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California State Senate - District 18

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Energy Independence: Domestic Opportunities to Reverse California's Growing Dependence on Foreign Oil

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today and discuss the potential in California's oil reserves as well as the future growth potential in California's economy. As I sit before you I think of the great state of California - the world of wishes, home to Disneyland and Hollywood, the hub for innovation and technology, from Silicon Valley to the Aerospace industry with global businesses started in garages, a world class university system - however with all this scientific expertise and innovation available we have not been able to provide well founded facts to overcome the hype and fears and demonstrate the benefits of effectively utilizing our own resources for our state and nation and the ability to reduce our reliance on foreign oil. It is ironic that as a leading state in oil production we are stymied by unfounded restrictions and continue to become more dependent on foreign oil all the while sitting on a robust supply.

Of the four counties I have the honor representing in the California State Senate, one leads the state in oil and natural gas production. Kern County has produced oil for more than a century and stands on the precipice of producing even more of this precious resource for the next 100 years. New technologies have opened large amounts of available oil reserves in the Monterey Shale or more aptly the San Joaquin Valley Shale. This vast reserve, if allowed to be produced, could make the small town of Taft in my district the epicenter of a new oil rush in California.

Kern County currently produces approximately 75% of California's in-state oil and about 58% of the state's total natural gas. The state's top five oil producing fields -- are all located in Kern County. Three of these fields - are among the top 10 producing oil fields in the nation. In 2009, Kern County ranked fourth in US oil production, behind the states of Texas, Alaska and California, even doubling the production of North Dakota that year. Present day, California ranks third in oil production now trailing North Dakota by merely half of its oil production numbers.

When it comes to oil production, California has an interesting history. The tug of war between oil and the environment, back and forth changes in offshore policy, and the more recent onslaught of proposals aimed at stopping all forms of domestic oil and gas production under the guise of “anti-fracking” policies help explain why California’s oil production continues to decline while experts believe we are sitting on unprecedented potential. Southern San Joaquin in central California is home to one of the largest untapped reserves in the world, believed to hold up to 400 billion barrels of oil. Tapping into this reserve has the potential to create up to 2.8 million jobs a year along with billions of dollars in revenue for the federal, state, and local governments. One only has to look at what is happening in North Dakota to see the benefits of cultivating this resource.

In Texas, North Dakota and other states with oil producing shale, boomtowns have opened for business providing new opportunities not only for oil industries but also for all of the businesses that would thrive indirectly as such as retail, construction, entertainment and recreation to name a few. According to a recent study by Global Energy Network North Dakota’s Gross domestic product grew by an annual average of 6.7% for the years 2008 to 2011- the nation’s fastest growth rate – while their unemployment fell to 3.2% - the nation’s lowest!

This is not the case in California. It is because special interests and some legislators in Sacramento are unwilling to believe all of the benefits that a strong industry such as oil has played in California’s history. While oil has long been a catalyst to economic development in California, a major hurdle to this positive economic expansion is the push for a moratorium on oil extraction and the use various tactics to interweave their “sky is falling” message in policy arguments and media coverage whenever possible. This campaign against domestic oil production has been based entirely on fear mongering with little scientific substance to back up the outrageous claims. Most disconcerting is that these special interest activists have learned that they can slow down conventional oil production operations by simply labeling everything as dangerous, unhealthy or unknown.

I believe if California’s pioneering spirit is allowed to flourish, without undue regulations and excessive extraction taxes, the upside to the entire region is unlimited. Not only will my district see an economic benefit, but so will the entire State of California. I support streamlining regulations to encourage more private industry investment. And, I encourage a thoughtful, fact-

based look at new technologies that can safely expand the amount of oil available in and around Kern. To cut through the noise of the fear mongering anti domestic energy activists, it is imperative that policy makers and scientists at the state and federal level take the time to call out publicly those claims that are intended simply to scare, not educate, the public. The most recent changes for the oil industry came about in 2012 when the cry to establish regulations for the practice of hydraulic fracturing and other types of routine well operations leaped onto the national scene. With few verifiable facts, advocates against the oil industry have demonized conventional and unconventional oil and gas production. These circumstances led to California Senate Bill 4 which was signed by Governor Jerry Brown instructing the regulatory agency of the Division of Oil and Gas and Geothermal Resources to establish regulations to govern oil and gas well stimulation. SB 4 joins other regulations already in place creating some of the most stringent well construction standards in the nation. At the start of this year, temporary emergency regulations were put in place requiring a permit from the Division of Oil, Gas and Geothermal Resources. Now, permit applications must include detailed information about the fluids to be used in the extraction process, a ground water monitoring plan and a water management plan. Further complicating the issue, the groundwater monitoring plan must meet the criteria of the applicable Regional Water Quality Control Board. For some in the industry, this additional reporting requirement has caused a stall in the application process as these boards are not adjusting to approve and concur with the permit applications in a timely manner. Having no other choice, California based companies must attempt to navigate these temporary regulations in order to stay in business severely impacting smaller oil producers by the lag in the approval process. Global companies are deciding whether they will submit permits through the process or concentrate their efforts on production in other parts of the nation or world. In the past couple of weeks I have heard from a number of companies who are splitting off from their California operations and sending their skilled workers and jobs to other states in the nation. This only serves to exacerbate our unemployment problem. Frustrated by California's onerous, duplicative regulation, oil production companies are shipping materials and supplies to other states as fast as they can and are choosing regulatory stability for their operations.

All the while, California continues to be the leader of oil imports from other parts of the nation and world while walling -off billions of barrels of potential oil production. The California Energy

Commission energy Almanac shows a startling number in the growth of foreign imports. In 1992 we were importing 5% of our crude oil supply from foreign sources. Fast forward to 2012 and we are importing more than 50% of our supply from foreign sources. In addition to ranking third in total oil production, we now rank #1 in terms of hostility towards new drilling and capital investment. This is a bad policy trend for California, and a bad policy trend for the United States as a whole. Absent policy makers and scientists stepping forward to call a time out on the deliberately misleading rhetoric, these negative policy trends will continue across our nation.

When it comes to oil, California must compete globally. At some point, it's going to be easier for domestic oil companies to decide to go elsewhere. California cannot afford this. I represent one of the most resource rich areas in the nation but unemployment continues to remain above the national average, and regulatory uncertainty continues to drive desperately needed jobs out of the state. My constituents deserve a thoughtful, fact-based debate that ensures the public's safety, provides adequate resource management, and stimulates healthy economic expansion. Not all oil production is "fracking" and there is no such thing as a "fracking well" as this committee no doubt understands. Yet the indiscrete use of this completely made up term is overshadowing any attempt for us as policy makers to have this thoughtful discussion. It's time for those of who understand these differences to do more than shake our head when we hear this unfounded rhetoric. We need to start speaking out and calling a halt to the fear mongering.

Thank you for the opportunity to testify today.