

OIL AND GAS THREATS TO THE THOMPSON DIVIDE

LAVA BOULDER DRILLING PROPOSAL

Of the oil & gas development threats facing the Thompson Divide, this one is furthest along in the process. In May 2011 Antero Resources (which has since sold its leases in the area) applied to the BLM to drill a well in the Lava Boulder Creek area, within the area it wants to unitize, and shortly after that submitted plans to the Forest Service for a longer-term exploratory development proposal including 3 additional wells. In October 2012, WW called for the Forest Service to deny the proposal, or at least to do a better job of scrutinizing it, and over 500 members of the public submitted comments supporting our position. A decision is expected in February, and we're prepared to appeal if necessary.

WOLF SPRINGS UNIT

Denver-based Antero Resources filed in July 2012 to unitize these 7 leases in the East Divide Creek watershed. All 7 are so-called "gap" leases*, which we contend should never have been issued. If approved, the unit would allow Antero to hold onto its leases beyond their 2013 expiration dates; the BLM still hasn't issued a decision on the proposal. Meanwhile, Antero has proposed specific drilling projects in the Lava Boulder Creek area of the unit (see above). In December, Antero sold all its assets in western Colorado to Ursa Resources, a Houston private-capital group. The sale highlights the speculative nature of natural gas development these days; whether Ursa plans to actually develop the leases, or simply to flip them again to another buyer, remains to be seen.

WILLOW CREEK UNIT

This unit is a poster child for the BLM's shoddy oversight of drillers, but it also illustrates how our oversight of land managers and drillers will help save Thompson Divide. The Wilderness Workshop has been challenging this unit for several years, contending that it should have been terminated because the leaseholder, Denver-based WillSource Enterprises, has failed to develop it as it had agreed. The BLM in June partially sided with us and "contracted" (i.e., shrunk) the unit, terminating 3 of the leases and removing the threat of drilling from several thousand acres. However, WillSource has appealed the order, and we are awaiting a decision at the state level to get clarity on this issue.

