

Social and Economic Aspects of Planning

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PRESENTER: Get involved. The accurate social impact assessment tips, these are lessons that we've learned in Sublette County. Get involved with the locals if it's possible. Don't rely on outdated census data. And by getting involved, I know for me it helped to be actually on some of these committees and meet these local community leaders and sit in a number -- well over a period of a year and a half or two years in a lot of these local meetings because you get a different flavor when you're actually out in the community and sitting on these committees as a working member.

Obtain current data. You can't rely on secondary -- why can't you rely on secondary data for an area like Pinedale?

CLASS PARTICIPANT: [inaudible]

PRESENTER: It's just changing too quickly. So you need to get local data.

Otherwise -- we've had contractors right documents for us that says we've got like a 32% vacancy rate in Pinedale, and it may have showed that, you know, when the census data came out, but it's certainly not that now. So get the best data you can.

And focus on key impacts, substance use, crime, social services, domestic violence, housing, job safety. This is one thing I forgot to mention. Pinedale was becoming an

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area for second homes or folks that are moving there with non-earned income. What do you think is happening? We can track that non-earned income. We will be talking about that later today. That's a good indicator. What do you think is happening to the second home market and non-earned income folks that wanted to move to Pinedale, let's say, and retire? Do you think that's a growing sector? Just keep some of those things in mind. That data is available and you can track it historically.

I just wanted to go into this real quickly. On off-site mitigation proposals, these companies are concerned about their image. They are involved in outreach, and I think Encanto (phonetic) offered an off-site mitigation fund of 24, 26 million, something like that. In the Anticline, I don't know if it's Questar or all the companies -- I think it's all the companies in the Anticline. It's 30 some million, is that right?

CLASS PARTICIPANT: [inaudible]

PRESENTER: And that on the surface sound like a lot of money for off-site mitigation, but it's also useful to express that in the dollars per well. For example, when -- I showed you a picture of a well. I was on a well, and they had a bone yard of bits. If they stuck a bit or had a problem with a about it, they would jerk it out and throw a new bit on. Just like you replacing a 1/8th inch bit you buy at Wal-Mart for 82 cents. Though bits were something on the order of, I don't know, \$45,000 or something for a bit. It's been a

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while since I've looked at that data, but it seems to me like the off-site mitigation offered on the Jonah was less than one bit per well. And so if you put -- if you put that number, that off-site mitigation in terms that will relate to, say, the number of wells that are actually out there, it gives you a better perspective of the magnitude of that off-site mitigation offer.

Express the development costs in a payoff per well. When the price peaked, how many days of production do you think -- a well is about \$2.5 million. How many days of production? We're talking about gross revenue. How many days of production would it take to pay off the two-and-a-half, \$2.6 million for drilling the well? Or how many years would it take? 22 days when the price was high. Now, the price is down a little bit. So this is huge money. I mean, it's like you going out and buying a house in 22 days of rent and you own it. Right?

CLASS PARTICIPANT: [inaudible]

PRESENTER: How does -- I think it helps the public understand just the amount of money, just the immense amount of money involved in developing these fields, and the importance of lease to the company to developing it as rapidly as you can, because when you have that kind of potential, you want to develop these fields as fast as you can. That's the reason we had a shortage of rigs, and when I was staying at the --

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Chambers House? Which is a bed and breakfast in Pinedale, I had breakfast with some folks from eastern Colorado who are constructing rigs, and they were working 24 hours a day getting more rigs up into the Pinedale area because the pressure is on to get these wells drilled.

Yeah?

CLASS PARTICIPANT: [inaudible] one comment on what that information tells you is when the company tells you they can't afford the off-site mitigation, you know that's not true, that there's huge economic profits being earned here, and so getting back to Josh's point, yeah, the national trumps the local, but an economic test of that is can the gainers fully compensate the losers and still come out ahead? And what Roy's data suggests is, in fact, these companies are making such economic profits they can fully compensate the locals in terms of infrastructure costs, sheriffs -- I mean, why can't the sheriff pay what the oil and gas companies? Well, they can if they get that share of the tax royalties, that infrastructure cost. So part of this, when we get to the last couple steps in the planning process, Stuart will be talking about mitigation and monitoring and so forth. And so those are the things. With that kind of economic profits, the idea that, "Well, we can't afford it, we're beyond economic," is highly unlikely. But you have to put those data together like Roy did to kind of call their bluff in many cases.

PRESENTER: Yeah?

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CLASS PARTICIPANT: This makes me wonder, is this an education issue? Because the American public, the American consumer, is driving this in the form of demand for oil and gas. But the average American doesn't understand, they haven't seen these pictures. They don't know. So maybe if people were more educated about Pinedale, their existence values just for the Pinedale area might increase enough to where maybe this isn't the most economic --

PRESENTER: Actually, I think the word is getting out. If you track clipping services, the Pinedale story is definitely getting out, and I know in the articles that I've just read on leasing in the Encampment, Saratoga along the Platte River they refer back to the Pinedale story. I think the message is starting to get out. And it's important -- it's important to get the information out -- I think from the agency's standpoint it's important to get the information out in an unbiased way, but in a balanced way.

