



COLORADO  
OIL & GAS  
ASSOCIATION

WEST SLOPE

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Testimony of the West Slope Colorado Oil & Gas Association

Submitted to the United States House of Representatives

Small Business Committee,

Subcommittee on Agriculture, Energy and Trade

Regarding:

*Are Excessive Regulations and Policies Limiting Energy Independence, Killing Jobs and Increasing Prices for Consumers?*

Thank you, Chairman Tipton, and Ranking Member Critz for this rare opportunity to testify before you here in the 3<sup>rd</sup> Congressional District.

Earlier this month the President of the United States presented a jobs plan for America.

What stood out to our organization was the fact that no mention was made, and no meaningful policy was proposed, to allow America's energy sector to get busy creating energy jobs and the much needed federal tax revenues that would result.

Next time please ask the President's policy advisors to give us a call and we can give the administration a more practical jobs plan for America that is quite simple: remove regulatory roadblocks to "shovel ready" energy projects in Western Colorado. We believe this would be a great first step to creating high paying jobs, generating much needed federal revenues and reducing the notorious and burdensome U.S. trade imbalance.

Unlike Washington's top down jobs proposal, Colorado's Governor John Hickenlooper recently engaged in a statewide economic development planning process. This refreshing project asked a simple question: how can Colorado establish a regulatory framework that encourages job creation, and even more simply put, how can the state get out of the way of job creation?

The result of that process was a regional economic development plan, that among many things, encouraged the Federal Government and the Department of Interior to move forward on responsible energy projects. Projects, that even by their own agency estimates, would create thousands of high paying energy jobs. I have submitted the regional economic development plan for your review along with my written testimony.

As a business sector, we have always pointed out that regulating, for regulations' sake, kills jobs. Some believe this claim is simply industry fear mongering or posturing. But the Obama administrations' September 2<sup>nd</sup> withdrawal of new EPA ozone regulations is an affirmation and substantiation of our point, and is also recognition that wrong regulations, at the wrong time, can and do prevent the creation of jobs and economic prosperity.

I have also submitted for the record another document that, like Governor Hickenlooper's bottom up economic development plan, provides a litany of examples whereby federal regulations prohibit job creation. The *Blueprint for Western Energy Prosperity*, developed by the Western Energy Alliance, was released Monday, July 11<sup>th</sup>, and its proposals for removing energy-job-roadblocks not only answers the title question of this morning's hearing, but may serve as a catalyst for Congressional action to right the wrong headed policies that stand in the way of our country's economic prosperity.

Stepping back for a moment, I imagine part of the reason for your presence in Grand Junction this morning is the simple fact that Northwest Colorado is likely the largest energy reserve in the World.

To the north lies the nation's largest oil deposits contained in shale formations.

To the south and west are some of the world's best deposits of uranium, molybdenum and vanadium.

Throughout Northwest Colorado is some of the nation's cleanest coal, as well as the best geothermal potential in the state.

And according to data from the National Renewable Energy Lab, Western Colorado has immense potential for solar energy applications.

But most important to our organization are the natural gas and oil deposits that exist in every direction from where we sit –a resource that, as I mentioned, continues to reveal itself as an increasingly important national catalyst for job creation.

Unfortunately, realizing the full energy potential of Northwest Colorado remains elusive, unpredictable and in some cases, uncertain.

This is in part, as I mentioned before, due to inconsistent federal policy where rhetoric about "increasing domestic energy production" is negated by policies and proposals that make such a trend impossible.

Mr. Chairman, if your committee is looking for a poster-child of regulation and federal uncertainty standing in the way of job creation -then look no further than Northwest Colorado.

In **Moffat County**, the DOI derailed a local bottom-up land-use plan for the energy rich Vermillion Basin. It took seven years for a broad array of stakeholders in Moffat County to create the compromise and just 24 hours and a press release for the DOI to reverse it. According to County and state projections this

decision eliminated the potential for \$87 million in federal revenues and thousands of local jobs in one of the most economically challenged regions of our State.

In **Garfield County**, Colorado's "Bottom Up" economic development plan called on the Federal Government to take decisive action on, and follow the direction of, its own approval processes. Even though the plan calls for moving projects forward, DOI has failed to take decisive action on the most balanced, studied and discussed energy development compromise ever brokered in Colorado and likely the nation – this project in the former Naval Oil Shale Reserve is parochially known as the Roan Plateau Compromise. Moving forward on the Roan compromise project would result, by the BLM's own analysis, up to \$1.3 billion in federal revenue and thousands of local jobs.

