

Alliance Remains Voice For Oil & Gas In West

By Dan Larson
Special Correspondent

DENVER—As they gather for their annual convention, members of the Western Energy Alliance can see an organization that is adapting its means and methods to a changing energy landscape while remaining true to its 40-year mission of providing a voice in Washington for the western oil and gas industry.

“We are still the go-to experts on public lands and policy issues for oil and gas in the West,” states Alliance President Tim Wigley. “Over the past few years, we have made sure our messages were impactful, strategic, and effective.”

The Alliance will hold its 2015 annual meeting Aug. 12-14 at the Park Hyatt Hotel in Beaver Creek, Co.

Political conflict remains the watchword, says Alliance Chairman Jack Ekstrom. “Given what we have seen from this administration, regulatory overreach remains our most important policy fight,” he says.

Federal activity on air and water regulations moves quickly, while there appears to be little motivation on the part of the Department of Energy to support industry’s push to remove the ban on exporting crude oil, notes Ekstrom, vice president of corporate and government affairs at Whiting Petroleum in Denver.

“We really are at a crossroads,” Ekstrom comments. “We have an opportunity to change the global political dynamic because of what we are doing here. Our commodity can be more effective than putting soldiers in harm’s way, and our not using it to its full potential is tragic.”

The Alliance is working to change the conversation about the role of energy and how it is developed, adds Wigley.

Growing The PAC

When he arrived as Alliance president in 2012, Wigley says he presented the Board of Directors a five-year plan to reshape the association into an active, influential participant in the public policy debates that continue to impact energy development across the West. “Our first

WEA Annual Meeting – Beaver Creek, Co.

Wednesday, Aug. 12

10 a.m.-4 p.m. Registration Desk Open, Park Hyatt Hotel

5-9 p.m. Family Dinner, Park Hyatt
Keynote Address by U.S. Senator Cory Gardner, R-Co.

Thursday, Aug. 13

7:30 a.m.-5 p.m. Registration Desk Open, Park Hyatt Hotel

9-10 a.m. Annual Meeting & Conference
Opening Remarks, Welcome, Tim Wigley, Alliance President
Alliance Advocacy Update, Kathleen Sgamma, Alliance Vice President of Government and Public Affairs

10-10:30 a.m. Break

10:30-11:30 a.m. Colorado Oil & Gas Task Force Discussion What it Accomplished and What it Means to Colorado and the Rocky Mountain Region
Moderated by Jay Ottosen, Chief Executive Officer SM Energy. Panelists: Matt Lapore, Colorado Oil & Gas Conservation Commission; Scot Woodall, Bill Barrett Corp.; and Perry Pearce, ConocoPhillips

11:30 a.m.-12:30 p.m. PDC Energy Keynote Speaker
Alex Epstein, Author of *The Moral Case for Fossil Fuels*

12:30-1:30 p.m. Family Lunch

1:30-2:30 p.m. The Importance of Lifting the Crude Oil Export Ban, Jack Stark, Continental Resources

2:30-2:45 p.m. Break

2:45-4:30 p.m. General Session
Open Membership Discussion: Driving Issues for Member Companies, Tim Wigley
Government, Public Affairs & Service Industry Award Presentations, Kathleen Sgamma and Brian Fakharzadeh, Alliance Vice President of Development and Operations
Board of Advisers and Board of Directors Elections
Passing of the Gavel
Remarks by Outgoing Chairman Jack Ekstrom and Incoming Chairman Jay Ottosen

4:30-5 p.m. Boards of Directors and Advisers Meeting and Strategy Session

6 p.m. Dine Around Reservations
The Alliance has Made Reservations for Parties of 6-10 at Various Beaver Creek Restaurants for Those Wishing to Stay the Evening

Friday, Aug. 14

8:30 a.m.-12:30 p.m. Golf Outing & Lunch, Beaver Creek Golf Club

priority was to grow membership,” recalls Wigley. “We have gone from about 200 members to just shy of 500. Our target is still 700 Alliance members by 2017, but the falloff in oil prices has set us back a bit. I don’t think anyone is surprised by that.”

