

THE PIGEON RIVER COUNTRY OIL AND GAS AGREEMENT

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After nearly five years of plans and exchanges between the DNR and the three major Pigeon River leaseholding companies--Shell, Amoco and Northern Michigan Exploration, an agreement was signed June 11, 1976. The agreement provides strong, enforceable guidelines for producing the oil and gas resources believed to lie beneath the surface of the Forest, while at the same time protecting above-ground environmental values against irreversible damage.

Admittedly, there is not yet an agreement which covers all the leases and leaseholders in the Forest. The three signatory companies together represent about 85 percent of the total interests. The remaining 15 percent will be dealt with in exactly the same manner and under the same guidelines spelled out in the Order. While an 85 percent solution is not a total solution, it is a very long step toward a total solution.

If some persons disagree with the contents of the Order (Agreement) that is perfectly understandable. The issue is complex and emotion-filled. Personal feelings inevitably have much to do with where any individual's thinking eventually comes out.

My concern is that everyone should be fully and accurately informed before reaching whatever decision he or she makes.

The June 11 Order adopted by the Commission provides for restricted, very tightly regulated oil and gas exploration and development in the southern one-third of the Pigeon River Country State Forest. It places most of the northern two-thirds of the Forest off-limits to drilling for a period of 25 years after which the leases expire. It places a small area (about 12,000 acres) under a five-year moratorium. It in no way implies that the areas zoned against drilling for whatever time period will be opened up when those deadlines expire. My firm intention, as DNR Director and State Supervisor of Wells, and the expressly reiterated Commission policy is to hold the line against drilling anywhere outside that part of the Forest now designated for limited oil and gas development. The lease extensions in the nondevelopment zones imply no future right to drilling permits, as the Order clearly states. The Commission has reiterated that determination.

In that portion of the Forest in which limited development is to be allowed, sensitive environmental areas--especially wetlands--have been designated as "no-drill". On those 300 or so acres (out of 93,000 in the Forest) where drilling and associated activities will actually be carried on, the most stringent environmentally protective regulations have been imposed.

The Shell Oil Company, which will do the work, has an outstanding safety and responsibility record. We will monitor and regulate the Company's operations very closely. I am sure the Company is fully cognizant of the intense public scrutiny focused on their impending activities in the Pigeon River Country State Forest and that they are equally determined to do a superior job.

Of the approximately 60,000 acres of State land in the Forest currently under oil and gas leases, virtually all were leased in 1968 when mineral rights on 58,669 acres were auctioned. Rights on fewer than 850 acres have been sold since.

Before the Pigeon River Country was declared off-limits to further drilling, 19 exploratory oil and gas holes had been put down. Five of those--all in the southern one-third--were producers, the others dry. The five wells tap three different hydrocarbon reservoirs. Production to date approaches 2,000,000 barrels of oil and well over a billion cubic feet of natural gas.

Geologists estimate there are 20-30 more reservoirs within the Forest boundaries--all or almost all of them in the southern one-third. That estimate is based on surface seismic studies.

It has been charged that the Stipulation and Consent Order (Agreement) in some way differs from the proposal outlined in the Department's Environmental Impact Statement for hydrocarbon development in the Pigeon River Country State Forest. It may, in fact, do so in the sense that the Order is on the whole more restrictive than the plan advocated in the EIS.

I point out these facts:

1. The "no-drill" boundary traced in the EIS remains effective, regardless of all other considerations. The fact that some acreage north of that boundary has been placed under a five-year moratorium in no way suggests that drilling permits will be issued there at the end of five years.
2. The exploration and development plan agreed to in the Order will be carried out under the terms and restrictions spelled out in the EIS. That means, among other things, that further impact statements, public hearings and other public input will be required as the program progresses.
3. The Order admittedly binds only the three companies which signed it. The remaining 15 percent or so of the oil and gas leases in the Pigeon River Country are held by companies not parties to the Agreement. Those companies will be dealt with if and as the occasion arises, and in exactly the same manner as the others. They will not be issued permits to drill north of the "no-drill" boundary, nor in the "no-development" areas south of that boundary.

The charge has been made that I somehow misled or brainwashed Commissioners into adopting the Order. Anyone who knows the individual Commissioners and their approaches to decision-making knows that to be a preposterous statement. The Commissioners are not the kind of people who can be brainwashed. All have taken an intense interest in the Pigeon River oil and gas issue from its inception. The Commission's decision was a thoroughly informed decision.

While I cannot speak of any Commissioner, I am convinced those who voted on the Order voted their convictions out of a deep sense of responsibility to manage the natural resources and protect the environment of Michigan.

In its decision the Commission had to observe several constitutional and statutory mandates. The 1962 constitution charges the Commission; "to protect and develop the natural resources of the state". The earlier statutes of Act 61 of 1939 direct that the Commission "foster development" and the basic authority of the Commission stemming from Act 17 of 1921 requires that the Commission conserve resources and protect the environment. These seeming contradictions are not contradictions at all but are the basis for all resource or environmental decisions that face and will face our nation. We will develop our resources in the manner most considerate of our fragile environment. I believe, in signing this Agreement, that the Commission met these mandates very successfully.

I believe we have the skill and know-how to develop the hydrocarbon resources of the Pigeon River Country without undue risk to its environmental values. In support of that belief, Commission Chairman Harry Whiteley and I signed the Stipulation and Consent Order to permit limited, closely controlled oil and gas exploration in the southern one-third of the Forest. The Commission adopted the Order after being fully informed of its provisions.

We are ready to carry forward the drilling program outlined in our Environmental Impact Statement, as further restricted by the Order.