

University of Colorado Law School

Colorado Law Scholarly Commons

Coalbed Methane Development in the Intermountain West (April 4-5)

2002

4-4-2002

Concluding Comments

Mark Sexton

Follow this and additional works at: <https://scholar.law.colorado.edu/coalbed-methane-development-intermountain-west>



Part of the [Administrative Law Commons](#), [Business Administration, Management, and Operations Commons](#), [Energy and Utilities Law Commons](#), [Environmental Law Commons](#), [Natural Resources and Conservation Commons](#), [Natural Resources Law Commons](#), [Natural Resources Management and Policy Commons](#), [Oil, Gas, and Energy Commons](#), [Water Law Commons](#), and the [Water Resource Management Commons](#)

Citation Information

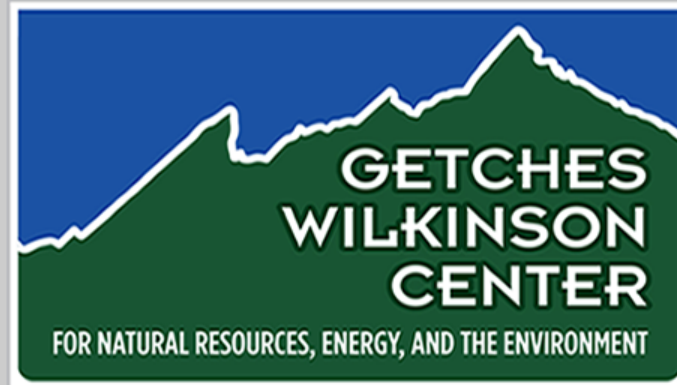
Sexton, Mark, "Concluding Comments" (2002). *Coalbed Methane Development in the Intermountain West (April 4-5)*.

<https://scholar.law.colorado.edu/coalbed-methane-development-intermountain-west/33>

Reproduced with permission of the Getches-Wilkinson Center for Natural Resources, Energy, and the Environment (formerly the Natural Resources Law Center) at the University of Colorado Law School.



William A. Wise Law Library
COLORADO **LAW**
UNIVERSITY OF COLORADO **BOULDER**



Getches-Wilkinson Center Collection

Mark Sexton, *Concluding Comments, in* COALBED METHANE DEVELOPMENT IN THE INTERMOUNTAIN WEST (Natural Res. Law Ctr., Univ. of Colo. Sch. of Law 2002).

Reproduced with permission of the Getches-Wilkinson Center for Natural Resources, Energy, and the Environment (formerly the Natural Resources Law Center) at the University of Colorado Law School.

back and decide whether we should drill or not drill for natural gas, including coalbed methane, and take a look at the broader picture. We need to contemplate where we will get our energy needs if we stop drilling for natural gas. The abundant available alternative sources, such as

coal oil, nuclear and hydro, are considerably less environmentally friendly than natural gas. There is good reason America has chosen natural gas as the clean burning fuel of choice for America.

Thank you.

MARK SEXTON, *Chairman, President, and CEO, Evergreen Corporation*

Peter gave everybody, I think, a different energy industry perspective, and I'd like to do the same. What I would like to do is speak to half the people in this room, because the other half has made up their minds. As I look over this room and see who's here, there's plenty of people from groups that talk about responsible development. I see producers here who want to talk about responsible development, but pretty much, they want to drill wells. And they've pretty much made up their minds, and very little we say will change their minds or what anyone else has said. But I applaud Peter for offering the human perspective. The model for doing business is just as offensive to independent natural gas producers in Colorado and in the Rockies here. It's just as offensive to us in the business as it is to you who aren't in the business. And every once in a while I run into one of those classic sort of old style, big cigar chomping, oil and gas guys from Texas that wants to drill the biggest well that's ever been drilled. And believe it or not, I probably find them just about as offensive as you do.

But Peter offered a different perspective. . . . And as Peter said, on a lifestyle issue he and I have different views than other people in industry. Who are those people in industry? I mean, who are those people that run Western Gas Resources? They're all very productive companies; all companies, by the way, that are committed to trying to do it right; and all companies that win awards for their willingness to try to do it right. I heard some presentations that I thought, just don't have the facts right. And what I found troubling, in addition to the fact that I'd like to have policy discussions, I'd like to know what the facts are. How are we supposed to come together on what policies are or what we're supposed to do?

