

# Committee on Resources

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## Witness Testimony

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### **TESTIMONY OF ROBIN M. SMITH; SENIOR ENVIRONMENTAL SPECIALIST CHEVRON USA PRODUCTION COMPANY**

Submitted To  
Committee on Resources  
Subcommittee on Energy And Mineral Resources  
Oversight Field Hearing On  
Bureau of Land Management And U.S. Forest  
Service Oil And Gas Regulations Regarding  
Access And Permitting Issues  
June 30, 1997

Madam Chairwoman and members of the subcommittee, my name is Robin M. Smith. My family and I are residents of Casper, and for more than 18 years I have worked throughout Wyoming as a petroleum geologist for Chevron USA Production Company. For the past two years, I have been the Waltman Area Project Coordinator for Chevron. The Waltman/Bullfrog Field is adjacent to the Cave Gulch Field.

I appreciate the invitation to relate my company's recent experience in developing this world class resource. Projects which occur on our nation's federal lands are extremely important, not only to Chevron, but to every citizen in Natrona County, the state of Wyoming, and ultimately, all American citizens. Investments for natural gas development on federal lands are important to the country because they provide clean-burning fuels, they are domestically produced energy sources, they generate thousands of jobs, they help sustain and improve the economy, and they generate badly needed revenue for the local, state and federal governments. This revenue on a local level is largely used to support the education of our children.

This project, and many others like it, have proven to be compatible with protecting the environment. Chevron has a long track record of conducting our Wyoming operations in an environmentally responsible manner that leaves a soft footprint. This is a record that we are extremely proud of.

This morning, I will share with you Chevron's experiences at Waltman/Bullfrog as examples of what is and what is not working in the Bureau of Land Management's (BLM) permitting and National Environmental Policy Act compliance processes. Since we have been producing oil and gas at the Waltman and Bullfrog Units since the 1950's, I feel Chevron is in a unique position to comment on the merits of the varying degrees of governmental oversight this field has experienced.

The Waltman/Bullfrog area is bounded by a state highway and a railroad and bisected by a county road. This area is located on federal, state, and private lands which have been used extensively in modern times for grazing sheep and cattle. The Waltman/Bullfrog Field shares the Wyoming countryside with a large automobile junkyard, huge power transmission lines, and a pipeline corridor. In short, this is an area that has seen a lot of use and development by the public and industry over the years. The Waltman Field was discovered by Chevron. The Waltman Unit was approved effective April 13, 1959. As a result of expensive deeper drilling which revealed pay in new reservoirs, the Bullfrog Unit was approved, and the Waltman Unit merged with it effective March 30, 1977. In 1994, Barrett Resources Corporation established the Cave

Gulch Unit adjacent to the Bullfrog Unit.

It is this latest proposed development by Chevron, Barrett and other operators that has resulted in increased analysis by BLM of the operators' activities and their potential, associated impacts. This analysis was initiated in late 1994 with the Barrett Field Development Environmental Assessment (EA). This EA was completed with a Finding Of No Significant Impacts (FONSI), in which mitigation to offset potential impacts to nesting raptors was proposed. The Chevron Field Development EA was initiated and nearly completed when BLM announced in January of 1996 that neither EA was considered adequate, and an Environmental Impact Statement (EIS) would be required. Though it would add significantly to the cost of responsibly developing this resource and increase delays, the operators reluctantly agreed to fund the EIS in order to attempt to speed the process along.

We are now in the final comment period of the EIS for the Cave Gulch - Bullfrog - Waltman Natural Gas Development Project. BLM's preferred alternative in the EIS is to accept the operators' Proposed Action with some mitigation for potential impacts to nesting raptors in the project area. This is the same decision made over two years ago in the first EA.

The operators have funded nearly of a million dollars of NEPA analyses at Waltman/Bullfrog/Cave Gulch. As of today, approximately 2.5 years have been expended compiling these studies. The of a million dollars does not include the salaries or expenses of the numerous oil and gas company employees, BLM employees, Wyoming State employees, Federal/State/County employees and elected officials and their staffs, or private citizens that have been involved in the process. If you include all costs and the delayed production which has resulted in delays of royalties, ad valorem taxes, property taxes, etc., the figure would easily triple. Of course, the associated loss of worker productivity also has a staggering cost. Many man-years of effort have been expended on the two EAs, the EIS, and the associated technical reports for the Cave Gulch - Bullfrog - Waltman Natural Gas Development Project. Overall, BLM and industry are now working well together on this project. But this hasn't always been the case. When the EIS was initiated, BLM tried to include all "interested parties" or stakeholders in discussions and work sessions. The BLM, local, state, and federal elected officials, industry, and conservation groups all sat at the table at various times and endeavored to understand each other's viewpoints and concerns. Unfortunately some individuals used what had been learned at those meetings to try to publicly undermine the entire process. This only served to pit BLM against stakeholders and the proponents of the action as each entity felt that their trust had been betrayed. We believe this severely inhibited the process.

