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December 22, 2010

The Honorable Max Baucus
United States Senator
511 Hart Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Baucus:

I have been working to develop a list of issues that MPA members see as significant problems to oil and gas development in Montana. The purpose of this letter is to call your attention to actions being taken within the Department of Interior (DOI). MPA believes that we need to communicate with you regarding federal policies and actions that are affecting our business in a negative way.

Oil and gas leasing has plummeted in the West. Attached is a performance analysis developed by the Western Energy Alliance that lists some statistics regarding the current federal oil and gas leasing program. Federal leasing is dropping at an alarming rate, and with it are revenues that go with developing America's natural resources. Revenues from onshore royalties, rents and bonuses have declined from \$4.2 billion to \$2.8 billion between 2008 and 2010. In Montana we have seen a 77% decline in leases from 2005 to 2010 (federal fiscal year basis). The federal government owns over one third of the oil and gas mineral acres in Montana; consequently, federal land use policy is crucial to our industry. Please consider the following issues:

Leasing Reform

Under the auspices of the Department of Interior (DOI), the Bureau of Land Management (BLM) is responsible for administering the domestic onshore energy and minerals program on Federal (public) lands. Energy development on public lands has been recently focused on the expeditious advance of renewable energy sources, such as solar, wind and geothermal power, often, it seems, at the expense of traditional energy sources derived from oil and natural gas, coal, shale gas and oil shale resources. While it is important to expand the nation's domestic energy supply to utilize all available sources, renewable energy and alternative fuels are projected by the Energy Information Administration (EIA) to meet up to 17 percent of the US energy demand over the next 20 years, while the remaining 83 percent will continue to be met by traditional energy sources. As such, it is essential for the federal government to recognize that the only way to offset future domestic energy needs is through sustained development of conventional and unconventional energy sources on public lands along with renewable sources and alternative fuels.

- BLM is in the process of finalizing its Onshore Leasing Reform Program which reduced oil and gas lease sales to a maximum of four sales a year in each state; Wyoming previously held six sales each year due to the level of industry interest and activity within the state. Despite findings from the Inspector General's office that the BLM current leasing program is satisfactory, the DOI has required BLM to make several additional changes to the onshore leasing program:
- As a purported means of reducing protests of lease sales by special interest groups, BLM now requires a site-specific environmental assessment (EA) to be prepared for each lease sale rather than relying upon existing land use planning documents which already address which lands are available for lease and with what types of restrictions. Additionally, BLM will review leasing decisions and make changes in availability of lands for leasing.
- Due to increased workloads, BLM must now rotate preparation of leasing EAs by BLM Field Office, which could limit lease sales in a given Field Office to only twice a year.
- While BLM previously required a 5-month lead time to process parcels for the next lease sale, BLM is now requiring 8 to 12 months before a parcel can be included in a sale since an EA must be prepared.
- BLM has lengthened the period for which a lease sale notice must be publically posted from 30 days to 90 days in an effort to resolve any lease protests before conclusion of the posting period. The 30-day protest period runs concurrently with the first 30 days of the posting period.
- Master Leasing Plans (MLP), while initially limited to areas currently unleased, where the majority of the mineral interest is in federal ownership, and confirmed resources are in the vicinity may now be expanded to cover additional areas.
- DOI will require each existing Resource Management Plan to be amended to include the findings of each leasing EA and to incorporate the reform leasing process.
- No additional federal funding has been appropriated to cover compliance with these new procedures nor has additional staff been allocated, which could result in even greater delays in leasing.

Rather than facilitating the development of domestic oil and natural gas resources, this new leasing program ensures that leasing will be delayed on all public lands.

Multiple-Use Lands with Wilderness Characteristics

BLM has begun to set aside hundreds of thousands of acres of undesignated, multiple-use lands with purported wilderness values. As background, these areas were inventoried for wilderness characteristics during BLM's three-tiered wilderness inventory process which concluded in 1991 when the Secretary of Interior made his wilderness recommendations to Congress. Lands not recommended for wilderness study were eliminated from further wilderness consideration. No statutory provisions exist for BLM to further evaluate or preserve lands for their wilderness characteristics. In fact, new wilderness inventories are prevented under the settlement in *State of Utah v. Norton*, 2006. It is now up to Congress to make the final decision on which lands should be protected to preserve their wilderness character.