For example, one thing you often hear is that this particular field will provide gas for 3 million homes. That means nothing to me. What means something to me is this particular area, if we're looking at the Atlantic Rim and developing from Baggs all the way up into Rawlins, in critical elk habitat, or if we're looking at developing another Jonah down to a five-acre spacing, or whatever it is, if you say this is -- or we're looking at the Roan Plateau, if we're saying this particular area will provide 52% of the national

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demand for gas, that means something to me. Or if it will provide 2% of the national demand, that means something.

So if we can put this information out in a way that informs the public, I think it's important not only to our managers but also to the general public as well.

CLASS PARTICIPANT: It's also important that we provide this information to our managers so that they see it and it comes from us as opposed to reading about it in the newspaper or hearing about it from the county sheriff or the county commissioners and then having them ask, "Why wasn't any of this information available before the decision was made?" And that's our responsibility under NEPA.

PRESENTER: I apologize for glossing over some of this, but I know we're pushing upon the clock and I've got quite a few slides that I wanted to talk to you about.

Compute the taxes and other revenues that will be generated and balance this against the resultant new demand. In other words, there's a lot of revenue generated from that activity, but there's demands that are created by it. So you want to have a balance. You want to show the balance there.

Quantify the market activities. I can tell you from my experience -- John worked in the Vermilion down in Craig -- and we were looking at possibly doing a nonmarket analysis.

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This is a very unique area. In fact, think there's some wilderness study areas in the area. And the companies are interested in what? They're interested in an economic analysis from the standpoint of implan runs. Because it swamps every other sector. When you're looking at Pinedale and you're looking at the economic activity generated by the oil and gas industry, it swamps every other sector in a little economy like Pinedale or like Sublette County. But there's another side of the story, and John will be talking about that, and that's recreation demand and nonmarket issues, and you need to be thinking about these.

You can read the rest of this slide -- anything I want to point out here? We've talked about boom and bust, but include a little discussion on the importance of a boom and bust scenario when you're in an area that's developing rapidly like a Sublette County.

Make sure -- this is important -- make sure the reasonable and foreseeable development scenarios make sense. In other words, if you have -- if you know what the development plans are from five or six different companies but your reasonable and foreseeable development scenario falls below that, you need to go back and take another look at your reasonable and foreseeable development scenario.

Again, use a common basis of comparison to describe the national importance. One suggestion might be the percent of national demand.

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Get a feel for the tradeoffs. Air quality changes, water quality changes, transportation issues, open space issues, impacts on grazing, difficulty in acquiring service employees, impacts on critical wildlife habitat and so forth. And put per capita income and family income in constant dollars based on local indices.

And be aware of the challenges -- this is important -- be aware of the challenges associated with contracted socioeconomic work. I can tell you from my standpoint alone, and I'm working on project in Colorado and Wyoming right now, is that sometimes the comments that I include on the contractor's work may not ever end up in the document because these -- I know Pinedale, I know Kelly is pressured by time. These are all under a very tight time frame, and so I may make comments and other specialists may make comments, and they've got to get that thing out the following Monday, and those comments just don't end up in the document. So just be aware of that on these time-sensitive documents.

Data sources. State government. BLM specialists. You can read through this on your own. But keep in mind in an area that's rapidly changing, get as much local information as you can.

Again, on revenue the issue there is we're generating a lot of revenue but we're also

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generating a lot of demand, and it's a distribution issue, and that's a state issue.

Mitigation, I might just mention that briefly. What about socioeconomic mitigation. What do you think the policy of the Bureau -- at least from my understanding -- the policy of the Bureau is on socioeconomic mitigation? It's off-site. Meaning that those leasing decisions, the APD's issued and actually the drilling activity itself, the development activity itself, is creating socioeconomic impacts. We all agree to that. What's the Bureau's responsibility in socioeconomic mitigation? What position do you think the Bureau is taking? What do you think?

CLASS PARTICIPANT: Good question. Great question. That's what I'm here to learn.

PRESENTER: Off-site mitigation -- they're taking the position that it's off-site, and the royalties are there to mitigate, and it's the local responsibility -- it's the state's responsibility to take those royalties, take those severance taxes, take all of the taxes, distribute them in a way that will resolve and mitigate the issues associated with rapid development. Right?

Kelly?

CLASS PARTICIPANT: [inaudible]

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PRESENTER: That's what I hear.

Do you think that's a good policy? Do you think -- you know, basically BLM takes the position that we make the decision to lease. We make the decision to issue the APD. We write the EIS. But off-site mitigation is being handled by royalty. Do you think the royalties, each though they're a tremendous amount of money, do you think they will resolve all of these impacts? Okay. So it's not just a money issue.

We talked about the off-site mitigation, role of companies in all of this. Companies -- I know we were working with some of the companies out of the Anticline and they were looking at different ways that they could help mitigate some of the economic and social impacts. One is that at one point we had companies that were interested in acquiring land in and around Pinedale for company housing. That never really got traction, but that was one of the issues that came up. And we had folks on these committees from private industry and from local community.

