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CBM Development of Public Lands

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My presentation is on two ongoing Environmental Impact Statements for continued coalbed methane development in the Colorado portion of the San Juan Basin. This map shows oil and gas existing activity in the southwest corner of the state. In the red, red is oil and gas wells. As you can see, there's a few spread out around the countryside there. But by far and away, the most activity is in the Colorado portion of the San Juan Basin and La Junta County. When we zoom in, you can see the red dots come apart, and you can see the existing oil and gas wells.

This is the Southern Ute Indian Reservation here. This is what we call the Northern Basin EIS study area. And this is relatively undisturbed forest area land. And the HD Mountains are in that eastern part of the northeast San Juan Basin.

To date, there's about 1,200 existing conventional wells in the Northern Basin. There's about 1,300
coalbed methane wells there, and then about 300 proposed conventional wells and about 700 proposed coalbed methane wells.

So as people have talked about all day long, there’s a lot of interest in the San Juan Basin. There’s some big reserve numbers, perhaps 12 trillion recoverable cubic feet in this part of the world, which means some big dollars in gas revenues. This map also shows the relationship between the Northern Basin EIS area and the Southern Ute Indian Reservation.

<table>
<thead>
<tr>
<th>EXISTING AND PROPOSED WELLS IN NORTHERN SAN JUAN BASIN*</th>
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<tbody>
<tr>
<td>Existing</td>
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<tr>
<td>SUIT EIS Area</td>
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<td>NSJB EIS Area</td>
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<td>Totals</td>
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*Approximate

not permitting applications until the Northern Basin EIS is completed.

In region D, we’re continuing to process well applications, but only after making sure that there are no new impacts to hydrologic or gas seepage-type issues. In region B, which is the Southern Ute Indian Reservation, we are processing APDs. However, these APDs may be issued with Conditions of Approval for data collections for the EISs.

So now, I’d like to get into a little more detail on the two EISs. The first one we’ll talk about is the Southern Ute Indian Reservation EIS. This shows you some of the complex demographics of the area. This is the Northern Basin study area. It’s kind of hard to see this here. But I’d like you to look at both this level and when you get down closer to the ground. Southern Ute Indian Reservation is about half tribal lands and about half private lands. This is Mesa Verde National Park, this is the Weminuche wilderness, and this is the outline of the San Juan Basin.

The Southern Ute EIS is a programmatic EIS, analyzing the potential impacts of future oil and gas development on approximately 200,000 acres of tribal land within a 421,000 acre study area. Most of the study area is already substantially developed for coalbed methane production and the Southern Ute EIS is a cooperative effort by the tribe, the BLM, and the BIA.
BACKGROUND OF THE SOUTHERN UTE EIS
In September of 1995, a notice was filed in Federal Register to prepare the EIS, due to the scope of potential oil and gas developments and infill requests and orders. In May of 2000, the BLM issued a Fruitland Coal Seams infill development order for federal oil and gas mineral estates held in trust within the exterior boundaries of the Southern Ute Indian Reservation. This allowed up to four wells per section for improvement and development within the Southern Ute Indian Reservation. Following that, in July of 2000, COGCC issues their order allowing infill development on state and private leases within the exterior boundaries of the Southern Ute Indian Reservation. In March of 2001, the draft EIS was issued with a 30-day public comment period. We received about 300 comments. And then we got hung up in the Cobell lawsuit for about three months—it referred to individual tribal allotment data—and we had to work with our solicitors and lawyers to get permission to work on the EIS again, but we are. Issues have been identified in the Southern Ute EIS, and those are: impacts of property values, noise impacts, aesthetic impacts, water depletion issues, surface and groundwater quality and quantity issues, gas seepage into domestic water wells, dying vegetation along the Fruitland outcrop, impacts to wildlife, impacts to archaeological resources, and air quality impacts.

We are analyzing three alternatives in the Southern Ute EIS. Alternative one is the no action alternative and represents the continuation of present management and of exploration and development rates that are similar to recent drilling and development activity rates. A total of 210 wells would be developed, including both conventional and coalbed methane wells. Alternative two is the infill development alternative. And this considers the drilling of two wells per 320-acre spacing unit or of four wells per section throughout most of the tribal lands on the study area. In this alternative, 636 wells are being analyzed. Alternative three: enhanced coalbed methane recovery is the agency and tribal-preferred alternative. This includes all the developments included within alternative two, plus recovery techniques; that is, the injection of nitrogen, carbon dioxide, or other fluids into the Fruitland formation to improve recoveries of coalbed methane. So it has the same number of wells as alternative two and an additional 70 injection wells to improve the recoveries of those 636 wells. So this alternative has 706 wells.

The current EIS schedule: We’re hoping to have the final EIS out on the street in late May of this year. That would be followed by a 30-day public comment period, and a Record of Decision issued in late July of this year.

BACKGROUND OF THE NORTHERN SAN JUAN BASIN EIS
I’d like to talk a little bit now about the Northern San Juan Basin coalbed methane development EIS. Refer to the land status map, above, and keep in mind the unique demographics. The main difference for these two different EISs is that this is tribal land with some private land, and this is private land with some public land. There’s a lot of private land, but it’s a distinct area from the Southern Ute Indian Reservation. The land status within the Northern Basin EIS study area is very complex. There’s six different categories, at least, of land. It’s about 45 percent private, about 37 percent national forest land, about 7 percent private surface and federal mineral, 5 percent BLM land, 4 percent State, and then 2 percent in this interesting category of federal surface and private mineral, to make up this 125,000-acre study area.

