

Subcommittee on Energy and Mineral Resources

Doug Lamborn, Chairman

Hearing Memorandum

July 8, 2016

To: All Subcommittee on Energy and Mineral Resources Members

From: Majority Committee Staff
Subcommittee on Energy and Mineral Resources (5-9297)

Hearing: Oversight Hearing entitled “*Opportunities and Challenges of Developing the Mancos Shale Resource*”

The subcommittee hearing will take place on **Tuesday, July 12th at 10:30 A.M. in Room 1334 Longworth House Office Building**. This hearing will focus on the science and policy of energy development on public lands in the Mancos Shale of western Colorado and nearby areas.

Policy Overview

- A recent report by the United States Geological Survey (USGS) found that the Mancos Shale in the western United States contains significant recoverable energy resources-- more than 66 trillion cubic feet of natural gas, 74 million barrels of shale oil, and 45 million barrels of natural gas liquids. This finding is **more than 40 times** the original USGS assessment of reserves in the Mancos Shale.
- Recent policies and decisions by the Bureau of Land Management (BLM) have increased the costs and unpredictability of operating on public lands, making it more difficult and expensive to access resources such as those found in the Mancos Shale region.
- The enormous potential of the Mancos Shale highlights BLM policies that restrict the responsible development of resources on federal lands. For example, the BLM refuses to address pipeline rights-of-way delays on BLM lands, imposes regulations without authority (such as the BLM’s Hydraulic Fracturing Rule), and promulgates rules whose burdens dramatically outweigh their negligible environmental benefits (BLM methane emissions rule).
- In addition, BLM is in the process of evaluating certain leases within the Mancos Shale region, the Committee is interested in how the BLM is incorporating the significant new information provided by the USGS Mancos Shale Report into the Environmental Impact Statement.

Invited Witnesses (in alphabetical order)

Mr. Robert Downey
Vice President of Production and Business Development
Gunnison Energy, LLC
Denver, Colorado

Mr. Bill Fales
Rancher
Carbondale, Colorado

Mr. Walter Guidroz
Program Coordinator, Energy Resources Program
United States Geological Survey
Washington, D.C.

Mr. Robbie Guin
Vice President
SG Interests
Houston, Texas

Ms. Rose Pugliese
Mesa County Commissioner
Grand Junction, Colorado

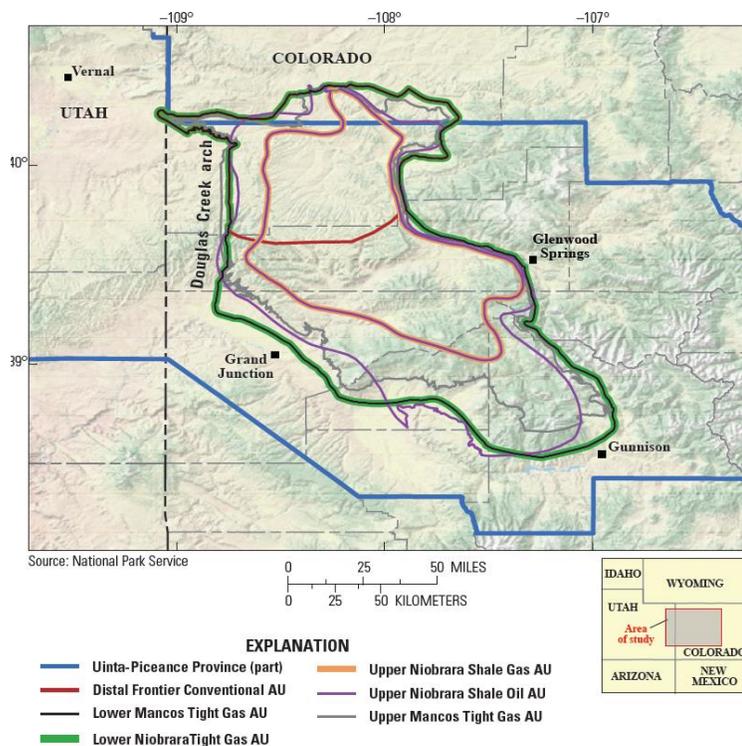
Background

On June 8, 2016, the United States Geological Survey (USGS) completed its geology-based assessment of the continuous oil and gas resources in the Late Cretaceous Mancos Shale within the Piceance Basin.¹ This USGS Mancos Shale Report assessed the resources of the region to be more than 74 million barrels of shale oil, 66 trillion cubic feet of gas, and 45 million barrels of natural gas liquids.² This constitutes the second largest shale gas reserve in the United States, behind the Marcellus Shale of Pennsylvania, West Virginia, and New York. But while the Marcellus Shale underlies mostly state and private lands, federally managed lands dominate the region of the Mancos Shale.

