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Chairman Stauber, Ranking Member Ocasio-Cortez, and Committee Members, thank you for the opportunity to testify today. The Administration is moving forward with a whole-of-government approach to stopping American oil and natural gas. The level of regulation coming at my industry is astounding, with practically every single agency, not just oil and natural gas regulators, getting into the action in the name of climate change. Financial regulators, transportation, labor, every agency is attempting to prevent American production of the oil, natural gas, and coal that provides 80% of the energy to power our economy and enable the healthy, safe, and environmentally protective modern lifestyle that Americans enjoy.

And to what end? We have an administration that has consistently begged Saudi Arabia and before the invasion, Russia, to increase their oil production to relieve high prices. We are once again in a cycle of higher gasoline prices, yet the president continues to announce plans to curtail yet more American oil production, the most recent being the cancelation of leases in Alaska and the locking away of 13 million acres in the Alaskan *Petroleum* Reserve even though Congress mandated leasing as recently as 2017. The president has let OPEC raise energy prices by blocking my industry from doing what we did just a few short years ago in making OPEC irrelevant. We could be producing between two and three million more barrels of oil per day if the president wasn't blocking us at every step, more than enough to cover the production declines of OPEC and Russia and keep prices low for consumers the world over.[1]

There are those who say that we must make these sacrifices in the name of climate change. People must not be allowed to drive when they want, eat what they want, use air conditioning, or heat their homes. But as John Kerry has said several times, we could take all American greenhouse gas emissions to zero and it would make no difference.[2] If you run each of the policies of scarcity, energy inflation, and control through the models the government relies on, you get negligible impact.[3] The only way to justify any of these policies is by using a Social Cost of Greenhouse Gases that inflates the benefits on paper, but not in reality.

We have an administration pursuing these policies even though it is well known what the ill-effects are when energy becomes scarce, unreliable, and unaffordable. We have seen energy prices skyrocket in

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[1] *The Cost of Biden's War on Oil and Gas: Nearly $100 Billion a Year in Lost Output*, Committee to Unleash Prosperity, October 2022.
[2] "John Kerry Says U.S., China Could Go to Zero Emissions and Still Not Solve Climate Crisis," *NewsWeek,* April 21, 2021.
[3] *The Unsustainable Costs of President Biden's Climate Agenda*, Kevin D. Dayaratna, The Heritage Foundation, June 16, 2022. "Even assuming that the Earth's temperatures are highly sensitive to GHG emissions, eliminating all U.S. emissions would mitigate global temperatures by less than 0.2 degrees Celsius by 2100."

California as manufacturing has fled the state.[4] We know Germany is much further down the "energy transition" path and how that it has left that country with the second highest electricity prices in Europe, yet also the most vulnerable to Russia.[5] We know intermittent wind and solar energy cannot do it all, that battery backup is cost prohibitive and practically nonexistent, and that our grid is becoming more susceptible to brown-outs and blackouts.[6] We know that California mandated electric vehicles (EV) by 2035 and then the next week asked people not to charge them during the day.[7] We know that Europe has had to back off its EV mandate because it is unrealistic and unwise.[8] We know that people died in Texas during a winter incident when the instability of a grid overbuilt on intermittent renewables was exposed. Yet this administration is blindly following the same path at the federal level.

I urge the administration to come to the American oil and natural gas industry to solve high energy prices rather than running to Saudi Arabia. It is not wise to shut out the industry that provides 70% of American energy not just because it is distasteful to turn to countries that don't have our best interests at heart, but because you cannot transform the energy sector politically without partnering with the energy sector itself. Many oil and natural gas companies have spent collectively billions on alternative energy research.[9] Natural gas is a major reason the United States has reduced more greenhouse gas emissions than any other country, through fuel switching in the electricity sector.[10] We have reduced more carbon dioxide from power generation than wind and solar energy combined. Natural gas is necessary to back up intermittent renewable energy when the wind doesn't blow and the sun doesn't shine. Government policies, as Europe is discovering, don't make real energy appear, no matter how many billions of dollars are thrown at it. We're all in this together, and I urge the administration to work with us, not regulate us out of business.

In the meantime, I urge Congress to expose this ill-advised whole-of-government approach. When looking at the magnitude of the regulatory changes coming at not just my industry but the financial, transportation, and consumer sectors, it is truly mind-blowing. A federal government not known for its crack efficiency has suddenly been able to pull every single regulatory lever to truly change our economy and society. How is that possible? We still don't have large segments of the bureaucracy back in the

[4] *Why Company Headquarters Are Leaving California in Unprecedented Numbers*, Joseph Vranich and lee E. Ohanian, Hoover Institution, September 14, 2022.
[5] *Germany's Energiewende: A Disaster in the Making*, Fritz Vahrenholt, 2017.
[6] *2023 ERO Reliability Risk Priorities Report*, North American Electric Reliability Corp., August 17, 2023; "FERC commissioners tell senators of major grid reliability challenges, with some blaming markets," *Utility Dive,* May 5, 2023.
[7] "California is the first state to make electric cars mandatory. Now it's telling owners not to charge them," *Fortune,* September 1, 2022.
[8] "Germany rejects EU plan for ban on new fossil-fuel cars from 2035," *Reuters,* June 21, 2023; "EU was set to ban internal combustion engine cars. Then Germany suddenly changed its mind," *CNN*, March 27, 2023.
[9] "How the six major oil companies have invested in renewable energy projects," James Murray, *NS Energy*, January 2020; "One of the World's Largest Oil Companies is Spending $1 Billion a Year on Green Energy Research" Brad Jones, *Futurism,* November 3, 2017.
[10] *Global CO2 Emissions in 2019,* International Energy Agency, February 2020; *U.S. Energy-Related Carbon Dioxide Emissions, 2021*, U.S. Energy Information Administration, Figure 7, December 14, 2022.