The things I heard attributed to coalbed methane simply aren't true. In my world, coalbed methane is an asset. In my world, the water is an asset. Maybe these are some issues from basin to basin, and there's certainly differences

in what we do with the water and what we can do with water, but in my world . . . we want to finally find a way to appreciate that water for the benefit of the community, and we want to work with them to do that. We didn't even want to surface discharge water when we first started. We had very elaborate plans to put the water back in the ground, which would have been just fine. But instead, ranchers came to us and said, "You know, that water is pretty good water, isn't it?" And I said, "It tastes a little funny, so it's not potable; it's pretty good for an upset stomach, but define good." And they said, "Well, I think that water's good." And I said, "It's better than the water you've been drinking and your father's been drinking." So the ranchers said, "Well, I want to use that for irrigation." So I said, "Well, I'm sorry it won't work, but it's very good for wildlife and animals and cattle." And so the ranches wanted the water in a stock pond.

We say, well, okay, we'll do that but we need to get proper permits. We have permits with the Oil and Gas Commission and the Department of Health. And the horror story that developed behind that is: there is no good deed that goes unpunished in these matters, and that's really the way it feels. We gave the water to the ranchers, that's what they wanted. Then, they came back in a Clean Water Act lawsuit where the whole issue appeared to boil down to the fact that nowhere in Colorado had the produced water from an oil or gas operation been so clear as to allow beneficial uses at the surface. It never has been a waste by-product or technically defined as a pollutant, and yet those ranchers are saying, "I want that water," so we gave it to them. We got permits, and we got in trouble for it. And we finally got resolution, not by getting people to agree with what are and are not, but rules by the Department of Health, the Oil and Gas Commission, the EPA, and they still disagreed. Why? Because we've gone through with the Army Corps of Engineers, Colorado Department of

Health, the EPA, and the Oil and Gas Commission and said, what is it, water to the State. They all disagreed because it's interpretive.

So different people interpret it different ways. That's huge when you're trying to do something for someone and one of the agencies comes in and says, "No, actually I wanted to put that water back in the ground, but the ranchers want it." What do you mean? We have recorded discharges from that pond. Well, that's because there are no discharges from the pond, but the pond itself is in waters of the state. It is waters of the state. Have you looked around? Wetland is just a concept down here, what are you talking about. And we said, waters of the state; how is this waters of the state? Finally, we came out with a very precise but technical definition, and we agreed to use it. Turned out we could have satisfied the whole thing by reporting discharges into the pond. Nobody ever said this was a problem with the quality of the water. And those are the sort of things we're dealing with.

So from a CEO's perspective, first of all, I agree with Peter; I don't want to see any more dams. I love to kayak. I've climbed over half the 14,000-foot peaks here. As Peter said, I climbed Mount McKinley. I moved from Alaska to Denver. And I never really thought I'd be in the energy business, but I wanted to go to Alaska. I wanted to kayak rivers there. I wanted to fish. I wanted to climb mountains. Now, I come to Colorado and say, thank God for people with a different attitude about this. But you know what? From what I can tell, not only does every good deed go unpunished, but there's no incentive to be the good guy, because when we sit down and talk, we can't even agree on innocent pacts.

I looked at presentations yesterday that talk about spacing. I'm not aware of coalbed methane wells with hydrogen sulfide. Water quality does change. I hear about toxins. I've been accused of spreading toxic carcinogens throughout Las Animas County, that was the so-called produced water. There have been no toxins for two years. I've heard that drilling takes weeks. Not in the world I live in. Most coalbed methane wells are drilled, the deepest ones you frac them in a day or two, and then you're out again. And as Peter said, what do you want? You have to have the energy. I agree with Peter. We need more conservation. Conservation should be a very important part of this country's energy policy. But guess what? The production's going to grow to meet

demand in this country. That's going to 30 trillion cubic feet, regardless of how much conservation, this country requires it because people get more and more PCs, people get more phone lines. . . . Demand is going up and will continue to go up, despite our best efforts at conservation.

What do you want? Do you want more coal plants? I don't. Do you want more dams? I don't. Do you want more nuclear plants? I don't. So whatever industry does, 100 percent of our production is gas, coalbed methane gas, natural gas. There are three major benefits to this: it produces clean gas, clean water, and jobs that weren't there before. The economic benefit to the communities are in the tens of millions of dollars a year. What could we replace this with? A natural gas well to supply 750,000 over a 10-year period requires an area of about half an acre while it's drilled, and a lot smaller since it's been drilled. That's a natural gas well. You get that same kind of power out of wind, which only requires 80 acres. Who wants to be near the wind farm?

Solar? Great idea, but the same set of problems. You need a football field type of right-of-way. You want coal?... Coal technology has been promised. It's right around the corner. Unfortunately, it's three years ago. It's always been right around the corner. I really believe it will exist, and when it does, this country's in great shape because we've got more coal on most seams. We have the Saudi Arabia of coal in the Powder River Basin and places like it. But until that happens, conservation and natural gas is the fuel of the future. And coalbed methane being particularly good, well there's conflicts, of course there's conflicts. And bad manners are always bad manners, regardless of the operation. You have a bad operator, regardless of the regulations and operations, and I'm sorry that there are a few.

