

Energy industry looks ahead in 2009

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Despite low prices for oil and gas produced in Wyoming, 2008 was a good year for the industry in the state thanks to strong prices early in 2008 and good production, industry officials said in a recent Associated Press release.

Natural gas production in Wyoming through last August was up 9.4 percent, according to Don Likwartz, supervisor of the Wyoming Oil and Gas Conservation Commission.

"That will make the 11th year in a row we've had an increase in gas production," Likwartz said. "So that's very good."

Gas produced in Wyoming should end up fetching about \$6.50 per thousand cubic feet (tcf) on average for the year, he said. Gas prices averaged about \$7.45 through the first eight months before dropping during the last four months of 2008.

Oil prices also dropped in late 2008 but not before averaging around \$102 through August, Likwartz said.

"I've never seen any price go so high so quick and drop so quick," he said. "I mean usually it goes up for a year, year and a half then you see the opposite."

Likwartz said the state should average about the same daily number of oil and gas drilling rigs in 2008 as it had in 2007.

"But I think we'll lose some of those large rigs just like the other states are because of the precipitous drop in oil prices and gas prices," he said. "But I don't think it will be as bad as some of the other states because we got four companies with expensive specialty rigs that they've hired in Jonah and Pinedale."

Still, Likwartz said the state's oil production was expected to drop when final numbers for 2008 were tallied. The state had reversed its downward oil production trend in 2006 and 2007.

Likwartz said he believed the drop in oil production indicates that producers have reached a peak in their efforts over the last couple years to bring old wells back into production with new technology.

And 2009 could see continued low prices for Wyoming oil and gas, which could mean less money for state coffers and more small energy firms closing their doors.

So what do local companies Shell, Ultra and Questar think? Final numbers for 2008 have not yet been compiled, but while the companies work on 2008 numbers they're already looking ahead to 2009 and beyond.

Moving forward

Priorities help define a business and the energy industry is no different.

"The top priorities for Ultra, Shell and Questar involve working with the BLM (Bureau of Land Management), Wyoming Department of Environmental Quality (WDEQ) and Wyoming Game and Fish (WG&F) to implement practices under the 2008 Record of Decision," said Tab McGinley, land manager with Ultra Resources.

According to McGinley many meetings have been held with these agencies to coordinate efforts and to ensure compliance this winter.

Looking ahead, Questar Vice President Paul Matheny said the company will remain flexible in 2009.

"We are moving ahead with activities and commitments described in the 2008 SEIS (Supplemental Environmental Impact Statement) ROD (Record of Decision)," he said. "Given the uncertainty associated with future oil and natural gas prices, as well as gas pipeline export capacity, we will remain flexible and adjust our 2009 activity as appropriate."

Questar is currently running nine rigs at Pinedale and according to Matheny, that level of activity could go up or down based on future market conditions and prices.

Questar General Manager for the Pinedale Division Diana Hoff said the companies (Shell, Ultra and Questar) have met regularly to discuss both this winter's activities as well as activities for this summer and into 2010.

"A primary goal of the ROD is predictable development, which we are currently transitioning toward," Hoff said. "In addition, we are focusing on emission reductions as part of their immediate winter plans."

A plan for ozone

Hoff said the industry is focusing on emission reductions as part of their immediate winter plans.

"In order to address elevated ozone levels sometimes seen in late winter in Sublette County, each company has developed its own Ozone Contingency Plan to be enacted during any ozone advisories that may occur," she said.

"Ultra, Shell and Questar are proactively working to lessen our emissions and have implemented additional emission reducing tactics in response to the ozone alerts in early 2008," Shell representative John Bickley said.

The industry is currently using a variety of advanced technologies such as new engines, new fuels and SCR to reduce emissions from drill rig engines.

"Additionally, the operators are working in accordance with the ROD to reduce emissions to 2005 levels by September 2009 with a further commitment to reduce emissions by an additional 80 percent," Bickley said.

Hoff added that Ultra, Shell and Questar are expanding efforts to reduce emissions by controlling older facilities that are not currently regulated, controlling gas-driven pumps ahead of WDEQ schedule, reducing truck trips and increasing control system operating efficiencies by using remote well monitoring.

"State-of-the-art diesel and natural gas rig engines are installed on a portion of the rigs operating on the Pinedale Anticline and year-round access will allow all three operators to apply new technology across the fleet," Hoff said. "Testing on new technology is proceeding so that we can evaluate ways to accelerate emissions reductions ahead of those timetables for actions committed to in the ROD."

Safe responsible extraction

Ultra, Shell and Questar often point to the ROD as a source for quality natural production.

The BLM developed the ROD in consultation with WG&F, WDEQ and the Environmental Protection Agency (EPA) along with input from the public and was endorsed by Gov. Dave Freudenthal.

"(Our) goals are to comply with all commitments contained in the ROD and to immediately begin transitioning to a better way of developing the Pinedale Anticline that will result in earlier reclamation and less surface disturbance per well," Bickley said. "We are confident that we have a management plan that balances all of the resources on the Pinedale Anticline."

"The ROD sets forth a new way of developing resources on the Pinedale Anticline and embraces practically all industry best management practices for the Rocky Mountain Region," McGinley said.

And Hoff said all three operators will continue to implement Best Management Practices for their field.

"Innovative technologies and practices such as Ultra's water-handling techniques, Shell's reclamation practices and Questar's Liquids Gathering System have been shared and incorporated as mechanisms for mitigating impacts to the environment and the community," she said.

New habitat computer program

The technology continues to improve.

A new computer program developed in Wyoming helps energy companies mitigate the effects of drilling on the environment, according to a recent associated press release.

The program was developed as a result of work by The Nature Conservancy and BP America Production Co. to replace habitat lost from prolific drilling in the natural gas-rich Jonah Field. The program helps identify replacement habitat that is created or improved in areas that likely won't be developed for energy use in the future.

"We don't want to put mitigation dollars in areas that in 10, 15, 20 years may be developed for oil and gas," Joe Kiesecker, the Conservancy's Rocky Mountain science director, said in a recent release.

So when the oil and gas field is eventually tapped and then reclaimed, the conservation effort will result in a net gain in habitat, Kiesecker said.

Their effort is included as a case study published this month in the scientific journal BioScience.

The effort to offset habitat damage is important because of the increasing demand for energy resources, Kiesecker said.

“Questar is engaged in a partnership with The Nature Conservancy to evaluate three project areas,” Hoff said. “We will go through a similar process as was used in the Jonah to complete a comprehensive analysis.”

“It’s more than a computer program,” Hoff added. “It is an approach to anticipate impacts and balance them with mitigation on a landscape scale. The computer work is part of that effort.”

How long are we talking?

While skeptics maintain the gas fields in western Wyoming could dry up in the next five years others believe it will be a much longer period of time before action in Sublette County and western Wyoming ceases.

“With ROD, it is estimated that the development phase will last about 15 years and the production phase will last an estimated 40 to 50 years from when the last well is drilled,” Hoff said.

In the meantime the industry is putting forth effort to limit interruptive actions and extract this valuable resource the “right way.”

“Ultra, Shell and Questar will continue to proactively search for better and more efficient ways to conduct their activities and communicate with agencies and the community,” Senior Communications Specialist with Questar Emily Kelley said. “We will continue to work together and share best practices and technology.”