

Michael J McKee
Uintah County Commissioner
Uintah County, Utah

Testimony on: "Effect of the President's FY 2013 Budget for the U.S. Geological Survey on the Private Sector Job Creation, Hazard Protection, Mineral Resources and Deficit Reduction."

March 20, 2012

Uintah County in Eastern Utah holds vast reserves of natural resources. According to the Colorado School of Mines there are approximately 111 trillion cubic feet (TCF) of natural gas, in the Uintah Basin. This includes 50.8 (TCF) of conventional gas and 60.2 (TCF) of shale gas making the Uintah Basin #1 in the Rockies in both categories.

Over 50% of the oil sands in the United States are found in Eastern Utah. There is also a staggering amount of oil shale in the Uintah Basin with approximately 300 billion barrels of oil. Uintah County is one of the few places in the world where Gilsonite is found. Uintah County also has strong reserves of conventional oil.

According to a University of Utah economic report, 60% of the economy and 50% of the jobs in the Uintah Basin come from the extraction industry. Obviously, the extraction industry is extremely important to our area.

Only 15% of Uintah County is privately owned property. The majority of our county land is managed by the Federal Government. The management decisions made by the Federal Government deeply effect the economy of Uintah County and Eastern Utah.

The BLM signed a new Resource Management Plan (RMP) in October of 2008. The plan evaluated all components of land use including oil and gas activity, grazing, recreation, air quality, wilderness, wild and scenic rivers, visual resource, endangered species, etc. This planning effort took 7 ½ years to complete. Uintah County has Cooperating Agency Status with the BLM and as such contributed significantly to the process.

The Obama administration came into office in January of 2009. Within several weeks they had cancelled 77 previously approved oil and gas leases. The Mineral Leasing Act requires the BLM to conduct lease sales quarterly. Over the last 3+ years, this administration has approved very few leases in Utah. They have also implemented guidelines making it much more difficult to conduct business on the public lands.

The Uintah County Commission is very concerned when we see years of work and hundreds and thousands of County dollars wasted as this administration systematically dismantles the RMP. The BLM itself spent millions of dollars in developing RMPs in the state of Utah.

Even more disturbing, is the fact that we anticipated and were led to believe that the RMPs would be a planning guide for decisions to be made over the next 15 to 20 years. Approximately 600,000 acres of land in Uintah County have been shelved for oil and gas leasing under the guise

of Master Leasing. Almost all of these acres were open for leasing in the RMP. The BLM now manages nearly three million acres under Master Leasing Areas in Eastern Utah which closes these lands for leasing, at least for now. This seems to us to be a blatant attempt to circumvent the RMPs. We also object to BLM managing to the Red Rock Proposal rather than the RMPs.

Cumbersome processes have made it difficult and slow for the industry to get permits on Federal Lands. This has driven investment to other areas.

Congress directed the BLM to develop a commercial oil shale leasing program. This has not happened. Rather, the BLM simply evaluated which lands it would make available. In 2008 the BLM signed a Record of Decision on oil shale and oil sands. This decision allocated over two million acres for these important resources. According to the Rand Report, the largest known oil shale reserves in the world are found in this formation. It is estimated that there are between 1.5 and 1.8 trillion barrels of oil found here. It is estimated that 300 billion barrels are found in Eastern Utah. The BLM has just released a new planning document with their preferred alternative that would reduce by 75% the lands available for oil shale leasing.

In summary given the importance of energy to our national security we do not believe it wise to lock up our lands. The economy is struggling nationally. We have the opportunity to create thousands of high paying jobs and at the same time strengthen our national security with a strong domestic energy supply.

Please review policies and procedures that will streamline the permitting process. Projects are now taking many years for approval. We also see access to the public lands as a important issue.

Thanks you for time and consideration.