¹ Hawkins, S.J., Charpentier, R.R., Schenk, C.J., Leathers-Miller, H.M., Klett, T.R., Brownfield, M.E., Finn, T.M., Gaswirth, S.B., Marra, K.R., Le, P.A., Mercier, T.J., Pitman, J.K., and Tennyson, M.E., “Assessment of Continuous (Unconventional) Oil and Gas Resources in the Late Cretaceous Mancos Shale of the Piceance Basin, Uinta-Piceance Province, Colorado and Utah, 2016: U.S. Geological Survey Fact Sheet 2016-3030 (May 2016) (USGS Mancos Shale Report). Available at: <http://dx.doi.org/10.3133/fs20163030>.

² *Id.*, at 1.

This hearing will explore the substance of the USGS Mancos Shale Report and delve into how BLM policies have affected energy development in this region in the past, as well as how the BLM plans to incorporate this new information into its resource planning decisions in the future.



U.S. Geological Survey's Resource Assessment

The initial USGS resource assessment of the area in 2003 concluded that the Piceance Basin held 1.6 trillion cubic feet of natural gas.³ Since that assessment, more than 2000 oil and gas wells have been drilled and completed within the region.⁴ Information from these wells proved to be invaluable in helping the USGS develop its report. In addition, the USGS itself drilled a research core in the southern Piceance Basin that provided important information regarding the resource.⁵ It is important to note that USGS relied on information from the private sector in developing its resource assessment for the region, and that continued cooperation and information sharing is critical for ensuring accurate resource assessments. During this hearing, the subcommittee will examine whether improvements can be made to the private-public partnership to accelerate and improve these resource assessments.

³ *Id.*

⁴ *Id.*

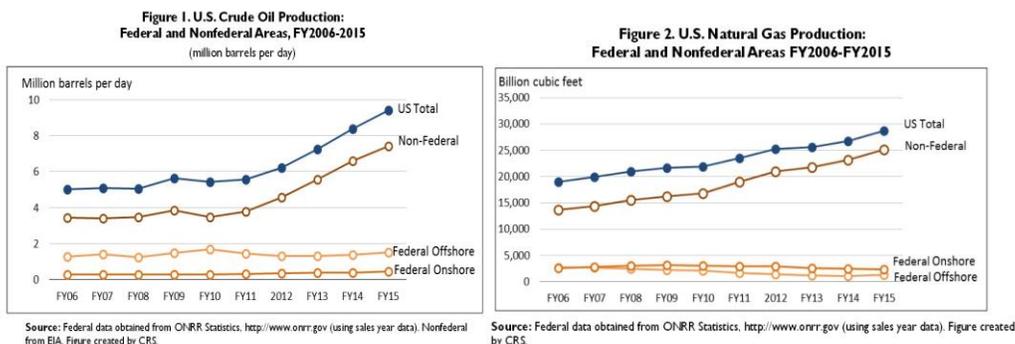
⁵ *Id.*

The question of whether this particular resource exists is now settled: the resource is there, and it is world-class. The unanswered question is how to responsibly develop the resource for the benefit of the local community, the state, and the nation. Policies that provide clear guidelines and certainty for investors are critically important to ensuring that this resource can be responsibly developed.

