

DECLARATION OF NANCY SORENSON

I, Nancy Sorenson, do hereby declare as follows:

1. The facts set forth in this declaration are based on my personal knowledge. As to matters that reflect my opinion, they reflect my personal opinion and my best judgment on the matter.
2. My husband and I are split estate landowners in the Powder River Basin of Wyoming. Our family has ranched in this area for three generations, and my son and his family are partners with us on our ranch.
3. We have extensive coalbed methane (CBM) gas development on our ranch, and while we own some of the minerals, much of the activity taking place on our land is on split ownership with the BLM owning the mineral estate. We have worked tirelessly to come up with reasonable agreements with operators to try to assure the development can go forward while our ranch is protected.
4. I have observed during our negotiations with mineral developers and the BLM field office in Buffalo, Wyoming, that there is a lot of emphasis by the BLM on the permitting of oil and gas development. This causes the mineral lessee to go through a long and tedious process to start development. As landowners we are somewhat satisfied that this process is sufficient to assure that the initial project has been thoroughly reviewed and the process of mineral exploration and extraction will begin according to the rules of the BLM.
5. Unfortunately, there has been too little emphasis in the BLM Buffalo Field office on the reclamation of oil and gas projects and related facilities such as water discharge pits.
6. One only has to tour the area around our ranches to see the abandoned oil equipment and locations, corroded pipelines and holding tanks oozing black gunk onto the land to understand the problem. Many of my neighbors have tried for as long as ten years to get these messes cleaned up, but the problem almost never gets resolved.
7. The reason the past oil development has not been cleaned up and reclaimed is that the oil and gas projects that took place in the 1960's and 1970's were developed by large companies who milked the major part of the profits from the fields and then sold them to smaller, often fly by night operators who stripped the wells for the small amount of gas or oil that could still be profitably extracted.

8. When the companies are done getting as much of the resources developed as they can, they do not have enough resources to reclaim the field, so they walk away, and let the bond be called. These companies are usually set up as limited liability companies or LLC's, which protects the owners from responsibility.

9. This leaves the surface owner with a big mess on his or her ranch. He or she then calls the BLM field office to report the problem, and the field office tells them that the reclamation bond will not cover the cost of the clean up. The original operator had only to post as little as \$1,000 per well, \$25,000 per state blanket bond, no matter how many wells the company has in that state, or \$125,000 nationwide. One really bad location can cost millions to restore properly.

10. I have watched my neighbors suffer through this discouraging dilemma year after year only to be told nothing can be done. We are told by folks in the BLM that this is a rare occurrence, and they are "working" on the problem, but the fact is, the bonds are just too low, and the problem is far from "rare" in my neighborhood. This problem can also happen with split estate fee or state minerals.

11. In instances involving fee or state minerals, Wyoming's Oil and Gas Commission is able to respond to these problems in a more timely manner and get them resolved because of a better bonding process and a tax on operators for a fund to make up differences in the cost of reclamation and the amount of the bond. The state of Wyoming does not require this with BLM minerals because the BLM holds the reclamation bond.

12. Until this issue gets resolved, I do not trust the BLM or the companies on my lands to properly reclaim the damage they are doing at this time. I therefore believe that the only way to ensure financial assurance for reclamation of oil and gas fields and related facilities such as water storage pits is for BLM to reflect the true cost of reclaiming. This bond should be reviewed annually to reflect the actual costs of reclamation equipment, material, and labor.

13. The discharge of large amounts of water for the release of coal bed natural gas from coal formations is causing serious concern in our area. The water is often of a quality good enough to be consumed by livestock, wildlife and humans, but is very destructive to soil and vegetation. Operators store this water in large on channel or off channel pits to evaporate or infiltrate. Constituents in the water such as arsenic, sodium, sulfates, and nitrates, which come out of the pipe in amounts small enough to be harmless, concentrate in these pits and leave behind a toxic soup.

14. Often operators “clean” their pits by releasing the CBM water into ephemeral channels where it settles and damages land downstream. Sometimes the water is not contained at all, but is allowed to simply run down ephemeral channels to irrigated meadows where it forms ice sheets in the winter and kills the palatable vegetation and trees, replacing them with weeds and fox tail which wildlife and livestock will not eat. This is a huge problem that has not been settled at this time by either the state or federal regulatory agencies. Until it is, I would ask for a moratorium on all discharges of water that are not placed in totally contained pits which are bonded to reflect the true cost of reclamation of these pits and the related damage they may cause.

15. Further, all downstream damages that have been caused to date by CBM discharges should be required to be reclaimed and bonded for the costs of the reclamation of the ephemeral channel.

I declare that the forgoing declaration is true and correct to the best of my knowledge, executed this 26th day of April, 2006.

Nancy Sorenson