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THE AMERICAN ENERGY INITIATIVE: A FOCUS ON GROWING DIFFERENCES FOR  
ENERGY DEVELOPMENT ON FEDERAL VERSUS NON-FEDERAL LANDS

THURSDAY, AUGUST 2, 2012

House of Representatives,  
Subcommittee on Energy and Power,  
Committee on Energy and Commerce,  
Washington, D.C.

The subcommittee met, pursuant to call, at 9:10 a.m., in Room 2123, Rayburn House Office Building, Hon. Ed Whitfield [chairman of the subcommittee] presiding.

Present: Representatives Whitfield, Shimkus, Walden, Terry, Burgess, Bilbray, Scalise, Olson, Gardner, Griffith, Upton (ex officio), Rush, Markey, and Waxman (ex officio).

Staff Present: Maryam Brown, Chief Counsel, Energy and Power; Allison Busbee, Legislative Clerk; Cory Hicks, Policy Coordinator, Energy and Power; Heidi King, Chief Economist; Jason Knox, Counsel,

Energy and Power; Ben Lieberman, Counsel, Energy and Power; Michelle Ash, Minority Chief Counsel, Commerce, Manufacturing and Trade; Greg Dotson, Minority Energy and Environment Staff Director; Kristina Friedman, Minority EPA Detailee; Caitlin Haberman, Minority Policy Analyst; Angela Kordyak, Minority DOE Detailee; and Elizabeth Letter, Minority Assistant Press Secretary.

Mr. Whitfield. We will call today's hearing to order and certainly want to welcome our witnesses today. We will have two panels of witnesses. At this time, I would recognize myself for a 5-minute opening statement.

Today is the 27th day of hearings on what we refer to as the American Energy Initiative, and in this series of hearings, we have examined various aspects of the energy needs of our country, the policies and ways to be more productive, and today, I think most Americans would agree that we do face two primary problems. We have many others, but one, of course, relates to energy production and becoming more energy independent, and the other relates to our struggling economy and still relatively high unemployment rate, and today we are going to be focusing on two States that have different stories to tell about energy production and lowering unemployment rates.

First of all, I would like to just talk briefly about North Dakota. North Dakota has an unemployment rate today of around 3 percent, and so it raises the question on the energy policy and economic policy, what is North Dakota doing that is different than other States? And what can we in Washington learn from that? And while we try to learn what North Dakota is doing right, we also need to contrast it with another State that has a lot of energy as well, and I might say that the picture is not nearly as bright in another oil producing State, Alaska, where output has been declining over the same span that North Dakota's output has been increasing.

Now, the main difference between Alaska and North Dakota is that Alaska has far more areas of federally owned and controlled lands, and this administration has substantially cut back on new energy leasing in these Federal lands and offshore areas, and while that may not be the only factor that has led to this difference of unemployment and economic growth, we hope this morning to find out how substantial a factor is it.

Now, Alaska has been a great source of American oil. Since 1970 16 billion barrels have made their way south on the Trans-Alaska Pipeline. That is a lot of domestic oil and a lot of jobs associated with it, but Alaska's largest field in Prudhoe Bay is now declining, and despite vast untapped resources elsewhere in the State as well as offshore, new exploration and drilling have been greatly curtailed by policy decisions in Washington, D.C., and it isn't just Alaska. For example, this administration has cut back on new leasing in the federally controlled Gulf of Mexico and has also been slow to issue the necessary permits for previously leased areas, and the red tape facing energy companies operating on Federal lands throughout the intermountain west has kept the region below its potential for energy production and jobs.

In contrast, relatively little land in the energy-rich Bakken formation in North Dakota is federally owned. There the oil industry has been allowed to partner with private landowners to expand production. In the last decade alone, North Dakota has risen from the eighth largest producing State to the second largest. An estimated

35,000 new direct jobs and many more indirect ones are a big part of the reason why the State's unemployment rate is around 3 percent. In effect, North Dakota gives us a glimpse of what would be possible in many other parts of the country if only we could change some policy in Washington, D.C. And I might add that gasoline prices unfortunately seem to be creeping up again. This should certainly serve as a reminder that increased production of domestic oil supply and demand still is an important factor. It is also worth noting that the oil industry in North Dakota is regulated by the State government, and the track record for safety and environmental protection is quite good. It is a model for reaping the many benefits from domestic oil production while keeping the risks at a minimum.

We all know that oil production is up in the United States, and that is a good thing, but we also know that that production, the reason it is up is because of the increased production on private lands, and so as I said, we have two panels of witnesses this morning, all of whom are quite familiar with the policies and the ins and outs of the oil production industry, and so we look forward to their testimony.

[The prepared statement of Mr. Whitfield follows:]

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Mr. Whitfield. At this time, I would like to recognize the ranking member from the great State of Illinois, Mr. Rush, for 5 minutes.

Mr. Rush. I want to thank you, Mr. Chairman. Mr. Chairman, while Democrats under President Obama's leadership have put forth a truly all-of-the-above energy agenda, it appears that my Republican colleagues are once again taking their cue from one of their most influential leaders, Sarah Palin, and reviving their simplistic "drill, baby, drill" energy agenda. Merely a few hours ago, after holding a partisan vote to do away with new projects under the DOE's loan guarantee program in the full committee yesterday, which would have invested Federal dollars into different types of renewable and clean energy projects to compete with the Republican Party favorite fossil fuel industry, the majority is here today holding a hearing on drilling on Federal versus private lands.

Never mind the fact that the Energy Information Administration has confirmed that domestic oil production in the U.S. has increased every year since 2008, that we are importing less oil than anytime in the past 13 years, and that American demand is actually lower now than it was a year ago. And, Mr. Chairman, it appears that my Republican colleagues will continue to ignore the fact that the U.S. has set more than 40,000 hot temperature records this year alone, and that the last 12 months have been the hottest ever recorded in our Nation's history.

Today, fully two-thirds of the country is experiencing drought, and 30 percent of the Nation's corn crop is in poor or very poor

condition, while at the same time, water levels in four of the five Great Lakes have actually plummeted down to unprecedented levels due to high evaporation rates and insufficient rainfall. In fact, Mr. Chairman, just yesterday the Agriculture Department designated more than half of all U.S. counties as disaster areas in 2012. The main reason? Drought. And the Agriculture Secretary Vilsack signed a disaster designation for 218 counties in 12 States just yesterday morning, bringing the national percentages to 50.3 percent.

Mr. Chairman, might I remind you that today, more than 113 million Americans are living under extreme heat advisories, and yet, despite repeated requests from myself and Ranking Member Waxman to hold hearings on the science behind all of the extreme weather events associated with climate change that the Nation has been experiencing, we have yet to examine this vitally important issue just one time, just once this year, one time before this subcommittee.

Mr. Chairman, even former climate change skeptics such as Richard Muller, who penned in a July 28 New York Times editorial entitled "The Conversion of a Climate Change Skeptic," even Mr. Muller has now come out on the record and joined the overwhelming consensus of scientists and researchers who have stated that global warming is indeed occurring, and that human causes are indeed behind it. Yet as America burns, this committee fiddles.

Even as Congress prepares to vote on a bill, drought relief bill for farmers this morning, farmers who are suffering from record drought in the Midwest and beyond, even when you and I and the other members

of this subcommittee, we will be casting votes sometime this morning, this very subcommittee refuses to hold one hearing, just one hearing on the causes behind these droughts, or what can be done for our Nation, for this Federal Government, for this Congress to lessen the impact of the heat on the American people.

Mr. Chairman, I support President Obama's all-of-the-above energy approach, which encompasses increased oil and gas production here in the U.S., additional conservation and energy efficiency measures, and a move towards cleaner air, renewable energy sources for the future, and I urge you once again, Mr. Chairman, I plead with you, let us hold a hearing on the science behind climate change. This is a matter of critical importance to the American people and to the future of farmers in our Nation, American consumers. This is an important matter. It is so important, Mr. Chairman, we can no longer afford to ignore it. I yield back.

Mr. Whitfield. Thank you very much, Mr. Rush.

[The prepared statement of Mr. Rush follows:]

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Mr. Whitfield. At this time we will recognize the chairman of the full committee, Mr. Upton of Michigan, for 5 minutes.

The Chairman. Well, thank you, Mr. Chairman. There is a tale of two energy policies to be told in this country. There are the States where domestic oil and natural gas production is growing, and there are the States where it is stagnating. In some States, oil and natural gas output is sharply increasing on private and State-owned lands, but in others where this administration calls the shots on federally controlled lands and offshore areas, the news is not nearly as good. In fact, a recent CRS study finds that 96 percent of the increase in domestic oil supply since 2007 has come from non-Federal lands. Where production on State and private lands is up, we see the energy industry creating thousands of high paying jobs, revitalizing local economies, but where most of the oil and gas remains untouched beneath the ground or under the sea floor due to Federal access restrictions, the job potential remains largely unrealized.

Under one energy policy vision, we see State and local regs ensuring that energy production is done safely and that public health is protected. In the other, we see one excuse after another for preventing energy production entirely or subjecting it to years of unnecessary delays.

Today we are going to view these two energy policies through the prism of two States. We can look at the success story of North Dakota, where growing oil production on private, State, and tribal lands should serve as a model for the Nation, and we will compare it to States like

Alaska where Federal control of energy-rich onshore and offshore areas means that drilling often gets blocked by bureaucrats in D.C.

Alaska and other States are blessed with energy but cursed with Federal red tape, and that is why our committee has been a leader on measures like the Domestic Energy and Jobs Act that will reduce the red tape and allow these States to replicate North Dakota's success. If we take the lessons from this tale of two energy policies and allow States like Alaska to harness their resources as they do in States like North Dakota, it would benefit the national economy, jobs, gas prices, energy security. It is a powerful story, and I thank the witnesses for coming to share it with us. Yield back.

[The prepared statement of Mr. Upton follows:]

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Mr. Whitfield. Thank you very much. At this time, I recognize the gentleman from California, Mr. Waxman, for a 5-minute opening statement.

Mr. Waxman. Thank you, Mr. Chairman. Today the subcommittee holds a hearing to compare oil and gas production on Federal lands to production on private lands. We will hear once again, as we just heard, that the Obama administration is hostile to oil and gas production, and we will hear once again that oil and gas production should be pursued at the expense of renewable energy and other goals.

Well, that is the rhetoric. Now here are the facts. Domestic oil and gas production has increased each year of the Obama administration, and it is the highest it has ever been in 8 years. America's dependence on foreign oil has gone down every single year for the last 3 years, and oil production from Federal lands is higher today than it was under the last 3 years of the Bush administration. It is true that oil production on private lands has increased more than it has on Federal lands.

Some Republicans have used this as evidence that the President must be disfavoring the oil industry, but the fact is that most of the increase in domestic oil production has occurred from developing shale formations. These formations happen to be on private lands. The Federal Government manages only a small portion of these areas.

For instance, the Bakken shale has made North Dakota one of the country's top States in oil production, but Federal lands make up a small percentage of it. Even offshore oil production remains strong.

In spite of one of the world's worst environmental disasters, oil production from the Outer Continental Shelf in 2011 was equal to or higher than any of the last 3 years of the Bush administration. The Obama administration has taken many steps to facilitate oil and gas production. The Bureau of Land Management has reformed its leasing process with a tracking system for applications that shortens wait times. It has implemented a more inclusive stakeholder engagement that has lowered lease protests and appeals. The Forest Service has sent officials to drill-intensive areas to expedite the permitting process. Those are the facts, and they are completely contrary to the narrative that the Republican majority is trying to promote today.

But we shouldn't lose sight of the fact that public lands are not solely for oil and gas production. Our public lands are held in trust for the American people, not the oil companies. Public lands are used for conservation, outdoor recreation, watershed protection, timber, and grazing. They can also be used for renewable forms of energy. In fact, the Obama administration recently completed an assessment that will expedite permitting for solar installations on public lands in the Southwest. This has the potential to produce enough electricity to power 7 million homes. The administration's job is to balance these competing demands and, notwithstanding all the rhetoric we will hear today, I believe it is doing a good job.

But I want to refer my colleagues to a blog by Paul Krugman in The New York Times, a Nobel Prize winner, and he says When Scale Matters. "Judging from comments on my North Dakota post, there is a lot of

confusion about when and why differences in scale make comparisons between economies invalid. The crucial thing to get is that size, per se, isn't the issue. It is whether what is going on in the small economy could be replicated in the large economy. I mean, we all know that airplane designs can be tested with miniature models in wind tunnels, that tsunamis can be modeled in tanks that fit in a large room and so on.

Small scale versions of big phenomena are perfectly okay. The baby sitting co-op teaches us a lot about the global economic slump.

"But when you are looking at, say, a resource boom, which is what North Dakota is all about, you have to ask whether a comparable resource boom is possible in a much more populous State or the United States as a whole. One commentator declared that there is as much oil under California as there is under North Dakota quite possibly. The question is how big a deal would extracting that oil be in a State with 50 times North Dakota's population? How much difference would it make to, say, the State unemployment rate? And the answer, of course, is virtually none. To have a North Dakota type boom in California, you would have to find 50 times as much oil; to have it nationally, you would have to find 500 times as much. Not likely.

