



DUCHEсне COUNTY COMMISSION

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**Testimony of Commissioner Ron Winterton, Duchesne County Commissioner
House Natural Resources Committee
Energy's Impact on Education
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Chairman Bishop and Members of the Committee, my name is Ron Winterton and I currently serve as a member of the Duchesne County Commission. Duchesne County appreciates the Committee coming to the Uintah Basin to discuss the connection between energy production and education in Utah and we are pleased to host this event here in Roosevelt.

Duchesne County, located in eastern Utah is the home to nearly 20,000 residents spread across over 3200 square miles of Tribal, Federal, State, and private lands. Our diverse landscape includes the state's highest mountain, King's Peak at 13,528 feet, the Strawberry and Duchesne Rivers which are important to sportsmen, and Tribal lands originally set aside by President Lincoln in 1861. Although settlement in this part of the Basin occurred primarily due to the creation of the Uintah and Ouray Indian Reservation and the Homestead Act, the driving force for our economy today is the oil and gas industry. The first commercial well went into production in 1948 in Ashley Valley and since that time, the oil and gas industry has played a major role in our County—impacting our employment, our economy, social issues, and of course education. Today, Duchesne County is heavily dependent on the energy industry and we are the least economically diverse economy in Utah.

Duchesne County and the State of Utah are doing all we can to promote the responsible development of our energy resources. The Utah State Legislature established the Uintah Basin Energy Zone to maximize efficient and responsible development of energy and mineral resources in the Basin to provide long-term domestic energy supplies for Utah and the United States. Based on the 2002 Mineral Potential Report for the BLM Vernal Planning Area, the Uintah

Basin Energy Zone contains abundant, world-class deposits of energy and mineral resources, including oil, natural gas, oil shale, oil sands, gilsonite, coal, phosphate, gold, uranium, copper, sand/gravel, dimension/building stone, as well as areas with high wind and solar energy potential. Moreover, under the County's General Plan, the County supports efficient and responsible full development of all of these resources. We also support a cooperative management approach among federal agencies, state, and local governments to achieve broadly supported management plans for the full development of our energy and mineral resources. Our plan calls upon the federal agencies to fully cooperate and coordinate with the county to develop, amend, and implement land and resource management plans that are consistent with the purposes, goals, and policies of the Energy Zone and our County Plan. Our General Plan also calls for expedited mineral and energy leasing, continued maintenance of infrastructure to support energy and mineral development, and urges the federal agencies to refrain from policies and decisions that will hamper the development of our resources.

Duchesne County is the highest crude oil producing county in Utah and the third largest producer of natural gas in the state. In high production years, nearly 20 million barrels of crude oil are produced from our County and nearly 50 million MCF of natural gas. The oil and gas industry has been a significant economic factor in Duchesne County since the early 1970's. The energy industry provides employment and economic opportunity and accounts for a significant percentage of the County's tax base.

Depending on the ownership of the lands in production, these oil and gas resources produce various tax revenues and royalty payments. Utah's severance tax is a substantial source of revenue for state and county government functions. 48% of the Federal royalty under the Mineral Leasing Act paid to the Federal Government comes back to the State with 25% returning to the County of origin. The Utah School Trust Lands Administration also charges royalties on oil and gas production which benefits our County as well as our local school districts. These tax

revenues and royalties help fund critical public infrastructure and improvement projects to meet the needs of our citizens and include water and sewer infrastructure, transportation, irrigation, health, parks, recreation, and local government infrastructure. However, none are more important than the education of our children and the public infrastructure necessary to support a vibrant education system.

Of course, the oil and gas industry is one of the most susceptible industries to boom and bust cycles. For example, in the mid 1980's, Utah produced over 40 million barrels of crude oil. By 2004, that production had plummeted to less than 15 million barrels annually. By 2014, the state production exceeded 40 million barrels again. In terms of economic impacts, these swings can be significant. In 2014, oil and gas severance taxes exceeded \$89 million. In 2016, severance taxes had dropped to just over \$20 million. In 2014, taxable purchases in the county exceeded \$895 million. With the bust of 2015, taxable purchases dropped to \$443 million, approximately 50% in one year. Tax revenues are just one factor. During a boom, we are one of the fastest growing populations in the state. Our public infrastructure is quickly pushed to its limits. Sufficient housing, transportation, education and other public services become scarce. In 2016, our unemployment rate in the County rose to over 11%. Yet, during a boom, our unemployment rate drops below 3% and businesses cannot hire sufficient or qualified employees. The social impacts of these dramatic swings can have severe impacts on our ability to establish sufficient and sustainable government services.

