U.S. HOUSE OF REPRESENTATIVES NATURAL RESOURCES COMMITTEE

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State and Local Experts Warn That Federal Regulation of Hydraulic Fracturing Will Destroy Jobs, Harm America's Energy Security

Denver, CO – Today, the Subcommittee on Energy and Mineral Resources held an oversight field hearing on the draft Bureau of Land Management (BLM) hydraulic fracturing regulations that could have significant consequences for natural gas and oil development on federal lands, job creation, and local economic growth. The latest draft of federal hydraulic fracturing regulations is part of an endless effort by the Obama Administration to restrict access to American energy resources on public lands. The Administration's roadblocks, hurdles and insistence of duplicative federal government regulation has made producing oil and natural gas on federal lands more difficult, which has driven energy producers and job creators away. While state and private energy production were responsible for 97 percent of America's oil production increase from 2010 to 2011, federal oil production fell 14 percent and natural gas production fell 11 percent in that same time period.

"Here in the West, where the energy industry is a driving force of the local and statewide economies, through very comprehensive stakeholder discussions, states have crafted their own regulations to monitor hydraulic fracturing within their boundaries. These regulations include input from all stakeholders involved and take into consideration the needs of the local communities, local environment and geography and still allow for a robust energy industry to thrive," said Energy and Mineral Subcommittee Chairman Doug Lamborn (CO-05). "However, recently announced plans to implement a one-size-fits all program of hydraulic fracturing regulations threaten to impede this progress in all states. While the Obama Administration frequently touts its record of increased energy productions, unfortunately, as we have seen, the Administration's anti-energy policies continuously hinder rather than help job creation and energy production. We in the West are blessed with tremendous energy resources. But this Administration's policies have prevented us from creating jobs for our citizens and developing our own resources."

"The issue is not whether there are risks associated with hydraulic fracturing. Of course there are--if there wasn't the industry wouldn't already be so heavily regulated," said Rep. Mike Coffman (CO-05). "The question is who is best to regulate it and I trust the states to do the job, rather than Washington D.C."

Witnesses representing Western energy producers, public policy experts and local businesses testified about the harm to job creation, local economies and America's energy production that could result from BLM's hydraulic fracturing rules.

Colorado State Representative Jerry Sonnenberg testified about BLM's already slow

permitting process that would become even slower with new regulations. "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%...our communities cannot afford to even further reduce the amount of public land available for these permits." Rep. Sonnenberg said that, "a 'one size fits all' regulatory structure at the federal level will be devastating to the energy industry in Colorado." Rep. Sonnenberg argued, "local communities and state leaders [can] facilitate a safe and productive energy industry."

Kathleen Sgamma, Vice President of Government Affairs and Public Policy for Western Energy Alliance, told the Subcommittee 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." Sgamma noted the federal government's already inefficient regulatory process, adding that, "While it takes BLM on average 298 days to permit a well, states can process their corresponding permits in about thirty days." Sgamma argued that the BLM already doesn't have enough staff to do their job in a timely manner and that their, "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."

Christopher Rockers, CEO of Magna Energy Services, a leading oilfield service business, reminded Members of the importance of local knowledge of regional geologic formations. "Each oil and gas basin is different including techniques used and geological formations, which makes individual starts regulating hydraulic fracturing work best for each state, industry and basin." He said that federal regulation would be, "unnecessary solution looking for a problem." Rockers added that current BLM regulations have, "pushed much of current energy development to the private lands of the east where there is [sic] no federal regulations."

Mike Quirk, Vice President of Wagner Equipment, a family-owned company that sells and rents Caterpillar equipment, said, "Shale energy development has allowed Wagner Equipment to recover from the recession and begin to grow once again." Quirk told the Subcommittee that in 2011 [shale energy activity], "was worth \$10 million to [his] company" and that "2012 could be double that." Finally, Quirk concluded, "bureaucrats in Washington must refrain from regulating the industry from their desks in the nation's capital and allow state governments to measure the benefits and impacts of shale energy development."

<u>Shawn Reese</u>, Policy Director for Wyoming Governor Matthew Mead, testified about the robust regulation taking place at the state level. Reese said the consequences of federal regulation will be, "fewer jobs, a less predictable energy supply and less state and federal revenue from mineral royalties." Reese said, "implementation of these [BLM's] proposed rules will push operators more than they already are to develop other locations where there are no federal lands."

<u>Kathleen Clark</u>, Director of Public Lands Policy Coordination Office from the State of Utah, testified that the proposed BLM regulations, "appear entirely unnecessary and duplicative of state programs, and therefore are not worth the costs of implementation." Clark argued that, "State personnel have the local knowledge and expertise to address the technical and scientific challenges of production."

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