

UINTAH COUNTY



STATE OF UTAH

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Michael J. McKee
Uintah County Commissioner

Testimony before the
Committee on Oversight and Government Reform's Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform

Oversight hearing on
*Rhetoric vs. Reality, Part II: Assessing the Impact of New Federal Red Tape on Hydraulic Fracturing and
American Energy Independence*

May 31, 2012

Mr. Chairman and Members of the Committee:

My name is Michael J. McKee, and I am a Commissioner in Uintah County, Utah. For ten years as a County Commissioner I have focused on issues related to public lands and natural resources, specifically in an effort to encourage a robust and healthy energy industry in Uintah County. In Uintah County, Utah we have approximately 6,000 oil and gas wells. 65% of the natural gas produced in the State of Utah comes from Uintah County. 60% of the economy and 50% of the jobs in Utah's Uintah Basin is tied to the extractive industry.

Oil and gas extraction has been the major source of employment in Uintah County since the 1940's. This industry has provided many families with good jobs, higher than average income, and the opportunity to work on the land we all love and respect. Oil and gas exploration has provided employment from one generation on down to the next. In Uintah County I have witnessed Jobs and economic revitalization occurring in shale territories.

The subject of today's hearing is dealing with possible new regulations on hydraulic fracturing, and I will say that I have never heard of one valid violation or concern with hydraulic fracturing. This includes the fluids used, the depth, the method of injection, or any concern being associated with fracturing.

Hydraulic fracturing is not a new technology, but a process that has been responsibly used for over 60 years. Hydraulic fracturing is a safe, well-tested technology that has enabled the U.S. to develop

unconventional natural gas and increase reserves to over a one hundred year supply. Fracing has been performed in over one million wells with an exemplary safety record. 90% of oil and gas wells now require the use of hydraulic fracturing, according to the Independent Petroleum Association of America. Horizontal drilling and fracturing allow operators to produce 10 times the amount of energy by drilling fewer than 1/10th the number of wells. We are delivering cleaner-burning domestic energy, and more of it, while drilling fewer holes to get it.

With fracing of low-permeable rock such as shale, gas production will increase 24% over the US Energy Information Administration's forecast last year. An American Petroleum Institute study performed by HIS Global Insight found that in five years, if fracturing were eliminated, the number of wells completed in the US would drop by 79% and gas production would fall 57% by 2018.

States have successfully regulated hydraulic fracturing for over sixty years. Given the states' exemplary safety record, new federal mandates are not necessary. The proposed rule would add a redundant, burdensome and costly layer of federal approval for routine oil and gas operations on federal public lands, and threatens to usurp state authority in a field already well-managed by state regulators.

These decisions are best made at the State level and not regulated by a Federal bureaucracy far removed from the issue. This is why individual states can better tailor to their specific needs since they have the experience and understanding of the geology, hydrology, infrastructure, and other factors unique to each producing basin. State regulators understand the needs of the communities that they regulate much better than a far-removed federal government and also have the specific technical expertise, resources and experience.

The EPA has affirmed during the Clinton Administration, the Bush administration, and now during the Obama Administration that there have been no documented cases of contamination of drinking water from fracing. EPA found no evidence that water quality degradation has resulted from fracing in a 2004 study. (*Evaluation of Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing of Coalbed Methane Reservoirs*, Final Report, US Environmental Protection Agency, June 2004, pages ES-13) Despite that, EPA is conducting yet another study on fracing. A one size shoe fits all approach doesn't make for the best management.

We are concerned when there is an overreach of federal regulation to try to fix something that isn't broken. Fracing is already heavily regulated at the state level, but new regulations will seriously disadvantage western states compared to other regions of the country. In contrast to other states, public lands states face a number of challenges relating to the management of Federal land and minerals within their borders. Those looking to access gas on our nation's public lands must comply not only with state law, but also with Federal law. Federal law and regulations often delay investment and job creation for years. As a consequence, Federal law and regulations often push investment out of public land states into other states where there is greater regulatory certainty. On March 14, 2012, now former BLM Director, Bob Abbey, testified in the Senate that there has been a "shift (in oil and gas production) to private lands to the east and to the south where there is a lesser amount of Federal mineral estate."

Implementation of new rules would be redundant with state regulations, cause excessive delays in oil and natural gas development, further disadvantage development on public and tribal lands, and divert jobs, revenue, and economic activity away from western states and local communities. Such layering of federal rules on top of existing state rules is unnecessary, burdensome, and unreasonable. Such redundancy will add cost and delay to a process that is already efficiently and effectively regulated by the State of Utah. In fact, we are very concerned when we see a duplication of regulation, red tape, additional processes, and unneeded scrutiny. This will have a chilling effect on investment to drill in our area.

In the 2012 General Session of the State of Utah, a Concurrent Resolution urging Congress to Clearly Delegate Responsibility for Regulating Hydraulic Fracturing to the States was passed. It states that ...hydraulic fracturing ... has greatly enhanced oil and gas production in Utah and that oil and gas production increases have led to growth in employment and economic development, as well as promotion of energy independence for the United States. It goes on to emphasize that the State of Utah, through the Division of Oil, Gas and Mining and the Department of Environmental Quality, have proven more than capable of regulating oil and gas recovery processes and ensuring the safety of workers while protecting the environment. It concludes that the state is best situated to closely monitor oil and gas drilling and fracturing operations to ensure that they are conducted in an environmentally sound manner.

