

Interest grows in Blackfeet Reservation oil and gas exploration

Written by

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BLACKFEET RESERVATION — George Sutherland of Cut Bank works 12-hour daily shifts for weeks at a time on a wildcat oil exploration rig, but the \$28.50 he earns hourly makes the long days well worth it, he said.

"I just kind of hope they stick around," said the 42-year-old Sutherland, standing in the "doghouse" of Rig 41, a smile crossing his dirty face. "As long as they're here, I'll be here."

A small spill from an oil collector pipeline in June that went unreported for weeks gave the Blackfeet Tribe a black eye at a bad time, just as a flurry of oil exploration is leading to good-paying jobs for tribal members such as Sutherland, said Grinnell Day Chief, the Blackfeet Tribe's director of oil and gas.

The tribe, he said, hopes the exploration will lead to recoverable oil. Production would lead to even more local jobs in the oil industry, and the possibility of millions of dollars in royalties.

Results from the exploration are confidential — but promising, he said.

"The success of some of these wells is going to be good," Day Chief said. "We will eventually have some production here."

Three oil companies — Anschutz Exploration Corp. of Denver and Rosetta Resources and Newfield Exploration Co., both of Houston — are leading the exploration.

The three companies have either drilled — or received permits to drill — 37 exploration wells since 2009 on the 1.5 million-acre Blackfeet Indian Reservation in Glacier County, according to the U.S. Bureau of Land Management, which regulates mineral exploration on the reservation.

They have filed another 50 notices of staking, the precursor to seeking a drilling permit.

The reservation hasn't seen this much

exploration activity in decades, said Don Judice, who heads BLM's Oil and Gas Field Office in Great Falls. It can cost at least a few million dollars to drill a single horizontal well on the reservation, he said.

"There is a great deal of effort being expended by the companies and the agencies to permit, test and evaluate the wells on the reservation to determine whether they have discovered a reservoir," he said.

Judice called the exploration work a "science project." Oil companies are in the process of collecting data to see if oil beneath the reservation is economically viable to produce, he said.

The operators have leased mineral rights from the tribe and individual allottees to explore for oil. If oil is discovered, the tribe and allottees would receive royalties, perhaps as much as 15 percent of production.

Driving the interest is the deep Bakken shale formation, Day Chief said.

The companies are looking to replicate the success of operators in the Williston Basin of Eastern Montana and Western North Dakota, where horizontal drilling and hydraulic fracturing are being used to tap the Bakken.

In 2008, the U.S. Geological Survey estimated 3.65 billion barrels of oil, 1.85 trillion cubic feet of natural gas and 148 million barrels of natural gas liquids were undiscovered in the Bakken shale in the

Williston Basin.

The "play" in the Bakken underneath the reservation is in the exploration stage. Its potential hasn't been assessed by the USGS.

Rosetta suspects the Southern Alberta Basin, which includes the Blackfoot Reservation, is analog to the prolific Williston, according to its last quarterly reported filed with the U.S. Securities and Exchange Commission.

Mike Rosinski, Rosetta's chief financial officer, said the company recently completed eight vertical wells and started three horizontal wells on the reservation. He declined to add details, saying the company is planning to file its next quarterly report Monday.

"Obviously, I think it's reasonable to say if we are successful the activity should pick up," Rosinski said.

The tribe takes in about \$1.5 million

annually in royalties from 550 producing wells in old oil fields.

Day Chief said that if a few of the new wells prove successful, the tribe stands to receive millions of dollars more in royalties, and more good-paying jobs.

"They make some pretty huge checks to take care of their families," Day Chief said of the workers as he drove away from an exploration well.

The well is in such a remote spot that the oil company had to build a gravel road to reach it.

Exploration already has put about 50 tribal members to work on the wildcat rigs, Day Chief said.

The tribe negotiated agreements with the companies ensuring a percentage of jobs were reserved for tribal members such as Sutherland and Terry Whitcomb, a 34-year-old who grew up in Heart Butte.

"If the tribe hits oil, even better," Whitcomb said.

He previously worked in the Bakken field in North Dakota, but he jumped at the chance to return home to the reservation to work.

Following their shifts, the workers drive 10 miles to a "man camp." Whitcomb said he works 12 hours followed by 12 hours off for 28 days. He then gets two weeks off.

"It's tense work," said 33-year-old Wes Bremner of Great Falls, who grew up on the

reservation.

Workers need to be on their toes because of the inherent dangers of working around heavy equipment and tools, he said.

Bremner was out of work when the opportunity to work on a rig arose.

Oil in the Bakken Formation is trapped in shale, where it doesn't flow well, said Tom Richmond of the Montana Board of Oil and Gas.

In the past, that's made it uneconomical to produce. Today, new horizontal drilling technology, combined with hydraulic fracturing, is prompting oil companies to revisit the formation.

Hydraulic fracturing, or "fracking," is when liquids are pumped at high pressure down a well to fracture the rock, freeing the oil.

"We get a lot of phone calls about Glacier County," Richmond said. "It's a new development in the Bakken, and the

Bakken develops a lot of interest."

In Eastern Montana and Western North Dakota, operators are successfully recovering the oil, or reaching the "pay zone."

In 2010, 25.3 million barrels of oil were produced in Montana.

About half of that was produced from 750 wells in the Bakken shale formation, most of them located in Richland County, which borders North Dakota.

"That's kind of what we're hoping for here," Day Chief said.

In 1985, a well drilled into the Bakken on the reservation initially produced 400 barrels a day, but dropped to two barrels per day in two to three weeks, Day Chief said.

With horizontal drilling, the hope is that the flow can be sustained, he said.

"If you can get into the pay zone, and drill out 3,000 feet, you have that much more," he said.

At one of the wildcat rigs last week, drilling pipe was stacked high. The site featured a row of trailers with pickups parked in front of them. The Rocky Mountains and giant wind turbines were visible just across the reservation border.

"This is the biggest rig we've ever had here on our reservation," Day Chief said.

Blake Wadman, the boss, adjusted knobs on the drilling platform, where drill pipe sections are changed and most of the action occurs.

Inside the doghouse, an all-purpose shelter just off the platform, a constant squeaking noise filled the room — every squeak was the pipe drilling down further.

The crew had been working this particular well for 30 days. Wadman said he still was trying to figure out what bits to use to successfully punch through the earth.

"They really don't know what's down there," he said. "Just exploration still."

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