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**Before the
House Natural Resources Committee
Subcommittee on Energy and Mineral Resources**

***Federal Regulation: Economic, job and energy security implications of federal hydraulic
fracturing regulation
May 2, 2012***

Western Energy Alliance represents 400 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas across the West. Alliance members are small businesses and independent producers that operate on public lands in the West. Our members are proud to produce 27% of America's natural gas and 14% of its oil production while disturbing only 0.07% of public lands.

The Department of the Interior's (DOI) latest plans to add redundant regulations on federal lands is the extension of a philosophy that the federal government knows best and must insert its control wherever and whenever it can. This is a mindset that continues to deny the fact that the states are the proper place to regulate, as they are closer to the communities and have an appreciation of the multiplicity of factors that affect an area. States also do a better job than the federal government of balancing environmental protection with economic activity and job creation. A distant federal government, far removed from local communities, does not adequately respond to local needs and concerns.

Despite the fact that states have been regulating hydraulic fracturing (HF) for over six decades with no cases of contamination of underground sources of drinking water, the federal government feels the need to step in with redundant regulations. DOI can point to no incidents on public lands that would compel it to add duplicative regulations. Even the Environmental Protection Agency (EPA) is waiting to determine if federal regulations are necessary for HF until it completes a scientific study, due for completion in 2014. Why DOI would feel compelled to move forward with regulation that is uninformed by those scientific findings is not clear, unless one is to conclude that politics is the motivating force.

We are seeing the frustration with the federal government across the West, as states have passed or are contemplating legislation to compel the federal government to turn over lands to the states. While those efforts may not bear immediate fruit, Western Energy Alliance supports efforts to delegate more responsibilities to the states. Rather than having DOI add redundant HF regulations, we believe it makes more sense to delegate additional functions to the states. Just as EPA delegates major Clean Air Act responsibilities to the states, DOI could delegate oil and natural gas permitting, leaving federal land managers the freedom to concentrate on land use planning, monitoring, and inspections.

Currently, state and federal permitting functions have many areas of overlap. States already permit wells on federal lands, regulating down hole spacing, water protection, and well

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Page 2 of 2

construction. BLM permitting is redundant in several respects. Why not delegate that permitting to the states rather than adding an entire new completions permitting process? While it takes BLM on average 298 to permit a well, states can process their corresponding permits in about thirty days, so delegation makes sense from an efficiency standpoint as well. We constantly hear complaints from BLM that they cannot hire and retain technical people to process all the permits, since qualified personnel are attracted by more rewarding working conditions in the private sector. Why not redirect the dedicated petroleum engineers that BLM is able to retain to oversee a delegated program to the states?

I recently testified to this subcommittee how the process for developing oil and natural gas on federal lands has become even more difficult and cost prohibitive than in the past, as new layers of regulation were added in 2010. After adding those new obstacles, the Secretary of the Interior and the BLM Director recently announced plans to streamline the permitting process to reduce permitting times to sixty days. However, those plans would be completely overcome by a new completions permitting regime that would add considerably to time lines. At a time of shrinking federal budgets, I do not see how BLM could add in a completely new regulatory process when it struggles to meet current obligations.

For example, besides imposing new requirements to revisit recently completed Resource Management Plans (RMP), BLM is struggling to update 68 RMP across the West as the result of a settlement agreement with litigious groups. Normally, updates take several years each. BLM is also struggling to complete environmental analyses under the National Environmental Policy Act (NEPA) for 22 oil and natural gas projects in the West representing 44,289 wells. The projects are proposed for development over ten – fifteen years, or about 3,164 wells per year. Completing the NEPA and approving the projects could generate 120,905 jobs, \$27.5 billion worth of economic activity, and \$139 million in government revenue annually. However, the backlog of projects outstanding for three years or more is holding up 1,600 wells per year and preventing the creation of 64,805 jobs, \$4.3 billion in wages, and \$14.9 billion in economic impact annually. The backlog of work at BLM, before the addition of a new redundant regulatory regime, is preventing significant job creation and economic growth across the West. Why would DOI continue to overreach when it struggles to meet its current obligations and enable economic growth?

Western Energy Alliance calls on DOI not only to reconsider plans to move forward with regulating HF, but also to contemplate more delegation to the states in recognition of their effectiveness, efficiency and environmental record.

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