The second leg of the plan was to turn the Alliance’s political action committee into an effective tool for lobbying, notes Wigley.

“If we ever hope to get the attention of East Coast legislators on issues that matter in the West, it is essential we have a PAC that is recognized and influential,” he states.

That goal has been reached, he contends.

Concerted efforts by Alliance staff and directors to increase funding for the PAC have been successful, he reports.

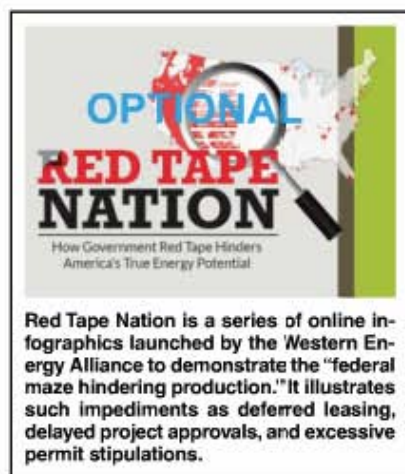
The Alliance PAC raised \$110,000 in Wigley’s first year at the helm, double what was raised earlier. In 2014, the PAC raised \$215,000 and is on track to raise \$250,000 in 2015, Wigley assesses.

“We have upped the ante,” he says. “We now have the attention of folks in Florida, North Carolina, Virginia and Kentucky, among others.

“It’s a numbers game,” he continues. “Most members of Congress are not from the West. If we hope to get their support, our PAC has to be involved. It is gratifying to see people paying attention to our issues now.”

Making Progress

As someone who has worked on policy issues and political campaigns in a variety of resource development industries, Wigley admits he has concerns about the



Red Tape Nation is a series of online infographics launched by the Western Energy Alliance to demonstrate the "federal maze hindering production." It illustrates such impediments as deferred leasing, delayed project approvals, and excessive permit stipulations.

impact low prices may have on member companies. "This is the first energy industry downturn I have been part of," he acknowledges. "Members tell me it isn't their first and won't be their last. This market will make us leaner and more resilient. Companies and their trade groups will innovate and come out stronger."

It is unfortunate that the slump in oil

and gas does not slow the pace of regulation that continues to be layered on the industry by the federal government, he remarks.

While federal regulators and environmental advocates continue to raise roadblocks and stir up opposition, the messages delivered to political leaders and the public by the Alliance and others are helping build support where it was ambiguous in the past, says Wigley. "Our messages are getting through," he insists.

Opinion Polling

For the third year in a row, the Alliance hired a national polling firm to survey likely American voters on topics of interest to Western producers and their service providers. Taken in mid-April, Wigley says the survey of 1,000 likely voters by The Tarrance Group showed continued strong support for developing energy on public lands.

He says the survey showed that more than half of voters were likely to support increased energy development on public

lands available for multiple use and separate from national parks and designated wilderness areas. Support grows to nearly two-thirds of voters when informed that revenue generated from production on public lands goes to support the military and transportation infrastructure, he adds.

When asked if proposed rules from the U.S. Environmental Protection Agency on emissions from backyard grills and reduced flow rates for hotel showers can be considered regulatory overreach, 61 percent agreed, according to the Alliance survey.

Voters also expressed support for increasing state authority over public lands, with 38 percent saying prime authority for public lands should be transferred to states and 39 percent saying authority should be shared between state and federal governments.

The survey found that voters believe wildlife management would be better handled by state agencies, with nearly three of four voters siding with state authority. And when asked if enforcing the Endangered Species Act should be the responsibility of states, the survey indicates 79 percent of voters say they would support revising the law to give more control to state wildlife agencies.

