

DECLARATION OF JAMES R. KUIPERS, P.E.

I, James R Kuipers, do hereby declare as follows:

1. The facts set forth in this declaration are based on my professional knowledge. As to matters that reflect my opinion, they reflect my professional opinion and my best professional judgment on the matter.
2. I am the principal and manager of Kuipers & Associates LLC based in Butte, Montana. My firm provides extractive resource engineering and geoscience consulting services to a wide variety of clients including public interest groups, government, private landowners and businesses. I have a B.S. from Montana College of Mineral Science and Technology in mineral process engineering, and am a registered professional engineer in Colorado and Montana. I have worked on mining and environmental projects including engineering design, permitting, operations, reclamation and closure, and financial assurance for over 20 years. Since 1996, my primary work has been as a consultant providing expertise to public interest groups, state, federal, and tribal governments, and industry relative to mining, oil & gas and other extractive resource environmental issues.
3. I have been extensively involved in oil & gas issues during the past six years and have published and/or presented on the subject in a wide variety of venues including the following:
 - *Oil, Gas and Coal Bed Methane Reclamation and Financial Assurance Guide*, with Kimberley MacHardy and Victoria Lynne, November 2005; 12th International Petroleum Environmental Conference, Houston, TX.
 - *Filling the Gaps: How to Improve Oil and Gas Reclamation and Reduce Taxpayer Liability*, Kuipers & Associates for Western Organization of Resource Councils, August 2005.
 - *Coal Bed Methane-Produced Water: Management Options for Sustainable Development*, co-authored with K. MacHardy, W. Merschhat and T. Myers, presented at Coal Bed Natural Gas Research, Monitoring and Applications Conference, Laramie, WY, August 2004; 11th International Petroleum Environmental Conference, Albuquerque, NM, October 2004; Northern Plains Resource Council Annual Meeting, November 2004.

- *Technology-Based Effluent Limitations for Coal Bed Methane-Produced Wastewater Discharges in the Powder River Basin of Montana and Wyoming*, Northern Plains Resource Council, Billings, MT, November 2004.
- *Coal Bed Methane: A Design and Process Overview of Production and Produced Water*, presented as short course at Joint Engineers Conference, Helena, MT, November 2003.

4. I have also spent considerable time inspecting and observing coalbed methane (CBM) and other oil and gas operations being conducted on public lands and private lands involving split estates administered by the Bureau of Land Management (BLM) and have spent considerable time presenting, discussing and debating reclamation and financial assurance issues on those lands.

5. It is my professional opinion that oil and gas drilling can cause major impacts to public and private resources. These include extensive disturbance to surface resources (land and vegetation), in addition to impacts to water resources, crops and soils, wildlife, and property values. In the majority of cases the impacts are either not identified or inadequately addressed.

6. It is my professional opinion that current state and federal requirements for reclamation plans are grossly inadequate and fail to result in productive post-development reclamation of damaged sites. Current guidelines lack standards necessary to prevent impacts to land and water resources and loss of use to other public land users and private landowners.

7. It is my professional opinion that financial assurance only works when it is sufficient to cover reclamation costs. The blanket bond approach currently in use by BLM is grossly inadequate and fails to provide sufficient funds for reclamation to be performed by the responsible agencies in the event an operator defaults on its obligation. Similarly the bond approach used by BLM to address surface owner rights is grossly inadequate as it is not based on actual reclamation costs. This results in liabilities for individual projects ranging from \$100,000 to \$6,000,000 or more, and suggests a total industry-wide liability – or risk to taxpayers – of billions of dollars.

8. Based on my professional knowledge and judgment regulatory agencies such as the BLM should require site-specific reclamation plans for each operation that identify all impacts to surface lands and other resources.

9. Based on my professional knowledge and judgment regulatory agencies such as the BLM should develop reclamation planning and implementation requirements, such as performance

standards, for oil and gas operations consistent with those required for other extractive industries, such as hardrock minerals and coal mining, affecting public and private resources.

10. Based on my professional knowledge regulatory agencies such as the BLM should require financial assurance estimated by a professional engineer, in an acceptable form that covers the full cost of performing all reclamation tasks based on site-specific project analyses, prior to issuance of drilling permits.

11. Based on my professional knowledge and judgment regulatory agencies such as the BLM should review and update reclamation plans and financial assurance every year.

12. I have reviewed the Western Organizations of Resource Councils' bonding and reclamation petition for rulemaking and, based on my professional opinion, it is an important step in the right direction. If adopted, the petition will begin to address the inadequacies of the BLM's reclamation and financial assurance program for oil and gas.

I declare that the forgoing declaration is true and correct to the best of my knowledge, executed this ____ day of May, 2006.

James R. Kuipers, P.E.