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Testimony

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The Ability of Federal Lands to Meet our Energy Needs
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Good afternoon, Chairwoman Cubin and members of the subcommittee. My name is Jeffrey Eppink. I am a vice president with Advanced Resources International, an energy consulting firm based in Arlington, Virginia.

At Advanced Resources, we have conducted a number of Federal lands assessments in recent years. We participated in the National Petroleum Council's 1999 study on natural gas, the study of Federal lands in the Greater Green River Basin (performed for the Department of Energy), and most recently the Energy and Policy Conservation Act (EPCA) inventory (more properly entitled "Scientific Inventory of Onshore Federal Lands Oil and Gas Resources and Reserves and the Extent and Nature of Restrictions or Impediments to Their Development"), which is the subject of today's hearing.

Because Advanced Resources was highly involved in the EPCA inventory, having collected the requisite data and performed the analysis under the guidance of the DOI, DOA and DOE, we have a solid familiarity with its strengths and weakness. Recently I have written an article, along with BLM, DOE and DOA colleagues, concerning the inventory, published in yesterday's Oil and Gas Journal. I would like to submit a (pre-print) copy of that article for the record.

The EPCA inventory to date has concentrated on Rocky Mountain basins. It evaluates those basins that contain most of the natural gas and much of the oil resources under Federal ownership onshore in the United States. Basins in the Rocky Mountains represent the second largest natural gas resource in the U.S. after the outer continental shelf and can help meet growing natural gas demand.

The EPCA inventory addresses the issue of "access". However, access is a bit of a misnomer for the Federal lands in the Rocky Mountains. While access is an obvious term for offshore areas under moratoria, the situation is more complex in the Rockies. For generating natural gas supply from the Rockies, the issue decidedly does not revolve around access to such areas as National Parks and Wilderness areas, rather it concerns the degree of difficulty for generating supply from lands that can be leased and areas that are administratively off-limits.

The 2003 EPCA inventory is groundbreaking in that it is the most comprehensive examination of Federal land access issues that has been performed to date. It examined nearly 1000 discrete leasing stipulations and provides a meaningful categorization of Federal lands and resources. Its purpose is to add clarity to the access debate and assist energy policymakers and Federal land managers in making decisions concerning oil and gas resource development.

Unconventional natural gas (primarily tight sands and coalbeds) is the dominant resource type in the

Rockies. The 2003 EPCA inventory examined 138 tcf of natural gas resources including proved reserves on 59 million acres of Federal lands (including split estate) in the Rocky Mountains. As the inventory results have been presented already, I would like to spend the remainder of my time providing some context for those results.

There has been criticism from some quarters that the EPCA inventory only uses technically recoverable resources and, further, that it should exclusively use economically recoverable resources. This can be misleading for a number of reasons.

The 2003 EPCA inventory, in fact, was mandated to include proved reserves, where they are categorized under “standard lease terms,” the category with highest access. Proved reserves are the quintessential economic resources, having already been discovered and developed. Production comes from proved reserves.

For undiscovered resources, however, it is inappropriate to use (for land use planning) solely those that are economically recoverable. One reason is that there is widespread disagreement regarding appropriate prices on which to base the economics. But the compelling reason is more fundamental. Use of economically recoverable resources can overlook the geology, specifically the fact that rocks exist in the ground and contain hydrocarbons that may be recoverable with future technology.

An example here is appropriate. If an EPCA-type inventory, focusing solely economically recoverable resources, had been conducted in 1990, it would have generally dismissed coalbed gas resources as unviable. In only 13 years, production of gas from coalbeds has grown to over 1.5 tcf per year and is growing. I am confident that there are other, similar resource types, which will be significant contributors to production in 2020 but which cannot be considered economic today.

The 2003 EPCA inventory is a snapshot in time and should be considered part of a dynamic process. A prime example is that of the so-called “roadless rule” for certain Forest Service lands. Due to the status of court decisions at that time, roadless areas were not considered off limits in the inventory. However, the most recent court action leaves the roadless rule in effect. Were the inventory to be conducted today, it would have considered roadless areas as off limits.

Finally, the 2003 EPCA inventory does not quantitatively treat a number of additional issues that impact access to resources. These factors can delay, significantly increase costs for, or altogether preclude drilling. They are not easily quantified statistically or geographically and include:

[add more water quality impacts]

Ÿ Archaeological reviews,

Ÿ Air and water quality impacts,

Ÿ Protection for threatened and endangered species,

Ÿ Noise and visual impacts of oil and gas operations, and

Ÿ “Sense of place,” which is an emotional or spiritual attachment to certain locations.

With the recognized, decreasing quality of prospects generally in the U.S., the question remains: What is the quality of future natural gas production that can be developed and what is the level of difficulty. The 2003 EPCA inventory has contributed a measure of clarity to the access issue, but more work remains to be done.

The ability of our Federal lands to help meet our energy needs is there; this ability needs to be streamlined and expedited. I appreciate the opportunity to testify before you and would be glad to answer any questions you might have.