Expansion of Federal Regulation of Energy Development on Federal Lands

Unfortunately, the current regulatory climate is pushing investment away from federal lands and onto state and private lands, or to foreign countries. In recent years and months, the BLM and other land management agencies have proposed or enacted dozens of regulations that will have and already have hurt rural communities across the west. Many of these regulations are currently being challenged in court and at least one, the BLM’s Hydraulic Fracturing Rule, was found to be an unlawful use of Congressional authority.⁶

The Committee has frequently focused on the regulatory challenges of energy development on federal land,⁷ which has resulted in a large discrepancy between energy development on state and private lands, and energy development on federal lands.⁸



As such, states with federal land cannot compete on an equal playing field with states that do not have large amounts of federal land. States that do not have large amounts of federal land possess a greater ability to determine their own future by creating policies that reflect their needs and cultural values with respect to resource development. In contrast, states with large amounts of federal land do not possess that ability to the same degree. The USGS Mancos Shale Report

⁶ Amy Harder, *Judge Strikes Down Obama Rule on [Hydraulic Fracturing] on Public Lands*, Wall Street Journal, June 22, 2016, available at: <http://www.wsj.com/articles/judge-strikes-down-obama-rule-on-fracking-on-public-lands-1466600116>

⁷ E.g., *The Future of Hydraulic Fracturing on Federally Managed Lands: Before the Energy and Minerals Subcomm. of the H. Natural Resources Committee*, 114th Cong. (July 15, 2015); *State Perspectives on BLM’s Draft Planning 2.0 Rule Before the Oversight Subcomm. of the H. Natural Resources Comm.*, 114th Cong. (July 7, 2016); *Bureau of Land Management’s Regulatory Overreach into Methane Emissions Regulation Before the Energy and Minerals Subcomm. Of the H. Natural Resources Comm.*, 114th Cong. (April 28, 2016).

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⁸ Institute for Energy Research, *Energy Production on Federal Land Lags Behind Private and State Lands*, available at: http://instituteforenergyresearch.org/analysis/energy-production-on-federal-lands-lags-behind-private-and-state-lands/#_edn2;

highlights this disparity by showcasing the immense potential of federal land to provide the energy our nation needs, and also highlights the policies that block this potential.

Impact of Mancos Shale Report on Other Permitting Decisions

Another issue is the manner in which the BLM and the U.S. Forest Service will incorporate the findings of the USGS Mancos Shale Report. The report changes the baseline assumptions for all leasing and permitting decisions in the area, and these agencies should include the report in relevant pending decisions. Regulations implementing NEPA direct that information in an environmental impact statement must “be of high quality” and allow for “accurate scientific analysis...”⁹ These regulations further require that a supplement to an environmental impact statement “shall” be prepared when “there are significant new circumstances or information relevant to environmental concerns and bearing on the proposed action or its impacts.”¹⁰ As such, if there are pending environmental impact statements that would benefit from the additional scientific information in the USGS Mancos Shale Report, the BLM should incorporate the findings of the report in those statements.

In particular, the BLM should reopen comments on the “Draft Environmental Impact Statement for Previously Issued Oil and Gas Leases in White River National Forest Colorado”¹¹ (WRNF DEIS). These oil and gas leases have a long and controversial history; however, there should be no controversy regarding whether the USGS Mancos Shale Report constitutes a significant alteration of the facts underlying the WRNF DEIS. BLM should take full advantage of the valuable information provided by the USGS and reopen the WRNF DEIS for additional comment. This hearing provides an opportunity to explore the history of leasing in this area and learn how to improve the process in the future.

While some contend the USGS Mancos Shale Report is “simplistic and speculative,”¹² the Mancos Shale presents an opportunity for Colorado, the Western United States, and the United States as a whole, to enact policies that allow for responsible development of these resources, which provide certainty to those willing to invest, and which create opportunities by increasing access to domestic and foreign markets. This hearing will seek answers to questions about the substance of the USGS Mancos Shale Report and the manner in which it will impact decisions made at the various land management agencies.

⁹ 40 C.F.R. § 1500(1)(b).

¹⁰ 40 C.F.R. § 1502.9(c)(1)(ii).

¹¹ BLM, Draft Environmental Impact Statement for Previously Issued Oil and Gas Leases in White River National Forest, Colorado,” 80 Fed. Reg. 72,733 (November 20, 2015).

¹² Dennis Webb, *Slow Down on Mancos Decision, letter urges*, The Daily Sentinel (July 6, 2016), available at: <http://www.gjsentinel.com/news/articles/slow-down-8232on-mancos-8232decision-8232letter-ur>