Michael J McKee
Uintah County Commissioner

COMMITTEE ON
NATURAL
RESOURCES
CONGRESSIONAL
HEARING
MARCH 20, 2012

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Utah



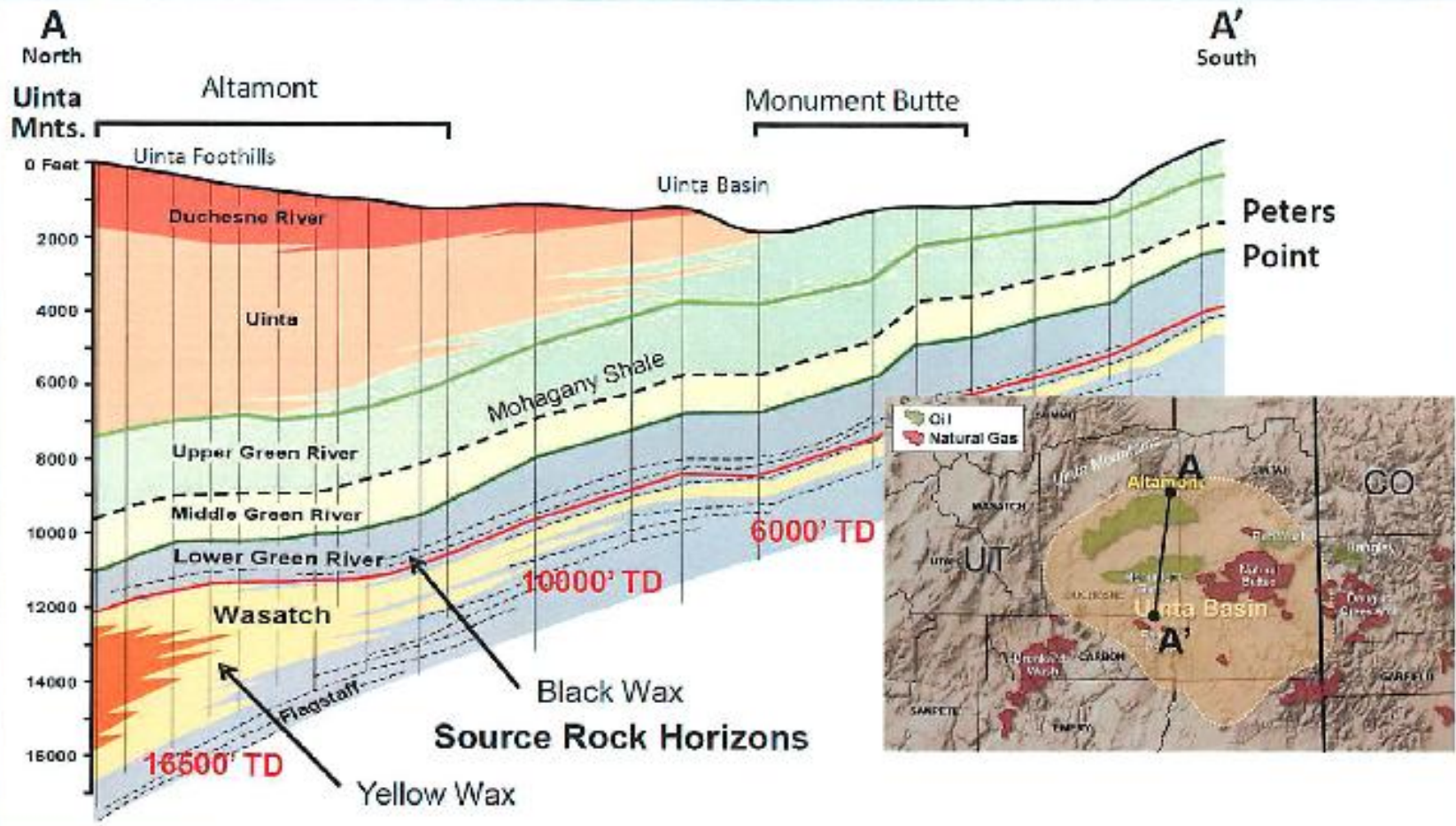
UINTAH
COUNTY ECONOMIC DEVELOPMENT

Uinta Project Holds Significant and Increasing Value



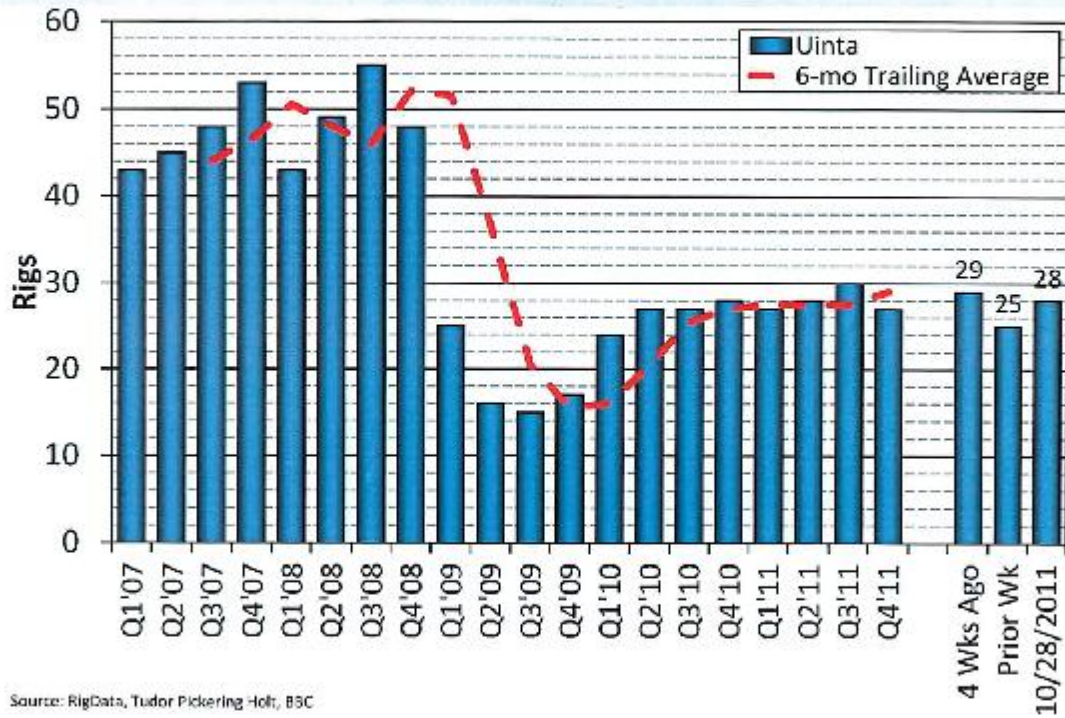
- ◆ Uinta Basin holds the largest underexploited natural gas resources in the Rocky Mountain region
 - According to the *Potential Gas Committee of the Colorado School of Mines 12/31/10 report*; the Uinta Basin holds 50.8 Tcf of conventional and tight resource and 60.2 Tcf of shale gas resource. Which is #1 in the Rockies in both categories
 - Uinta is benefitting from application of new technologies proven in other basins
- ◆ Large new and planned pipeline projects should reduce risk of bottlenecks and wide basin price differentials
 - Bison Pipeline, Ruby Pipeline, Kern River Expansion, Northwest Pipeline (RB-Opal)
 - Interstate pipelines create investment and job-creation opportunities for intrastate and local midstream infrastructure projects
- ◆ Increased Industry Activity in Green River Oil Development Drilling

Basin Structure



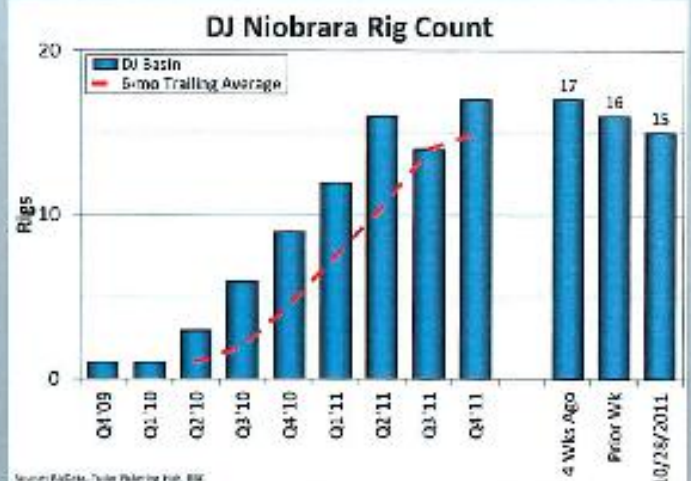
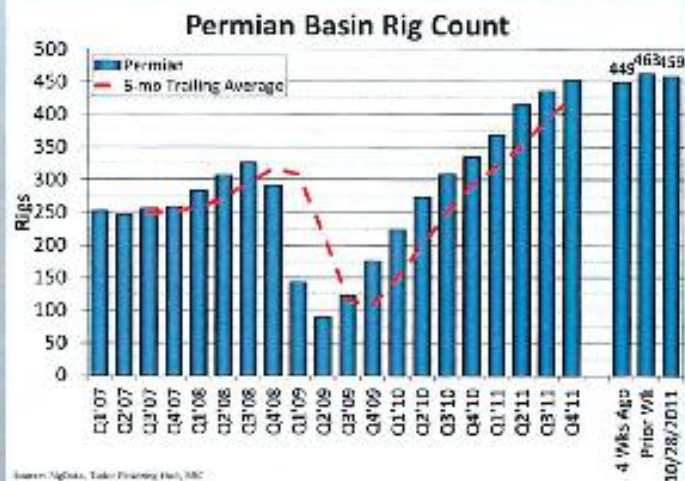
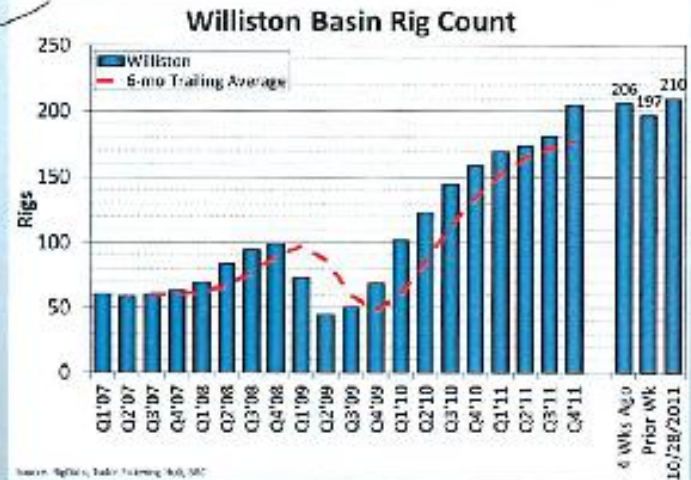
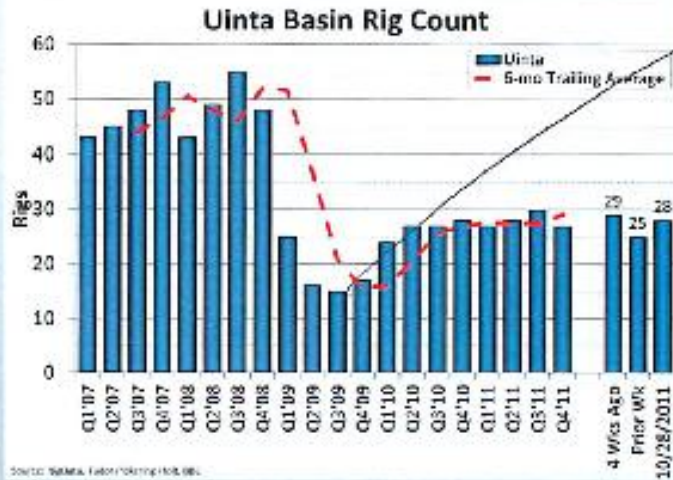
modified from El Paso November Altamont Update Presentation Nov 2010