I was also the President of the Colorado Oil and Gas Association last year. Peter was the President last year. And the people we deal with don't have the old attitudes; development is possible. If you look at Evergreen's mission statement in our annual reports, if you're going to invest in Evergreen as a shareholder, we're going to make a lot of money; that's the first thing investors want to know. But oh, by the way, we also use environmentally responsible development. Community enrichment and integrity in our business practice is our way, and we believe that solutions are possible, solution.... And when I hear the distortions that are going on, I'm sad on two

levels. One is, they don't live in the same world I live in, so things are really a problem; but the second is, how can we sit down and talk about meaningful compromise or meaningful solutions? We were in a litigation with the Las Alamos county commissioners, we initiated it. Both parties wished they had gotten more. So I guess, like all compromises, it must not be good if neither party is satisfied with it. We're going to try to make it worth our while on both sides, and we have that commitment.

What does it feel like to be an energy executive? You send people out to get their jobs done. These are all people that work for a living, have a family. If you had asked me to define myself as a person, Peter says I'm a kayaker; I am; I'm a mountain climber. First, I'm a father; second, I'm a husband. I'm also a thinker. There's a lot of things I want to do. I want to do hiking and climbing, but I do as time allows. So as somebody who cares about the environment,..., who wants to see people do it right, I'm offended by misstatements because as long as the facts aren't right, these concerns will always be valid. If we never agree on what we're supposed to do it about it, these conversations are appropriate, they're necessary. But the truth is the truth; the facts are the facts. Let's have some integrity in the statements we're going to make in the Q and A here.

I'll tell you what it looks like from our perspective. Our people are out there trying to do the best job he can or she is. In fact, our operations manager in the Raton Basin is a Colorado School of Mines graduate engineer, a congresswoman who was a secretary and went back to school. A single mother went back to school, put herself through school, and now she's an operations manager over 160 guys in the Raton Basin.

I said, are there days you feel like a mom? And she said, yes. And you know, that's who we are. These energy companies not some...that doesn't give a damn about you. Well, some are, but most aren't. And there are a few players that are a problem. There are 600 play operators in Colorado; maybe 1 percent are bad actors. You all probably feel you have them all in your backyard.

I'll tell you, there are very few choices. Natural gas is the coal of the future. Colorado and the Rockies are blessed with an abundance of resources, that includes coalbed methane; the by-product of that, water, is valuable. We can find ways to use it. Where we're producing five, six million gallons a day, some goes to the rancher

and their stock ponds or we reinject it. Five, six million gallons a day. My God, why are we wasting all that water? And look what it's doing to the environment is the equivalent of about 0.3 inches of rainfall in an area that gets about 10 inches of rain fall. That water goes to the . . . River, although the environmental standards we agreed to assume all of it gets to the . . . River on its lowest flow day . . . You know, if 5 percent gets in, I'd be surprised, and yet that's a standard we agreed to. We're comfortable with it. We're willing to live with it. And it's a good thing for that area.

But there are problems with this water, let's put it in perspective. Let's talk perspective. Let's talk the big picture. Let's have some integrity in this discussion because we're not going away. I heard comments about, you know, the surface estate is co-dominant with the mineral estate. The law says that's not true. But let's assume for a minute it is, that he can't develop it on your land, he has to go somewhere else. If you cooperate with him, you'll probably get a cattle guard, a road, a fixed up driveway, and a better fence. You can tell him you don't want it, but he'll probably put it where you do want it if you give him a chance. But he's trying to obey the Oil and Gas Commission, and they're telling him, get the well drilled and do it the right way, and he just wants to get that well drilled. And if the landowner refuses to talk to him, refuses to work with him, if the county had put up rules that don't make sense for the geology, you're going to see a lot of animosity both ways. It's not needed. They're just people; they're fathers, mothers, they're people just trying to get their job done, and they think they're doing the right thing.

So let's start the discussions by agreeing on the facts, by agreeing that we're all people. And I wish conservation would get us to our goals, but it doesn't. And if you want to see that production, it's going to come, it will come; it's coal, it's a natural gas, and it's going to stay there for the foreseeable future. So people that have natural gas and coalbed methane could be doubly blessed. Some rules have developed. There is some animosity on this issue. LaPlata County appears to have the most animosity with the industry. I just ask everybody to please...try to work together and find a way to work together, but please, let's get some integrity in the conversations.

Thank you very much.