

**STATEMENT OF TOM FULTON
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U.S. DEPARTMENT OF THE INTERIOR
BEFORE THE
HOUSE RESOURCES COMMITTEE
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES
ON COALBED METHANE DEVELOPMENT**

September 6, 2001

Madame Chairman, members of the Subcommittee, thank you for the opportunity to come before you to provide the Administration's views on coalbed methane (CBM) development. I am accompanied by Erick Kaarlela, senior petroleum engineer with the Bureau of Land Management (BLM).

I will provide you with a broad overview of the status of BLM's coalbed methane program. Additionally, I will discuss briefly some of the challenges we face as industry demand for access to Federal coalbed methane continues to increase rapidly. The BLM views coalbed methane as a domestic energy resource with tremendous potential and we pledge to allow the development of this vital national asset in an environmentally responsible manner.

While coalbed methane development on the public lands occurs in several western states, a dramatic increase in new coalbed methane exploration and development is occurring in the Powder River Basin in Wyoming. Currently in Wyoming, there are more than 5,500 CBM-producing wells under an EIS completed in 1999 and a supplemental drainage environmental assessment completed in 2001. At the time of the original EIS, no one anticipated or planned for the rapid development of this resource. Consequently, there is a need for a new EIS which is currently scheduled for completion in May 2002, with a Record of Decision expected in July 2002. This EIS will analyze the effects of the drilling of 50,000 CBM wells, and 3,000 conventional oil and gas wells, expected to be drilled in the next 10 years.

In Montana, another state that has shown tremendous promise for the development of coalbed methane, the BLM is in the process of amending its Billings and Powder River Resource Management Plans (RMP's) to address the development of CBM in these areas. These plans cover approximately 3 million acres in south-central and southeast Montana. These plans were last amended in 1994, prior to large-scale coalbed methane development. The BLM and the State of Montana are preparing a joint EIS, which will provide the foundation for decisions concerning oil and gas development made by each agency involved in this process. The Final EIS is expected to be published in July/August 2002.

As the updates for the states of Wyoming and Montana reveal, decisions concerning oil and gas leasing and production are made by the BLM in the context of land use planning and appropriate environmental analysis. The original land use plans were developed at a time when it was not possible to foresee the extensive development potential of CBM. The Reasonably Foreseeable Development scenarios (numeric parameters for the analysis) did not contemplate the number of wells which are anticipated.

Consequently, the planning documents and the accompanying NEPA analyses did not fully address the specific impacts from CBM. In most cases, there was no analysis for CBM. This has occurred in the San Juan Basin (New Mexico, Utah and Colorado), Powder River Basin (Wyoming and Montana), and in central Utah. All of these states have had to make some planning amendments or revisions as well as initiate additional NEPA analysis, usually in the form of an EIS. As a result, the approval of some CBM operations has been delayed by as much as 1 - 2 years, with significant costs to the operators and the BLM.

As noted earlier, the BLM is undertaking efforts to update land use plans. Top priority has been given to areas with the highest potential for oil and gas occurrence, using information collected by a BLM and U.S.

Geological Survey (USGS) cooperative project in the Powder River Basin. BLM and USGS have used this project to collect information and analyses of the coalbed methane resources to accomplish their agencies' respective resource evaluation and management missions. We included funding for these plans in the Administration's budget and are pleased that Congress has acknowledged the need for coalbed methane development and related planning analysis and documentation.

Public involvement is another important aspect of the NEPA process. As dictated by law, policy, and our desire to maintain an informed public, the NEPA process calls for public input and is therefore inherently open. Public scoping meetings are used to develop the EIS and are considered an important part of the process. Web sites and newsletters also serve to inform the public concerning this issue. The BLM Montana organized a CBM Coordination Group, composed of Federal, State and tribal agencies, private landowners, industry, and environmental groups, to discuss issues and share information related to the EIS. Comments will be sought on the draft EIS.

The role of water is vital in the production of CBM. The CBM extraction process involves pumping water from the coal seams to the surface in order to reduce the water pressure that traps the gas in the coal. This releases the methane. Managing the water produced with methane is a challenge to the oil and gas industry, as well as Federal and State regulators. We must work together to find innovative solutions to address the surface water issues and the potential impacts to the entire land and water system. Current water disposal options include treatment prior to surface discharge, discharge to the surface and into drainage facilities (in accordance with applicable law), and on a limited basis, reinjection, back into the subsurface. Beneficial uses of the water also include dust abatement, stock watering, creation of wildlife watering areas, and enhancement of fisheries and riparian zones.

The BLM in Montana and Wyoming are presently discussing the appropriate model to use to assess cumulative impacts to air quality in the Powder River Basin. Wyoming selected Argonne National Laboratory as the contractor to do its air quality study. The contract may be expanded to a comprehensive analysis of the EIS areas in both Montana and Wyoming. The BLM in Montana and Wyoming is committed to share all resource data with affected parties in the northern portion of the Powder River Basin that straddles the state line, such as soil, water, air, vegetation, wildlife, cultural, economic, etc., in order to better analyze cumulative impacts resulting from development in both states.

Thank you for the opportunity to testify before you today. I welcome any questions the Committee may have.