

**Written Testimony of Mark Watson, Supervisor
Wyoming Oil and Gas Conservation Commission**

Before

**House Committee on Natural Resources:
Subcommittee on Energy and Mineral Resources**

**Re: Proposed Legislation to Empower States to Manage the Development and
Production of Oil and Gas on Available Federal Land**

October 13, 2017

Good morning Mr. Chairman and members of the Subcommittee. My name is Mark Watson and I am the Oil & Gas Supervisor for the Wyoming Oil and Gas Conservation Commission (WOGCC). I appreciate this opportunity to provide testimony from a state's perspective on proposed legislation that would allow states to manage the development and production of oil and gas on available federal lands.

The WOGCC has a proud history of regulating the oil and gas industry within the state of Wyoming and is accountable for the responsible and efficient development of the state's oil and gas resources, while protecting public health and the environment. Wyoming has significant amounts of energy and mineral resources and is the nation's top energy exporter, much of it due to federal minerals. Wyoming is the largest producer of natural gas and the second largest producer of oil from federal minerals in the country. Seventy seven percent (77%) of natural gas production and fifty six (56%) of oil production within our state occurs on federal minerals. As you can see, federal oil and gas development within our state is very important and has a significant impact on the state's budget.

The WOGCC also has a long history of implementing regulatory programs on federal minerals. Wyoming was the first state in the Mountain and Plains region to receive primacy from the EPA for the Underground Injection Control Program for class II injection wells. We have successfully implemented this program for over thirty (30) years and have primary jurisdiction for close to 5,000 wells, including all injection wells on federal minerals. In 2010, we implemented stringent regulations for hydraulic fracturing (well stimulation). The hydraulic fracturing rule includes strong regulations for well construction and requires approval of all chemical compounds within the stimulation fluid and all of this information is available on our website. Since 2010, we have enforced this rule on all state, private and federal minerals, excluding tribal lands.

In the past few years, Wyoming has implemented new rules to address flaring, bonding, baseline water quality and setback distances to houses. These rules were implemented because of Wyoming's proactive approach towards common sense regulations as part of Governor Mead's energy strategy. The flaring rule allows flaring for a short period and requires operators to provide a comprehensive gas capture plan that encourages the planning and building of pipelines in order

to reduce overall flaring. The bonding rule was amended to allow us to review well transactions to ensure that new operators are financially capable of operating in a responsible manner. The rule was strengthened to ensure that operators, and not the public, would be responsible for plugging uneconomic wells. The baseline water quality rule was implemented to provide water quality data before and after a well is drilled. Both the flaring and baseline water quality rules are enforced on federal minerals as well as private and state minerals.

The permitting of oil and gas operations is yet another example of Wyoming's involvement with federal minerals. The WOGCC requires a drilling permit for federal wells because we assign the API number (a unique identifier) and we have jurisdiction over reservoir management for all minerals through a technical hearing process as part of our duty to protect correlative rights. The WOGCC also provides a database through our website for all wells, including federal wells. This comprehensive data base provides crucial data for the public as well as operators, county and state agencies and federal agencies such as the Energy Information Administration (EIA). The permitting of horizontal and directional wells creates a unique set of challenges because of the presence of mixed minerals, which is common in Wyoming. Horizontal wells, with lateral distances up to 10,000 feet, commonly access a combination of federal, state and private minerals in the same wellbore. This, however, creates a jurisdictional challenge when the well pad is located on private lands but the horizontal lateral accesses federal minerals which in some cases are a mile and a half or more from the vertical portion of the wellbore. The BLM considers this a federal action that requires a federal permit which can trigger further federal actions such as NEPA and the EIS process. Wyoming considers this implementation of federal regulations on private surface ownership a classic case of federal overreach.

In conclusion, I would note that the current administration has indicated a desire to reduce federal permitting backlogs. Removing duplicative regulations through cooperative federalism where a state such as Wyoming would manage the development and production of oil and gas on federal lands would help accomplish this goal. As I have stated throughout my testimony, Wyoming has been on the forefront of creating strong, common sense regulations for the oil and gas industry and already enforces them on federal lands within the state. Wyoming is encouraged by this new attitude and believes it has the capabilities and resources to manage oil and gas development on federal minerals.

Thank you for your time and this opportunity to provide Wyoming's input. This concludes my testimony.