In order for the NEPA process to proceed smoothly, there must be a basis of mutual trust and respect among the members of the parties involved. It is impossible to proceed in a consensus-building effort if the participant's goals are mutually exclusive. If one participant has an agenda which they are not willing to honestly reveal and discuss, and work towards compromise, then the process breaks down. BLM deserves credit for recognizing that there was a problem and taking the necessary steps to restore trust and communication between the parties who were willing to work towards solutions.

The oil and gas industry is held to unprecedented standards on federal lands in states such as Wyoming. Some important and positive outcomes of the application of these standards can be cited, but in most cases, they result in an extreme case of over- regulation. Industry and the federal government expend huge sums of money in the pursuit of NEPA compliance that generally result in little benefit to the environment. The cost of complying with NEPA, the permitting process, and operating on federal lands in general, is very high, compared to operations on state and private surface. These costs are potentially increasing as new fees are proposed and from delays because of under-staffing of BLM offices. In the case of Waltman/Bullfrog,

these costs and delays are conservatively estimated to amount to more than \$3 million dollars. The US oil & gas industry is brutally competitive, highly subject to wide market swings in product price, and is the most highly taxed industry in the United States. Industry efforts to remain competitive with imported oil have resulted in the loss of hundreds of thousands of jobs over the last decade. Operating on federal lands in the current scenario does not make very good economic sense, when considered in the context of this lean, cost-conscious atmosphere. The obvious outcome in light of today's competitive environment is for industry to continue investing more and more funds overseas where profitability is not so significantly impacted by the cost of complying with non-productive regulations and permitting processes.

Wyoming is a state whose economy depends heavily on revenues from minerals extraction industries. According to figures recently released by the Petroleum Association of Wyoming, more than 16,000 people with an annual payroll of over \$450 million are directly employed by Wyoming's petroleum industry. In fiscal year 1996, oil and gas production in Wyoming contributed \$378.1 million in property and severance taxes, state and federal royalties, and sales and use taxes. These jobs and revenues are declining significantly from previous years, and cannot be easily replaced. With nearly 50% of the lands and 2/3 of the mineral estate in Wyoming under the control of the federal government, declining oil and gas investments on federal lands has serious implications.

Wyoming's citizens, the people who live and work here, overwhelmingly support the development of the state's great natural resources. According to public opinion polls conducted by the Wyoming Heritage Society, 80% of those surveyed believed that oil and gas development can co-exist with recreational use and wildlife. These sentiments were borne out in our very positive experiences during the Waltman/Bullfrog project. Hundreds of citizens attended two BLM-hosted public meetings to overwhelmingly express their support for the project.

Chevron's goal for our operations is to prudently explore for and produce oil and gas in an environmentally responsible manner while maintaining the long-term viability and sustainability of the lands on which we operate. Chevron has and will continue to comply with all regulations. My purpose in presenting this testimony is to try to assist in improving BLM's permitting and NEPA compliance processes. Chevron is optimistic that the costs and current timeframes for permitting oil and gas operations and conducting environmental studies can be greatly reduced without compromising the results. This can be accomplished in large part by implementing all of the NEPA streamlining recommendations submitted to the Secretary of the Interior on February 3, 1997 by the Green River Basin Advisory Committee (GRBAC). Those recommendations include:

## **NEPA STREAMLING RECOMMENDATIONS**

1. Submission of conceptual project plans with standard operating practices and preferred mitigation to help resolve issues early, diffuse controversy, reduce environmental impacts and minimize appeals.
2. Early identification and resolution of critical issues while screening out unproductive time and paperwork spent on peripheral matters and previously resolved issues.
3. Improving coordination and communication among project proponents, affected agencies and stakeholders to reduce adverse comments and time required for BLM to respond to those comments.
4. Improvements in the format and content of the NEPA document that will improve its quality while reducing its size.
  - a. Eliminating duplication in data requirements as well as consolidating and accessing existing data bases.
  - b. Reducing delays caused by BLM budget constraints by using eco- royalty relief as a tool to fill

critical data gaps, to monitor mitigation effectiveness, and to explore new and creative ways to further reduce environmental impacts.

### **ECO ROYALTY RELIEF RECOMMENDATION**

5. Producers would be allowed to take a royalty reduction on production from specified leases, properties, or units for studies which are the responsibility of the BLM or other federal land management agency, any monitoring studies, and any mitigation measures which go above and beyond standard operating procedures, required stipulations, or standard conditions of approval for mitigation.

NEPA compliance is a process based on a sound principle: studying the impacts to all resources on federal lands and revealing them to the public while allowing exploration for, and production of, oil and gas. But we seem to have lost sight of our goals. Effort tends to focus on the process, not the outcomes. This is form over substance. It has become a self-perpetuating exercise in bureaucratic red tape with very little positive benefit to the environment. Perhaps this is a result of fear realized from the conservation group's litigation of every decision made approving development on public lands. The outcome of the process could be so much more practical if timeframes and costs could be reduced. Results would be enhanced if some percentage of the dollars needlessly spent on repetitive environmental studies could be diverted to monitoring projects or mitigation that would create or improve habitat!

Thank you, Madam Chairwoman for the opportunity to share Chevron's views. I welcome any questions you and the subcommittee may have.

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