America's supply of natural gas. Western producers work very hard to ensure public lands are protected, and **currently provide 27% of America's natural gas while occupying only 0.07% of public lands.**

Despite achieving this balance, the Department of the Interior continues to impugn the 260,000 hard working men and women dedicated to the responsible development of energy on Western public lands with inaccurate and hurtful rhetoric. Democratic Governor of Wyoming Dave Freudenthal said it best in a letter to Secretary Salazar:

Some would say that the oil and gas industry is getting what it deserves. But this is much too serious an issue for such pettiness. This involves families and jobs, schools and care for those on Medicaid – all at a time when our national and local economy is faltering. It involves environmental interests that demand renewable energy, but neglects the reality that natural gas will provide the backup power that will allow renewables to be viable.

IPAMS is concerned that the proposed changes will create additional layers of red tape and slow the development of American energy and creation of jobs. The changes proposed by Salazar are redundant with existing analysis that already takes over five years to complete. The changes require site-specific analysis at the leasing stage before completion of any exploratory work, which shows if there are economic quantities of natural gas or oil available. These changes also fail to take into account whether market, infrastructure, technical and other factors are aligned to make development worthwhile.

As Governor Freudenthal points out in his letter:

“With specific regard to the proposed changes, it seems as though the Department contemplates adding up to three additional layers of analysis into the existing leasing process. To my point, these reviews will be made irrespective of (actually completely devoid of in most instances) substantive seismic, exploration, or other subsurface data. Functionally, it seems that we are putting on two additional belts and two additional pairs of suspenders without even knowing if we are going to wear pants. The proposed changes are in addition to the existing leasing program, which already contemplates a land use plan, consultation with the states and their agencies of jurisdiction regarding leasing decisions, project specific NEPA, an application for permit to drill, and compliance with state wildlife, air, water and land quality protections. I question the need for so many reviews...”

I urge you to join other Democratic leaders (letters attached) in calling on Secretary Salazar to introduce balance into his anticipated new policies to ensure that American natural gas and oil development will continue to create jobs, spur the economy, and provide vital supplies of clean energy. His announced changes do not represent a balance, but rather are the wish list of groups that profess a “nowhere, not ever” philosophy to surface disturbance of any kind, as Governor Freudenthal points out. **Doing so would help repair some of the damage done with Colorado’s natural gas and oil industry as the result of your December 9, 2009 letter to Secretary Salazar.** Your support in opposition to proposed tax increases on the industry was much appreciated, and I want to ensure that doesn’t get overshadowed by the public lands issues.

Your letter rankled industry because you came out in support of Salazar’s actions despite the fact that he’s arbitrarily holding over \$100 million of companies’ money in legitimate leases that he refuses to issue; has significantly slowed down permitting; has virtually halted project environmental analysis; and has reduced leasing revenue to the federal government ten-fold in 2009 – from over \$10 billion to less than a billion dollars. These are the actions that prevent industry from efficiently developing natural gas in an environmentally responsible manner on public lands. Citing percentages of leased land not in production, as you did in your letter, furthered the mischaracterization of natural gas and oil development on public lands. Under the current system, before any of Salazar’s changes go into effect, it often takes over eight years to complete all the exploratory work, environmental analysis, cultural and wildlife surveys, and permitting before a company is allowed to develop energy on their leases. With all the roadblocks the government and environmental groups add to the process, it’s a wonder that we are able to produce on federal lands

at all within the ten-year lease term. I have enclosed the IPAMS Federal Onshore Leasing Timeline to give you an idea of how long it takes to develop on federal lands. Statistics on production on federal lands such as those cited in your letter do not take into account all the up-front work necessary before development and production can occur.

I look forward to working with you on meaningful clean energy solutions, job growth, and economic development this year. Please do not hesitate to use IPAMS as an information resource.

Sincerely,

George H. Solich
President, Independent Petroleum Association of Mountain States
President, Cordillera Energy Partners III, LLC

Encl: Governor Dave Freudenthal's (D-WY) letter to Secretary Salazar
Representative Dan Boren's (D-OK) letter to Secretary Salazar
IPAMS Position Paper *DOI Mismanagement of the Federal Onshore Natural Gas and Oil Program*
IPAMS Federal Onshore Leasing Timeline