"And this is how you want to think about other examples. Is Iceland too small to be a useful model for other crisis countries? Well, it could be. Iceland's export sector is, thanks to its small size, not very diverse. And if the recovery had been all about fish or aluminum, it wouldn't be much of a lesson to anyone else. As it

happens, however, that is not what it is about. I guess the general point is that when trying to learn from some country or region's experience, you should always ask, is this place a reasonably good model for other places? It is not a matter of head counts or acreage, it is about the story."

Mr. Chairman, this is our 27th hearing. You pointed out we are interested in energy production and the question of a struggling economy. Where are the hearings on global warming and climate change? They affect those two other issues as well, as many other matters that are affecting the American people. I yield back my time.

[The prepared statement of Mr. Waxman follows:]

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Mr. Whitfield. Thank you very much. And that concludes today's opening statements, and so at this time, I would like to introduce the members of the first panel, and first of all, we have with us this morning Mr. Michael Nedd, who is the Assistant Director of Minerals and Realty Management at the Bureau of Land Management; we have Ms. Mary Wagner, who is the Associate Chief of the U.S. Forest Service; and we have Mr. Adam Sieminski, who is the administrator of the U.S. Energy Information Agency.

I want to thank all of you for coming. We appreciate your being here very much, and we look forward to your testimony, and each one of you will be recognized for 5 minutes, and I know you have done this before, but there is a couple little boxes on the table, and when the time is up, the light will turn red, and while I won't cut you off immediately, at least when you see red, you will recognize that, hey, I think my time is getting close to being up.

So, Mr. Nedd, we will recognize you first for a 5-minute opening statement.

**STATEMENTS OF MICHAEL D. NEDD, ASSISTANT DIRECTOR, MINERALS AND REALTY  
MANAGEMENT, BUREAU OF LAND MANAGEMENT; MARY WAGNER, ASSOCIATE CHIEF,  
UNITED STATES FOREST SERVICE; AND ADAM SIEMINSKI, ADMINISTRATOR,  
UNITED STATES ENERGY INFORMATION ADMINISTRATION**

**STATEMENT OF MICHAEL D. NEDD**

Mr. Nedd. Good morning, Mr. Chairman and ranking members and members of the subcommittee. Thank you for the opportunity to discuss the role of the Bureau of Land Management in facilitating responsible development of oil and gas resources from our Nation's public land. The BLM is responsible for protecting the resources and managing the use of our Nation's public land on over 245 million surface acres, approximately 700 million acres of onshore subsurface mineral estate, and 56 million acres of Indian trust land. We work closely with State governments and other Federal agencies in the management of this subsurface mineral estate.

The BLM manages public lands on very complex, multiple use mandate from Congress, and consider a wide variety of factors in land management decisions, including industry interests, conservation value, as well as other potential use of the public lands.

In addition to oil and gas production, the BLM's unique multiple use management of public lands also includes activities such as livestock grazing, outdoor recreation, solid minerals development, and

the conservation of natural, historical, cultural, and other important resources.

Secretary Salazar has emphasized that the development and production of conventional energy resources from BLM-managed public and Indian lands, are an important component of the new energy frontier and play a critical role in meeting the Nation's energy needs. In 2011, conventional energy development from public and Indian trust land produced 14 percent of the Nation's natural gas, 6 percent of its domestically-produced oil. In fiscal year 2011, onshore Federal oil and gas production resulted in nearly \$2.9 billion in royalties, approximately half of which was paid directly to the States in which the development occurred.

The geography of resource occurrence and the relative economic attractiveness of development are key factors impacting discoveries and production level on both Federal and non-Federal lands. Currently, there are more than 37 million acres of public lands that are leased for oil and gas development. Only about 12 million acres are under production. There are huge potential oil and natural gas plays in the Marcellus, Fayetteville, Barnett, Niobrara, and Bakken shale formation where there is an abundance of oil and gas. These geological formations exist largely on State and private minerals estate. The fact that only one-third of Federal leases are in production may be partly attributable to the abundance of oil and gas in these shale formations on the State and private land and to low natural gas prices relative to the price of oil.

The BLM is working on a variety of fronts to ensure that development occurs efficiently and responsibly, including implementing leasing reform, implementing a new automated tracking system designed to expedite the review for a drilling permit, improving inspection, enforcement, and production, accountability, reviewing hydraulic fracturing policies and practices, and carefully planning for development in the National Petroleum Reserve in Alaska.

Leasing reform is designed to provide greater predictability and certainty that those leases will ultimately be developed and produced. The leasing reform also provides more certainty to industry by enhancing the BLM's ability to resolve protests prior to lease sales. BLM's ongoing effort to ensure efficient processing of oil and gas permit applications on both Indian trusts and Federal lands, the BLM will implement a new automated tracking system that is expected to reduce the review period for drilling permits.

The BLM continues to work to strengthen its oil and gas inspection, enforcement, and production accountability program. These inspections ensure that leases meet important environmental and safety requirements, and that the reported oil and gas volumes matches actual production. Increases in oil and gas production nationwide are the result of improved drilling and hydraulic fracturing technique. As part of the Department's effort to ensure that oil and gas development is taking place on public land in a responsible and environmentally sustainable manner, the BLM proposed measures to create a consistent framework to strengthen the requirements for

hydraulic fracturing performed on Federal and Indian trust land and protect the health of communities.

Mr. Chairman, thank you for the opportunity to testify. I will be happy to answer any questions you may have.

Mr. Whitfield. Thank you, Mr. Nedd.

[The prepared statement of Mr. Nedd follows:]

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Mr. Whitfield. And Ms. Wagner, you are recognized for a 5-minute opening statement. I also want to just make a comment that I really appreciate the great job you all do managing the Land Between the Lakes and national forests, 170,000 acres. We appreciate the good job you do there.

#### **STATEMENT OF MARY WAGNER**

Ms. Wagner. Thank you, Mr. Chairman. Good morning, and members of the committee as well. I appreciate the opportunity to offer just a few brief points this morning on oil and gas development on national forests.

Congress entrusted the Secretary of Agriculture with broad powers to protect and administer the national forest system by passing laws such as the Organic Act, the Multiple Use Sustained Yield Act, and the National Forest Management Act. The Multiple Use Sustained Yield Management Act established multiple use as the foundation for management of national forest and grasslands, calling for management of various uses in a combination that best meets the needs of the American people.

The people that we serve want many things from our forests: Clean air, clean water, timber, forage, fish and wildlife habitat, opportunities for outdoor recreation, and the topic of this hearing today, oil and gas resources. Congress also enacted laws giving us the basic framework for making decisions. The National Environmental

Policy Act instructs agencies to assess environmental effects of proposed actions before we make decisions. NEPA's major purposes include disclosure of environmental effects, involvement of the public, and making informed decisions based on environmental analysis, which often includes mitigation for the proposed action of the project implementation.

The Forest Service is committed to effectively managing mineral resources to facilitate energy transmission in a responsible manner and to sound development of renewable and nonrenewable energy. Currently, we have authorized almost 20,000 active wells on national forest system lands in 19 States, and there are over 7,000 oil and gas leases covering 5.5 million acres on national forests and grasslands. While overall production of oil and gas from national forests is relatively small, it is an important economic and job-producing driver. The value of all energy and mineral production from national forests exceeds \$6.5 billion per year, and mineral and energy development on national forests support an average of 110,000 jobs. This employment is keenly important to local communities and the Nation.

Oil and gas development is an important component of the Nation's energy portfolio, with potential to advance our Nation's energy security, improve air quality, and create jobs. The responsibility of the Forest Service is to safely and responsibly develop these resources in a way that ensures the well-being of surrounding communities and protects our landscapes and watersheds.

I look forward to working together to ensure the stewardship of

our Nation's forests and grasslands continues to meet the desires and expectations of the American people. I look forward to answering your questions.

Mr. Whitfield. Thank you very much, Ms. Wagner.

[The prepared statement of Ms. Wagner follows:]

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Mr. Whitfield. And Mr. Sieminski, you are recognized for 5 minutes.

**STATEMENT OF ADAM SIEMINSKI**

Mr. Sieminski. Mr. Chairman, members of the subcommittee, I am really pleased to have the opportunity to appear before you today. Although I have testified here in the past, this is my first congressional hearing as EIA administrator. The Energy Information Administration is a statistical and analytical agency within the Department of Energy. By law, its data, analyses, and forecasts are independent of approval by any other officer or employee of the U.S. Government. Yesterday, EIA released its 2010 report on U.S. crude oil and natural gas reserves. The numbers are big.

Net additions to oil and gas proved reserves were, by a large margin, the highest ever recorded since EIA began publishing proved reserve estimates in 1977. Oil proved reserves increased by 12.8 percent during 2010 to 25.2 billion barrels, led by Texas, North Dakota, and the Federal Gulf of Mexico. U.S. proved reserves of wet natural gas increased by 12 percent, ending the year above 300 trillion cubic feet for the first time ever. Texas, Louisiana, and Pennsylvania had the largest increases. One observation worth noting in figure 5 of my testimony is that the Nation's shale resource basins, which have been mainly responsible for the increases, are largely located outside of Federal lands.

Moving to current production, EIA estimates that oil production in the U.S. averaged 6.2 million barrels per day during the first 5 months of this year, the highest level since 1998. The tight oil plays in North Dakota and Texas are leading the charge in this gain. EIA forecasts that 6.7 million barrels per day of oil output will be seen in 2013. Oil production on non-Federal lands increased by 385,000 barrels a day last year, again, largely because of the tight oil plays in North Dakota and Texas. This level of output currently stands at about 4 million barrels a day. Oil production from Federal lands is dominated by the Outer Continental Shelf, which is driven by the timing of major deepwater development projects. After increasing for several years to reach 2 million barrels a day, production decreased in the aftermath of the 2010 Macondo blowout in the Gulf of Mexico, currently stands a bit under 2 million barrels a day.

U.S. natural gas production has been driven upward recently by shale gas, especially the liquids-rich production areas such as the Eagle Ford in Texas and the wet areas of the Marcellus shale formation in Pennsylvania. EIA expects continued growth in gas production in 2012 and 2013, though not as strong as the 2010 to 2011 period because of lower natural gas prices. Current total U.S. gas production is over 68 billion cubic feet per day. Production of natural gas on non-Federal lands has increased steadily by over 16 billion cubic feet a day across the last 6 years, led by shale resources to surpass 50 bcf a day.

Meanwhile, Federal offshore natural gas production has been on

a downward trend for the last 9 years, falling by more than 50 percent, as commercial development moved from the gas-prone shallow shelf areas in the Gulf of Mexico to the richer oil-prone deep waters further out in the Gulf. Production from onshore Federal lands was generally growing over this period and actually exceeded the offshore production by 2008.

EIA estimates for the non-Federal oil production are based on monthly data from State agencies and purchased third-party data. The lag from when the data are first reported to the time that they stop changing significantly varies from State to State. A few States, like North Dakota and Alaska, report relatively complete data within 2 months of the close of the production month. Other States with large numbers of producers, like Texas and Oklahoma, can take a year or two to report complete data. For the Federal offshore area, EIA relies on the metered data from the Department of the Interior.

Unlike oil production, EIA collects data on natural gas production from about 240 operators each month. This EIA survey primarily covers five States and the Federal offshore Gulf of Mexico. Though more accurate than the oil production estimates, the current natural gas monthly production survey does not collect data on Federal lands or from some of the emerging shale States like Arkansas and Pennsylvania. In its Federal year, fiscal year 2013 budget, EIA has proposed a small increase in funding to improve the timeliness and accuracy of all of the oil and natural gas production data. This proposal would increase data quality as well as enable EIA to identify

and report these trends affecting the Nation much sooner.

Finally, Mr. Chairman, I want to highlight for the committee members the importance of technically recoverable resources, also known as TRR. This is a common measure of the long-term viability of U.S. domestic oil and natural gas as an energy source. These important estimates are a work in progress. They change with production experience as new production technologies are applied to these resources. The uncertainties and complications associated with these estimates are discussed in my written testimony. Thank you very much for the opportunity to testify before you today, and I look forward to your questions.

Mr. Whitfield. Thank you, Mr. Sieminski.

[The prepared statement of Mr. Sieminski follows:]

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Mr. Whitfield. And now we will recognize ourselves for 5 minutes of questions, and I will begin with myself.

So, Mr. Nedd, back in March, former BLM director Bob Abbey was testifying in a Senate Appropriations Committee, and he said that since energy companies face fewer costs and regulations when they operate on non-Federal lands, that many drilling rigs are moving away from Federal lands to non-Federal lands, and on the Outer Continental Shelf, many rigs are just leaving U.S. territorial waters and going elsewhere. Do you agree with that statement or not? With his statement?

Mr. Nedd. Mr. Chairman, I can say that companies, where they develop, where they decide to seek development is economics and is based on their interests.

Mr. Whitfield. Would you mind moving your microphone closer.

Mr. Nedd. I am sorry, Mr. Chairman, the mic wasn't on. I would say that companies certainly make decisions based on economics and other type of factors as to where they will develop, and so whether companies are developing on Federal land or State land depends on their economic factors, on what they are trying to achieve, and the Bureau of Land Management tries to support based on the interest they express in our lands.

Mr. Whitfield. I agree with you that they look at economic circumstances, a lot of different factors, but are you aware that there is a trend moving away from Federal lands to non-Federal lands or not?

Mr. Nedd. Well, Mr. Chairman, as we have heard here this morning, certainly industries are looking to see, they are moving to where

development of oil or where gas, and most of the large plays are on private and State lands, and so therefore, industry are going where it is best for them to develop that energy.