Uinta Basin Rig Count



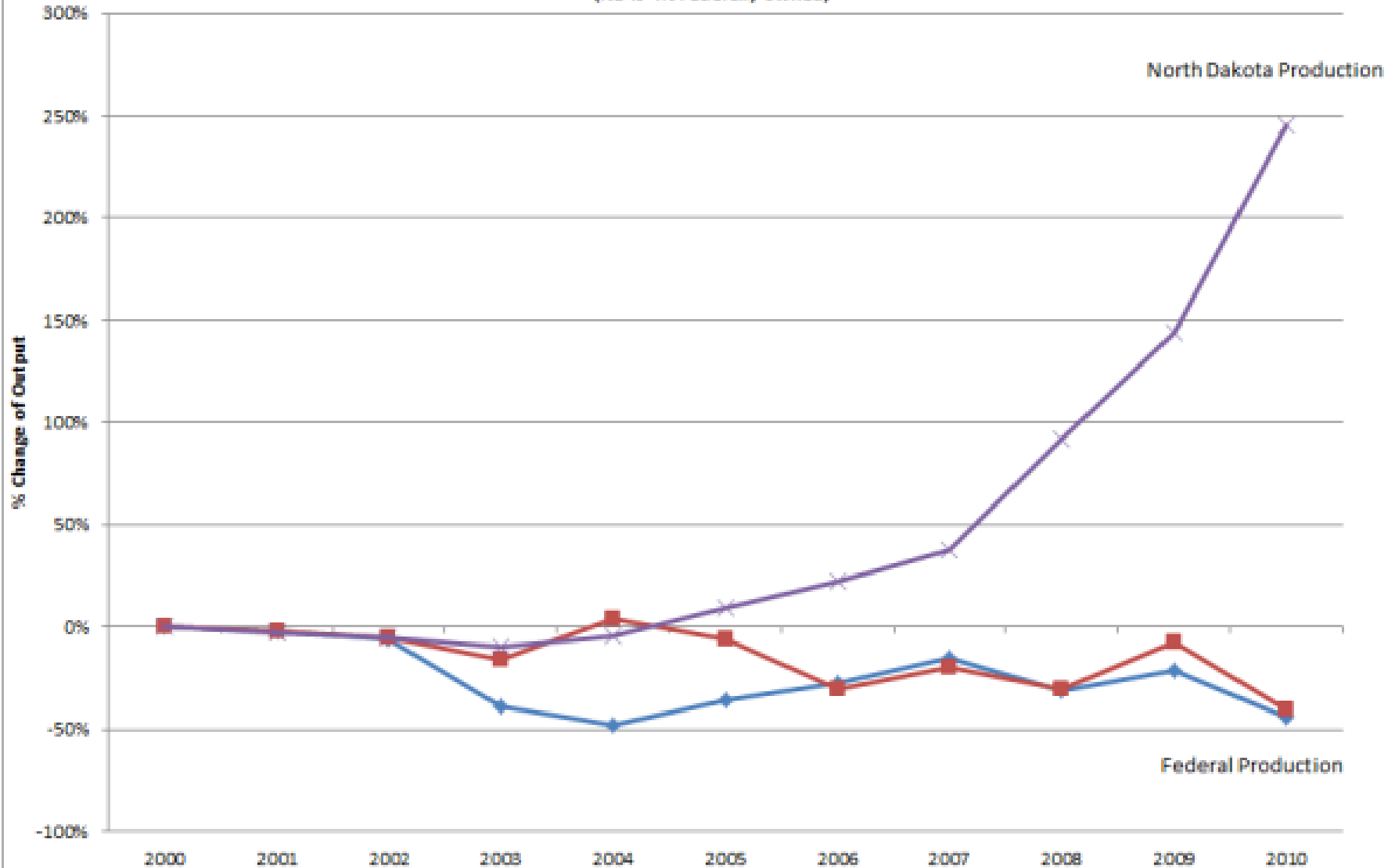
Source: RigData, Tudor Pickering Holt, BSC

Oil Basin Activity

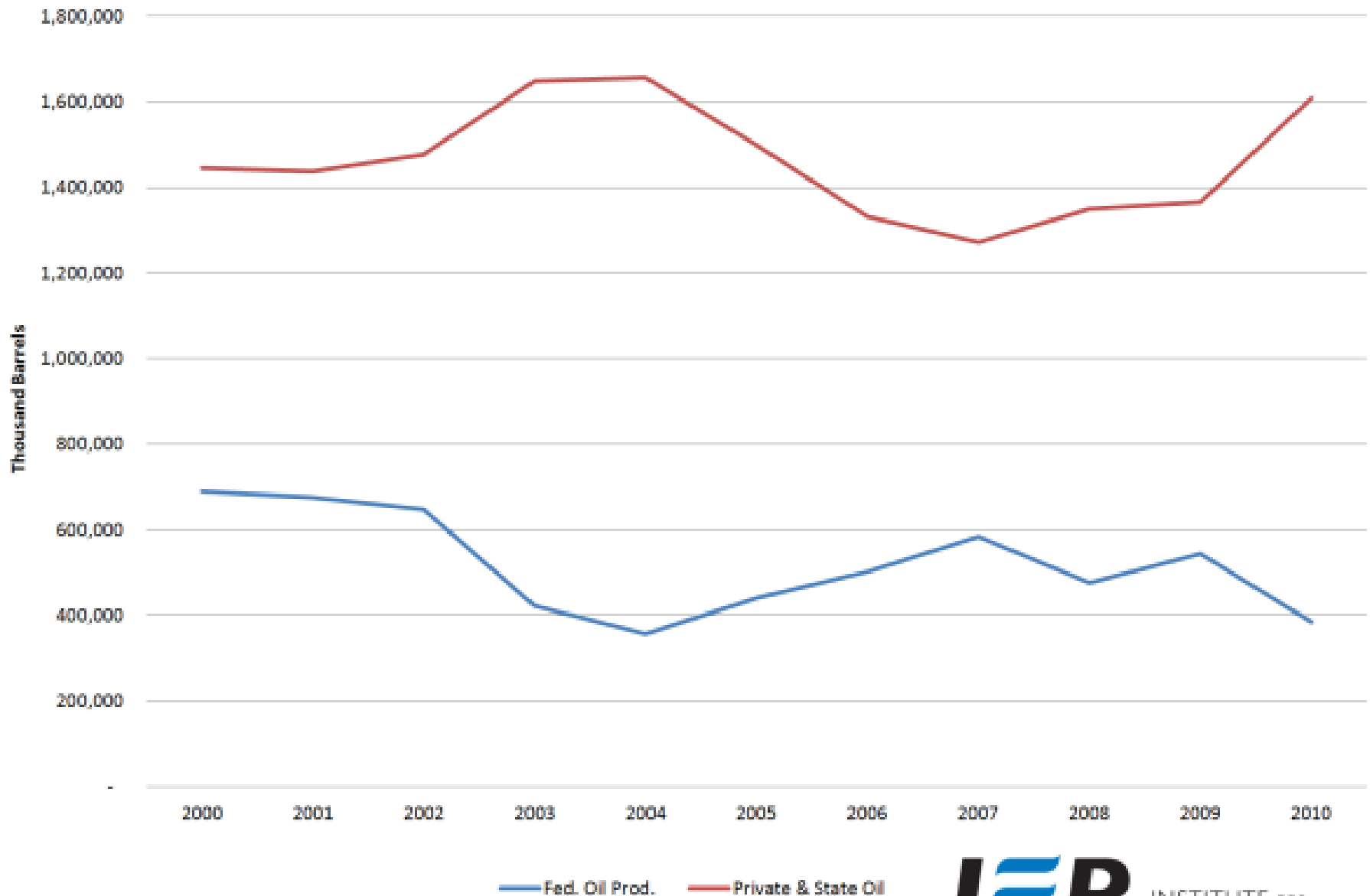


Federal Energy Production vs. North Dakota Oil Production

(ND is 4% Federally owned)

