

September 7, 2012

Discussion DRAFT

The Honorable Ken Salazar
Secretary U.S. Department of the Interior
Bureau of Land Management
1849 C St. NW
Washington, DC 20240

Dear Secretary Salazar,

The Energy and Telecommunications Interim Committee (ETC) of the Montana Legislature is concerned about the Bureau of Land Management's (BLM) proposed hydraulic fracturing rules. The Committee recognizes the need to provide the public with information about the use of their public lands and to protect the environment. However, the Committee is concerned that the rules under consideration by the BLM will add significant and unnecessary costs to the production of oil and natural gas while failing to ensure environmental safeguards. Industry experts have anticipated the costs to the industry could reach more than \$1.5 billion annually.

Hydraulic fracturing and horizontal drilling are critical to the ongoing success of oil shale development in Montana and the surrounding area. Montana has adopted rules to address issues of concern to our state and to provide a predictable regulatory framework for the industry. Montana's rules address disclosure of fracturing chemicals and require certain design information as part of the permitting process.

The BLM's proposed rules, for example requiring cement bond logs, are expensive and time-delaying measures that do not guarantee additional safety or effectiveness. The ETIC does not believe the proposed rules are based on sound science or proven engineering practices. Furthermore, the rules fail to acknowledge differences between regions based on geography and hydrology. The BLM's proposed rules appear to equate a regulatory approach for our conventional shallow vertical gas wells to the long reach deep horizontal shale gas wells in other parts of the country. We believe that the BLM should accept the regulatory processes developed by individual states and limit implementation of a new regulatory scheme to the jurisdictions and states that don't already have rules.

The ETIC is also concerned that the proposed rules may interfere with long-standing water law in Montana that addresses the appropriation and use water in Montana. We believe the BLM must provide additional detail on the BLM's proposed rules related to water procurement and disposal so operators have the opportunity to provide meaningful input.

The ETIC is concerned about the BLM's ability to deal with the volume of information requested in the proposed rules without delaying drilling. The ETIC requests that the BLM withdraw the proposed rules and rely on the individual states to regulate oil and natural gas production.

Sincerely,

Chairman Alan Olson