Oil and gas royalties on public lands are a significant revenue source for federal government, the State of Utah and Uintah County. Adding additional burdens for development on Federal County, thus depriving our citizens of needed jobs and income. The natural gas industry lands could have an adverse effect of forcing operators to shift investment away from Uintah employees over 600,000 people in the United States. According to API it supports nearly 4,000,000 jobs and adds more than \$385 billion to the national economy. Trucks that haul fracturing water, waste and multi-ton loads of equipment provide additional jobs just to the fracing part of the oil and gas industry. Shale gas extracted via horizontal drilling and hydraulic fracturing has singlehandedly turned the United States from a nation of declining gas production to one of rising production. Additional Federal oversight could have significant potential impacts to oil and gas development. Please see the attached April 2012 Executive Summary from the "Economic Impacts of Oil and Gas Development on the Public Lands in the West" prepared for Western Energy Alliance.

In the absence of hydraulic fracturing, the commercial viability of current and future oil and gas development could be significantly compromised. While no energy source is entirely risk free, the greater risk to the American public is posed by those who would shut down domestic development of natural gas which keeps us warm in the winter, generates electricity with greatly reduced air emissions, and powers our economy and way of life. I ask that BLM not duplicate state regulations in public land states. President Obama made remarks in the 2012 State of the Union address promising a commitment to "take every possible action to safely develop" domestic natural gas. These regulations are a solution that is working for the people of our nation's public lands states. Remember that hydraulic fracturing is a safe, well-tested technology that has enabled the U.S. to develop oil and natural gas resources. We ask the Administration to fully support leaving oversight and regulations in the hands of the state.

Economic Impacts of Oil and Gas Development on Public Lands in the West

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Economic Impacts of Oil & Gas Development on Federal lands in the West April 2012

Executive Summary

SWCA Environmental Consultants prepared for Western Energy Alliance an analysis of the economic impacts of all outstanding oil and natural gas projects proposed on federal lands in the West. After a thorough review of projects undergoing environmental analysis in accordance with the National Environmental Policy Act (NEPA), SWCA determined that 44,329 wells were proposed in 22 NEPA documents currently under development as of January 1, 2012. Since the vast majority, 44,289, were proposed in Utah and Wyoming, SWCA performed full analysis just for those two states.

Key Findings

- The total annual impact of the 22 proposed projects is 3,164 wells drilled, **120,905 jobs, \$8 billion in wages, \$27.5 billion in economic activity, and \$139 million in government revenue.** The total economic impact of the projects over their anticipated lifespan (usually between ten and fifteen years) is **\$383.5 billion.**
- In the oil and natural gas NEPA process, companies are responsible for proposing projects, and the Bureau of Land Management (BLM) or the Forest Service (USFS) is responsible for completing the NEPA analysis. Development cannot proceed on federal lands until the government completes the NEPA analysis. Companies regularly pay for contractor support, yet the government is responsible for managing the contractors and approving the documents.
- The projects proposed in Wyoming could create 58,480 jobs, \$14.8 billion in economic impact, and \$82.5 million in government revenue annually, based on 1,720 wells drilled per year.
- The projects proposed in Utah could create 62,425 jobs, \$12.7 billion in economic impact, and \$56.7 million in government revenue annually, based on 1,445 wells drilled per year.
- The majority of the wells, 30,789, are proposed in NEPA documents that have been underway for over two years. Many of these were begun over five years ago, delaying projects for years past the usual processing times.
- Outstanding projects delayed over three years represent 22,835 proposed wells, or about 1,631 wells per year. Federal government delays to these projects are preventing the creation of **64,805 jobs, \$4.3 billion in wages, and \$14.9 billion in economic impact every year.**

By 2020, the West could produce as much oil and natural gas on a daily basis as the U.S. imports from Russia, Iraq, Kuwait, Saudi Arabia, Venezuela, Algeria, Nigeria, and Colombia combined, while creating new jobs, expanding investment, and providing much needed government revenue. Bureaucratic delays, however, could significantly undermine these projections of growth, investment and expansion.



Michael J. McKee
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Mike McKee is in his 10th year as a Commissioner for Uintah County. He works as a team member with two other Commissioners to oversee a \$67 million dollar budget and in excess of 300 full and part-time employees. He serves as the liaison for the County with several State, Federal and local governmental organizations and was presented with the Utah State University Award for Outstanding and Distinguished Service.

Commissioner McKee is involved in many public service committees and boards, such as the local Chamber of Commerce Board, the Uintah School District, School Board for 6 years - Board President for two of those years, the Uintah Basin Applied Technology College Board of Directors for 6 years - Board Chairman for one year, where he assisted in raising over \$7 million dollars for a new building. He is on the Western County Alliance Board as Chairman and the Uintah Basin Association of Governments, Homeless Committee, Managing Board, and served as Chairman. Commissioner McKee sits on the Uintah Basin Conservation and Development Group as Chairman and the Constitutional Defense Council, as well as the Utah Rural Coalition. He also sits on the Governor's Recreational Task Force, State Community Block Grant Policy Board and the Governor's Balanced Recourse Committee. Commissioner McKee is on the Central Utah Water Board and is very active in the Sage Grouse Working Group, representing Commissioners throughout the State of Utah and many more local and state committees.