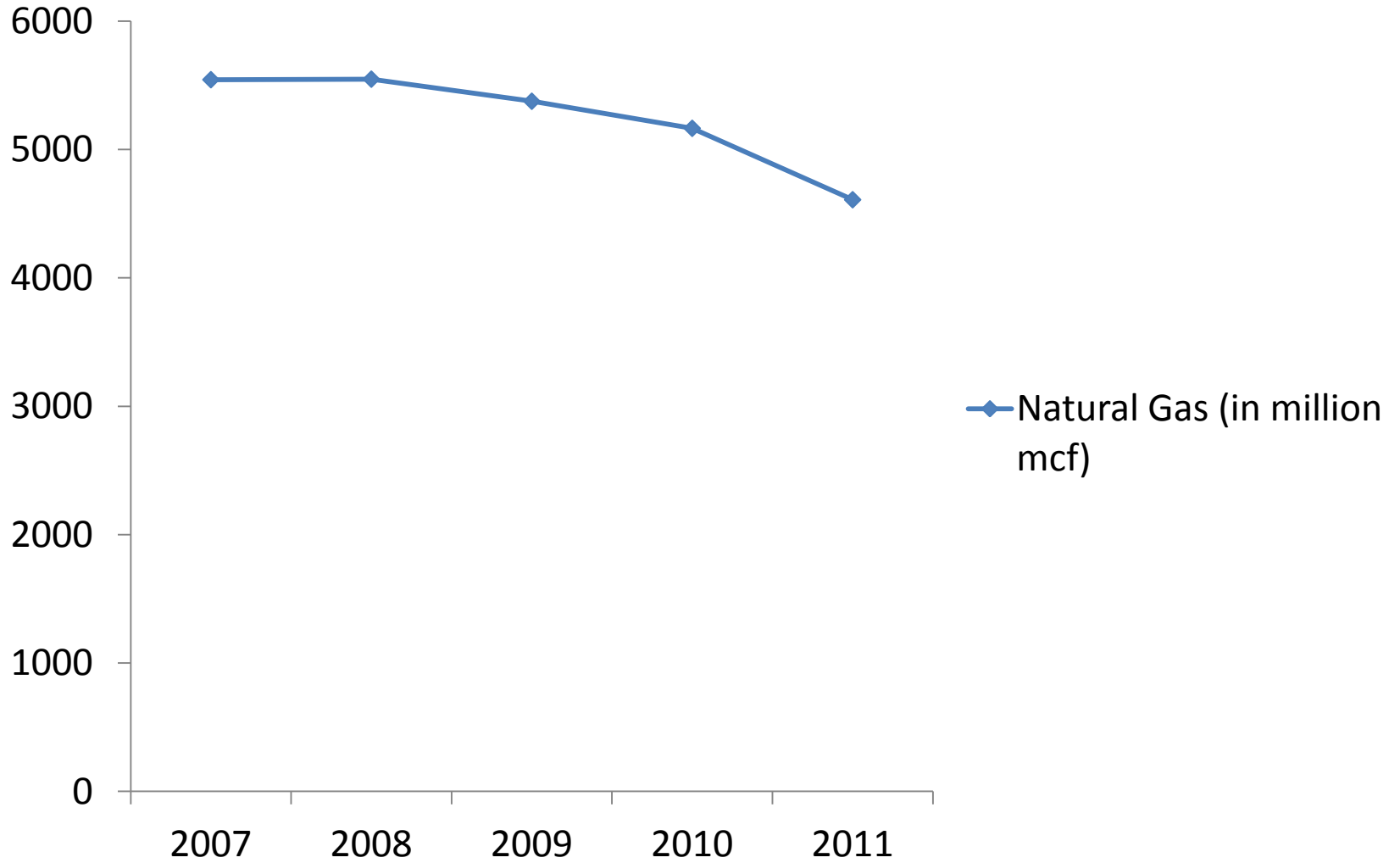


Oil Production on Private and State vs. Federal Lands



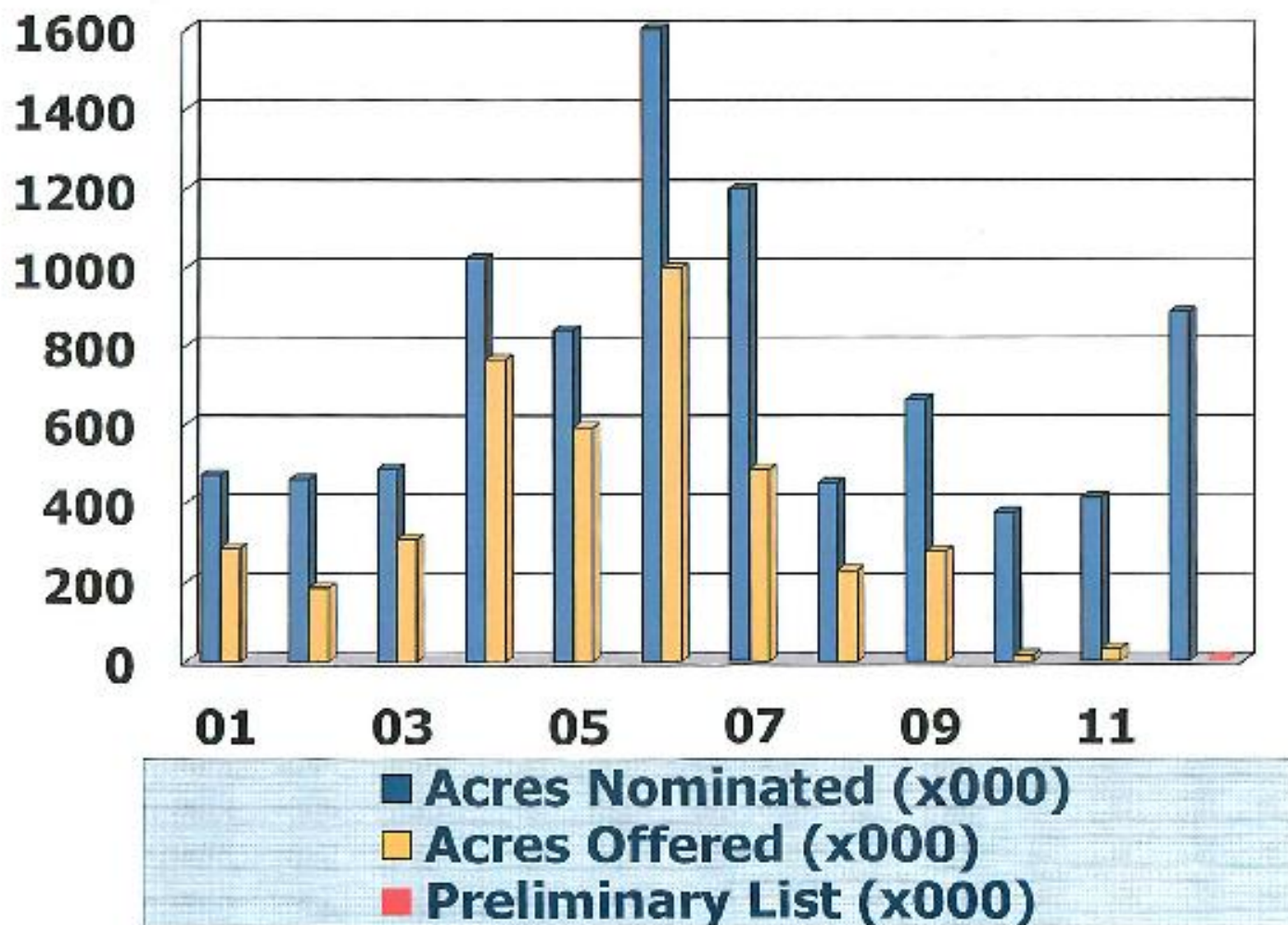
Source: Energy Information Administration, Annual Energy Review