Just in closing, I wanted -- if I've got enough time, I wanted to take -- five minutes? I wanted to take just a few minutes, because I can tell you from my experience that when a company is interested in moving into an area and developing the resource and they know they're going to be moving in in a big way, in other words, they're not just coming in to drill a well every few sections, they're coming in to do a full field development, what

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do you think the companies do? And they all do this. They do an outreach. And so we had -- this happens to be a few excerpts from Questar's proposal for Hiawatha, which is east of Baggs, and I'll talk about that in just a few minutes. But they'll come in -- they come into BLM. They were in the Wyoming state office. And they had a Powerpoint presentation, and the purpose of that Powerpoint presentation was to get our staff familiar with what they wanted to do in the Hiawatha area. But they'll come into a Rawlins, and they'll cull into Rock Springs, and they'll come into Pinedale, they'll come into Big Piney, and they have an outreach effort, and what that is designed to do is to let folks know what's coming down the pike. They did it in Rifle, Parachute, Glenwood, Meaker. You know, it just informs the folks that are living there that we're going to have a new player in town and they're a big player and this is what you can anticipate, and it's just something they do.

I happened to get a few slides from this particular proposal. This one is -- how many folks here know where Craig, Colorado, is? This is north of Craig to Baggs, which is right -- just a little bit north of the Wyoming-Colorado boundary and then back to the east, is geographically where this is located. And this is one slide from their presentation. And these dots indicated that you've got a presence of wells already in the area. And notice the size of the dots. You know they're, what, 120 acres or something, I don't know what size they are, but they're big. But the idea here in their presentation was to show that you already have oil and gas activity occurring in the

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activity, and we want to move into the area and further develop the resource. This area happens to be, as I recall, critical antelope winter habitat, too.

So this is one of their slides showing the historical development that's already in the area. It's a neat little Powerpoint slide. It takes pictures around the area showing you what the country looks like.

And then they're showing that there are facilities already in the area. Showing where they're located. And then they had this slide which talked about their total acreage. They've got about 157,000 acres, and 64% of it is in Wyoming, 36% of it is in Colorado and 91% is federal acreage. And again, when you look at this slide you see the existing wells. And Questar controls approximately 105,000 net acres in that area.

There were also some Citizens' Wilderness Areas denied because of the areas -- because the areas got existing roads and wells, and they were just pointing out the history. There's actually another wilderness study area north of there called Adobe Town. But it's surrounded on three sides, the Vermilion proposed, Citizens' Wilderness Area and the Kenney South and Kenney North.

But what's the overall impression when you're looking at this if you're going to Baggs, Wyoming, and giving this presentation? Or you're going to Rock Springs or wherever

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and you're giving this presentation and you want to move into the area and further develop it? What's your overall -- I mean, what's your first thought of further oil and gas development in this area? Do you see a problem with it? Pardon?

CLASS PARTICIPANT: Not initially.

PRESENTER: Why not?

CLASS PARTICIPANT: Because they did a pretty good sales job. They had those huge jobs making it look like it's already a pretty big impact. Like they're just adding a little bit. They're not totally changing the area.

PRESENTER: Good -- do you understand what he's saying?

CLASS PARTICIPANT: Also, it's just a desert, Roy, it's not like it's in the mountains, you know.

PRESENTER: Actually, if you've been there -- well, maybe you're jerking me around here. I'm not even going to respond to that. I'll talk to you after the class.

CLASS PARTICIPANT: [inaudible]

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PRESENTER: Do you see what he's saying, though? When I sat there -- I sat there and I think I'm fairly objective, or I try to be objective, and I look at that, and, you know, I've been all around this area, but I haven't actually been in the area. You know, what's the big deal here?

This is a slide they actually didn't show. This is a repeat of the Jonah Field. This is on 40-acre spacing. Well, at the end of their presentation, they said they wanted to drill this area out on a 40-acre spacing. Okay? So what I did is -- and probably others would probably do the same thing if they're interested in development, did they would take a look at what 40 acres really look. What is this, 12.85 miles high using Google, and if you want to look at these areas, we could pull -- pull Google up and just go to the south of Pinedale and you can see what it looks like or go down to Rifle and go to the west and see what that looks like.

So now I know, they said they would like to develop no directional drilling, all conventional drilling, 40-acre spacing. So I said, you know, I think I'm just going to go out and take a look and see what this area looks like with all those dots. Well, this is what it looks like. There is oil and gas development. You can see a pad there. You know, something there. There's some roads. This is Hiawatha. You see something here, something here. But this is taken at 30,000 feet. I had to zoom into 30,000 feet,

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not 12 miles, to even see the development. And I remember hunting antelope just north of here years ago, and this is all old development, and when you're out on the ground, you really don't notice it that much.

Well, if you're looking at this, compared to this -- now you have a better perspective of where they would like to go with the area, and I'm just saying, when you're involved in these meetings or you sit in on these outreach, explore it a little bit further. It's worth looking at. It's worth driving out there. It's worth that extra effort to see where you're really going with this project.