Mr. Whitfield. Secretary Salazar recently made the comment that he believed that hydraulic fracturing really needed to be regulated by the Federal Government because a lot of States do not regulate hydraulic fracturing. Could you tell us what States do not regulate hydraulic fracturing that you are aware of?

Mr. Nedd. Mr. Chairman, I don't have that information directly at hand, and we will be glad to provide it.

Mr. Whitfield. Okay. So you are not aware of which States do not regulate?

Okay. Between 2008 and 2011, the number of drilling permits approved by Interior for drilling on Federal lands decreased significantly, about 37 percent decrease. Do you have any idea why it decreased by that amount? To be specific, in 2008, they approved over 6,000 drilling permits, and in 2011, approved a little over 4,000, and I was just curious, to what do you attribute that, the reason for that?

Mr. Nedd. Yeah, Mr. Chairman, certainly in 2008 industries, again, submit applications for drilling permits as they see fit, and what industries submit we will process, and so, again, there are many factors that go into why industries may or may not submit application permit to drill.

Mr. Whitfield. Do you know how many applications were submitted

in 2011?

Mr. Nedd. Mr. Chairman, we indicate somewhere. I don't have that number right here. I will get it for you. I had it in the back of my mind.

Mr. Whitfield. Do you know how many were submitted in 2010?

Mr. Nedd. Yes. Applications received or that was submitted by industry was in 2011 was over 4700 and in 2010 was over 4200.

Mr. Whitfield. In 2010, of that 4200, how many did you all approve?

Mr. Nedd. Mr. Chairman, we processed 5200 applications in 2010.

Mr. Whitfield. And how many were approved?

Mr. Nedd. Over 4500 was approved.

Mr. Whitfield. And from the time that an application is submitted to approval, normally how much time would that take?

Mr. Nedd. Mr. Chairman, that depends on a variety of factors. Certainly from the time an application is submitted, our records show it takes an average of about 300 days, but some 200-plus days are spent waiting on industry to submit information. Once the BLM has a completed application, we estimate it takes -- it varies, but it takes sometime up to about 70 days to process, to approve an application.

Mr. Whitfield. So from the time you get the data you need from the company, it takes 70 days on the average to approve a permit?

Mr. Nedd. On an average.

Mr. Whitfield. I see my time has expired, Mr. Rush, so I will recognize Mr. Rush for 5 minutes.

Mr. Rush. I want to thank you, Mr. Chairman. Mr. Sieminski, my friends on the other side of the aisle continue to claim that the oil industry is a victim of the administration's policies on oil and gas development on public lands. However, you testified that domestic oil production is actually the highest it has been since 1998, and that the annual production of natural gas will continue to rise.

Do you expect this trend to continue? And do you have anything to say about your forecast for energy, future energy production in the U.S.?

Mr. Sieminski. Thank you, Mr. Rush. The EIA projects that U.S. oil production will continue to increase all the way out to the year 2035. The situation for natural gas is complicated by the fact that prices have fallen because of the tremendous productivity of the gas wells that have been drilled recently. That has caused a rig count, the number of drilling rigs for natural gas to fall to a very low level. That could begin to impact production several years out if we don't begin to see natural gas prices climb back up to levels that support continued development activity.

I think it is fair to say that there are opportunities for further production of both oil and natural gas on Federal, State, and private lands and that some of the policy issues associated with how quickly those resources are developed drive the discussion of how high oil and gas production could go and over what time period. As you know, EIA is not a policy organization, and our forecasts are based on existing laws and technology and economics.

Mr. Rush. Right. Well, am I right, or would you agree that there is a boom in the oil industry right now, that we are in boom times?

Mr. Sieminski. There certainly is a tremendous rate of activity taking place, particularly in the shale resource-prone areas in the United States. Growth in those areas is being driven by the application of technology, 3D seismic activity, horizontal drilling, fracturing, hydraulic fracturing, multi-stage fracturing, completions, multiple completions being done off of single drilling pad locations. In the offshore area, subsea completions have enabled development in deeper and deeper waters. So, yes, Mr. Rush, I agree with you that there is a boom going on in U.S. oil production.

Mr. Rush. Well, thank you. It seems to me that especially as it relates to energy, good times are here again.

I want to ask the other witnesses about the role of industry in oil and gas production. Of course, the government doesn't drill for oil or gas, the government just makes the land available to industry so that they can drill for oil and gas. We might benefit from a better understanding of how they decide where they would like to operate. Mr. Nedd, can you discuss the role industry plays, the factors that they consider when deciding whether to produce oil and gas on land managed by the BLM?

Mr. Nedd. Yes, Mr. Ranking Member. Certainly industry began with expressing an interest, and from that expression of interest, the BLM will complete the required environmental order type of analysis. Once industry is given a lease, industry, it is then up to industry

to submit an application for a permit to drill, and then looking at those actions, the BLM considers, again being a multiple use agency, what are the other values that may be impacted from that development and how best to mitigate it. The BLM looks at things such as conservation, recreation, all that type of factors, and in trying to strike an environmentally balanced approach to that development.

Mr. Rush. Can the Federal Government order, force someone to drill or produce oil and gas to meet the requirements of the lease?

Mr. Nedd. Absolutely not.

Mr. Rush. So if no drilling occurs on leased lands and the lease expires, do we have any responsibility to the leaseholder?

Mr. Nedd. Not if they expire, Mr. Ranking Member.

Mr. Rush. Thank you, Mr. Chairman.

Mr. Whitfield. The gentleman's time has expired. At this time, I recognize the gentleman from Michigan, Mr. Upton, for 5 minutes.

The Chairman. Well, thank you. Thank you, Mr. Chairman, and Mr. Sieminski, welcome in your new position as -- I know you have been here before, and we are delighted that you are here, and we look forward to a very good relationship.

Mr. Sieminski. Thank you, Mr. Upton.

The Chairman. I have to say, for a long time, I have been an advocate for a North American energy independent plan. I think we can actually do it if you put all the pieces together, and I would like to get your comments on that, and I want to -- before I do, I want to just roll through some numbers and see if you think that we are right

on this.

According to your estimates, we use about and have been using about 18 million barrels a day of liquid fuels for transportation, which is about the same volume in the future because of our auto efficiency standards, we have made great strides there. On the supply side our, my numbers show that we produce about half of that now. Oil production, as you said, is about 6.2 million barrels a day, natural gas liquids nearly 2-1/2 million, biofuels account for about a million, so that is about 9-1/2 million. Our imports from Canada and Mexico, about 3 million barrels a day, I think. I know from Canada oil sands we get about a million barrels a day, so that leaves us about 6 million barrels a day that we have to get from someplace else, mostly overseas.

So some of the outside estimates show that we could bring in from oil sands like Keystone -- Keystone, I think, was about, what, 700,000 barrels a day in terms of that line? And I know as I have visited some refineries in the Midwest, the BP -- or, excuse me, the Marathon refinery outside of Detroit just expanded by \$2.2 billion to account for oil sands. I know the BP refinery over in Whiting, Indiana, they have spent more than \$3 billion expanding their capacity trying to get ready for oil sands, not necessarily from Keystone. But the Canadian folks tell us that they are likely to get up to as much as 4 million barrels a day from Canada before the end of the decade if things proceed well.

Your testimony cites the tremendous reserve increases with State and private land shale production, and I think there are some outside

estimates that show that we could see an increase in production of about 4 million barrels per day before the end of the decade. I don't know that that is quite your estimates, but some outside interests show that. Alaska, I don't know that it is in their testimony today, but the TAPS pipeline capacity we know has declined, this was a pipeline that was built for as much as 2 million barrels per day.

Today they are quite a bit less than that. I want to say 600,000 barrels per day, and it has been declining by about 8 percent a year, but if, in fact, we were able to increase production in Alaska, perhaps we could get back up to where we thought, and then, of course, as you indicated in your testimony, production in the Gulf has declined, I want to say by about 100 million barrels last year. But if, in fact, we could increase production, some outside estimates again 2-1/2 million barrels per day before the end of the decade, we are there, right? I mean, we are there in terms of what our needs are and what we can get from Canada, Mexico. Mexico has been declining, I know, but with the Gulf and Alaska, we really could get a North American energy independent plan. Is that right?

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[10:00 a.m.]

Mr. Sieminski. The term that I think I would prefer to use is "self-sufficiency."

Mr. Upton. Works for me.

Mr. Sieminski. Let me try to put some numbers on this for you, Mr. Upton. I will speak first about just the U.S. alone.

So, total oil liquids production in the U.S. is running at about 10 million barrels a day. I mentioned in my testimony the phrase "technically recoverable reserves," or TRR. Under our reference case assumptions in the EIA's Annual Energy Outlook, we believe that production will climb to about 12.5 million barrels a day by 2035. In the high-TRR case, so that is an optimistic view of the resource base, tight shale oil production could climb from a little over a half a million barrels a day now, maybe, you know, somewhere between a half a million to a million barrels a day, to well over 2.5 million barrels a day by 2035. So what that suggests is that there is a possibility that you could get U.S. oil production up to about 15 million barrels a day by 2035.

In the reference case, as you indicated, with oil demand in the U.S. running 18 million to 19 million barrels a day, with population growth and economic growth, EIA actually expects total oil demand will decline to about 20 million barrels a day by 2035. However, under a

more aggressive efficiency scenario -- higher fuel efficiencies for cars, faster penetration of electric vehicles -- that number could actually come down to about 18 million barrels a day.

So in the EIA reference case, we have net imports in 2035 falling from about 46 percent last year to 36 percent in 2035. It could get down to as low as 14 or 15 percent. We would still be importing oil in the U.S., but a lot of that would be coming from Canada. And that would lead back to your point.

Mr. Upton. So, as a bottom line, with North America we could do it when you include Canada and Mexico.

I know my time has expired, and I appreciate the chairman being generous. Thank you. I yield back.

Mr. Whitfield. Thank you.

At this time, I will recognize the gentleman from Illinois, Mr. Shimkus, for 5 minutes.

Mr. Shimkus. Thank you, Mr. Chairman.

And it is great to have you here. You know, being on the Energy and Commerce Committee, we don't normally get BLM folks and Forest Service folks, so it is, for me, a pleasure to have you here.

Mr. Sieminski, good to see you again. Appreciate it. And I am getting a greater appreciation for independent agencies within bureaucracies. We appreciate your work, the difficult balance you have to have. But, really, you are just calling the cards as they are laid out in front of you, and we don't always do that up here, so I think we -- I, personally, appreciate this.

You know, my first analysis as I was listening to the opening statements and some of the questions is, you know, there really is no reason we should have a recession currently if we release our energy companies to explore, identify, and recover our energy resources. There is really no reason we should be held captive to imported crude oil if we released our energy companies to explore, identify, and recover. There is no reason for us to continue to have a negative balance of trade and continue to be a borrowing country when we could have a positive balance of trade and we could turn into a lending company if we released our energy companies to explore, identify, and recover.

And I think the analysis here -- I think this is a great hearing. Even in my own district in southern Illinois, where is my oil and gas exploration and recovery going on? It is going on on State land and on private property. Our biggest oil well is under a State wildlife refuge, underneath the lake. It has been producing now for about 10 years. The fracking boom is coming to southern Illinois, and there are a lot of exciting opportunities there, especially for rural, small-town America.

So this is a good comparison and contrast, and I am glad the chairman has brought it up. I also visited Tulsa, Oklahoma, and right outside their State capitol they have an oil derrick, I think it is Old Rosie or something they call it, because they produce oil right on State lands right next to the capitol. So, again, a good reason to have this hearing.

Also, Ms. Wagner, I also have a national forest, the Shawnee

National Forest. Allen Nicholas is the supervisor. One of the benefits -- this gives me a chance to publicly proclaim what a great job he does. What has been beneficial is having a supervisor stay on site for many years. When I first got on site, they were swapping them out almost on a yearly basis. Relationships weren't made with all the exciting parties that get involved with forest issues.

But I do like the fact that a national forest is for all citizens, for the recreators, for the conservationists. In your testimony, you talk about the productive possibilities. We are now going through a possible timber harvest, and its nonnative species. So it should be a win-win. Of course, it is not, with the fights that happen when you have to represent a national forest.

But we hope that is something that can continue to move forward, which I do think is a win-win. We have horseback riders back in the forest with well-maintained trails. But it takes work, just like anything else. So I want to put that publicly on record and look forward to working with the Forest Service, hopefully, if the voters allow me to, for years to come.

Quickly, I think, Mr. Nedd, I want to talk about the 5-year OCS leasing plan that is currently being proposed by Secretary Salazar. It has the fewest proposed number of lease sales ever submitted by an administration, going back to President Carter.

Is the administration concerned about the possible economic impact of the fewer leases being available and the possible job impact that that could have? Do you know?

Mr. Nedd. Congressman, I am sorry. I can take back that question and have an answer for you.

[The information follows:]

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Mr. Shimkus. Yeah, because we always hear -- I mean, we got involved with the rules and regulations, the environmental concerns, but we want to focus on jobs and the job impact, so that is why that question kind of comes out.

And let me just follow up on this. There is always this debate on leases versus drilling. And I heard my colleague from Illinois mention that also. But just because a private sector has a lease and they are prepared to drill, they need permission to drill; is that correct?

Mr. Nedd. Yes. Yes, Congressman.