Natural Gas (in million mcf) on Federal Lands



Source: Department of Interior

Oil and Gas Leasing by Fiscal Year– BLM Utah



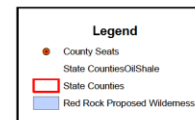
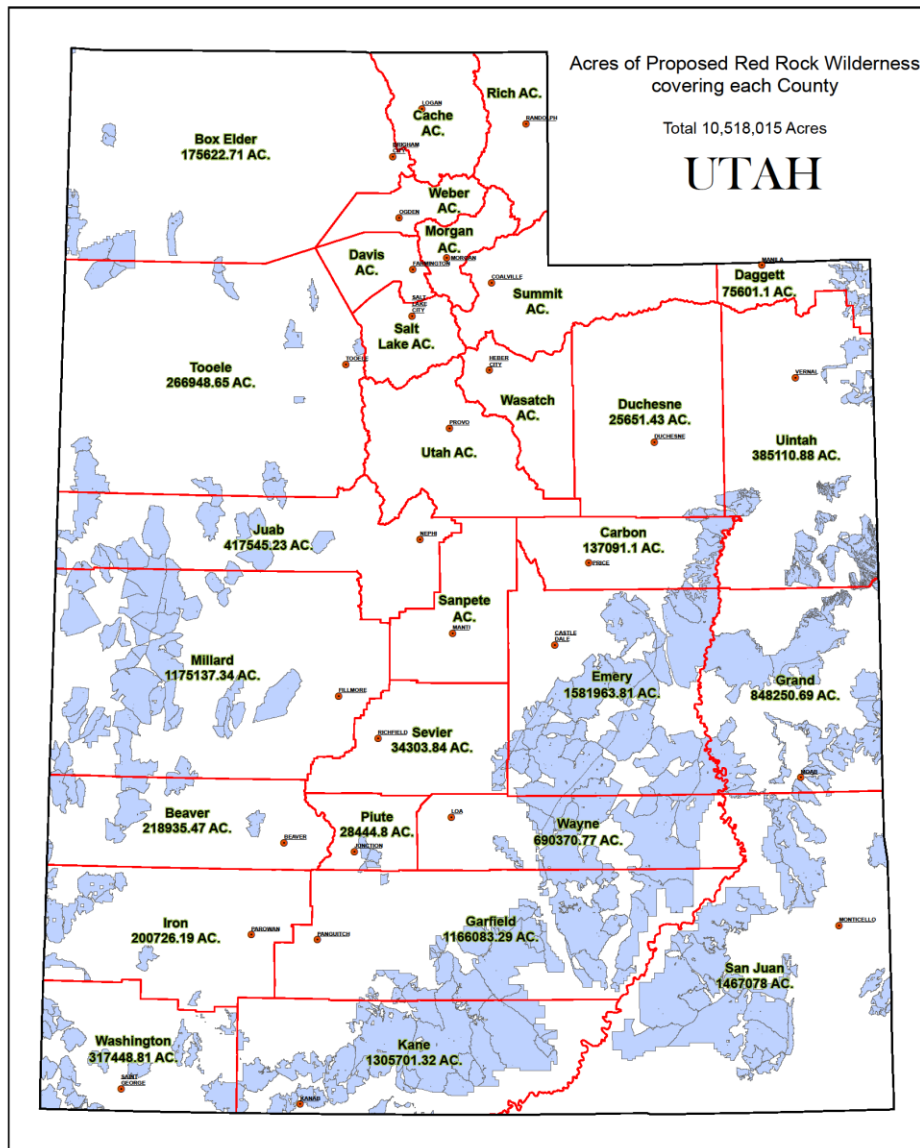
Value of Cancelled Leases

2009 – BLM Cancelled 77 Oil and Gas Leases

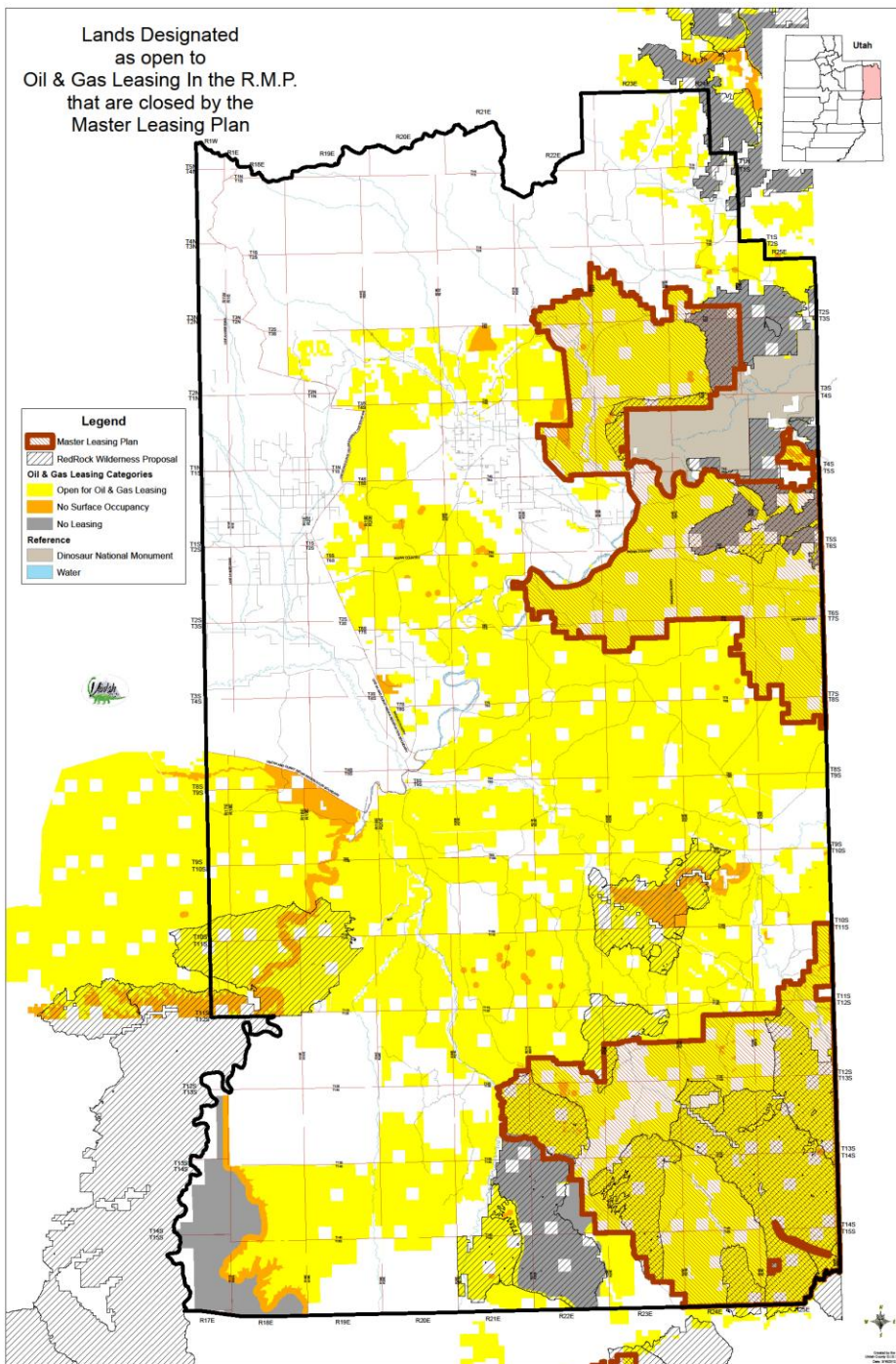
Nov 2011- 6 Leases Reinstated

Approx. 6 thousand acres

Bid for the 6 parcels was **\$48.6 million for the prospect of drilling**



Lands Designated
as open to
Oil & Gas Leasing In the R.M.P.
that are closed by the
Master Leasing Plan