Given the nature of our oil and gas resources, the Uintah Basin is more susceptible to the boom and bust cycles than other energy rich states in the United States. Due to Federal and Tribal land ownership, federal regulatory factors, and the high cost of production, the Basin is one of the first places for companies to leave when times get lean. The combination of the nature of the resource and the technology required to extract our resources makes our cost of production much higher than other places such as the Permian Basin. One of our challenges is to find ways to

entice energy companies to sink roots in our communities, establish a stable work force, and provide careers as opposed to jobs. We have a long history of ramping up and enjoying an energy boom only to watch the tail lights of major corporations as they leave town just a few years later.

One of the complexities of producing oil and gas in the Uintah Basin is the regulatory uncertainty of operating on Federal and Tribal lands. The ever changing oil and gas leasing and production policies and regulations emanating from the Department of Interior, the EPA, the U.S. Fish and Wildlife Service, the Bureau of Indian Affairs, the Army Corps of Engineers, and the U.S. Forest Service severely affect the cost of production and perhaps more importantly, the regulatory certainty necessary to attract industry and sustain investments. Beyond federal leasing policies, we have several threatened or endangered species, wetlands, historic and archeologic sites, lands off limits due to proposed wilderness status, and wintertime ozone issues under the Clean Air Act. While the current Administration has taken steps to provide a reasonable regulatory atmosphere for the industry, the fear is that these reforms could be changed in a matter of months. We want to protect our environment more than any one. We live here. However, what we know from decades of experience is that we can have a healthy and sustained industry and protect our environment through reasonable regulations. Predictable permitting and compliance structures are of utmost importance. How long does it take to get approval for an Application for Permit to Drill or “APD”? How long does it take to secure a necessary right of way? What are the mitigation requirements for a species? What are the requirements for compliance with ozone regulations under the Clean Air Act? No one can answer these questions with any level of certainty or predictability. When our government agencies cannot provide these answers, it becomes increasingly difficult for companies to establish their roots in our communities to diminish the boom and bust cycles. We need lasting reforms, changes in the law, and changes in regulations that will allow production where it is

appropriate to occur in a streamlined fashion. It is the Federal Government's duty to both protect our federal lands and to allow production of energy resources from those lands. When energy is produced, our communities thrive both economically and socially. We advocate delegation of permitting authority to the states as a way to provide more timely decisions and more certainty. Conventional oil and gas are not our only energy resources in the Basin. We possess massive quantities of oil shale and oil sands resources. At some point in our future, these resources will provide important sources of energy and companies are investing in these resources today. It is likely that the first commercial production of oil shale and oil sands in the United States will occur right here in the Uintah Basin. What will be the regulatory hurdles these fledgling industries will face? Will Congress and the Administration provide a clear and certain regulatory path for development or pull the rug by imposing new prohibitive burdens just as they are on the cusp of success? Congress and the Administration should be crafting these regulatory mechanisms today. For example, there is currently no authority for the BLM to lease oil shale as it does oil, gas or coal thanks to the actions of the former Administration. These resources are largely under federal or tribal lands. We need to decide how they can be accessed, developed, and utilized now rather than wait until the market demands regulation. Congress and the Administration should set up a predictable regulatory path for the development of these massive resources. Development of oil shale and oil sands is more reflective of mining projects. Very large investments are made up front and the projects can operate for decades. These will be stable, high paying jobs that will help grow our communities for years in the future.

In terms of education, over 87% of Duchesne County residents over 25 years of age are high school graduates. We are just 4% below the statewide average and doing well given the rural nature of our county. However, Duchesne County residents with a Bachelor's degree or higher is only 14.1%, which is less than half of the statewide average. This is certainly reflective of high wages in the oil and gas industry but also reflects the transient nature of our economy. We

cannot expect companies to open offices in our communities if we cannot provide an adequately educated work force. If an individual is upwardly mobile within an energy company, the prospects are high that they will be relocated to Houston, Denver, or Canada. While Utah State University's presence in the Basin is making a real difference in our children's ability to earn a college degree, we need to do better. We need to attract companies to do more than rent a warehouse and bring a fleet of pickups to town. We need them to build office buildings and provide careers that demand employees with higher education. We are exporting our kids who leave for college and never return to where they were raised because there is little demand for their skills. A stable energy industry can help attract these kids back to their home town where they can raise families, contribute to their community, start businesses, and give back to those less fortunate.

Oil and gas, oil sands and oil shale is here in great quantities. How do we develop these resources in a responsible and economic way that will continue to support our County for the long term? How do we build sustainable communities and dampen the boom and bust cycles of the market? How do we craft an industry that demands higher levels of education? The answer is clear: Congress and the Administration must develop reasonable and practicable energy regulations and permitting mechanisms to provide regulatory certainty and predictability for the energy industry. Our nation needs energy and indeed our nation is the world's energy leader. Production from the Uintah Basin and Duchesne County are a key to our energy leadership in the world. We implore Congress and the Administration to craft reasonable regulatory structures that will allow our energy industry to grow, sustain our communities and provide necessary energy for our nation.

I thank the Committee for being here and I am happy to answer any questions you might have.

Ron Winterton, Duchesne County Commissioner