

**COMMITTEE ON NATURAL RESOURCES**  
**115<sup>th</sup> Congress**

Oversight Hearing titled “Examining the Natural Gas and Oil Shale Opportunities in Western  
Colorado”  
June 1, 2018

**Statement of Matt Wurtzbacher, President and Chief Operating Officer,  
Caerus Piceance LLC**

Chairman Bishop, Congressman Tipton, members of the Committee on Natural Resources, thank you for participating in this important field hearing. I am pleased to have this opportunity to speak with you regarding the development and production of affordable, clean burning natural gas in western Colorado.

Caerus Piceance LLC acquires, develops and produces affordable, clean burning natural gas in the Piceance Basin of western Colorado. Caerus’ interest in over 600,000 acres of leasehold and mineral rights makes it the largest such landowner in the state of Colorado. On those lands, Caerus operates over 4,000 producing wells and Caerus’ geoscientists and engineers have identified nearly 8,000 drilling locations in the Williams Fork formation, not including the locations related to the development of the deeper Mancos and Niobrara formations. The development of the Williams Fork formation alone represents approximately 150 rig-years of development. In 2018, Caerus expects its annual production rate to have grown over 30% to nearly 400 mmcfe/d, an amount equivalent to approximately 30% of the annual natural gas consumption in the state of Colorado. In 2018, Caerus’ estimates that it will invest over \$350,000,000 in development and production operations on lands in the Piceance Basin formerly owned by PDC Energy, Noble Energy, Marathon Oil Co. and Encana, including over \$200,000,000 in capital investments that would have been re-invested by our predecessors out of state. Caerus plans to drill and complete over 150 wells in the Piceance Basin this year by operating 3 drilling rigs throughout the year. All of this requires relationships with well over 220 suppliers of goods and services, many of whom are based in western Colorado and most of whom employ residents of western Colorado. We are also pleased to employ over 150 employees who proudly call the Western Slope home. Caerus is committed to the Piceance Basin and western Colorado and to the development and production of affordable, clean burning natural gas there.

This leads to the discussion today regarding opportunities for the development of affordable, clean burning natural gas in western Colorado. Through the acquisition of assets that are out-of-favor in public markets, the novel application of drilling, completion and production technologies and relentless management of drilling, completion and operating costs, Caerus continues to see tremendous opportunity on the Western Slope, despite (a) low natural gas prices in the Rockies, (b) increasing costs of goods and services driven by increasing oil prices and the associated development activity in other basins, (c) political and legislative opposition to the industry in our state, with over a decade of perpetual regulatory flux and ongoing rulemakings driven primarily by front-range issues, and (d) a hostile federal bureaucracy.

The U.S. Energy Information Administration's (EIA) *International Energy Outlook 2017* (IEO2017) predicts that the total world energy consumption will increase by 28% by 2040 in comparison to consumption in 2015. Much of this consumption will take place outside the U.S., in countries like China and India. While renewables may account for some of the new energy supply, EIA predicts that 77% of the world's energy use in 2040 will still come from fossil fuels. With natural gas consumption increasing by 1.4% a year, the demand for affordable, clean-burning natural gas is not going away. In fact, with the increase in renewables, natural gas plays an even more important role to ensure the reliability and flexibility of the energy grid.

The abundance of natural gas reserves in western Colorado and the largely developed midstream infrastructure makes it possible for the Piceance Basin to be a major supplier for Liquefied Natural Gas (LNG) exports. The development of the Jordan Cove LNG terminal could make this region a key player in fulfilling the global energy consumption needs. Jordan Cove would open up a global market for western Colorado's natural gas. Domestically natural gas producers are struggling with the low price of natural gas and competition for goods and services from oil development in other basins. Rockies natural gas production is particularly impacted. With the rising oil prices, the costs of oilfield goods and services increases, while at the same time associated gas from oil rich plays floods the pipelines going east, pushing out Rockies gas. An alternative market both domestically and internationally would increase the price of natural gas, benefiting not only the federal government - due to increased revenues from western federal lands - but also western Colorado by providing jobs and economic stability for this community for generations to come.

However, while there is tremendous opportunity for increased natural gas production in western Colorado, the federal government needs to create a stable federal regulatory environment. The current federal regulatory environment continues to impede development, slow processing times for permits, create environmental hurdles and uncertainties, and thereby limit job creation and economic growth, particularly in rural communities like those throughout western Colorado. The unpredictable federal regulatory environment makes it difficult for companies to invest in federal lands. Given the high up-front capital costs, companies need the regulatory certainty to know that if they purchase an asset, they will be able to economically develop that asset.

We want to thank the Department of Interior (DOI) and the Bureau of Land Management (BLM) for their efforts in the past year to rescind and review burdensome regulations that provide no benefit to the public and only seek to increase the cost of developing natural resources. Specifically, we appreciate Secretarial Order 3354, which directs BLM to improve the federal onshore oil and natural gas leasing program. The federal oil and gas leasing program is broken. The ability to acquire leases has become a major obstacle for companies wanting to continue to grow their leasehold and build investor confidence. Furthermore, by deferring and canceling leases on federal lands, the government is losing a significant source of revenue for the nation. The BLM needs to conduct quarterly lease sales in each state with parcels from every field office. The parcels should not include so many restrictions that potential buyers have no certainty that they would ever be able to develop the minerals. We need common sense policy that protects the environment while still allowing for the development of our natural resources.

Additionally, Caerus would still like to see reform of the National Environmental Policy Act (NEPA), the Endangered Species Act (ESA) and the long delays and uncertainty surrounding the updates to Resources Management Plans (RMP). The NEPA process causes significant delays and uncertainty in getting projects permitted. One reason for this is the inconsistency between field offices and the large turn-over of the NEPA coordinator staff. The process needs to be streamlined and the BLM needs to be held accountable to the statutory deadlines.

Delays and uncertainty cost producers who operate on federal lands significant amounts of money, forcing operators off federal lands and onto state and private lands where the permitting is less burdensome. This is particularly true with regards to the ESA, which can drastically increase the costs and timeline of permitting a project. A perfect example in western Colorado is the uncertainty surrounding the management of the Greater Sage-Grouse. It can take operators months if not years, and millions of dollars, to permit a well location in sage grouse habitat. This is a loss of revenue, both to the U.S. government and local economies who rely on these revenues for schools, infrastructure projects and job creation. The time is ripe for implementing changes that will allow for a more streamlined regulatory process.

Caerus takes pride in working with the community to provide affordable, clean burning natural gas safely and sustainably to the state of Colorado and, in the future, to the world. We are committed to western Colorado for years to come and look forward to continuing our working relationship with the local stakeholders. Thank you for allowing me to testify before the Committee on Natural Resources today. I would be happy to take any questions.