Mr. Shimkus. And who provides that permission?

Mr. Nedd. If it is a BLM-managed or Indian trust land, permission to drill, if it is surface-managed by the BLM, will be BLM. If it is on a Federal surface agency, then it is a joint effort, where we work with those agencies to ensure the drilling plan is consistent with the surface use plan and --

Mr. Shimkus. So just because there are numerous leases, no one should assume that that right to drill is automatically given to someone who has a lease.

Mr. Nedd. Well, Congressman, I would like to frame -- with a lease, the operator or the leaseholder can submit an application for drilling anytime. And until that application is submitted to drill, the agency has no action to take on that lease.

Mr. Shimkus. Well, and I am not trying to get -- but we are wordsmiths up here, and sometimes we try to leave out some of the truth

in between our provided statements.

The point is, a lease is an attempt for industry to figure out if there is something to recover. They do the search. Then they have to, if they find something -- they may not find something, and so then they don't need to operate and continue forward on the lease. But then if they do, then they have to go through the process of an application to drill. It is a long process.

Mr. Nedd. It is a long process. And a lease is issued, a Federal lease is issued for 10 years, and so there are a number of factors. And industry tends to look at where developments are going on and submit for a lease. And so, there are a number of factors, but, yes, once a lease is issued, it takes an action from the lessee.

Mr. Shimkus. Thank you very much.

Mr. Whitfield. The gentleman's time has expired.

At this time, I will recognize the gentleman from Virginia, Mr. Griffith, for 5 minutes.

Mr. Griffith. Thank you, Mr. Chairman. Appreciate it.

Mr. Sieminski, I was listening to your answers to Congressman Rush, and I got the impression that you feel that it is likely that natural gas prices will go up because they are historically at all-time lows and the production will slack off if they don't go up. So, one way or another, you are going to have prices go up. They either go up because of natural economic forces or they go up because the supply starts to diminish because there is no exploration because the price is so low. Is that a fair statement?

Mr. Sieminski. Yes, sir.

Mr. Griffith. Okay. And I appreciate that.

And I am curious about the U.S. Geological Survey issues that you raised. It appears that you all rely on their data to develop resource estimates for oil and gas. And you mentioned that they have not yet developed resource estimates for formations that have recently gone into production.

What formations has the United States Geological Service not yet developed estimates for?

Mr. Sieminski. I think one of the most important ones is Utica. It covers Ohio and parts of Pennsylvania.

Mr. Griffith. Okay.

Mr. Sieminski. They just finished their assessment of the Marcellus through Virginia, West Virginia, Pennsylvania. And even that assessment was based on a large sample of vertical wells and not as many of the horizontal wells which are typically being drilled by the industry.

Mr. Griffith. Do you think that may have created an underestimate of the amount of gas that might be available there?

Mr. Sieminski. I think it is possible that what we will find is that, as the production data begins to come in -- and Pennsylvania is one of the States that has significant lags in its reporting of production data -- that we will begin to see those numbers inching up. EIA would reflect that in its estimates of proved reserves and production potential. Typically, the Geologic Survey runs on a 5- to

10-year schedule before they would get back to looking at a formation after they have done an assessment.

Mr. Griffith. Okay.

And are there any other areas that you all believe that the USGS needs to provide updated information on to better gauge oil and gas?

Mr. Sieminski. There isn't any other area that comes to mind right now. I would be happy to come back to you if we could nail down additional places.

Mr. Griffith. And I don't guess you can shift more of that Marcellus into Virginia.

Mr. Sieminski. It would be -- well, you know, this is actually a good time to say that the development that takes place, whether it is on Federal lands, private lands, State lands, there is a balancing that has to take place. And the balancing is the economic considerations against environmental considerations, national security, and lots of other factors that have to be considered, as have been brought up by my colleagues from BLM and the Forest Service.

Mr. Griffith. Thank you very much.

Mr. Chairman, with that, I will yield back.

Mr. Whitfield. The gentleman yields back.

At this time, I will recognize the gentleman from Colorado, Mr. Gardner, for 5 minutes.

Mr. Gardner. Thank you, Mr. Chairman.

And thank you to the panel for joining us today for this discussion.

And I just wanted to read some statistics that I have before me from the Western Energy Alliance, who we will hear from in a few minutes. And their statistics show that, between 2008 and 2011, the Bureau of Land Management offered 81 percent less acreage, which has resulted in a 44 percent drop in leasing revenue, and that, nationwide, royalty and leasing revenue has declined by 12 percent.

In my district, the Niobrara Formation, Denver-Julesburg Basin, we have seen one county in particular in northern Colorado, one county, Weld County, has 31 oil and gas operators in that county. Two of the oil and gas operators recently made their property tax payments, I believe for 2011. One of the operators paid \$52 million in property taxes. Another operator paid \$57 million in property taxes. This is a county with a budget of about \$200 million, and they paid \$109 million. Just 2 out of the 31 paid \$109 million in property taxes -- money that goes to the schools, money that goes to the community college, money that goes to the county.

And so I am very concerned when we talk about 81 percent less acreage available, a 44 percent drop in leasing, and 12 percent drop in revenue. In Colorado alone, BLM has issued 97 percent fewer leases, just offering four parcels in 2011 -- a 98 percent decrease in the leases that have been made available in Colorado. Seventy-one percent of the leases offered have been protested.

And so I want to clarify, if I could, Mr. Sieminski, a little bit about something in your opening statement and a little clarification. You had said that since development is taking place on non-Federal

land -- let me rephrase that. You make a statement in your statement that the fact that development is taking place on non-Federal land, it is simply because geology favors non-Federal land. But doesn't that statement ignore research by other Federal agencies like GAO, the Government Accountability Office, that has testified that the Green River Formation, which lies beneath Colorado, Wyoming, Utah, contains over a trillion barrels of recoverable oil?

Mr. Sieminski. I think that it is going to vary from State to State. And as more experience is gained with shale formations, I think we might discover that there are, indeed, places on Federal lands that are suitable for development.

Just as another example, in the Annual Energy Outlook that EIA published last month, we did point out that the trans-Alaska oil pipeline throughputs are beginning to diminish and that that could result in flow problems up there. And, obviously, there are Federal lands in Alaska that could be developed that would potentially add to oil production.

Mr. Gardner. But it is not entirely true that geology is vastly different on Federal land and private land. I mean, that is not entirely true. We have seen reports here.

Mr. Sieminski. Well, it would just depend on where the that geology happened to fall.

Mr. Gardner. Right. It is going to vary across the -- I would agree with you there. It varies.

To Mr. Nedd and Ms. Wagner: Governor Hickenlooper of Colorado

stated, and I quote, "There have been tens of thousands of wells in Colorado that have used hydraulic fracturing to increase their productivity, and we can't find anywhere in Colorado a single example of the actual process of fracturing that has polluted groundwater."

Mr. Nedd, would you agree with that statement that Governor Hickenlooper has made?

Mr. Nedd. Congressman, what I can say is, within the Federal lands that BLM manages, we have no documented case of that. I can speak from the Federal lands.

Mr. Gardner. Thank you.

Ms. Wagner, would you agree with that statement?

Ms. Wagner. That is true for activity on national forests.

Mr. Gardner. And to Mr. Nedd, you are currently undergoing a rulemaking on hydraulic fracturing. How much will these rules add to the cost of drilling?

Mr. Nedd. I am sorry, what is the question?

Mr. Gardner. BLM is currently undergoing a rulemaking on hydraulic infrastructure. Do you know how much these rules will add to the cost of drilling?

Mr. Nedd. Congressman, based on the assumptions in our economic analysis, I believe we said it would increase an average of somewhere around \$10,000 to \$13,000. I would have to get that exact figure. But that economic analysis was based on some assumptions that were made.

Mr. Gardner. And according to some experts, they believe that the cost will actually be around \$250,000 to each new well, not to

mention permitting delays and others. Do you dispute those numbers, and why?

Mr. Nedd. Well, again, Congressman, I don't know what is making up those numbers, so I cannot speak to them.

Mr. Gardner. And I have a number of other questions, Mr. Chairman, but I see my time has expired. If I could be allowed to submit questions for the record, I would truly appreciate it.

Mr. Whitfield. Absolutely.

[The information follows:]

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Mr. Whitfield. The gentleman's time has expired.

At this time, I will recognize the gentleman from California, Mr. Bilbray, for 5 minutes.

Mr. Bilbray. Thanks. I appreciate it, Mr. Chairman.

Mr. Nedd, we had an interesting situation in California. With all the talk of the Interior Department trying to cooperate on wind and solar projects, how long has it taken to permit the land for solar or wind in the Mojave Desert? I mean, how long have we been working on this?

Mr. Nedd. Well, Congressman, I don't have the exact numbers here. I know we have been working on that process for a little while. I just don't have the exact -- and I will be glad to get back to you.

[The information follows:]

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Mr. Bilbray. Here is a problem we -- my scientists came -- in San Diego, our University of California scientists developed an algae strain to develop true gasoline, true diesel. When they, as State employees, when they looked to go to production in the State of California, they found out that they could not get the permits to go into production for 7 years. So they literally packed up and left the State because government regulations made it impossible to implement a green strategy.

What is the possibility of the Federal Government being proactive on our lands, such as the area in Imperial Valley, which scientists have identified as being, they said, quote/unquote, pristine, perfect for the generation of green fuels based on slope and sunshine and everything else -- what would it take for us to create a Federal green zone to encourage the production of algae production on Federal property rather than these scientists having to leave town and go thousands of miles to the east?

Mr. Nedd. Congressman, while I can't speak to the specific, again, issue raised, what I can say is that the BLM is certainly proactive in trying promote the development and production of energy -- hence, leasing reform. The BLM implemented that leasing reform to bring more certainty to --

Mr. Bilbray. But you admit that even with a Federal mandate on -- and, in fact, I remember, it was Feinstein who worked this out -- even with a Federal mandate, it has taken years to be able to permit the siting of green technologies on our Federal land. That is

fair to say, isn't it?

Mr. Nedd. Again, Congressman, I don't have the information to speak specifically to that. And I would --

Mr. Bilbray. Okay. Well, I am just telling from your observation, it has taken years and years.

My question is, would the administration have opposition to this Congress setting aside specific locations on Federal property to be pre-permitted under the Clean Water, Clean Air, Endangered Species Act for the production of green fuels, so that when the next group of scientists need to look for a site, they know they can come to the Federal Government, they won't have to wait 7 years, and they know where they could go to go into production? Would the administration support the pre-permitting of sites on Federal property for the development of green fuels?

Mr. Nedd. Congressman, that is certainly an interesting proposition, and I would be glad to take it back and respond to your question.

Mr. Bilbray. Okay.

[The information follows:]

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Mr. Bilbray. Well, let me just say this, Mr. Nedd. My concern is that we have spent billions of dollars talking about green technology, but we have spent such little time talking about how the government can change our regulations so that the implementation of a green strategy is actually legal, let alone more feasible. And it is sad that we haven't talked about the obstructions that the government regulations have made to appropriate green technology. We have always talked about how much money we can give away, rather than talking about how much we can change our operations.

And, Mr. Chairman, I think that we need to focus more on that. And I think that is someplace that Democrats and Republicans ought to agree on, is the fact that, what isn't the Federal Government, in our regulatory oversight, doing appropriately to allow appropriate technology to be moved forward? It is not just about oil and gas. The obstruction of Federal regulation stands in the way of all kinds of stuff.

And I will give you an example. I have a bill that I have introduced with the gentleman from Tennessee to streamline the permitting process for putting solar panels on top of houses. When the industry comes to me -- and I would ask my Democratic colleague to understand this -- when the industry that puts solar panels on the house says it costs as much to get a government permit, a license, to put the panels on as it does to make the panels per kilowatt, that should be something that both sides can say, if you want to talk about energy independence and if you want to talk about clean energy, then you have

a responsibility to straighten out the regulatory morass that is blocking the implementation.

You can talk all you want, you can write as many checks and give all the grants, but if you are not going to make it legal to do the right thing from the green fuel technology, I don't think anyone has a right to stand up and talk about it.

I yield back, Mr. Chairman. Thank you.

Mr. Whitfield. Thank you very much.

At this time, I will recognize the gentleman from Nebraska, Mr. Terry, for 5 minutes.

Mr. Terry. Well, thank you, Mr. Chairman, for another good, interesting hearing on an important issue.

Mr. Nedd, I will ask you, the 5-year OCS leasing plan that Secretary Salazar recently unveiled I believe would reinstate by regulatory policy the moratorium in the gulf that was lifted in 2008 when we experienced that incredibly high spike in prices and people rose up and demanded action. And under a Harry Reid-run Senate and Nancy Pelosi-run House, there was a very bipartisan vote and effort to lift the moratorium. That seems to have been put back in place now, at least for 2012 to 2017, and remove the possibility of even drilling off Virginia coast, and delays for years any drilling off of the Alaska coast.

So doesn't this leasing plan encourage energy companies to move away from Federal lands, even to other countries like Brazil, which seems to be now part of our DOE policy, and to develop resources in

other areas than Federal lands? Has your department reviewed whether that is a disincentive to investment in the United States?

Mr. Nedd. Congressman, I am not aware of whether that has been analyzed or not. And, again, with respect to that, I would love to take that question back and provide you with an answer.

