

Ewing Exploration Company

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Good morning, Chairman Coffman and Members of the House Small Business Committee. My name is David Ewing and I am President of Ewing Exploration Company (EEC), a small prospect-generating company incorporated in the state of Texas in 1981. My experience in North America spans 60 years with emphasis on the Rocky Mountain States, the Gulf Coast, and western Canada.

I am here today to discuss BLM decisions causing the probable loss of a high quality, high reserve potential oil prospect in the southwestern portion of the Bighorn Basin in northern Wyoming. I am referring to the Baird Peak Prospect located 40 miles due south of Cody and 45 miles northwest of Thermopolis on the eastern flank of the Absaroka Range.

- In 2005, EEC initiated an exploration program to locate drillable prospects in a basin where folded anticlinal structures are critical to the entrapment of oil. To date in excess of three billion barrels of oil have been produced in the Bighorn Basin from structures which have been mapped using surface outcrop data. Every known structure has been drilled with almost every one being productive. The only remaining area in the basin where a structure could have eluded the drill is in the area where EEC is exploring. Here, flat lying sedimentary deposits lie on top of and obscure underlying structures.
- To develop a structural picture under these flat lying sediments, we purchased 70 miles of existing seismic data, and tied it into the available well control.
- Based upon the interpretation of this data, we acquired 4,467 acres of BLM, State, and Fee leases between 2005 and 2010. The 2,870 acres purchased from the BLM were evaluated using Standard NEPA Regulations.
- In June 2008, two new seismic lines were shot to further refine the structure map, and the BLM again used existing NEPA Regulations to evaluate and approve this program.
- In September, 2009, the BLM issued a drilling permit for a 6,500 foot well. The permit approval again involved detailed environmental NEPA analysis. Although the well was a dry hole, it provided us with data indicating that further exploration was warranted.
- Additional Fee and State leases, shown on the map in green and purple, were then acquired, and the 10 BLM parcels shown in blue were nominated for the November 2, 2010 Sale. Our cumulative project investment at this point is in excess of \$3,500,000.
- We were planning to drill a second well on the green L.U. Sheep Fee lease in 2010 to evaluate the ten nominated parcels. This plan required a Right-of-Way across BLM lands to access the location. A thorough NEPA analysis and evaluation was again conducted using the old rules, and a 30 year lease issued in October 2010, just one month before the November 2nd Sale. Please note that the ROW lease actually crosses the southern portion of the nominated parcels shown in blue.
- After flying to Cheyenne, WY, and registering to bid, I learned that the BLM had withdrawn the ten Parcels nominated by EEC and that the earliest they could come up for

sale was February 7, 2012 – some 20 months after first being nominated.

- In response to my strongly voiced letter objections, the Cheyenne Office advised by letter dated January 21, 2011, that the deferral was based on the need for additional NEPA analysis, and pointed out that the leasing process has been evolving since the Washington Office (WO) issued Instruction Memorandum (IM) 2010 was received on May 17, 2010. The letter went on to say the withdrawn parcels were processed under the old leasing process and must be re-offered under the provisions of WO IM 2010 using the new criteria.
- As the February 7, 2012 Sale date approached, I contacted the Cheyenne Office to confirm that the parcels were actually included in the Sale List, and was told that they were. Three weeks before that sale, the BLM sent me a letter advising the parcels were again being withdrawn from the sale, and would not be re-offered until early 2014--some 51 months after their first nomination—and also contingent upon final approval of the Bighorn Basin RMP consolidation.
- As a result of the above cited BLM actions and delays, my company has already lost three five-year term Wyoming State leases, and by 2014 our original ten year term BLM leases will have been reduced to two-, three-, and four-years remaining. Since short term leases do not provide sufficient operating time to attract investor interest in exploration ventures, the BLM actions will likely result in EEC=s loss of control of the Baird Peak Prospect and its multi-million barrel reserve potential.

Several questions need to be addressed regarding the BLM=s handling of the EEC Parcel nomination withdrawals. They are:

- 1) Why did the parcel withdrawals occur without any regard for EEC=s ongoing activities?**
- 2) What was the BLM=s motive for obstructing EEC=s opportunity to acquire these leases?**
- 3) Was there a reasonable alternative available to the BLM?**
- 4) Why was the RMP Consolidation undertaken in the first place?**
- 5) Why did the BLM not consider the County Commissioners= recommendations?**

The five-minute limitation for this testimony does not allow sufficient time to elaborate on the answers to these questions. However, I would be glad to address them during the question and answer session. Thank you for the invitation to allow me to air my concerns and complaints regarding the grossly unfair, inconsiderate, and unreasonable decisions rendered by the BLM administrators in Cheyenne, WY and Washington, D.C., which have unfortunately made further pursuit of the Baird Peak prospect improbable.

Respectfully submitted,
David J. Ewing
President
Ewing Exploration Company

March 8, 2012