**Rio Blanco County** contains the richest of the nation's oil shale reserves and shows examples of how international investment can help create technological advancement in oil shale research. The outcome of a 2008 programmatic Environmental Impact Statement helped to attract needed investment by providing a regulatory and land position framework for development moving forward. The DOI is now reversing its decision only two years later on what lands will be available for commercial development. Two steps forward, three steps back, indeed.

Just this year in **Mesa County** and throughout the region, the Department of Interior proposed and then quickly withdrew a top-down initiative that would have created de-facto wilderness areas dubbed "Wildlands." One of the many flaws associated with this proposal included a breathtaking grab of existing mineral rights over areas with high natural gas potential.

In Western Colorado, and indeed throughout the Rockies, even the most basic environmental review can take years to complete with project approvals taking up to a decade.

Policies aside, even mere rhetoric from the DOI has often worked at cross purposes related to energy development and job creation. Recently the DOI sent out a press release publically criticizing industry for not developing existing federal leases. Industry trade groups were quick to note that it's the agency's own policies and permitting schedules that limit lease and project development, not the lack of will from companies who own them. But the damage was done and the message was clear. Federal leasing for minerals would and has come to a standstill.

Just last year Secretary Salazar was defeated in court for not complying with the Mineral Leasing Act when refusing to issue leases within the timeframe as established by federal law.

The Secretary was also overturned in court for re-writing the energy policy act – that he voted for during his tenure in the Senate-- without authority from Congress. And while these court victories provide some solace, Secretary Salazar's leasing reform act places a tremendous burden on BLM field offices and prohibits leasing by forcing belabored reviews for each lease sale. His declaration that this proposal would eliminate protests is not true. In fact, each lease sale since his new reform act was instituted has still been protested.

Look no further than the results of Colorado's last three lease sales to understand our concerns.

In **March 2011** two parcels were nominated, both were postponed and one was deferred and then removed from consideration.

In **May 2011** twelve parcels were nominated. Of these twelve, ten were deferred and all were protested.

In **August 2011**, five parcels were nominated, four were deferred.

For the upcoming **November** lease sale, all of the parcels will be protested as reported by the Grand Junction Daily Sentinel.

Another area of unpredictable federal policy has the potential to hamper job creation by hampering one of the most important technological advancements in a generation: hydraulic well stimulation, or hydraulic fracturing.

Hydraulic fracturing is used in the development of 90% of natural gas wells in the United States, making it an essential element in accessing increasingly vast domestic reserves.

Any regulation that reduces or prohibits the use of hydraulic fracturing will necessarily reduce access to the country's vast energy potential. A study by Global Insight in 2009 found that without hydraulic fracturing we would lose 45% of domestic natural gas production and 17% of our oil production within five years.

With the continued use of hydraulic fracturing to access unconventional gas, the EIA estimates in its 2011 Energy Outlook that net natural gas imports will drop from 11% of U.S. consumption in 2009 to less than 1% in 2035.

As federal agencies continue analysis of hydraulic fracturing, I'd note that states have made significant progress on hydraulic fracturing disclosure laws and rules. Colorado, Wyoming, New Mexico, Arkansas and Texas are all examples where either disclosure laws exist or are in the works. Anything that shifts regulatory authority away from state agencies to monolithic federal agencies is bad for the energy sector and bad for job creation in America.

While the voice of our organization typically stays within the confines of the valleys, canyons and plateaus of Northwest Colorado, our hope is that your committee advances our organization's jobs plan in the halls of Congress. It's a plan that doesn't require the printing of money; it's a proposal that doesn't require stimulus of any kind. In fact, it's a plan that -- if implemented-- would create jobs in a matter of weeks and not years. To implement our plan, Federal agencies should reasonably allow our engineers to do what they do best --make energy and create jobs.

Thank you for this opportunity --your presence here today reinforces that some members of Congress are indeed committed to a real jobs plan that recognizes the energy sectors' role in an economic recovery and in putting our citizens back to work for the benefit of our nation and security. As a constituent living in an area so dependent upon the responsible development of natural resources, I applaud your committee for taking time to raise these important questions and highlight the road ahead for energy independence for our nation.

Thank you and I look forward to your questions.