Mr. Terry. But everyone is in agreement that this new 5-year plan from 2012 to 2017, this new 5-year plan reinstates that moratorium within its rules and regulations as it is drafted. Is that a fair statement? I think it is fairly obvious.

Mr. Nedd. Well, again, Congressman, you know, BLM's role is on onshore. And, certainly, I would be happy to take back this kind of question and ensure you get an answer.

Mr. Terry. All right. Thank you, Mr. Nedd.

[The information follows:]

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Mr. Terry. Mr. Sieminski, what do you think? Does this new order from Interior impact investments in the United States?

Mr. Sieminski. The policy issues surrounding Outer Continental Shelf leasing is something that EIA would take into consideration in its forecast, but it is not something that we would comment on.

Mr. Terry. Okay. I appreciate that.

Back to you, Mr. Nedd. I may anticipate the answer to your question, though, but on the second panel there is a group called Trout Unlimited. And as a trout fisherman, we have a family cabin that has been in Rocky Mountains, had it in the family since the late 1800s, and there is a nice little trout stream. So I am sympathetic with trout fishing. But they have consistently opposed any oil and gas operations on Federal lands.

Now, are you aware of how many lawsuits that Trout Unlimited has been involved with, or appeals, against Interior over oil and gas productions in the last 10 years?

Mr. Nedd. Yes, Congressman, I do not have that data, and so I certainly would be glad to try and get that answer to you.

Mr. Terry. All right.

[The information follows:]

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Mr. Terry. Now, are you aware of -- I will ask you if you are aware of -- any conversations between the BLM and Trout Unlimited to encourage lawsuits to be brought to block any oil and gas development on Federal lands?

Mr. Nedd. Congressman, I am not aware of any such conversation.

Mr. Terry. Okay. I appreciate that.

I will yield back.

Mr. Whitfield. The gentleman yields back.

At this time, I will recognize the gentleman from Louisiana, Mr. Scalise, for 5 minutes.

Mr. Scalise. Thank you, Mr. Chairman. Appreciate you continuing the series of hearings that we have been having on energy policy, you know, especially the American Energy Initiative, as we try to go through and look at all of the different things that are holding our country back from being energy-independent and ways that we can create more jobs and also generate billions of dollars more to the Federal Government. And I think it is not a complex answer; the answer is pretty basic if you look at American energy.

And I think the focus that you have been doing, Mr. Chairman, has been important, because it has highlighted so many of the things that are really impediments to American energy production, things that are making us more reliant on Middle Eastern oil and oil from countries that maybe are less favorable to us.

I know on the second panel I am looking forward to hearing Mr. Clements, who is from our area in southeast Louisiana. We have been

experiencing a number of different problems. Mr. Terry touched on a few of those.

But if I can ask, Mr. Sieminski, because I know your agency puts out a lot of good data to, you know, try to show maybe where we are, what is out there: When you look at both leases, where we were before Macondo, where we are now, you know, the administration has been touting that there is no moratorium in place now, that permitting is back up. I know Mr. Clements, in his testimony, talks about the pace of permitting still being slow, much slower than before the moratorium, highlighting some of the problems that we have seen. There have been a number of independent studies in the New Orleans region, as well as throughout the Gulf of Mexico, highlighting the problems with getting energy production back on line at its pace that we should be at, and then the 5-year lease plan that closed off about 85 percent of the areas that were getting ready to come open for exploration.

I don't know if you have looked at the testimony of Mr. Clements, but he does give some, kind of, on-the-ground experience of what the problems are and the slowdowns that still are holding back our ability to go and explore safely for the things that we know are out there. You know, have you looked at that? And what is your comment on it?

Mr. Sieminski. EIA has not looked at that.

Just from my general understanding of the industry, I think that there are concerns about the pace of leasing and resumption activity in the Gulf of Mexico. Companies are saying that things are getting better.

Largely, I think that a number of the companies are simply focusing on the onshore possibilities, with all of the activity in the Eagle Ford in Texas, for example, that has moved forward. In Louisiana, there is still a great deal of activity taking place in the Haynesville Shale and other --

Mr. Scalise. Well, we have seen a lot of that in Haynesville. I have been up there to north Louisiana, the Shreveport area, which has been just a phenomenal area of growth with natural gas. And we have seen that in other States, too. Of course, the irony is that those are areas on private lands. The Haynesville, the Bakken, the areas where you have seen tremendous growth in jobs, as well as in energy production, its been on areas that are private, where the Federal Government does not currently have the ability -- now, the Obama administration is, through a number of different agencies, DOI and EPA, even trying to shut some of that down.

But on Federal Government lands, where the Federal Government actually does have a say, that is where we have seen the problem. That is where I think Mr. Clements is alluding to the slow pace of permitting, you know, where the Federal Government actually does have the ability to control it.

And the President said a lot of times that the United States only has 2 percent of the world's known reserves. Now, that is a false number, because I think anybody that knows -- I mean, the Bakken, you wouldn't have known that was out there if you didn't go and explore for it. And before the exploration happened, they would have said

there is probably nothing down there. Well, now you go to North Dakota, I think they have 3.5 percent unemployment because you can't even find a place to live right now because so many people are moving there to work because they are finding all this energy that wouldn't have ever shown up on those metrics.

And so I don't know if you all have looked at that, but, you know, when the President says we have only 2 percent of the world's known reserves, does he include, for example, what is very likely out off the coast of Virginia, which right now you can't even go and look at because of Federal prohibitions? Would that statement include, you know, what is a known reserve, would that include what is off the coast of Virginia, for example?

Mr. Sieminski. The probable reserves would be in there because the U.S. Geologic Service would have taken some of that into consideration. I think that --

Mr. Scalise. Well, when he says the world's "known reserves" --

Mr. Sieminski. Right.

Mr. Scalise. -- because they nuance the words. I mean, what you know is out there and what industry knows is out there is one thing. But what the administration is saying is that we only have only 2 percent of the world's known reserves. Again, it is a misleading number, because we know there is a lot more out there.

And I just wanted to see if you, you know -- make sure that what I am projecting is accurate in terms of how they describe it versus what really could be out there if you let them go look.

Mr. Sieminski. I think what you were speaking to, Congressman, is the difference between the level of known reserves and the pace at which they are being developed. And I understand that some of your constituents are probably wishing that that development could move along faster. There are balancing issues that I spoke to earlier, and the administration has to look at all of those factors in order to come to a conclusion.

Mr. Scalise. Thanks.

I see I am out of time, Mr. Chairman. I yield back the balance.

Mr. Whitfield. The gentleman's time has expired.

Does the gentleman from Oregon seek recognition?

I believe we have completed this round of questions with this panel. I do have one other question, though, I would like to ask of Mr. Nedd.

I had read some of the testimony of one of the other witnesses that will be on the second panel, and there was some discussion about a Shell Oil application off the coast of Alaska in which they had spent \$5 billion asking for a permit to do an exploratory drilling, and it has already taken 5 or 6 years to obtain this permit; it still is not issued.

And I understand that, while there is split jurisdiction -- EPA has jurisdiction over Clean Air; Department of Interior is involved in that permit, as well -- it is my understanding that the Department of Interior intends to issue its decision sometime this month. Is that correct, Mr. Nedd?

Mr. Nedd. Mr. Chairman, I do not have information on that issue, and so I will be glad to take back that question and see if we can --

Mr. Whitfield. Are you aware of the issue at all?

Mr. Nedd. Vaguely, but not enough to speak to it, Mr. Chairman.

Mr. Whitfield. Okay. Well, then I will dismiss the first panel. Once again, thank you very much for being with us and offering your testimony.

At this time, I would like to call up the second panel.

And on the second panel we have with us this morning Mr. Lynn Helms, who is the director of the North Dakota Department of Mineral Resources. We have Mr. Thomas Clements, who is the owner of the Oilfield CNC Machining company. We have Mr. Reed Williams, who is the president of WillSource Enterprise. We have Ms. Christy Goldfuss, who is the director of the Public Lands Project for the Center for American Progress Action Fund. We have the Honorable Dan Sullivan, commissioner of the Alaska Department of Natural Resources; Ms. Kathleen Sgamma, vice president, Government and Public Affairs, Western Energy Alliance; and Mr. Corey Fisher, who is the assistant energy director for Trout Unlimited.

So I want to welcome all of you panel members here this morning. We appreciate your being with us. We look forward to your testimony.

And as you know, each one of you will be given 5 minutes to give your opening statement. And as I said before, there is a box on the table, two small boxes, and they have red, green, and yellow. And when it turns red, that means your time is up, but we will go on and let

you complete your testimony.

So, once again, welcome. Thank you for being here.

And, Mr. Helms, we will begin with you for your opening statement, and you will be recognized for 5 minutes.

And I would ask each one of you, when you give your opening statement, make sure the microphone is close and it is turned on. Thank you.

STATEMENTS OF LYNN D. HELMS, DIRECTOR, NORTH DAKOTA INDUSTRIAL COMMISSION, DEPARTMENT OF MINERAL RESOURCES; THE HON. DAN SULLIVAN, COMMISSIONER, ALASKA DEPARTMENT OF NATURAL RESOURCES; THOMAS CLEMENTS, OWNER, OILFIELD CNC MACHINING, LLC; KATHLEEN M. SGAMMA, VICE PRESIDENT, GOVERNMENT AND PUBLIC AFFAIRS, WESTERN ENERGY ALLIANCE; REED F. WILLIAMS, PRESIDENT, WILLSOURCE ENTERPRISE, LLC; CHRISTY GOLDFUSS, DIRECTOR, PUBLIC LANDS PROJECT, CENTER FOR AMERICAN PROGRESS ACTION FUND; COREY FISHER, ASSISTANT ENERGY DIRECTOR, SPORTSMEN'S CONSERVATION PROJECT, TROUT UNLIMITED

STATEMENT OF LYNN D. HELMS

Mr. Helms. Well, thank you, Mr. Chairman.

Chairman Whitfield and members of the committee, I am delighted to have this opportunity to discuss with you the renaissance that is occurring in the State of North Dakota due to oil and gas production and energy production.

As you have heard before, the Bakken Formation is the largest continuous resource that the USGS has assessed in the lower 48 States. We place the oil in place in this resource at approximately 300 billion barrels. We currently think we can recover, with today's technology, somewhere between 7 billion and 15 billion barrels of that. I think the exciting thing is that a 1 percent increase in recovery from that represents 5 months' energy supply or oil supply for the entire United

States.

North Dakota is growing in all energy sources. Rather than contrast renewable versus fossil fuels and that sort of thing, North Dakota has had a policy of looking for synergies. And one of our synergies is, we have the only place where anthropogenic CO<sub>2</sub> is being captured, and it is sent to Canada, to Saskatchewan, for enhanced oil recovery. We are looking forward to using CO<sub>2</sub> from our coal-fired generation as well as our ethanol plants for enhanced recovery in the Bakken.

This has created growing employment in the State of North Dakota, rapidly growing employment. We have moved from number eight, as you stated, to number two in the States among daily oil production. It has brought investments in pipelines and gas processing, electric generation. And we are looking at a long-term sustained employment growth of well in excess of 65,000 jobs in North Dakota.

I know it has been brought into question as to whether that is scalable. I believe it is 100 percent scalable, both upward and downward. I have looked at the Fort Berthold Reservation, in particular, where Bakken development has taken place, and their unemployment has gone from 40-plus percent to less than 5 percent, with tremendous growth in job opportunities and economics on that reservation. And I think if you look at Texas, it is a larger economy than North Dakota, but it is experiencing the same kind of growth as a result of oil and gas development in the Eagle Ford shale.

North Dakota's geology is perfect for 21st-century technology

application. We have the entire stratigraphic column; each basin is unique. Not all States have that. That is why oil and gas should be and is currently regulated at the State level, because it isn't consistent across the entire United States. It varies from basin to basin and State to State.

Our geography, too, is perfect. As you stated, 82 percent of the minerals in North Dakota are owned by private parties; 89 percent of the surface is owned by private parties. And it is that connection, those private contracts and their protection under North Dakota State constitution that has allowed the Bakken boom to take place.

If you look at the map that I presented in my written testimony, on page 3 you will see a couple of large holes in the development. Those holes are where the Federal Government controls the surface and the minerals, and they are being delayed by Federal policies in terms of development.

Our drilling rig count mirrors that ownership. And, you know, I sort of bristle at the fact that the Federal Government makes a big deal out of multiple use of its lands. Private owners engage themselves in multiple use, as well. It is just that they don't look at just a single use for each tract of land, but they are willing to farm the land and have an oil well on it at the same time. Or they are willing to have an oil well on their land and have an elk farm or a wildlife refuge.

North Dakota has worked hard to create a stable tax and regulatory environment that promotes capital investment. Our oil and gas rules

are modified every 2 years. Just this April, we upped our rules to include banning reserve pits, increasing bond requirements, and strengthening our hydraulic fracturing requirements. And had Mr. Mufson of The Washington Post contacted us, he would have been informed about that, and I think the Washington Post article would have been very different.

We have submitted our comments to the Bureau of Land Management and the EPA on their hydraulic fracturing policies and guidance. We are opposed to these in many areas. I have identified the six primary areas, but the main one that I want to identify is, this really is a States' rights issue. Geology varies from State to State, and it should be regulated at the State level. And when you look at the BLM rules, they go way beyond their jurisdiction into things like the source that the water is going to come from and the path that it is going to take from source to fracturing well.