New in this year's poll was a question about the ban on crude oil exports. When asked if Congress should overturn "the 1970s era ban on exports of crude oil to allied nations," 57 percent of respondents said yes, according to the Alliance survey.

"The polling data are clear," Wigley declares. "A majority of voters prefer that wildlife and public lands access be managed by states over the federal government. And the trend shows support is growing.

"With solid numbers like this, we can build support in the East because this is not something they are aware of," he reasons.

Capitalizing on that level of support, Wigley says the Alliance published a series of online infographics under the banner "Red Tape Nation." The four-part series is intended to illustrate the "federal maze hindering production, such as deferred leasing, delayed project approvals, and excessive demands," according to the Alliance.

Kathleen Sgamma, vice president of government and public affairs at the Alliance, notes that the Obama administration contends oil and gas production on federal

lands has not kept pace with state and fee leases "because new shale plays are predominantly on private lands."

"Yet, on public lands in the West, federal red tape is preventing the exploration and innovation that jump-started other now-prolific shale plays," she responds.

Structural Changes

Other important elements of Wigley's ongoing plan for the Alliance call for finding new ways to engage the association's board, restructuring the staff, improving transparency, and reviving the coalition of resource industries that share common interests.

Regarding the latter, Wigley notes that regular meetings among mining, ranching, agriculture, timber, outdoors, and the oil and gas industries faded in the early part of the last decade. "I guess everyone thought President Bush would solve all our problems," he muses.

"Our goal is to revamp that coalition so that we meet regularly with these industries," Wigley says. "I am not saying we are going to agree on everything, but we need to get back to sharing common concerns."

This year, the Alliance also scrapped its annual Washington call-up event in favor of four smaller, focused visits spread over the year. That change was a priority for Ekstrom during his term as chairman. "As a government affairs professional, I believe our visits to the Capitol should be more tactical and focused on the business of the organization," Ekstrom states.

"It is important for everyone on the Board of Directors and Board of Advisers to visit Washington at least once a year," he says. "Scheduling conflicts in the spring are unavoidable, but they can find another date to attend."

Brian Fakhrazadeh joined the Alliance in September last year as vice president of development and operations. Wigley says his 15 years in management, both in an oil and gas services company and as an entrepreneur owning his own businesses, give him the insights and the ability to keep the Alliance moving forward.

The Alliance has added two more staff members this year to bolster its expertise, Wigley continues. Tripp Parks is a policy analyst and former congressional aide hired to strengthen the association's public lands and wildlife advocacy. Ryan Streams is the Alliance's regulatory affairs analyst who will focus on air and water quality issues.

Another important organizational change at the Alliance involves outsourcing the accounting functions and con-

ducting annual financial audits. "We have streamlined our practices, implemented internal controls, and improved transparency," comments Wigley. "We must run the organization like a business."

Annual Meeting

As he developed the agenda for this year's convention, Fakhrazadeh says he wanted members to know the organization was listening to their concerns and needed their involvement. "We changed the format for this year's meeting to create a truly interactive process," he reveals. "In the past, some members expressed concern their voices were not being heard. There was even some discussion about going away from a convention to a board retreat.

"That would have sent the wrong message to the members and those on the outside," he says. "We decided on a trimmed-down agenda that gets right to business."

Registration for the 2015 annual meeting opens at 10 a.m. Wednesday, Aug. 12, at the Park Hyatt Hotel. Fakhrazadeh says a "family dinner" that is highlighted by an address by U.S. Senator Cory Gardner, R-Co., begins at 5 p.m.

Other highlights, he points to, include a panel discussion on the Colorado Governor's Oil & Gas Task Force on Thursday morning, Aug. 13, followed by a keynote speech by Alex Epstein, author of *The Moral Case for Fossil Fuels*. After lunch on Thursday, Fakhrazadeh adds, Jack Stark with Continental Resources will lay out the importance of lifting the U.S. ban on exporting crude oil.