- Many surface activities have taken place in these areas and many contain existing roads, which is why they were not included in the wilderness study program conducted by BLM in

the 1980's or recommended for wilderness designation in the President's wilderness submittal to Congress in 1991.

- While none of these lands are under serious Congressional consideration for wilderness designation at this time, DOI has taken the approach that if areas are nominated for wilderness designation by special interest groups, they will not be leased or managed as multiple-use, thereby creating a de facto land withdrawal.

National Monuments

DOI and the Administration are considering designating new national monuments, conservation areas, and land consolidations that would put an additional **13 million acres** of public lands off limits to multiple use activities.

- A prospective Montana national monument is under consideration for the Northern Prairie, which would connect 2.5 million acres of protected grasslands bordering Bitter Creek WSA and Grasslands National Park in Canada.
- In addition to new national monuments, DOI is contemplating designating scores of new conservation areas throughout the West that do not qualify for national monument designation, along with plans to consolidate federal land holdings by purchasing private land inholdings.

Treasured Landscapes

Of the 264 million acres administered by BLM, in addition to the nearly 110 million acres of currently designated wilderness in the USA, up to **140 million additional acres** (the size of Colorado and Wyoming combined) have been identified by the agency as having cultural and wildlife values that should be protected "for future generations." In other words, 140 million acres would be managed, not as multiple-use, but for conservation (preservation) purposes at the expense of the national economy, a significant portion of which depends upon production of goods from public lands.

In order to accomplish such a proposal, BLM would:

- Move from managing lands based upon jurisdictional boundaries to a landscape-level management system that would be used to "designate, rationalize and manage-at-scale" its treasured landscape holdings.
- Eliminate existing "checkerboard" land-holding patterns by acquiring parcels adjacent to current agency holdings, including state and private land.

National Monuments/Treasured Lands

The Department of Interior and the Administration are considering granting environmental constituents' wish lists for new national monuments, conservation areas and land consolidations that would put an additional 13 million acres off limits to multiple use activities.

- A prospective national monument under consideration is for the Northern Prairie, which would connect 2.5 million acres of protected grasslands bordering Bitter Creek WSA and Grasslands National Park in Canada.
- In addition to new national monuments, is considering proposing new conservation areas in areas that do not qualify for national monument designation, along with land consolidation proposals, which will be prioritized and subject to willing sellers.

MPA is concerned with the new leasing reform policies that are being implemented at this time. Also, the discussion of restricting more federal lands from oil and gas development is questionable public policy at a time when this country needs the jobs our industry provides, and the energy that fuels our economic engine.

In Malta, on September 16, over 2,000 Montanans heard first hand from the Director of BLM that plans to create new national monuments are not on his desk; however, the actions of the DOI make us question the intent of the entire agency, not just BLM. MPA just finished sending comments on the CM Russell National Wildlife Refuge. Every alternative except the no action alternative asks for permanent withdrawal of mineral leasing within the refuge. MPA is very concerned about the development of resource management plans (RMPs) currently under development. Most of northern and eastern Montana BLM districts have RMPs currently being written. The Hi-Line and Miles City plans are both behind schedule. Since the scoping meetings in 2005 and 2006 very little information is available. We are unsure where they are heading, but we know they have been pressured by the Theodore Roosevelt Conservation Partnership to withdraw large tracts of federal acres from mineral development.

MPA has drafted a resolution for introduction in the 2011 legislative session that calls attention to these issues on a broader scale. Eleven other resource based or resource affected trade associations have formed a coalition called Public Lands for Public Use to focus attention on natural resource development in Montana. Public Lands for Public Use members are:

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|---------------------------------|-------------------------------------|
| Montana Petroleum Association | Montana Stockgrowers Association |
| Montana Farm Bureau | Montana Rural Education Association |
| Montana Contractors Association | Montana Wood Products Association |
| Montana Coal Council | Coalbed Natural Gas Alliance |
| Montana Woolgrowers Association | Montana Mining Association |
| Public Lands Council | United Property Owners of Montana |

Attached is a copy of the resolution that Senator Alan Olson plans to introduce on our behalf.

Thank you for the opportunity to express our concerns. Of even more concern are rules coming from the Environmental Protection Administration and will be sending you another letter listing those concerns soon. MPA stands ready to work with you on these issues and work to make America's oil and gas industry an even more vibrant sector of our economy.

Best Regards:



David A. Galt
Executive Director
Montana Petroleum Association

cc: U.S. Senator Jon Tester
Congressman Denny Rehberg
MPA Board of Directors