That concludes my prepared remarks, and I will be happy to answer questions when the time comes.

Mr. Whitfield. Well, Mr. Helms, thank you very much.

[The prepared statement of Mr. Helms follows:]

\*\*\*\*\* INSERT 2-1 \*\*\*\*\*

Mr. Whitfield. And, Mr. Sullivan, you are recognized for 5 minutes.

**STATEMENT OF THE HON. DAN SULLIVAN**

Mr. Sullivan. Thank you, Mr. Chairman. And I have a PowerPoint slide. I don't know if it is going to be brought up, but I think some of you have that before you, in addition to my written testimony.

And what I would like to do very quickly -- I appreciate the opportunity, Ranking Member Rush, to testify in front of the committee today.

I would first like to start, if you will go to the next slide, just a little bit of background on Alaska. It is hard to see here, but obviously the numbers of the State, quite large. I am sure the members of the committee from Texas have seen that first bullet under "Land Base" a couple times, but more than twice the size of Texas, of course. But a lot of Federal land in Alaska, State land, native land.

Next slide, please.

With regard to the estimates, we have huge estimates of both conventional oil and gas. The USGS did a survey 2 years ago. In terms of the arctic, estimates are the largest amount of oil of any arctic nation, including Russia. And we are just scratching the surface because the unconventional in Alaska, again, are off the charts.

But very little, a tiny fraction of production in Alaska is from Federal lands. It is actually, in terms of the North Slope oil, it

is less than half of a percentage point. So everything else is from State lands.

Next slide.

Also, very large amounts of strategic and critical minerals, including rare earth elements, we believe. And that slide shows that if Alaska were its own country, we would rank in the top 10 in many of those categories.

Next slide.

As Congressman Barton noted, States -- in Alaska, we certainly take pride in this -- love, deeply care about our environment. The next few slides touch on what we think are some of the highest environmental protection standards that are based on State regs and State law literally in the world. So if you look at this slide, the next slide.

And then we have also been the jurisdiction that has spurred many of the industry's most sustainable and environmentally responsible technological innovations. So if you look at that slide there, it shows the number of innovations that have occurred in Alaska.

Next slide, please.

But this next slide is really the point, supports the broader main point of my testimony today, Mr. Chairman, which is: The U.S. is on the verge of a sustainable energy renaissance that will have dramatic positive benefits for America and its citizens. And it is based on three strengths that we have as a country that pretty much no other country has. And those are listed, the strengths are listed there:

an enormous natural resource base; leaders in environmental high standards; and then a financial and legal system that encourages entrepreneurship, private-sector investment.

So this sustainable energy renaissance could have very broad-based benefits. In slides 9 and 10, I mentioned these. I would be glad to talk about them during the Q&A. But everything from energy security, economic growth, jobs, U.S. trade deficit, Federal budget deficit, foreign policy and national security implications, and even global environmental protection.

But on that resource base point, I know PFC Energy and many others -- Mr. Sieminski today also named some numbers. But there are estimates that the U.S. could be the largest hydrocarbon producer by 2020, larger than Saudi Arabia, larger than Russia.

Next slide, please.

But what we think is critical in order to seize this strategic opportunity, we must focus on regulatory reform and modernization and increase access to Federal lands, particularly in Alaska.

Last year, Mr. Chairman, I had the honor of testifying before this committee and highlighted several areas where delay and new policies by the Federal Government were undermining responsible resource development in Alaska. Many of these are listed in the appendix to my current written testimony. And as you have mentioned, alluded to, one of the most egregious ones we have seen in Alaska is the on-again-off-again long delays in the permitting for Shell to explore exploration wells in the Outer Continental Shelf of Alaska. Those

wells have been drilled before out there; that is often overlooked in the debate. Numerous OCS wells in Alaska have been drilled.

Finally, Mr. Chairman, I just want to conclude that on the regulatory reform and modernization front, I know the House has taken up many bills. Many States are enacting this kind of efficient, more certain, more timely permitting reforms. Canada, as a country, is undertaking a top-to-bottom review. And that doesn't mean cutting corners on environmental protection, but it is important to fully realize our potential.

In Alaska, we have a goal, a comprehensive goal, of achieving a million barrels a day within 10 years through the trans-Alaska pipeline system. We have undertaken a comprehensive tax reform, permitting reform, infrastructure, marketing. Mr. Helms is now number two in production. We want to get back to number two and eventually get back to number one. We think we certainly have the resource base to do that, but we need the Federal Government as a partner in achieving that million-barrels-a-day goal, not as an obstacle.

Thank you very much, Mr. Chairman.

Mr. Whitfield. Thank you, Mr. Sullivan.

[The prepared statement of Mr. Sullivan follows:]

\*\*\*\*\* INSERT 2-2 \*\*\*\*\*

Mr. Whitfield. And our next witness is a small-business man, still creating a lot of jobs in America, Mr. Clements.

You are recognized for 5 minutes.

#### STATEMENT OF THOMAS CLEMENTS

Mr. Clements. My name is Thomas Clements. I live in Lafayette, Louisiana, with my wife, Melissa. We are owners of Oilfield CNC Machining, LLC. It is a machine shop in Broussard, Louisiana. We have been married for over 7-1/2 years and have three grown children and four grandchildren.

My wife and I really did build our business. We both agree that I wouldn't be here if the private sector wasn't doing fine. I would be home, working hard building our business. Maybe today with my testimony this committee can focus and help small-business owners, like my wife and I, to continue to build our business by opening all offshore and Federal land for energy production.

Energy prices are at an all-time record high in all sectors. This record-setting pace has to stop. The committee needs to understand that there is no such thing as bad energy. All natural energy is good.

For us, everything has changed. That is the first time I ever heard the President utter the word "moratorium." On May 27th, 2010, the President spoke of a moratorium that would last 6 months. That shocked us all. Two days later, I received an email stating that all our orders for the remainder of the year were cancelled. By the first

week of June 2010, we were out of work, and everyone we knew in the industry was also out of work.

In October 2010, the President announced the moratorium was lifted. We were relieved, to say the least. We were eager to get back to work, but no orders came in. For us, no one has been accountable for their actions in the oil spill. BP said they would make it right, and the President pretended that a misguided moratorium was good.

What an outrage when the administration comes out with a 2012-2017 energy plan that does nothing for this country. The pace of permitting is slow -- much slower than before the moratorium. Second, the 2012-2017 leasing plan fails -- fails to offer access to any new areas offshore. This includes offshore Virginia, that now must wait until 2017 due to the administration's plan.

Their plan closes the majority of the Outer Continental Shelf to new energy production, only allowing lease sales in areas that were already open to drilling in the Gulf of Mexico and Alaska, but with delays in sales in the Beaufort and Chukchi Seas until 2016 and 2017.

Just look at what is happening in the private lands with shale oil and gas in the Bakken and Marcellus. In the Bakken and Marcellus, they are using technologies that didn't exist when old estimates were made. In 2008, after the impact of active exploration and development with technologies that enable hydraulic fracturing and directional drilling, estimates of recoverable oil in the Bakken jumped 25-fold, and estimates of natural gas supplies in the Marcellus have increased 42-fold, and liquids 343-fold. This sounds like energy security to

me.

More resources mean more opportunity for people like me to help produce energy domestically. One study found that opening up offshore areas could create 1.2 million jobs and produce \$70 billion in new wages. It isn't just that large companies will hire more people; small-business owners like me would have more work and would be able to employ more workers to produce more energy in America.

Owning our business and working to produce American-made energy in the oil field industry is our American Dream. We believe that the government role is to protect our country and encourage American workers to develop our natural resources. But instead, our government seems to be doing more to support foreign workers to develop energy sources abroad -- Brazil, Mexico.

I am here today because our Nation needs energy, and thousands of energy workers like me are willing and able to help produce the energy right here at home. Mr. Chairman and members of this committee, please let us go back to work.

Let me close with this. How can you have a 5-year leasing plan with no economic data in the plan? And, by the way, the President's plan has not worked. I believe that we have thousands of years of natural good energy here in America. How will we ever know unless exploration is allowed in our country?

Thank you.

Mr. Whitfield. Thank you, Mr. Clements.

[The prepared statement of Mr. Clements follows:]

\*\*\*\*\* INSERT 2-3 \*\*\*\*\*

Mr. Whitfield. And, Ms. Sgamma, you are recognized for 5 minutes.

**STATEMENT OF KATHLEEN M. SGAMMA**

Ms. Sgamma. Thank you, Mr. Chairman, Ranking Member Rush, and members of the committee. I am Kathleen Sgamma with the Western Energy Alliance. We represent 400 countries engaged in all aspects of environmentally responsible exploration and production of natural gas and oil in the West. Our alliance members are mostly small, independent companies and mainly small businesses.

Because of the huge proportion of public lands in the American West, my members are particularly affected by government policies that reduce access to energy that all Americans own on those public lands. Our Members are proud to produce 26 percent of the Nation's natural gas and 18 percent of the oil production, while disturbing less than a tenth of a percentage of all Federal acreage. So we provide that balance. And American producers operate under the most stringent environmental standards in the world, both self-imposed and those imposed on us as one of the most heavily regulated industries in the country.

Across America, my industry has been significantly increasing production of oil and natural gas over the last several years in spite of, not because of, the Federal Government. The huge increase in production is the result of private-sector investment in technology

and improved techniques applied largely on private lands.

Where the government has the most control, on Federal lands, production is simply not keeping pace with the overall growth across the Nation. For example, in the West, natural gas production is down 4 percent since 2008 on Federal lands, while it is up 29 percent on State and private lands. And we have heard today from a number of folks that it is because these shale plays are all on private lands. Well, my number here compares apples to apples, in that we are looking at those same unconventional plays, a combination of shales and tight sands that we have in the West. So it is comparing the same types of reserves in the West.

If you look at the Bakken, because of the Bakken in North Dakota, oil production is up 54 percent in the West, but only 26 percent on Federal lands. So it is clearly not keeping pace on Federal lands. Nationwide, Federal oil production is down 1 percent.

So why this disparity on Federal lands compared to private lands? The reason is simple: The Federal Government policies make it extremely difficult to operate on public lands. There is virtually no certainty of overcoming the bureaucratic hurdles.

A Federal lease is really a "definite maybe." Maybe you will get through all the environmental analysis and regulatory burdens. Maybe you will get permission to drill. Maybe you won't be sued by an environmental group. And maybe you will find oil or natural gas. It is really a classic catch-22 situation, where the government has thrown up all these regulatory hurdles and then turns around and blames

companies for not producing on their Federal leases, with the added Orwellian twist this year that now the Federal Government is claiming credit for that increased production.

Whereas on State and private lands production can be realized in a matter of months to a year or so, on Federal lands 3 years is the basic minimum. And we have seen projects stretching 5 to 10 years, and Reed Williams will tell us about a project that is now in the 16th year.

Policies include obstacles in the leasing process, new obstacles created since 2010; environmental analysis that is stretching over 7 years and preventing nearly 65,000 jobs a year and \$15 billion in annual economic impact; ad hoc demands with no basis in regulation; and settling with environmental groups on litigation that stops economic growth and job creation.

On top of all those delays, BLM is undergoing rulemaking on hydraulic fracturing despite budget for it, manpower, and, more importantly, expertise. Besides being extremely costly and time-consuming, these new regulations will add a quarter of a million dollars onto the cost of every new well. And that just means less money for job creation, energy production, and economic activity.

The new requirements are redundant, with State regulations such as North Dakota -- Mr. Helms doing a great job regulating -- and will further drive up permitting times so that -- Mr. Nedd couldn't answer the question today, but it is an average of 298 days. Secretary Salazar and BLM Director Abbey admitted to that on April 3rd, 2012. And if

they add on this new BLM regulation, it is going to add another 100 days on top of that, I think minimum.

So, I have provided examples in my written testimony of other small businesses, like Mr. Clements' and Mr. Williams'. These regulations are stopping job creation and economic activity from small businesses. And I look forward to questions.

Thank you.

Mr. Whitfield. Thank you, Ms. Sgamma.

[The prepared statement of Ms. Sgamma follows:]

\*\*\*\*\* INSERT 2-4 \*\*\*\*\*

RPTS BLAZEJEWSKI

DCMN ROSEN

[11:02 a.m.]

Mr. Whitfield. Mr. Williams, you are recognized for 5 minutes.

**STATEMENT OF REED F. WILLIAMS**

Mr. Williams. Chairman Whitfield and Ranking Member Rush and the rest of the committee members, thank you for allowing me to be here today to make this presentation. I think I am here because my specific small oil and gas company is embroiled in the middle of a vortex of many of these issues that we are talking about.

Back in 1996, a group of us leased some lands in the White River National Forest on the western slope of Colorado. Those lands fit right in the middle of a lot of existing oil and gas activity. There are more than 50 wells within a few miles of my exact leases, there are pipelines to those, and there even is a storage facility for natural gas contiguous with my leases. So it was a very well-established oil and gas area, and we were encouraged to go in and lease it. Things change across time, and we kept working with it and working with it. We believe in the reserves that exist there.

Over time, some of our offsetting competitors have drilled some deeper wells, and we believe that our little 8,000 acre position there will produce, oh, a tcf of gas. Even at \$3 a unit, which hopefully

will be greater than that, that is \$3 billion worth of gross revenue, and just at 12-1/2 percent royalty flowing just out of that off the top of it, it is over \$350 million of revenue that would flow to the Federal Government as an asset of the government's, and then it gets shared back with the States, which would be great for the State of Colorado.