A significant change in this year's convention, Fakhrazadeh notes, is shortening a day-and-a-half of policy sessions into a single day, running from 9 a.m. Thursday, Aug. 13, to 5 p.m., after which conference participants will be dismissed, although he adds that the Alliance staff is making reservations for parties of 6-10 at various Beaver Creek restaurants for those who wish to stay over.

An optional golf outing and lunch tees off at Beaver Creek Golf Club on Friday, Aug. 14, as the concluding event of the Alliance's 2015 convention. □

Coming In August

Full-waveform acoustic seismic to evaluate stage-by-stage frac treatment effectiveness, automated real-time processing of passive microseismic data, refrac candidate well selection, composite frac plug technology and new geomechanical modeling techniques.

Alliance Protests Federal 'Land Grab'

DENVER—The Western Energy Alliance in February joined other industry groups in filing a protest against a leasing decision by the Bureau of Land Management and U.S. Forest Service to close leasing in the White River National Forest in Colorado.

The Alliance says the federal action covering nine Colorado counties included in the forest is "a dramatic change from current management policies and clearly aimed at curtailing future oil and natural gas development."

The federal plan effectively closes the entire forest area known as the Thompson Divide to oil and gas leasing and is "marred by political interference and superficial analysis," the Alliance notes in its objections.

With its "flawed presumption that oil and gas development is incompatible with agriculture, recreation, outfitting, wildlife, and protection of other natural resources," the Alliance says the leasing

plan "fails to successfully balance responsible energy development with conservation, and ignores the broad economic needs of all local communities, not just favored segments of society."

The objections were filed jointly by the Alliance, the West Slope Chapter of the Colorado Oil & Gas Association, and Public Lands Advocacy.

According to a record of decision filed by Scott Fitzwilliams, supervisor of the White River National Forest, the plan updates a 1993 plan that closed 800,555 acres to leasing by closing an additional 1,281,726 acres. The plan leaves 194,123 acres available to mineral leasing, according to the USFS decision (Figure 1).

Of the new acreage closed to leasing, Fitzwilliams says 83 percent is closed because "there is little or no potential for oil and gas production because of the geology of the area."

Fitzwilliams says his "more conservation-minded" decision was not easy because he had received "significant input from a wide variety of interested people who have a genuine stake" in the White River Forest.

However, the Alliance says it discovered the plan's "bias in favor of conservation, recreation, and the interests of

those living in the region's resort communities," combined with the sway of input from "special interests, politicians and political appointees" in a federal Freedom of Information Act request. The result, the association says, is a plan that is not multiple-use, but one that is "dominated by a single use: conservation."

In May, a USFS official rejected the industry objections, although one operator was successful in his request to have a map included in the final record showing areas included in no surface occupancy lease stipulations, according to published reports. Also, federal officials were considering a request by two operators with leases adjoining the closed acreage to swap the leases for acreage on public lands farther west.