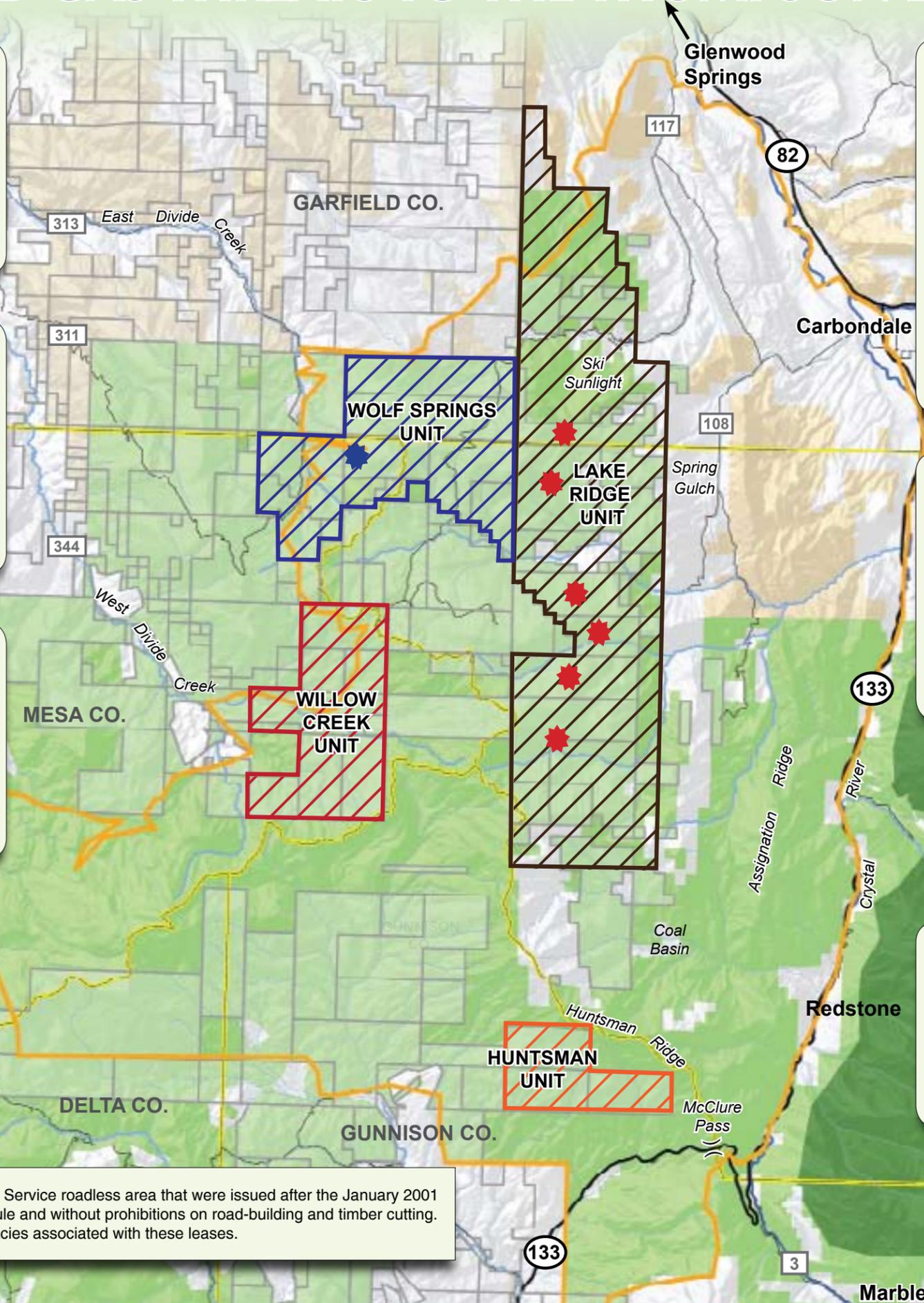
LEGEND

-  Thompson Divide area
-  Other leases
-  Forest Service
-  BLM
-  Wilderness

0 1 2 3 miles

Map by Rocky Mountain Wild and Wilderness Workshop

* Gap leases are those in a Forest Service roadless area that were issued after the January 2001 release of the federal Roadless Rule and without prohibitions on road-building and timber cutting. There are a host of legal inadequacies associated with these leases.



SG INTERESTS DRILLING PROPOSALS

As of early January, Houston-based SG Interests had initiated processes to drill on 7 of its leases from 6 sites in the proposed Lake Ridge Unit, and was expected to file on 2 more. Given their location in the heart of the Thompson Divide, these drilling proposals are inflaming more public opposition than any others. Glenwood Springs residents are especially alarmed by SG's plans to use Fourmile Road as the haul route for the projects that have been announced so far, but Thompson Creek and Divide Creek access routes could also be used.

The BLM and Forest Service will likely ask SG to prepare a master development plan for all the leases, leading to an environmental review process that could take many months – well beyond the May 2013 expiration date of the leases. That leads to the conclusion that SG is filing these 11th-hour applications in the hope of getting the leases "suspended" (that is, stopping the clock on them), possibly for years, until the price of natural gas comes back up to the point that it's profitable to drill in the Thompson Divide. We maintain that suspension is not appropriate in this case.

LAKE RIDGE UNIT

SG Interests, owned by Houston billionaires Russell Gordy and Lester Smith, holds more than 20 leases in the Thompson Divide. In mid-2011, SG proposed "unitizing" 16 of its leases and 2 others owned by Encana – a process that would allow SG to hold all the leases as one unit and extend their terms pretty much indefinitely, as long as the company follows a long-term development plan (which generally requires one well to be drilled every six months). The BLM typically rubber-stamps unit proposals, but thanks to unprecedented public opposition and ongoing questions about lease validity, so far the agency has not ruled on this one. With most of the leases due to expire in May 2013, SG is now going to Plan B: applying to drill the leases separately (see above), a much more expensive proposition.

HUNTSMAN UNIT

SG Interests already has an approved unit consisting of 3 leases on the south side of Huntsman Ridge, and it has applied for a permit to drill. These leases lie within a Forest Service roadless area, and fortunately they carry stipulations that they should be subject to the Colorado Roadless Rule, which doesn't allow roads for oil and gas development. The Forest Service is expected to decide soon on SG's application to drill; if it doesn't comply with the Roadless Rule, we will challenge it through agency processes and/or the courts.

Marble