We have made an effort from day one to be an environmental steward, we assumed that that would be the only way we would be able to work on the White River National Forest, and I think you would find in the record that we have accomplished that one step at a time. We have invested as private investors, and our personal accounts. Mostly my company is owned by family members and myself, some friends of my family. We have invested over \$10 million to date getting ready to produce that reserve off of that acreage. All along the way, if we have accomplished one set of regulations from the Forest Service or BLM or EPA, it seems like the next day a new one comes down that falls in our path to try to finish getting on to production and develop those reserves. As an example, and I think this is a clear, simple one to make: About a year and a half ago, there was a new onshore order issued that required, according to our friends at the Forest Service and the local ranger district there, which is a joint office between the BLM and the Forest, hopefully working close together, we were told there is a new rule about the construction and road design on the Forest road that we use to access our wells. That order came down and said now all of a sudden you have to stop doing what we told you to do, and you

have to start doing what a civil engineer tells us we have to tell you to do, and they took away our use for that road to put drilling rigs on it to earn the leases that are in question all the time, and for a year and a half, we have been working with the contracted people to make sure that we get it done exactly by the new rules, and yet within the last few weeks, the Bureau of Land Management has been pushed to consider taking away our leases for failure to perform.

Well, when you are in a situation where one agency's set of rules make it impossible for you to accomplish another agency's set of rules, we have got some kind of a trick going on or some kind of a problem, and we still believe in the project, we believe these assets are tremendously valuable, and I want to talk some more about the shales that we are talking about producing on State lands, they absolutely exist throughout the Rocky Mountain region on Federal lands. We just haven't yet been able to start developing them. We have proved it, we will bring it to the marketplace when we are allowed to, and it will be a tremendous economic help to our Federal budget. Thank you very much for the opportunity, and I look forward to answering your questions.

Mr. Whitfield. Thank you, Mr. Williams.

[The prepared statement of Mr. Williams follows:]

\*\*\*\*\* INSERT 3-1 \*\*\*\*\*

Mr. Whitfield. Ms. Goldfuss, you are recognized for 5 minutes.

#### STATEMENT OF CHRISTY GOLDFUSS

Ms. Goldfuss. Chairman Whitfield, Ranking Member Rush, and members of the committee, thank you so much for inviting me today. It is a real honor to be here. My name is Christy Goldfuss. I am director of the Public Lands Project at the Center for American Progress Action Fund. We are a nonprofit organization that is dedicated to transforming Americans' lives by putting progressive value into policy.

I would like to make three major points in my testimony today about the current state of play between oil and gas drilling on public lands and private lands. First, simply put, there is a lot of production happening on public lands and waters; second, the oil and gas industry has access to an extensive inventory of leases and permits; and third, although there is tremendous oil and gas drilling happening on public lands, market factors have pushed the industry to be more interested in private lands, and there is a demand problem, not a supply problem.

Before I go a little deeper into each of those points, let me start where most of us agree, oil and gas development is an appropriate use of our Federal lands. It is essential for our national security to reduce our dependence on foreign sources of oil, and we are making significant strides in that direction, but we should also agree that these lands, owned by all Americans, are inherently different than

private lands. In many cases, by law, the land management agencies are required to manage for multiple uses, and that includes hunting, fishing, grazing, hiking, recreation, and not just energy production.

In other words, an all-of-the-above energy strategy does not mean an all-of-the-acres strategy or oil above all. If managed wisely, our public lands and waters can serve multiple national purposes. Among them, addressing our current energy needs, ensuring clean air and water for our Nation, providing places for hunting and recreation, and protecting American treasures for future generations.

When it comes to this first challenge on the list, addressing our current energy needs, America's public lands and waters are doing their fair share. As President Barack Obama said last March, we are drilling all over the place, and here is a major point: Oil production from the Federal lands and waters in fiscal year 2011 was higher than in the last 3 years of the Bush administration. There has been a 12 percent increase in production since 2008, and the Bureau of Land Management held three of the top five largest lease sales in the agency's history in calendar year 2011. With this level of activity on public lands, it is clear why The New York Times said in their recent article about oil and gas drilling on public lands, the scorecard shows that the industry is winning.

All of these efforts have come while the industry still holds extensive inventory of idle leases. The DOI found that 56 percent of the leased acres in the lower 48 States and 72 percent of the leased acres offshore are not in production or exploration. Simply put, the

industry currently holds the keys to vast amounts of publicly owned resources and has decided not to develop them at this time. And there are many reasons for that, some of which include the current price of natural gas and the location of the best quality resources, which are predominantly on private lands. We even have companies right now shedding in their wells because they need to increase the price of natural gas to make it economic for them to continue to develop.

The extensive natural gas boom does not have everyone happy, and early in July, I had the opportunity to see for myself why. I traveled to northeast Utah to one of the most beautiful places in this country, Desolation Canyon. After driving through miles of pump jacks on public lands, I felt like I was in more of an oil and gas city, rather than a gateway to a natural wonder, and as the pumps finally faded in the distance, I realized we were driving through the future site of 1300 new oil and gas wells, just approved by the Obama administration, which rejected calls from environmentalists to choose smaller alternatives.

I find myself asking, will the receiving line of pump jacks impact people's desire to travel to this place to escape it all? Could the extensive drilling damage the Green River and the amazing wildlife that people want to see? Just up the road from that spot in Vernal, Utah, population 9,000, they have experienced ozone levels that rival those of Los Angeles because of the increased drilling, much of it on public lands.

We know that sportsmen in Wyoming say that similar environmental conditions have a negative impact on antelope and mule deer there, which

means less hunting, and that is bad news for the outdoor industry, which just released a new report showing that it creates 6.1 million American jobs nationwide, 20 percent of those in manufacturing, and that is about 3-to-1 the number of jobs created by the oil and gas industry.

The very idea that oil and gas drilling on public lands should track with development on private lands implies that oil and gas development is the single most important use of these lands. If we were to take that myopic approach to managing an asset that belongs to all Americans, we endanger the other uses. Instead, we need to insert balance into any development scenario, such as analyzing loss to hunting and fishing habitat when proposing new acres to be leased for oil and gas.

As President Teddy Roosevelt said, America's great natural resources must be used for the benefit of all our people and not monopolized for the benefit of the few. Thank you so much for inviting me today, and I look forward to questions.

Mr. Whitfield. Thank you very much.

[The prepared statement of Ms. Goldfuss follows:]

\*\*\*\*\* INSERT 3-2 \*\*\*\*\*

Mr. Whitfield. Mr. Fisher, you are recognized for 5 minutes.

#### STATEMENT OF COREY FISHER

Mr. Fisher. Mr. Chairman, members of the subcommittee, thank you for the opportunity to testify today. My name is Corey Fisher, and I am the assistant energy director for Trout Unlimited, a national nonprofit conservation organization with 140,000 members and a mission to conserve, protect, and restore North America's cold water fisheries and their watersheds. I am also here today on behalf of Sportsmen for Responsible Energy Development, a coalition of nearly 500 organizations and businesses. The organizations that I represent support responsible energy development. We work with numerous stakeholders, including agencies, industry, and other sportsmen's organizations to find ways that energy development can move forward in ways that conserve wildlife and our hunting and fishing heritage.

I would like to emphasize that Federal public lands are of great importance to hunting, fishing, and the economy. In my home State of Montana, 75 percent of hunters, myself included, hunt on public lands, and in 2010 more than 229 million people visited Forest Service and BLM lands, with an economic impact of \$21.9 billion. Because public lands are managed for multiple uses, not only do they provide benefits for sportsmen and the economy, but they also allow opportunities for energy development and numerous other uses. This isn't always the case for private lands and State lands, however. In some cases, they are

not managed primarily for energy development. However, the vast majority of public lands require a balance where no one use is allowed to trump another.

Due to the multiple stakeholders on public land, early collaboration and input from diverse interests is essential to ensure sound, balanced decisions. This early coordination is a key component of the Interior Department's 2010 leasing reforms.

Here is a personal example of the reforms at work. Every year I camp along Cottonwood Creek, a stream in central Montana. Cottonwood Creek has been restored with a population of cutthroat trout. It was also proposed last year for a lease by the BLM. So when I saw that, I took notice. Working with the new leasing reforms, Trout Unlimited was able to comment on the environmental assessment before the lease sale, draw attention to the trout restoration efforts. The result was that the BLM applied appropriate stipulations and was able to offer the lease for sale without any objection from Trout Unlimited. This is just one example where we have found the BLM to constructively seek input from stakeholders, allowing them to sell leases while conserving habitat and preventing future conflicts.

I believe that smart planning will also prevent negative impacts to fish and wildlife, impacts that can be difficult or impossible to fix. For example, in the Pinedale Anticline in western Wyoming, studies have shown that the sublette mule deer herd has decreased by 60 percent, and it is no coincidence that the winter range that these deer depend on to survive has been extensively developed for oil and

natural gas. This population decline has resulted in a shorter hunting season and a 44 percent decrease in the number of hunters who are allowed to hunt that deer herd. This loss in hunting opportunities raises an important point. As valuable as winter range is for mule deer and clean streams are for trout, this issue cuts much deeper. It is personal for hunters and anglers in the West. Public lands are the places where family and friends make memories on crisp fall mornings spent hunting and where we go to spend our summers fishing. They are the places where we shot our first deer and landed our first trout, and it is these places and experiences that we hope to be able to pass on to future generations of hunters and anglers.

For us, this is really the core of the issue. These are not just places on maps, these are places in our hearts, and that is an important reason why sportsmen and women have a stake in land use decisions. I believe that collaborating with hunters, anglers, and other stakeholders is not undue regulation, it is just good policy. We are not proponents of excess regulation, but we are proponents of collaboration and seeking early input. Like energy companies and developers, we deserve a say and a fair shake, and that is what these leasing reforms and front-end collaboration have given us.

In closing, public lands are vitally important to hunters and anglers and our way of life. We also recognize the importance of energy development on those lands. Through transparency and opportunities for public input, we can both develop energy resources and ensure that our public lands remain a great place to hunt and fish. Thank you for

the opportunity to share my thoughts, and I would be happy to answer any questions.

Mr. Whitfield. Thank you, Mr. Fisher.

[The prepared statement of Mr. Fisher follows:]

\*\*\*\*\* INSERT 3-3 \*\*\*\*\*

Mr. Whitfield. Thank all of you for your statements. We have two votes on the House floor. There is like 4 minutes left in the first vote, and then there will be a second vote. So rather than rush, what I am going to do, I am going to adjourn this hearing. We intend to be back here at 11:30, and I will ask my questions, and Mr. Rush will ask his questions, and then any of the other members will ask their questions.

So I apologize to you all. You have already been very patient. But we will hopefully be back in about 15 minutes. So the hearing is recessed until 11:30.

[Recess.]

Mr. Whitfield. We will reconvene this hearing, and I, once again, apologize for the delay. Mr. Rush is on his way, and I know he has some questions, and I know Mr. Gardner has some questions, and there may be others that come in, but at this point, I will recognize myself for 5 minutes of questions and thank you again for your testimony.

Mr. Williams, I read everyone's testimony, and I am hoping I am getting some of this correct in my memory, but I believe your company in Colorado had invested somewhere in the neighborhood of maybe \$10 million. Is that right?

Mr. Williams. That is correct.

Mr. Whitfield. Okay. And I don't know the exact number of years, but I know that this is a process that has been going on for a number of years, and the regulations have been changed and demands

have been changed. That generally is correct, right?

Mr. Williams. Correct.

Mr. Whitfield. Now, on this lease or leases that you have from the Federal Government, if you do not produce by a certain time, do you lose those leases?

Mr. Williams. Yes, you have certain performance criteria. Drilling is generally the word they use, that you need to have drilled within this amount of time or your leases will go away.

Mr. Whitfield. Does that mean drilling for production or drilling for exploration?

Mr. Williams. We are in an exploration phase, have been in an exploration phase for different horizons that have showed up in the last few years, particularly.

Mr. Whitfield. The reason I ask the question, we have had like 27 hearings on energy, and I hear the President talk about this a lot and others, and there is a comment, actually Ms. Goldfuss referenced it to a degree, and that is, that we have a lot of these companies out here that have a multitude of leases, and they are not doing anything on them, and when I hear the President talk about it, the impression that he leaves is we have these entities that have all these leases, and they are complaining they want more leases, and yet they are not even utilizing what they have, and maybe Mr. Helms and Mr. Sullivan can comment on this because you all are on the regulatory side as well, and Ms. Sgamma as well, but my impression is, and you all can correct me if I am wrong, that one of the primary reasons the drilling is not

taking place is just the multitude of regulations and the obstacles that you have to go through in obtaining a permit.

Now, I referenced the Shell example off the coast of Alaska where they spent 5 or 6 billion dollars, and they still don't even have a permit for exploration, so am I correct in assuming that the reason a lot of these leases have not been utilized is the regulatory side of it? Would you agree with that, Mr. Helms?

Mr. Helms. Chairman Whitfield, let me start by saying yes, I believe you are absolutely correct. Prior to 2008, we had this exact problem on the Fort Berthold reservation in North Dakota. We had a period of time there from 1986 through 2007 where only one well got drilled on the Fort Berthold reservation. We were drilling all around it, and the tribe there appealed to Congress and they also appealed to us to step in and straighten out the regulatory and tax situation so that they could develop their resources.