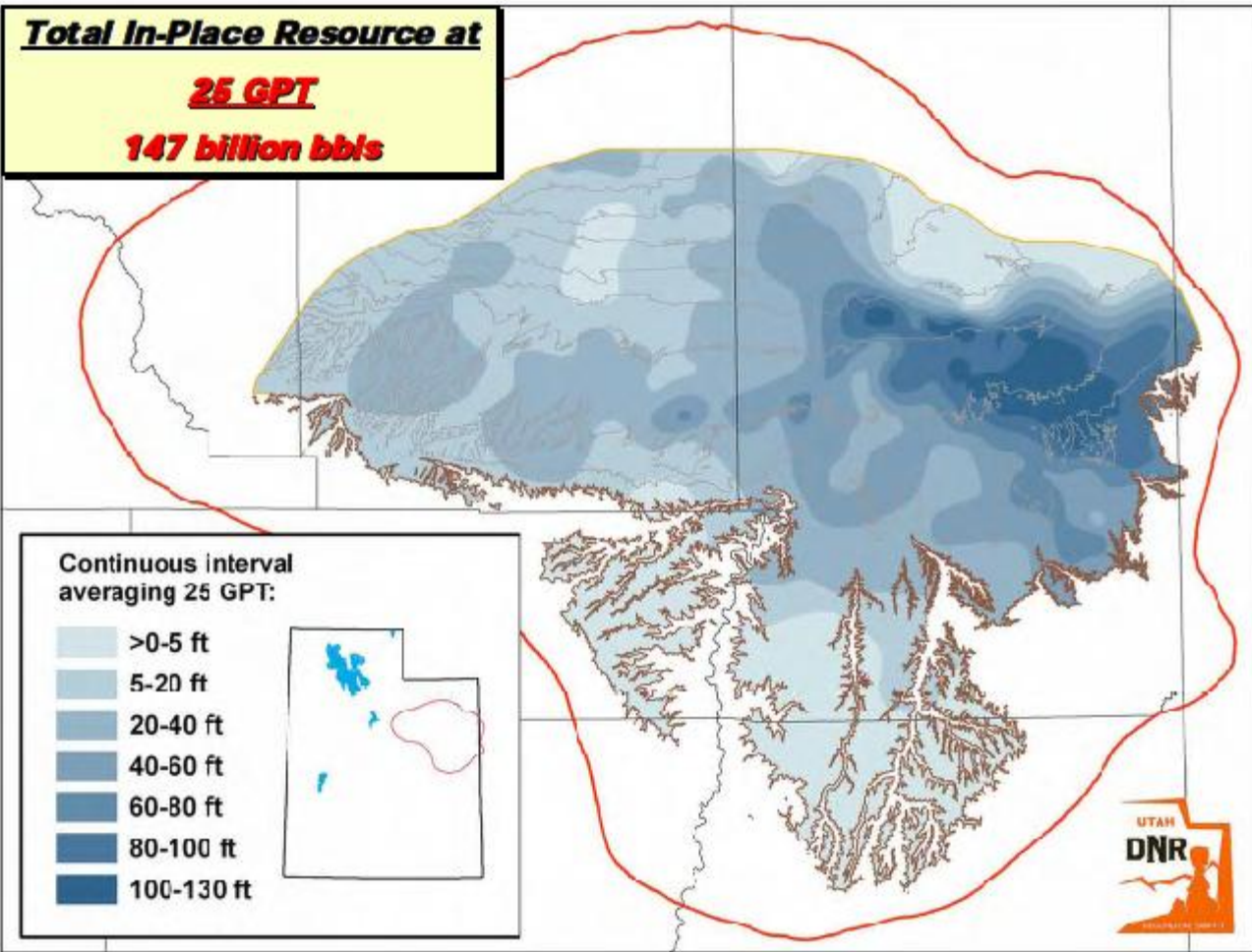




Total In-Place Resource at

25 GPT

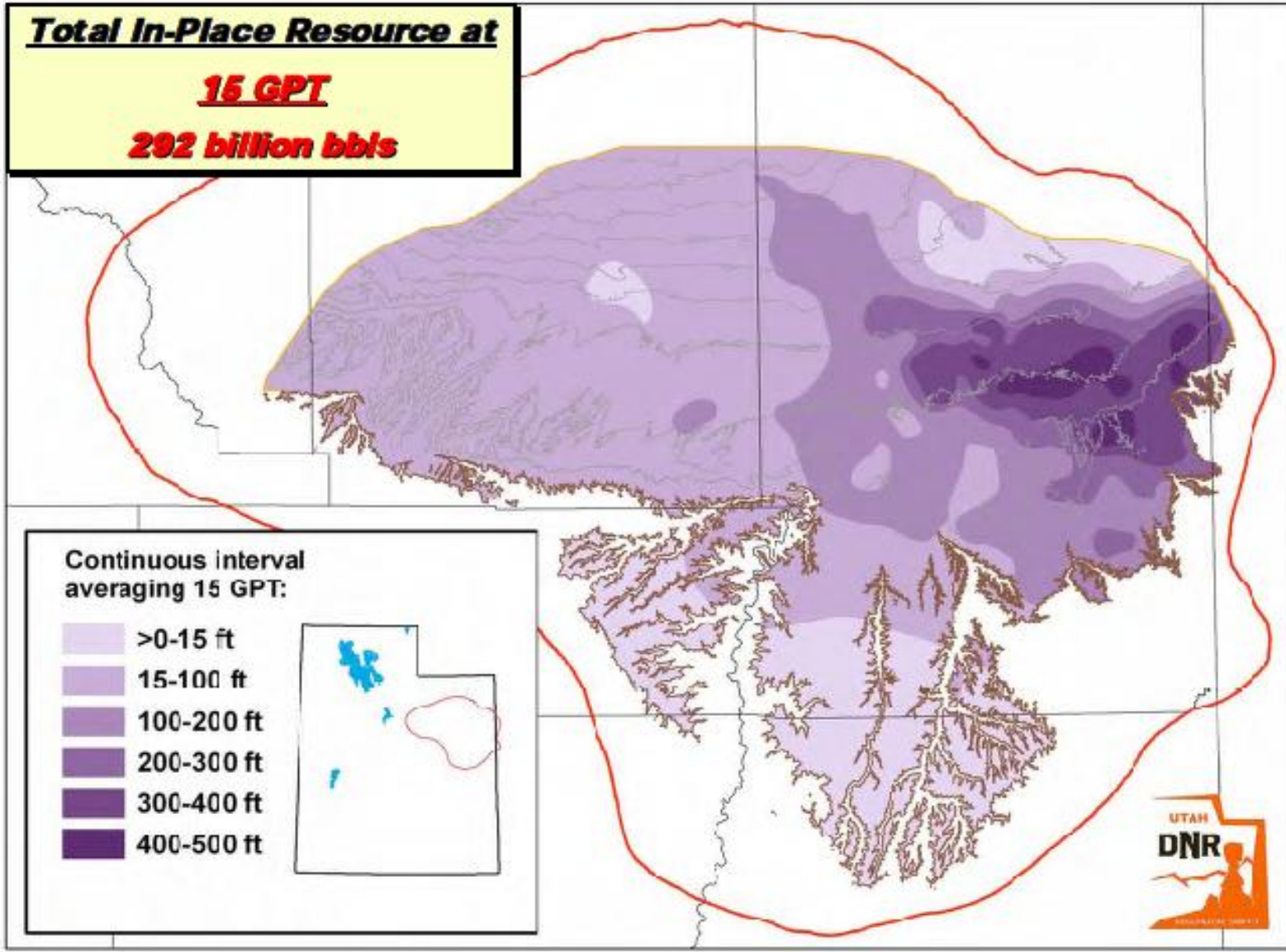
147 billion bbls



Total In-Place Resource at

15 GPT

292 billion bbls



In-Place Reserves

- Total within the Green River Formation – 1.5 to 1.8 trillion bbls
 - Colorado – 1.0 trillion barrels
 - Wyoming – 300 billion barrels
 - **Utah** – 165 billion to 321 billion barrels

