

# Committee on Resources

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## Witness Testimony

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Testimony of

**FRANK YATES, JR.**

Vice President

Yates Petroleum Corporation

Before the Subcommittee on Energy and Mineral Resources

20 June 1996

Mr. Chairman and Members of the Committee:

I am Frank Yates, Jr., part owner and a Vice President of the largest oil and gas production company native to the State of New Mexico. Yates Petroleum Corporation is actively exploring for oil and gas throughout the Rocky Mountain States. I am here today to promote the transfer of responsibility for oil and gas operations to the individual States. The individual States have the ability and required knowledge to administer their own oil and gas programs often preferred over the Bureau of Land Managements.

One basic reason for our support for transferring Bureau of Land Management (BLM) functions to the States comes from this excerpt of an email from our production manager Brian Collins:

I am disturbed that the BLM is checking our casing designs and in some cases requesting modification to our designs. This is most disturbing because I believe that the BLM engineers checking the designs are unfamiliar with many critical design concepts, are inexperienced or have no prior experience doing casing designs, lack detailed well-specific knowledge, and are using computer programs to check designs without knowing what design criteria need to be checked (garbage in = garbage out). In short, I think they are unqualified and possibly incompetent to be checking our casing designs. Amateurs are checking the experts.

In years past, the government was where anyone looked for expertise on a particular subject, however, more often in today's market the experts are found employed by the States and in the private sector. These are the people who understand what is going on in industry and are currently managing the oil and gas programs, not the BLM. BLMs personnel are forced to make decisions based from handbooks and checklists, and lack required knowledge to understand what it takes to drill, produce and market the natural resources.

Properly transferring management responsibility to the States is important because the function the BLM performs is duplicating functions performed by the individual States. What I mean by proper transfer is the transfer of oil and gas management responsibility to the States without the transfer of federal regulations and the associated burdens created thereby. Oil and gas States where we operate have well developed management programs in place for the management of exploration and production activities. Specifically in New Mexico, as evidenced by the recent Interstate Oil and Gas Compact Commission (IOGCC) review of New Mexico, of which I was one of the review team members, it was determined that State regulatory management over oil

and gas is accomplishing the desired environmental protection while allowing operators to conduct business with little interference from regulators.

Refinement of State established programs, in contrast to creating new State programs designed to meet federal requirements, makes good management sense. Every operator who operates in an individual State must become familiar only with the State's program. Furthermore, claims that the transfer of BLM's management responsibility to the States will impact operators that conduct business in more than one State can be discounted by the fact that many operators with established operations already operate on lands regulated by such State agencies. Each of these operators must know and understand the State's rules to be in compliance. Existing operations cause the operator to deal with multiple agencies and this transfer we are discussing today would eliminate one layer of regulatory compliance that is redundant.

Transferring responsibility to the States also provides more accountability for the management decisions. Local people interact with the regulatory agencies. Problems are addressed swiftly because of the communication established between the regulators and the operators. Operators are not placed in a defensive posture every time they meet and discuss actual or perceived problems because they know that rectifying problem is the main concern, not issuing fines or notices of non-compliance. Additionally, at the State level quick response from the Director of the regulatory agency is possible. For example in New Mexico, the Director of the Oil Conservation Division can quickly support or not support a decision made by the State's people in the field. These decisions can range from over zealous regulatory enforcement to the lack of regulatory compliance. Regardless of the type of decision, quick response from the State is possible, avoiding expensive delays and legal expenses.

Any transfer of management responsibility should be a complete transfer. A State program should not be tied to the bureaucratic management style of the Bureau of Land Management, nor any of the policies or practices. I will suggest that a model program include suspension of all federal regulations in favor of operating under a State's regulatory umbrella. States have proven regulatory, environmental and conservation control regulations. The IOGCC report on New Mexico even supports the concept that within New Mexico the regulatory manner, while not perfect, is working to effectively protect the environment while managing the oil and gas activities. Transfer of management responsibility avoids redundancy in the regulatory functions under which an operator must conduct business.

Additionally, this opportunity to transfer responsibility to the States should not be compromised by allowing the existing BLM system to stay intact for the State. This presents a great opportunity to reduce the size of the federal government. States have an equal interest in seeing that oil and gas is developed in effective and environmentally sound manner. State personnel can do the job of the required BLM employees.

Thank you Mr. Chairman and Members of the Committee:

Frank Yates, Jr.