

CBM permits will cost \$4,000



A drill rig sits atop a hill along Force Road west of Gillette on Thursday morning against the background of the Big Horn Mountains. Recently the Bureau of Land Management began charging energy producers \$4000 for drilling permits. - News-Record photos by Nathan Payne

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Coal-bed methane producers are reeling at the news that they will have to pay the Bureau of Land Management \$4,000 for every well they sink.

The federal agency announced the congressional directive after President George W. Bush signed the bill the day after Christmas, effective through the 2008 fiscal year.

The fee was mandated as a means to reimburse the U.S. Treasury for the cost of processing the drilling applications the BLM is expected to receive.

BLM officials estimated that the average cost across the country to process an application is roughly \$4,000, said BLM Chief of Fluid Minerals Tim Spisak in Washington, D.C.

Until now, the BLM charged nothing.

For independents like Double Eagle Petroleum Co., the fee could mean that they will shy away from federal lands.

"It's just another reason why companies will look to state and private lands to drill wells as opposed to federal lands," Double Eagle Vice President Steve Degenfelder said.

If the BLM could process an application in a month, Degenfelder said he wouldn't mind the fee as much. But the process can last as long as 150 days. He said he has a few applications that have languished for several years.

And he wonders, if the application is not approved, is there any recourse?

The short answer is no.

Even if the application is rejected, the BLM still spends the money processing it, Spisak said.

That confounds Degenfelder.

"It's like you're going to a car wash and the attendants say, 'Well, to wash your car it's \$250.' And you say, 'OK, are you gonna wash it and wax it,' and they say, 'We haven't decided yet, so go stand at the end of the tunnel and see what you're going to get,'" Degenfelder said.

Whether the \$4,000 fee deters any companies from drilling remains to be seen.

Spisak says it's possible. But with companies spending \$500,000 or more to produce a coal-bed methane well and then reaping hundreds of thousands, if not millions of dollars from it, he's doubtful.

Spisak said the directive is simply a mandate to reimburse the federal treasury, although he acknowledged that the federal government collected more than \$1 billion from oil and gas on federal land last year. Wyoming netted \$925 million — far more than the \$25.5 million the processing fee will bring in.

Degenfelder thinks he may be in the clear for now. He filed his applications before the fee was instituted, and he plans to protest if the BLM charges him anyway. For an independent with roughly 50 applications at \$4,000 a pop, \$200,000 is no small sum.