World conventional crude reserves – 1.3 trillion barrels

U.S. conventional crude reserves – 22 billion barrels

Saudi Arabia conventional crude reserves – 262 billion barrels

NO ACTION ALTERNATIVE – OIL SHALE

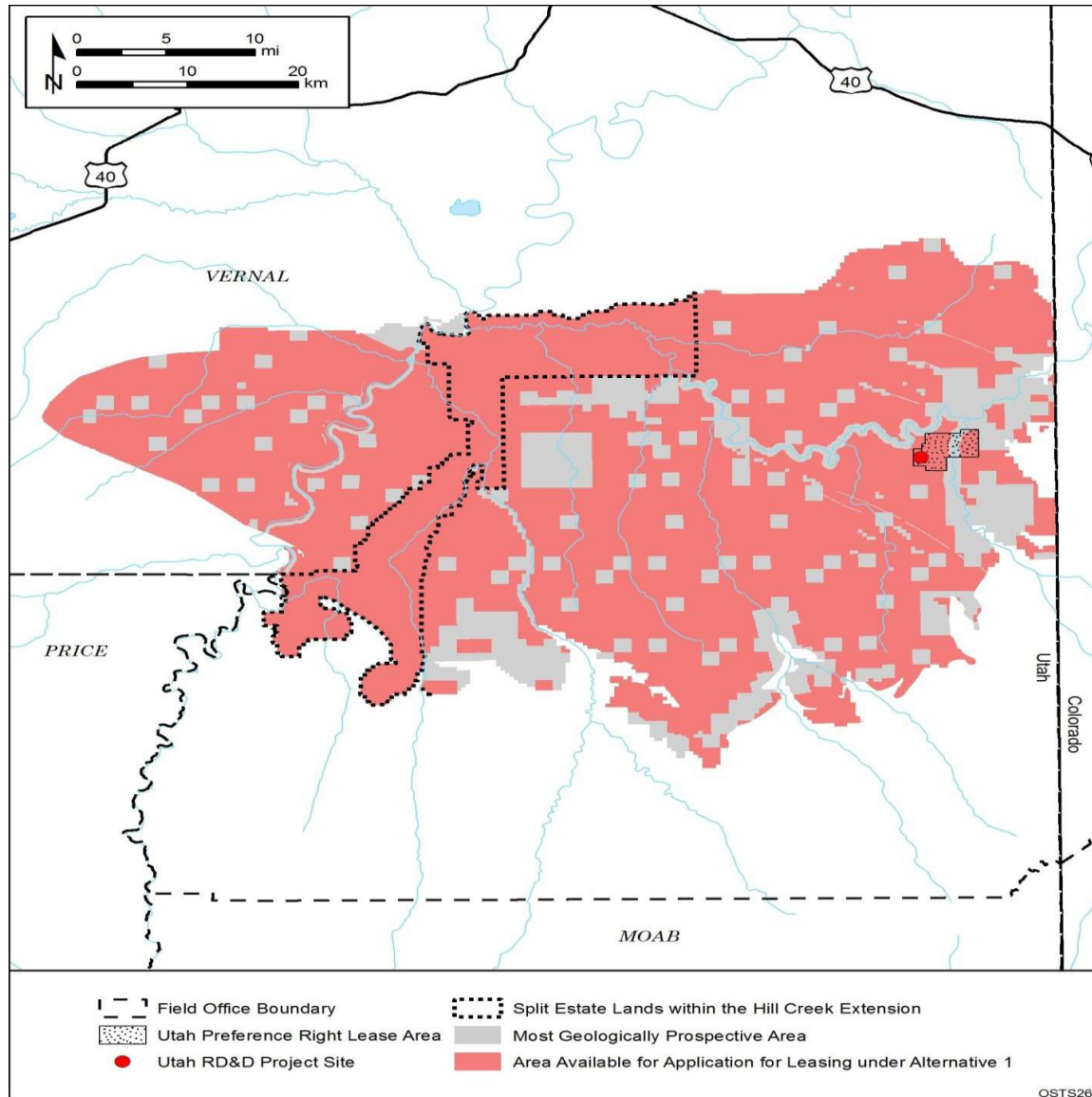


FIGURE 2.3.2-2 Lands Available for Application for Leasing under Alternative 1 in Utah -

PREFERRED ALTERNATIVE – OIL SHALE

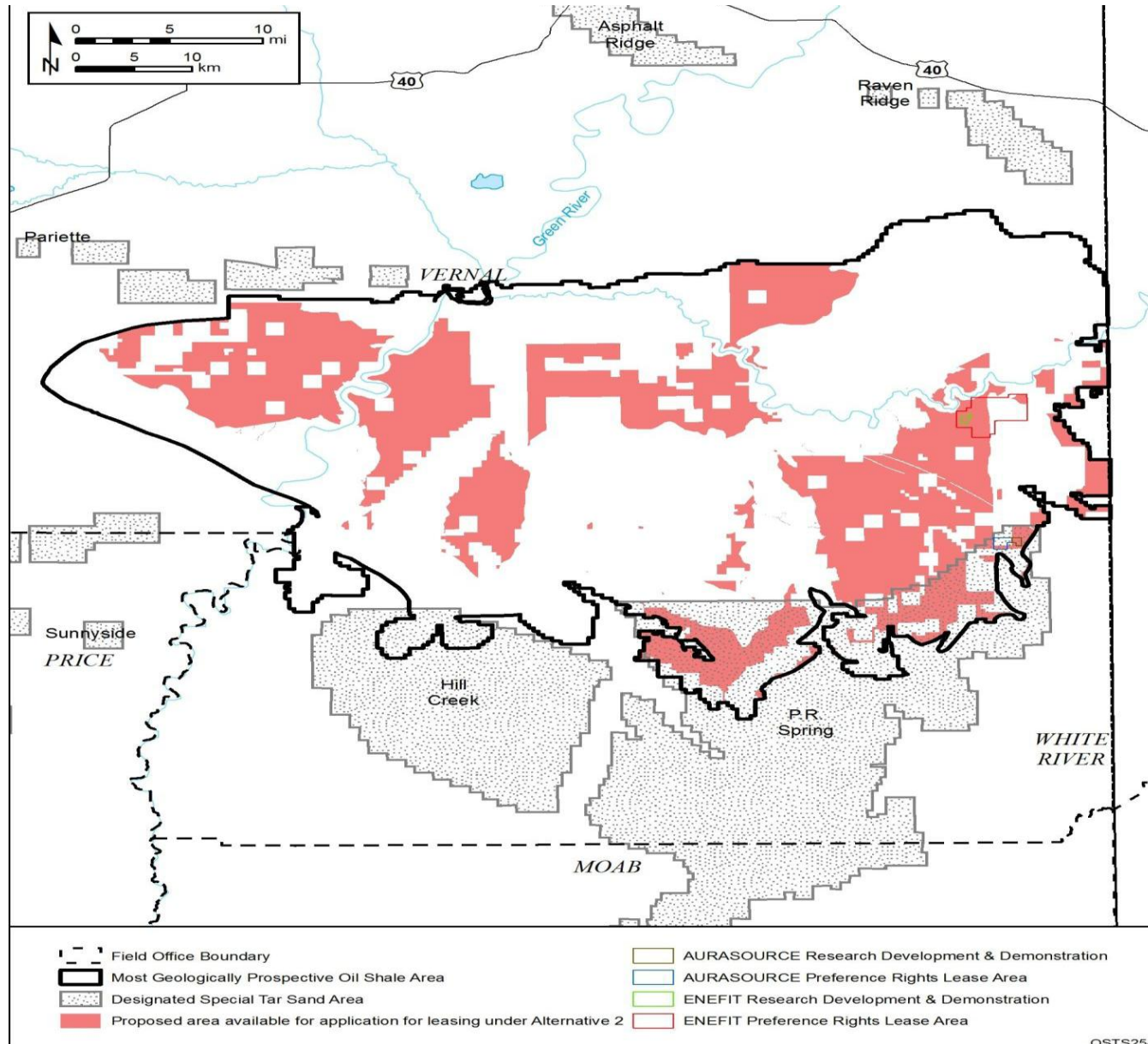
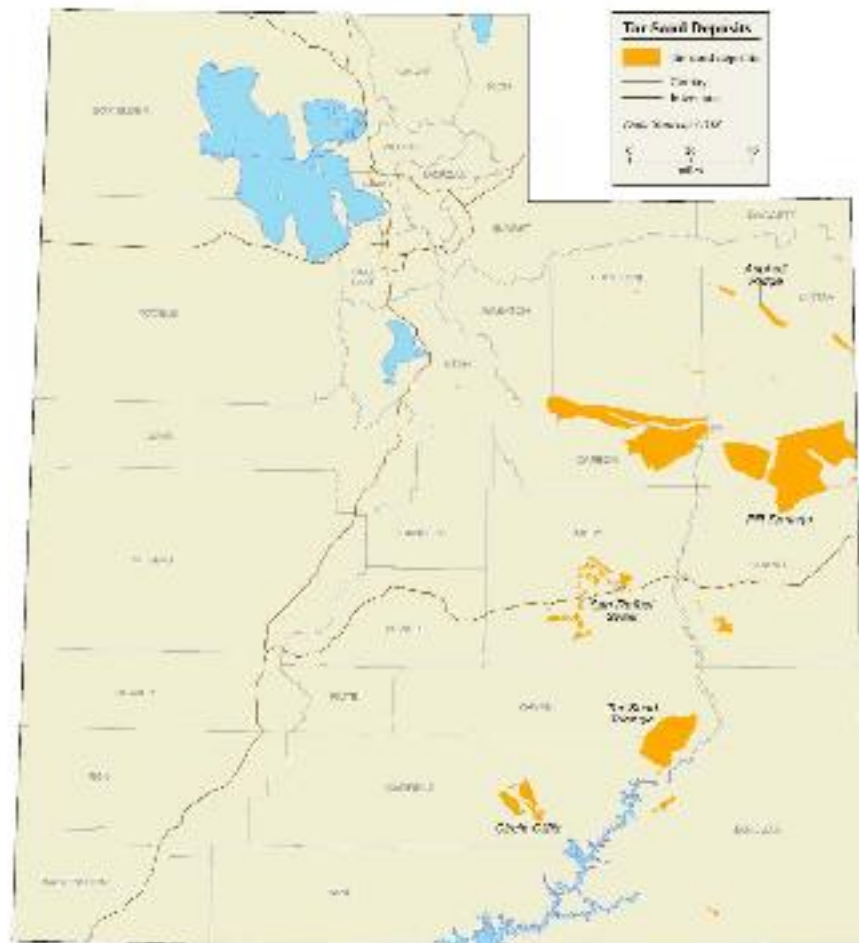


FIGURE 2.3.3-5 Lands Available for Application for Oil Shale Leasing under Alternative 2 in Utah

Utah Has Over Half of US Bitumen Resources



- Well-defined resources
- Over 30 billion bbls. in place
- Over 50% of US bitumen
- More than total US conventional proved reserves which are 21 billion bbls.

