

## **STATEMENT BY**

**Ray Muggli**  
**Northern Plains Resource Council**  
**Contact information: 406-232-2058**  
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My name is Ray Muggli, and I am a farmer from Miles City, Montana. I irrigate my alfalfa crop with water from the Tongue River, just downstream from coal bed methane extraction in Montana and Wyoming.

I am also a member of Northern Plains Resource Council. Northern Plains is a grassroots conservation and family agriculture group and I also am a volunteer member of Northern Plains' Coal Bed Methane Task Force. Over the last five years, I've conducted over two dozen flights over the Tongue River Project, a coal bed methane field in southeastern Montana, operated by Fidelity Exploration and Production Company (FEPCO).

### **FEPCO TONGUE RIVER PROJECT**

Let me tell you a little bit about this project. As you can see in WORC's study, the project involves 571 coal bed methane wells and all the impacts associated with those wells.

### **THE PROBLEM**

I think we can all agree as a matter of basic fairness that oil and gas companies should pay to clean up their drilling sites - not taxpayers or neighboring landowners. This is the stated policy of the U.S. Bureau of Land Management and Montana Board of Oil and Gas Conservation. Both of these agencies require companies to post a damage deposit - or a financial assurance bond - as a security against problems, along with reclamation plans explaining how a site will be restored.

This system would work if bond amount covered actual liability and reclamation plans covered true restoration needs. Unfortunately, all too often, bond amounts fall far short of potential clean up costs, and reclamation plans rarely cover true clean up needs.

In the case of FEPCO's Tongue River Project, the cost to reclaim the 1,775 acres of land disturbed by development is conservatively estimated at over \$7 million. FEPCO's \$420,000 bond will certainly prove grossly inadequate. FEPCO's bond is thus \$6.8 million short of liability faced by taxpayers and neighboring landowners. If FEPCO were to go bankrupt or abandon the project, responsibility for cleaning up the field would be borne by taxpayers and landowners who live in the area.

### **THE SOLUTION**

The U.S. Bureau of Land Management and state permitting agencies have a responsibility to shield taxpayers from liability for oil and gas drilling clean up. FEPCO and other companies are private entities that make tremendous profits from the development of public resources. These

companies can and should bear the full cost of development as they enjoy the profits that go along with it.

BLM and Montana permitting agencies need to adopt four guidelines to improve bonding and reclamation programs:

1. We need clear and specific reclamation requirements and standards, especially for land reclamation. That means telling us what's going to be disturbed and when; telling us how the land will be reclaimed, such as how it will be re-graded and re-vegetated, and what plants they are going to use and what animals the land is going to support. The companies need to tell the public how they are going to dispose of produced water and what impacts that will have on our land or on our crops.
2. We need reclamation plans tailored for specific sites that are updated annually. Having flown over the FEPCO field many times, I can tell you that things change quickly. Reclamation plans need to reflect these changes. Financial assurance bonds need to be updated as well to cover new disturbances. By requiring a clear and concise plan, together with up-to-date financial assurance, it should be possible to allow reasonable growth.
3. Professional engineers—not oil and gas industry executives—should prepare reclamation cost estimates. If I go rent an expensive piece of equipment, it's up to the owner of the equipment to determine the amount of deposit I put down to cover the cost of replacing it. It shouldn't be up to me. Similarly, oil and gas industry executives have absolutely no place preparing reclamation cost estimates. They have a vested interest in low-balling those costs.
4. Bonds should cover reclamation costs and potential liabilities. Again, another no-brainer. Unfortunately, it's not happening now and because of that, the irresponsible actions of a few bad actor companies could saddle U.S. taxpayers with millions of dollars of liability.

By adopting these four steps, land management officials can ensure that oil and gas—and coal bed methane in particular—are developed responsibly in Montana and other states. Doing It Right means making sure the oil and gas companies—not taxpayers and landowners—are liable for restoring land and water supplies damaged by drilling.