Two things happened. The State of North Dakota signed a regulatory and tax agreement with the tribe which stabilized taxation and put in place State regulations until the tribe could write its own regulations. The second thing --

Mr. Whitfield. Okay. Forgive me, I have a minute and 20 seconds left.

Mr. Helms. Okay.

Mr. Whitfield. Do you agree theoretically with what I said, Mr. Sullivan, that a lot of this has to do with regulatory?

Mr. Sullivan. Mr. Chairman, I do, particularly as you mentioned

before, the situation with Shell, which is an example of not only delays in permits, but then at one point the moratorium that was the Gulf moratorium was slapped on to Alaska as well.

Mr. Whitfield. Ms. Sgamma?

Ms. Sgamma. The Department of Interior looks at it as if a switch is flipped, so they don't take into account any of the work, the environmental analysis, all of that is going on background.

Mr. Whitfield. Mr. Williams, I think you have already indicated that you agree generally with that?

Mr. Williams. Correct.

Mr. Whitfield. I have 36 seconds left now. Mr. Helms, the reason I was moving so quickly, I read this article in The Washington Post written by Steve Mufson, and it was entitled "In North Dakota, The Gritty Side of an Oil Boom." While most of the people I have talked to in North Dakota are quite excited about the economic boom and the unemployment rate being 3 percent, as I read this article, I noticed that in this article he talks about the problem of the oversize and overweight trucks, he talks about the need for additional schools because of all the children that are coming in, he talks about the increase in the felonies that are being committed in the State, he talks about the State's infrastructure needs has been quadrupled since this thing began, and he also talks about the pollution problems are totally out of control, and he also talks about -- Mr. Schafer of the Sierra Club says that this thing is like a steamroller coming toward us, and we have got to change these regulations, we have got to make it more

difficult to do business up here.

So here we have a State with an economic growth needed production of fuels, domestic fuels. Would you have any comment on this article? Have you read this article?

Mr. Helms. Yes, Mr. Chairman, and thank you for asking about it. The article is filled with inaccuracies. For example, the statement that our regulations are not as strict as many States or that we don't have enough inspectors to keep up, we increased staff by 20 percent, and we are increasing by another 10 percent in the first half of this year. Our regulations, our waste regulations all comply with the EPA class II regulations, so they meet all standards and exceed all the standards, and in fact, when it comes to flaring, flaring is down, and natural gas infrastructure is being built. The quotes from the World Bank are inaccurate. If you use our actual measured numbers for flared gas, we wouldn't even make the list of 20 countries, and yet he puts us at fifth, and then he quotes such problems as no pool cues for the pool table and a broken -- let's see, I think it is a broken treadmill, and the problem of some folks that own a restaurant, and they are making more money but working less hours.

Mr. Whitfield. That is horrible.

Mr. Helms. It is riddled with inaccuracies and misstatements.

Mr. Whitfield. Thank you. I am not going to belabor the point. Mr. Rush, I know you have got another engagement, too, so you are recognized for 5 minutes.

Mr. Rush. I want to thank you, Mr. Chairman, and Ms. Goldfuss,

let me get right to it, in the interest of time. Can you tell us about opportunities for other resource development on Federal lands other than gas and oil development?

Ms. Goldfuss. Yes, definitely. When it comes to renewable development specifically, the Department of Interior has been trying different approaches, I think to address some of the concerns and some of the issues that have come up through oil and gas development to try and make it easier and faster for solar development. For example, just last week, they released a new process to speed up development in solar zones, and in the coming months, we expect they are going to reach the 10,000 target that was laid out for the agency in terms of numbers of permits released for renewables, and that is nonhydro, so we are talking about solar, wind, and geothermal projects that would be on public lands.

So it is a new approach. It is different, it is easier in some cases, because we know where the sun is, we know where the transmission is, versus oil which is underground, but it is a process and an approach that we hope will reduce litigation and get more solar online faster.

Mr. Rush. Mr. Fisher, I was listening to a lot of interesting terms in your testimony, and you mentioned a number of benefits of balancing multiple uses on public lands, but you didn't put a lot of attention to significant economic benefits to outdoor recreational activities on Federal lands. Can you speak briefly to those benefits, those economic benefits?

Mr. Fisher. I can. You know, I mentioned in my testimony that,

you know, Forest Service and BLM lands have an economic impact from visitors of \$21.9 billion, and I know that in my home State of Montana, you know, during hunting season, it is hard not to see a blaze orange sign on restaurants, motels, all across the State, small businesses that says Welcome Hunters. It is certainly an extremely valuable economic impact for our rural communities in places like Montana. As far as specific numbers, you know, I can certainly get back to you with figures from the U.S. Fish and Wildlife Service's survey.

Mr. Rush. Would you say that recreational use on Federal lands, that would be a vibrant part of the economy that we should take into consideration as we consider how Federal lands are being utilized?

Mr. Fisher. Yes, I would agree with that statement.

Mr. Rush. Ms. Goldfuss, do you have some specific numbers?

Ms. Goldfuss. I can expand a little bit on that. The Outdoor Industry Association released a report in conjunction with the Western Governors Association earlier in the summer, and it had brand new data looking at the outdoor industry as a whole, and their numbers show 6.1 million direct American jobs, \$646 billion in outdoor recreation spending each year, \$39.9 billion in Federal tax revenue, and \$39.7 billion in State and local tax revenue, and frequently, we hear complaints that these jobs are just in hotels or chambermaids, but they released an actual breakdown of where these jobs are located, and 20 percent are in the manufacturing industries, and you have 12 percent in accommodation and food service, and then a mix between many other industries.

So it is a huge economic industry, and it is a big driver, and we are talking about all across many sectors. So the boom/bust concerns that you sometimes have with fossil fuels you certainly don't have with outdoor industry, and it has been growing even despite the great recession. It is one of the few industries that had growth throughout.

Mr. Rush. Thank you. Thank you very much. I yield back, Mr. Chairman.

Mr. Whitfield. Thank you, Mr. Rush. At this time I recognize the gentleman from Colorado, Mr. Gardner, for 5 minutes.

Mr. Gardner. Thank you, Mr. Chairman, and thank you to the witnesses for joining us today. I would like to, in particular, welcome Mr. Williams and Ms. Sgamma from Colorado for joining us today.

Just a couple of questions. Ms. Sgamma, I have seen statistics, I have seen other numbers out there that talk about the number of permits that have been denied, delayed over the past several years by this administration. Do you know how many jobs are currently being held up as a result of those permit delays?

Ms. Sgamma. Well, it is a three-pronged approach on Federal lands. If you can get through the leasing phase and the environmental analysis phase, and then the permitting phase, then you can finally drill a well. So right now, we are seeing a huge backlog in the environmental analysis phase, and from just 20 projects that are proposed, we could create over 121,000 jobs. That is just from 3100 wells drilled a year. If we look at those projects and see which ones

have been delayed over 3 years, we find that the Federal Government is preventing about 65,000 jobs and \$15 billion in economic activity every year.

So those are long-term jobs over the life of the project and those projects. So some of those projects are delayed even over 7 years. So that is a clear example where the Federal Government is preventing companies from operating on those leases and creating jobs.

Mr. Gardner. So 65,000 jobs that we could have hired that could be people back to work, good-paying jobs for their families, and yet we hear claims from this administration that it is doing everything, bending over backwards to make things easier, less red tape. Do you agree that this administration is making it easier for energy development?

Ms. Sgamma. They have been making it easier for wind and solar, but certainly not for oil and gas. They have added new layers of analysis on top of existing layers of analysis on the leasing phase, they have let very few projects be approved, and they have -- permitting times have increased to 298 days.

Mr. Gardner. Do you believe the Department of Interior has taken into account your concerns when it comes to rules and regulations that they are currently issuing or considering?

Ms. Sgamma. No, I don't think they have adequately taken into account industry information. For example, on the hydraulic fracturing rule, Mr. Nedd this morning couldn't answer how much that cost is. We have provided lots of information on the fact that that

well and new wells will have an added cost of a quarter million dollars. That is a quarter of a million dollars to Reed Williams and other small producers as well as other companies, and that just means that that is \$250,000 less available per well, and in the aggregate about \$1.6 billion annually just from these new BLM fracking rules, and that just means less money invested in the West in public land States.

Mr. Gardner. And I hear a lot of concern from opponents of oil and gas that there are leases that aren't being utilized or are being underutilized, and Ms. Sgamma, I guess my question to you, isn't it a little bit like a business with their inventory where you actually need to have more inventory on hand than you are going to sell that day because you need to have the inventory to make your business work, and so if you could address that a little bit?

Ms. Sgamma. Certainly, appreciate it. Well, right now we are operating on 49 percent of active leases. That is a huge number, that is a high utilization rate, and it is up from about 28 percent in the 1980s. So we were leasing less acreage and were utilizing more. But the fact of the matter is, the Federal Government doesn't give us any credit for all the background work. They don't give us credit for the fact that they are holding up over 7 years' projects. So those leases to them look like they are nonproducing, even though the Federal Government itself is the one holding that up. It is a total catch-22 situation.

And then there is always going to be a portion of the inventory that is not developed because an operator goes out, does some work,

determines there is not enough oil and gas or, you know, it just isn't going to work out, so there is always going to be an inventory because it is a dynamic industry, we are going out, discovering, exploring, and sometimes it works out, sometimes it doesn't. So a lease is just a definite maybe.

Mr. Gardner. And you mentioned 65,000 jobs that number, I think, about 20 projects. What revenue would that equate to the Federal Government if they were to go forward?

Ms. Sgamma. You know, I don't remember off the top of my head. I think it was \$139 million a year.

Mr. Gardner. \$139 million a year.

Mr. Williams, we have heard a lot of discussion about debate on whether or not operators are leaving Federal lands for non-Federal lands. I am wondering if you could talk about some of the challenges that you faced and heard of from your colleagues in the industry when it comes to that.

Mr. Williams. Certainly, thank you. Yeah, the environment is tremendously important. Private dollars are supposed to come in to be an investment in my company's drilling wells, and all of the difficulties that in the regulatory environment starts being talked about out there in the world of dollar bills, they just stop being interested in investing on Federal lands, and they wait and say, well, go get some lands in east Texas where, you know, when you lease land there, the guy, the private owner that owns it will say, Mr. Williams, you want to come drill a well? You can drill it in my kitchen, you

know.

So that whole environment changes everything of our ability to fund moving projects forward. So regulatory things then pile up on each other, and they cross each other. We had a situation where we had an EA done, an environmental assessment, and there was one well pad that the forest rangers came to us and said, we have decided we don't like the drainage pattern in that area, and we would like for you to move that well. So you say fine, let's go out there together and pick the replacement site, and we do it, and then we get a call that says, oh, you have got a new site, and it means you have got to do a new EA, and it can take 2 more years, another \$100,000 of consulting fees.

Mr. Gardner. The bottom line is people who would say that you are moving to non-Federal lands because it is just better there, the fact is that there is a bias, a prejudice when you do business with the Federal Government on Federal leases?

Mr. Williams. Correct.

Mr. Gardner. Making it difficult, so difficult it is forcing people out.

Mr. Williams. Very difficult. And it is unnecessary. We are able to as an industry now drill horizontally and not do damage to the surface, all goals that were brought to us, and there is tremendous reserves owned by the Federal Government. You have got to remember that the whole Louisiana Purchase expands up right through the Rocky Mountains, and it happens to be where the Great Cretaceous Seaway was,

and it is where all of our oil and gas reserves are, including off the coast of Texas in private lands, and we have a choice to drill on them or not. Thank you for the question.

Mr. Whitfield. The time has expired. I just have one other question, Mr. Clements, I would like to ask you. You made reference in your testimony that the President's 2012-2017 energy plan really didn't do anything for the country from your personal experience and from your company's perspective. Could you just summarize why you think that is the case?

Mr. Clements. Basically I didn't see any kind of economic data to where, you know, it didn't seem like it was a great big announcement. They come out and say we are going to do a thousand leases and create a million jobs. I didn't see any of that information in the leasing plan, and then when you look at it, we are still drilling in the same area for the last decade, and how can you --

Mr. Whitfield. So no new areas?

Mr. Clements. Yeah, there is no new areas.

Mr. Whitfield. Okay, thank you.

Did you have anything else, Mr. Rush?

Mr. Rush. No, no thank you.

Mr. Whitfield. Okay. Well, first of all, I want you to know it is kind of rushed this afternoon, but we do have all of your testimony, and we have read all of the testimony, and it is part of the record, and I genuinely appreciate all of you taking time to come and express your views on these important issues, and those of us in the committee

look forward to working with all of you as we move forward to try to become more energy independent and stimulate our economy. So thank you very much.

Mr. Rush. Mr. Chairman, before we conclude this hearing of the committee, I ask unanimous consent to enter into the record an article that I mentioned in my opening statement, an article by Mr. Richard A. Muller, written by Mr. Richard A. Muller that appeared in The New York Times on July 28, 2012.

Mr. Whitfield. Without objection, we will enter it into the record.

[The New York Times article follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

Mr. Whitfield. Thank you very much. So that concludes today's hearing and thank you all once again. We will leave the record open for 10 days.

[Whereupon, at 12:06 p.m. the subcommittee was adjourned.]