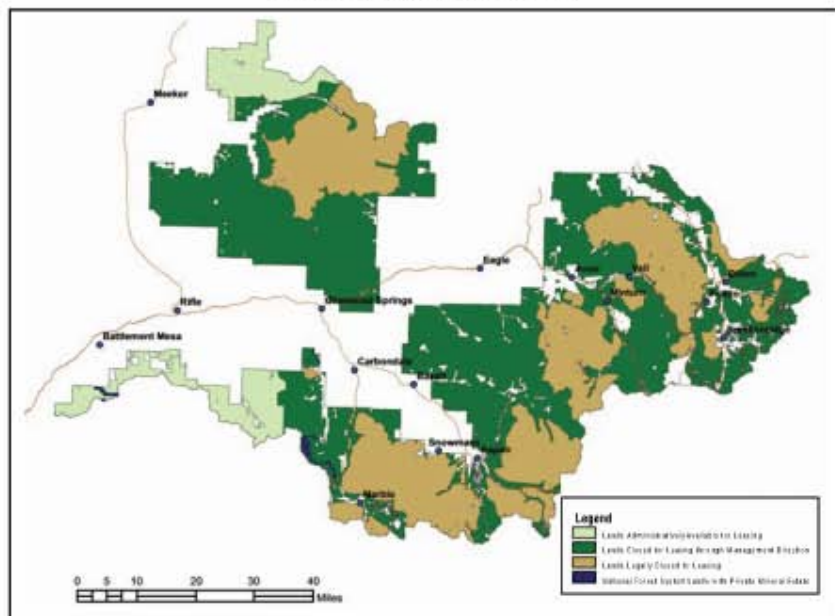
Alliance Activity

The Alliance was actively involved last year in supporting removing the U.S. ban on exporting crude oil, observes Chairman Jack Ekstrom. At the same time, he says, it continues its functional involvement in a variety of regulatory and legal tussles that fall within the public lands access or wildlife categories.

The long running drama over the potential listing of the greater sage grouse

FIGURE 1

White River National Forest



as an endangered species is a prominent example of Alliance activity, adds Ekstrom, vice president of corporate and government relations for Whiting Petroleum Corp. in Denver. Other key issues include a lawsuit filed against the BLM over the bureau's hydraulic fracturing regulations for public and tribal lands.

In June, U.S. District Judge Scott Skavdahl granted a request to allow the cases brought by the Alliance and the Independent Petroleum Association of America to be combined into a single lawsuit with those filed by the states of Wyoming, Colorado, North Dakota and Utah. The association's lawsuit was designated as the lead case, according to published reports.

Utah was the most recent state to take legal action against the BLM rule (*AOGR*, June 2015, pg. 14). Governor Gary Herbert says the proposed rules "create an inconsistent, costly and inefficient regulatory system that provides no additional environmental protection or public safety than is offered by programs already enforced by the state."

He adds that the rule could cost operators an additional \$250,000 a well.

Six environmental groups have requested to join the case in support of the federal rules. In the meantime, Judge Skavdahl was scheduled to rule June 23

on motions filed by the states and trade associations for injunctions to block the June 24 implementation of the rules. (**Editor's Note:** Judge Skavdahl issued a stay on the proposed regulations until BLM could file its administrative record with the court. See story page 45.)

Other Key Issues

Elsewhere, the Alliance says it joined 302 interested groups in supporting legislation in the U.S. Senate aimed at simplifying and streamlining the federal permitting process. S 280, the Federal Permitting Improvement Act, would coordinate responsibilities for environmental reviews of permit applications, provide concurrent agency reviews rather than serial reviews, include state-level reviews where available, improve transparency, and shorten the window for filing protests to 150 days from six years under National Environmental Policy Act rules, the association summarizes.

The Alliance says it also supports a greater role for states in regulating oil and gas development on public lands. It notes that in a letter to congressional leaders, the governors of 12 states advocate for states to take the lead on regulating oil and gas development as well.

State agencies are "both more flexible

and effective in regulating the industry," the letter from the governors contends.

Alliance President Tim Wigley mentions that since November, the Alliance has filed comments with federal agencies on storage tank emissions rules, the Environmental Protection Agency's proposal to lower the National Ambient Air Quality Standard for ozone, revised greenhouse gas reporting requirements, a proposal to change how permits are issued for rights of way on Indian lands, and the EPA's and U.S. Army Corps of Engineer's redefinition of "waters of the United States" under the Clean Water Act.

On the tax and royalty front, he says the Alliance filed comments on the Office of Natural Resources Revenue's proposal to consolidate federal oil and gas royalty valuations, saying it would "divert resources away from productive, revenue generating activities and into complex accounting and legal wrangling."

Wigley says the Alliance will remain actively engaged in federal issues, no matter what effect the market has on industry activity. "The price of oil does not matter," he insists. "The federal government is not going to stop what companies are doing, and we must stay involved."

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