Another way to look at some of these land status combinations is that almost 50 percent of the subsurface mineral estate in the project area is administered by the BLM.

The Northern Basin EIS started in April of 2000. There was a notice filed in Federal Register to prepare an EIS, due to the scope of industry development intentions and the infill discussions that were ongoing. In
April through July of 2000, the COGCC held their hearings on the spacing requests to down space from one to two wells for 320 acres in the San Juan Basin north of the Ute line in La Plata County. In May of 2000, the BLM issues an infill development order on federal lands in the San Juan Basin north of the Ute line in La Plata County, allowing up to four wells per section. In June of 2000, the United States Forest Service and the BLM conduct public scoping of the industry proposal to drill 160 new CBM wells in La Plata County. Then in July, COGCC issues an order allowing infill development on state and private leases north of the Southern Ute Indian Reservation.

In the spring of 2001, we got a revised proposed action from the industry proposing to drill 300 CBM wells, including the intention to infill to a density of four wells per section in portions of the HD Mountains in the Eastern study area. In July of 2001, gas companies submit details of a development plan for the leases in the HDs. And then in January, we held additional public meetings in Durango and Bayfield to present the revised proposed action of 300 wells and alternatives and to continue scoping. The EIS procedures that we work with: The first thing we have to do is determine the scope of issue, then we prepare and issue a draft, analyze a draft, prepare a final, issue the final, and reach and record a decision. Right now, we’re in step two. We’ve sorted through about 2,000 comment letters that were received during the last round of scoping. We’re preparing the revised scoping summary and addressing all pertinent issues identified to date as we’re preparing this draft EIS. We’re currently looking at five alternatives, but we are taking a hard look at another alternative based on the extensive response from the public on that issue.

Issues associated with the Northern San Juan Basin, in no particular order, similar to Southern Ute, are: property values, noise, aesthetics, tax revenues, water depletions, surface and groundwater quality and quantity impacts, gas seepage into domestic water wells, dying vegetation along the Fruitland outcrop, wildlife impacts, impacts to archeological resources, air quality impacts, and impacts to the HD Mountains inventoried roadless areas, and resource values in the HD Mountains.

Alternative one is the “no federal action” alternative. There would be no new development on federal lands or federal minerals in this alternative.

Alternative number two is to continue the current direction under the existing federal plans and permits. Under this alternative, about 200 wells would be developed. An additional 0–20 wells would be developed on BLM land, 100 on private surface and private mineral land, and 65 on Forest Service land.

Alternative three is “industry proposed action.” What they’re proposing—you get ranges in well numbers. So you can have a range of wells, but you get up to 18 on BLM surface and federal mineral. You end up with about 300 total wells under the industry’s proposed action.

Alternative four is the “maximum development” alternative, which considers the maximum number of wells, and that number is about 523. Alternative number five is “no new development in HD Mountain area.” And I can spend a little bit of time talking about the HD Mountains. There’s a chronology of the decisions that have led to where we are today.

The USGS identified the HDs as having high potential for oil and gas development back in the early 70s. Then in the 70s and early 80s, large portions of the HDs are leased to oil gas operators. Slightly after that and overlapping a little bit, there was a roadless area review evaluation, RARE II, which identified about 20,000 acres in the HD’s roadless areas. In the 1979 RARE II decision, it classified the HDs as an “inventoried roadless area” and recommended the area remain non-wilderness. And in 1980, the Colorado Wilderness Act did not include the HD roadless area based on that decision. Previous NSO stipulations on some of these older leases were rescinded.

In 1983, the San Juan National Forest Plan was approved. The ROD reaffirmed HDs availability for multiple uses. In 1992, there was an EIS for development of coalbed methane in the HDs, up to 95 wells. And the
ROD permits 16 wells. In 1999, President Clinton directs the Forest Service to develop regulations for protection for inventoried roadless areas. In January of 2001, there is a final roadless conservation area rule, which is currently the subject of eight lawsuits, which prohibits new road activities in inventoried roadless areas on national forests, except, among other things, where a road is needed in conjunction with the continuation, extension, or renewal of a mineral lease on lands under lease. The Northern San Juan Basin EIS will determine and address how each alternative would impact the environment, and how and to what degree impacts can be mitigated. It will evaluate development alternatives across jurisdictions and evaluate direct and indirect impacts. It will evaluate cumulative impacts and identify environmental protection measures for implementation on federal lands. And it will evaluate the impacts specific to the HD’s RARE II area. It will not make spacing decisions or make CBM development decisions on private lands or private mineral estates.

Two records of decision will be issued at the end of this process; one for the BLM, and one for the Forest Service. These records of decision will be based upon EIS findings, outlining and explaining the decisions, describing all the alternatives considered. They will be describing which alternatives are environmentally preferable, disclose facts considered in making the decision, explain adopted mitigation measures and describe monitoring programs, and include decisions on APDs filed during the preparation period. The current schedule for the EIS: We’re working toward having a draft out on the street in June of this year. There will be a public comment period on the draft from about June till August. The final EIS could be published in November of 2002. This is followed by another 90-day public comment period in 2003. Then, early 2003, we’re looking at publication of the Record of Decision for this document.

Thank you.