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Testimony on “Federal Regulation: Economic, job and security implications of federal hydraulic fracturing regulation”

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Good Morning Members:

Thank you for holding this oversight field hearing at the Colorado State Capitol with regard to the importance of state regulation of hydraulic fracturing not only here in this state but across the United States.

As I am sure many of you are aware hydraulic fracturing was first implemented in the 1940's as a means of stimulating production of oil or natural gas from shale reservoirs. To date the process has been used on over 1 million producing wells and since its inception fracturing has proved an invaluable process for U.S. domestic energy production. According to FracFocus.com “Without hydraulic fracturing, as much as 80 percent of unconventional production from such formations as gas shales would be, on a practical basis, impossible.” Because of the increased usage of the method for production and changes in technology, we have also accordingly seen an increase in the need for updated oversight of the process.

In March of this year at an energy industry conference in Houston , Colorado Governor, John Hickenlooper, stressed the importance of state regulation of oil and gas drilling over federal regulation. He further stated that states can create regulations that are less onerous but more effective than blanket regulations that come out of Washington. In the fall of 2011, in congruence with an interstate wide effort to provide open disclosure, Colorado's Oil and Gas Industry player's along with the Colorado Oil and Gas Conservation Commission (COGCC) agreed to participate in FracFocus.com, a national hydraulic facturing chemical registry. About the same time the COGCC started work on their state regulated disclosure registry policy and outlined the possibility for a COGCC database starting February 1, 2013 if by certain criteria were not met by FracFocus. Colorado's Rule 205A was even touted by the Environmental Defense Fund as setting a model for the rest of the nation to follow.

Recently the Bureau of Land Management announced a proposal to reduce the amount of public lands available for oil shale and tar sands development in Colorado, Utah and Wyoming. According to the American Petroleum Institute since 2007 new permits on federal lands have

decreased almost 39% and with areas of the Western Slope already facing an unemployment rate of 21% in large part due to these decreases our state and our communities cannot afford to even further reduce the amount of public land available for these permits. The BLM's Preferred Alternative as to how much public land in Colorado should be available for lease from the current 360,000 acres available today and cut it to less than 10% at 35,000, significantly negatively impact the economies of our counties and rural areas. These decisions threaten our national security by limiting our ability to develop a self sustaining energy system in America.

Colorado's energy industry is our largest economic driver. It is important for not only us in Colorado, but the citizens of this great country, that we continue to work with our local communities and state leaders to facilitate a safe and productive energy industry. In light of the recent strides in state disclosure rules and given that the COGCC has performed over 17,000, mostly unannounced, inspections since 2010 we have proven that our state regulatory oversight has been effective and productive in also increasing positive relationships between the industry and the communities in which they live and work. I can assure you that a "one size fits all" regulatory structure at the federal level will be devastating to the energy industry in Colorado. The difference in regulatory needs for Texas and places east of the Mississippi are as diverse as the differences of energy production in Colorado. The needs and concerns of the citizens as well as those producing in the Piceance Basin in western Colorado are different than those in the Raton Basin in southern Colorado which are much different than the Niobrara play in the Denver Basin. These needs and concerns are best addressed by those that understand our state, our people, our land, and our industry. Those people are the ones that live and work right here in Colorado.

We will strive in Colorado, as we have been an example to the nation, to continue meeting the needs for oversight of the energy industry as it continues to evolve, ensuring that the industry will continue to grow in a way that is a positive attribute for our economy and our environment.

Thank you again for the opportunity to provide testimony today.