

THE Durango HERALD

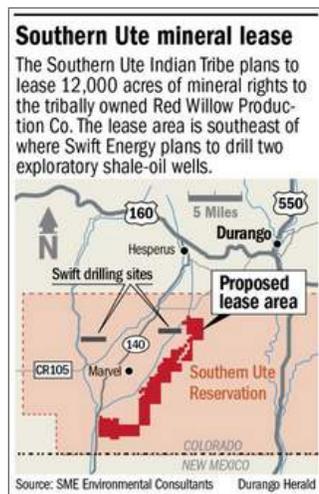
Tribe seeks to expand shale-oil drilling

Southern Utes to develop land inside reservation

By **Emery Cowan** Herald staff writer

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Texas-based Swift Energy isn't the only company chasing the lure of the Mancos Shale in La Plata County. The Southern Ute Indian Tribe-owned Red Willow Production Co. drilled one well into the Mancos Shale formation in December and now is planning to lease 12,000 acres of tribal minerals on Fort Lewis Mesa for further exploration.



The development likely will mean more of the type of horizontal shale drilling that has drawn packed crowds to county meetings and incited passionate debate about shale-oil exploration, multistage hydraulic fracturing and the impacts they could have on the county's land, air, water and economy.

Red Willow's initial development would focus on the Niobrara member of the Mancos Shale, according to a letter from the Bureau of Indian Affairs, which is conducting an environmental assessment of the proposed lease. The company anticipates drilling horizontal wells that will require hydraulic fracturing, the letter said.

Of the 12,072 surface acres proposed in the lease area, 1,422 are privately owned and the rest are tribally owned, according to county measurements. The company has not yet determined a potential number of wells or well locations.

Because all of the tribe's exploration and production is happening within the boundaries of the Southern Ute Indian Reservation, those activities are outside of the county's land-use jurisdiction. However, as part of the Bureau of Indian Affairs' required environmental assessment of the lease, the county

was informed and asked for comment about the proposed agreement last month.

The county offered several comments to the BIA, many of which were points of concern brought up in public hearings the county held about shale-oil development proposed by Swift Energy. Residents repeatedly expressed concerns about the larger volumes of water and chemicals, higher injection pressure, increased truck traffic and bigger well pads required in the multistage hydraulic-fracturing process required to unlock natural gas and oil from shale. Residents worried about potential effects to groundwater, air quality and traffic levels associated with the process.

The county also outlined concerns about potential degradation to county roads caused by well-development traffic. Contractors for the construction, drilling and completion of wells likely will access the lease area through county roads, and the increased water

usage required by multistage hydraulic fracturing likely would be a major source of truck traffic.

In addition to outlining Red Willow's drilling plans, the BIA letter laid out concerns that not developing tribal minerals in the area would risk those minerals being drained by private entities drilling nearby.

"If the lands associated with (the proposed lease agreement) remain unleased, potential depletion through drainage associated with the development of neighboring fee lands would constitute a permanent loss of valuable mineral resources to the detriment of the (Southern Ute Indian Tribe) and its members," the letter said.

The proposed leasing area is just southeast of a 588-acre unit where Swift Energy plans to drill one exploratory shale-oil well, leading county staff to wonder whether Swift's drilling plans spurred the tribe to consider developing the area.

Though protecting the tribe's minerals always is a concern, plans for the area predate Swift's drilling activities, said Bob Zahradnik, operating director of the Southern Ute Growth Fund, which manages and operates Red Willow.

"We've been looking at (the area) for a long time. We were just waiting for the appropriate time to develop it," Zahradnik said. "The technology has matured now to make it possible to develop this stuff."

The Mancos Shale well that Red Willow drilled in December 2012 has not gone into production yet, Zahradnik said. The company has done several tests and is weighing whether it's worthwhile to build the infrastructure necessary for the well to go into production phase, he said. The well, which is oil-producing, was the first Mancos Shale well drilled in La Plata County.

Other companies that have drilled wells into the Mancos Shale in the San Juan Basin have produced varying levels of oil and natural gas.

Encana has drilled 23 Mancos Shale wells in the San Juan Basin to date, Encana spokesman Doug Hock said. As of March, the company's efforts had yielded "a variety of results," Jeff Balmer, Encana's San Juan Basin asset manager, said during a conference.

"There's some good stuff, some modest stuff and an area we haven't really figured out yet," Balmer said.

In 2010, WPX Energy drilled two horizontal wells in the Mancos formation in New Mexico that produced natural gas at high rates, company spokeswoman Susan Alvillar wrote in an email.

ConocoPhillips and Bill Barrett Corp. also are testing the Mancos Shale, according to an article in The Daily Times of Farmington.

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