NO ACTION ALTERNATIVE – OIL SANDS

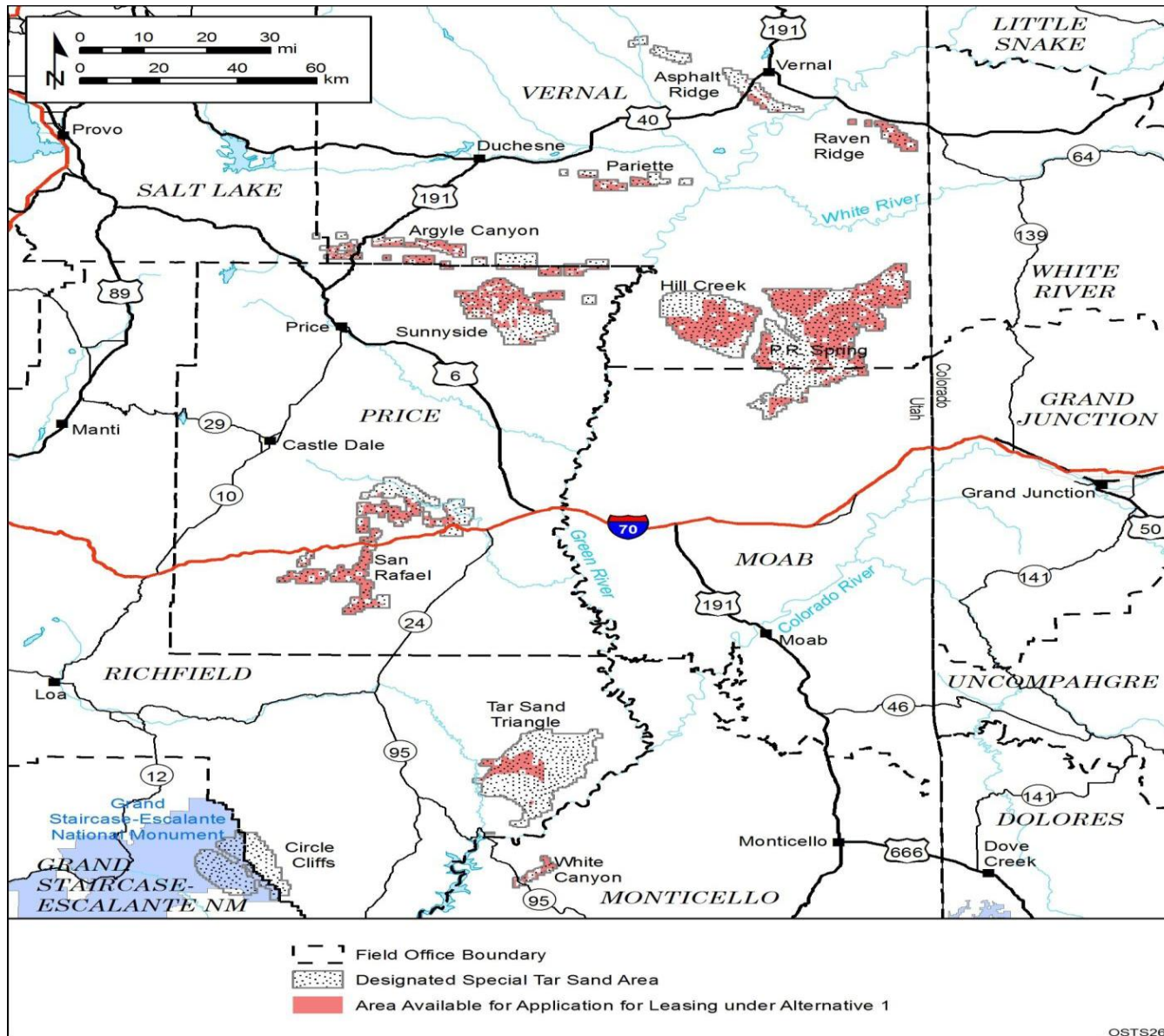


FIGURE 2.4.2-1 Lands Available for Application for Tar Sands Leasing under Alternative 1 for Commercial Tar Sands Development within the STAs in Utah

PREFERRED ALTERNATIVE – OIL SANDS

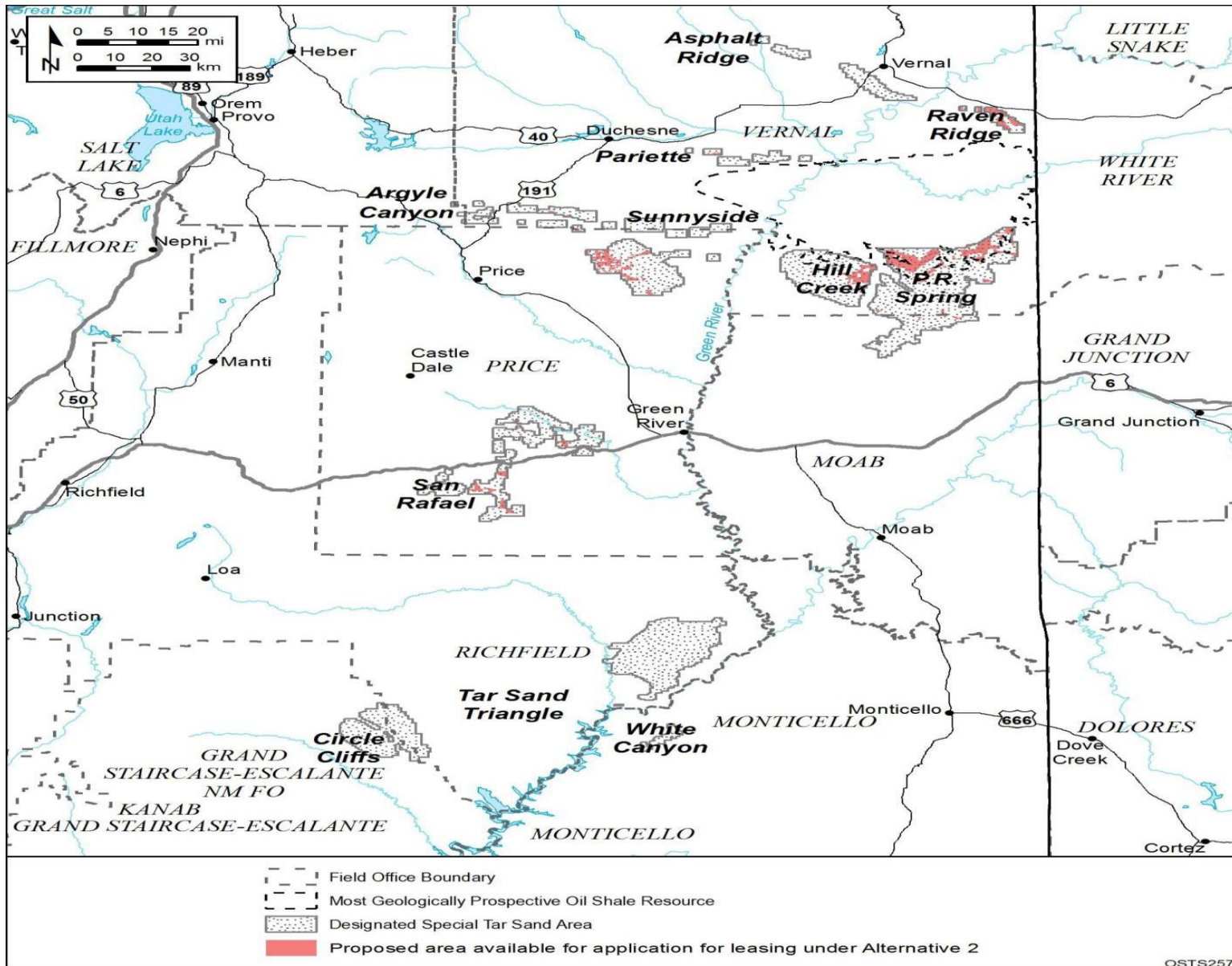


FIGURE 2.4.3-2 Lands Available for Application for Tar Sands Leasing under Alternative 2 for Commercial Tar Sands Development within the STSAs in Utah