Concluding Comments

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ally knowing where the ditch went and finding out that actually that’s also the water supply for a rural subdivision. There’s a company operating right now in Archuleta County without any appropriate county permits, despite State Court decisions to the contrary. So they simply ignore their need to obtain county permits. We have another company that bought leases in the HD Mountains that do not allow for any surface occupancy in their entirety. Those companies are just presuming that those stipulations will waived and they’ll just do whatever they please.

In our county, we routinely get sued by the industry. We’re sued by the oil and gas association. We’re sued by State of Colorado over our authority to regulate surface impacts under the county’s land use authorities. Huber just sued our county a couple of weeks ago because they want to back out of an agreement on a compressor in the middle of a rural subdivision. The individual citizens who have spoken out have had lawsuits personally filed against them by companies in order to intimidate and silence them. We have a really interesting situation in our county right now in that La Plata County will probably institute a ban on burning in the next two weeks because of the drought. There was a forest fire that was started last year by a coalbed methane operation on a road south of Durango. We’ve tried to get the BLM’s report on that, but they have thus far turned us down. But in two weeks, our county will ban burning of irrigation ditches by ranchers, but they won’t do anything to prohibit gas wells from flaring in the middle of the forest.

Our county doesn’t have any ability to regulate that in terms of a fire and protecting against forest fires. Those are the sort of above-the-law situations that really drive people crazy in our part of the world. So unless we find some way that we can level the playing field, this sort of conflict and strife is only going to increase. And I guess I kind of view it as both open and guerilla regulatory warfare. And the industry has found out that we’re going to make Federal agencies do as thorough a job as they can, we’re going to make it take as long as possible, make it cost as much as it can, and hope to achieve some satisfaction in that fashion. And that is going to increase unless we can figure out a better way to do it. And a better way to do that is for industry to voluntarily give up some of the power that they possess.

I mean, that is perhaps foregoing some level of development in some places. It means accommodating public interest, agreeing to comply with the regulations that apply to every other developer. For example, Wal-mart has to go through a county permitting process and you deal with issues about landscaping and visual impacts, and that’s the same regulations that our county has adopted to address traffic and visual impacts from the oil and gas company as well. And it means, you know, more public scrutiny of what the companies are doing. It may mean more public hearings, and it may mean that things take a slight bit longer. But I think in the long run that the companies will get acceptance and less antagonism from the affected residents. So that’s it. These are the HD Mountains, and this is a place that will obviously be a focal point of CBM development and national energy in the coming year. These are the sorts of places that inspire us, and you can be sure they’re places that are going to generate a lot of scrutiny and public concern.

Thanks.

PETER DEA, President and CEO, Western Gas Resources

Good afternoon and thank you, for having me and for holding this event. I thought for my ten minutes I’d take a more macroview of things. Driving down from Evergreen this morning from work, I was trying to contemplate who the audience here would be and going through the list in my mind that Jim Martin sent me. Usually my audience is oil and gas companies, investment banks, and analysts and institutional funds. But then it struck me, I probably have more in common with all of you on a personal lifestyle basis than my typical audience. I like to go kayaking, like Jim Martin, hiking, mountain biking, or skiing. Most of my peers like to golf and I don’t golf, so I do not see them on the weekends.

When Jim had first invited me to speak with all of you today, I was asking him about the William Hewlett
Foundation. And I read the issue paper, which is presented by the Rand Corporation, prepared on behalf of the Hewlett Foundation. It's called the new approach, the assessing of gas and oil resources in the intermountain west. It's an interesting perspective.

What I concluded they were saying is that they would prefer there be no gas drilling in the U.S. And largely due to the questions that they had on the economic viability of gas drilling based on their interpretations and assumptions, as well as their questions on the environmental viability of natural gas. Many of their assumptions are erroneous or based on outdated data. And they ignore that Americans have chosen natural gas as the fuel of choice since it is the most environmentally friendly fuel.

Well, as a natural gas guy, you can imagine my reaction. I was put back a bit. I decided to think on it, and I said, maybe this isn't such a bad idea after all. After all, I like to camp in the great outdoors, and if we do halt all the gas drilling in the West, then a lot of us are going to camp out, and I'll volunteer. And the reason for that is, if we have no more gas drilling in the U.S, then many of us would not be able to enjoy the lifestyle that Americans have come to enjoy, including myself. I've spent two full summers—when I was too old to be doing this—camping out, working to put myself through college. I spent two years in Alaska doing field work. I followed that with a summer in Montana doing my thesis on environmental geology. I've kayaked the Grand Canyon twice and numerous other rivers camping weeks at a time. I've also spent well over 200 days on various ski and climbing expeditions, particularly in the arctic, living out of tents. I've also climbed Mt. McKinley, Mt. Logan, and spent 40 days each in Labrador and ANWR camping, while skiing or hiking. I skied 20 days through Yellowstone Park and several other trips.

So, overall, camping out won't be a problem, at least for me and maybe a few of us in this room. But it will be a problem for most people. They really value their lifestyle, and have grown to be very dependent on natural gas and the heat, air conditioning, electricity, and convenience it provides. We in the natural gas industry are merely trying to provide more resources to meet the growing demand for America. So let me put the conclusions of the issue paper in context with the alternatives to natural gas. Taking the conclusions to the extreme: no more gas drilling, no more gas supply for the U.S.; what do we need to do? Well, it's simple—sort of. We need more coal plants, but that means more air pollution. My fellow panelists, Ayn, Mike and Mark, want clean air. And I agree. We could import more oil, but there are questions on domestic security with that. We also have questions and threats on oil spills and wars. The worst environmental disaster ever was the fires of Kuwait, I would maintain.

We can add more nuclear plants, but who wants the nuclear waste in their backyard? Not many hands would go up anywhere in the U.S. Or we could build more dams, on many free flowing rivers.

I did some rough calculations from some energy equivalent data. We can correct the energy needed from the alternatives to clean burning natural gas, assuming we stop providing and drilling for natural gas in the U.S., as the Hewlett Foundation Issue Paper desires. With no natural gas supply, we would have to double our coal consumption. Or we would have to double our oil imports. Or we would have to triple our nuclear plant capacity. Or we would have to build more dams on countless rivers. I haven't quantified the specific number of new dams to replace natural gas. I can tell you this from some energy equivalence data that 300 average gas wells save the next Grand Canyon Dam, when looking at the energy provided over a 20-year period.

So, overall, just in summary, I think it's pretty clear that Americans enjoy and value their lifestyle. We should conserve a whole lot more than we do. I personally think it's a crime we did not pass the CAFE standards a couple of weeks ago. I believe the energy policy in the U.S. should focus more on conservation. But the reality is, as hard as it is to believe, Americans just don't conserve as much as we should. If I asked all of you who uses a personal computer, I bet everybody's hands would go up. Some of you have two or three between your office or at your home. PCs and the internet consume 10 to 13 percent of the electrical demand in the U.S.

The bottom line is: We are using more and more electricity. That electricity is coming, more and more, from clean burning natural gas.

Overall, what Americans want is a clean burning, domestic energy source, one that's abundant and reliable and relatively inexpensive. Natural gas has to be the clean burning fuel of choice. I think we need to stand
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 its 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