office yet they are able to exert such all-encompassing control on practically everything Americans do? I ask this Committee and others to demand information from the agencies to uncover the sources of these policies. There is likely collusion with many environmental groups, foundations, and other climate activists that are providing the background for these policies and even writing whole sections of regulations. For example, the Rocky Mountain Institute (RMI), an advocacy group disguised as an energy analysis organization, put out shoddy research on the harm from gas stoves, and then the Department of Energy followed that up with conservation standards designed to ban them.[11] That was no coincidence. There are likely many examples under the jurisdiction of this Committee.

I appreciate that this Committee is conducting oversight of the policies the Administration is taking to kill the federal onshore oil and natural gas program. I urge you to submit formal requests for information on the coordination between the Department of the Interior, including its various offices and bureaus, and environmental and activist groups. I believe those requests would uncover a trove of information of inappropriate collusion outside the public eye and outside formal Administrative Procedure Act processes. The information would be very helpful as states and groups like Western Energy Alliance seek to overturn many of these regulations in court, a Herculean task given the sheer volume of them.

I would like to highlight just some of the policies that are meant to halt leasing and development on federal lands. The increased costs these policies represent ensure that the Biden Administration's energy inflation will outlast it far into the future.

- The Bureau of Land Management (BLM) leasing rule would increase costs on American by $1.8 billion by going even farther than the costs passed in the Inflation Reduction Act (IRA). New requirements that increase bonding amounts twenty-fold will upend the bond market, particularly for small producers that simply do not have access to the surety market at the same value as do larger companies. Small companies would be forced to put down the cash rather than putting it into new development or actual well reclamation. The Interior Department recently admitted to Congress that there are only 37 orphan wells on federal lands and there have been only 40 calls on bonds over the last decade.[12] That's .04% of the 89,350 wells on federal lands and four bond calls a year.[13] The data show the bonding provisions are an arbitrary and capricious solution to a problem that doesn't exist.

- The Interior Secretary ordered a withdrawal of over 336,000 acres from oil and natural gas leasing around the Chaco Culture National Historical Park. In withdrawing the lands from development against the wishes of the Navajo Nation, the action prevents Navajo mineral owners from developing their oil and natural gas resources and realizing $194 million in royalty

[11] "Natural Gas Report Raising Emissions Concerns Comes Months After Strategy Meeting With State Officials", *Western Wire,* May 18, 2020.
[12] "Deputy Secretary Tommy Beaudreau's responses to Questions for the Record, Letter to Senator Joe Manchin dated June 22, 2023.
[13] BLM Fiscal Year 2022 Oil & Gas Statistics, Table 9, Producible Well Bores.

income over 20 years.[14] The department is also moving forward with a withdrawal of 225,000 acres in the Thompson Divide area of Colorado, an area with a history of oil and natural gas coexisting with land protection back to the 1940s.[15] Both withdrawals will stop development in the very promising Mancos Shale formation. At least in this regard, the Interior Secretary is equal opportunity, as she closed 225,500 acres in the Superior National Forest of Minnesota to mining for the critical minerals needed for renewable energy.

- BLM proposes to close 1.566 million acres to oil and natural gas leasing in the Grand Junction and Colorado River Valley field offices in the highly productive Piceance Basin on Colorado's West Slope. The Energy Information Administration (EIA) considers the Piceance Basin to have five of the top 50 natural gas fields in the United States in proven reserves.[16] The update to the Resource Management Plan and supplemental Environmental Impact Statement[17] is also designed to cut off new development in the Mancos Shale formation.

- The Council of Environmental Quality's (CEQ) proposed revision to National Environmental Policy Act (NEPA) guidelines would require federal agencies to require the evaluation of renewable energy projects when a fossil fuel project is proposed.[18] The intent is to speed up approvals for renewable energy projects while slowing down approvals for fossil fuel projects.

- The BLM conservation and landscape health rule stretches Congress' original intent of the Federal Land Policy and Management Act (FLPMA) away from managing public lands for "multiple use and sustained yield" of resources to preservation only. FLPMA specifically defines "principal or major uses" as limited to mineral exploration and production, livestock grazing, rights-of-way, fish and wildlife development, recreation, and timber. Of course FLPMA calls for the protection of the environment, water, and cultural resources, but does not list conservation as a use. FLPMA mandates public lands are to "be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber". BLM's rule would violate the multiple-use and sustained yield mandate by closing or restricting unnecessarily large amounts of land to productive uses, making it more difficult to develop in energy-rich basins across the West.[19]

- The U.S. Fish and Wildlife Service (FWS) proposes three new ESA rules regarding interagency cooperation, listings, and critical habitat designation. Taken together, the Biden Administration

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[14] Western Energy Alliance comments on the Chaco Area Withdrawal Environmental Assessment, December 9, 2022.
[15] Western Energy Alliance comments on the Proposed Withdrawal, Thompson Divide Area, January 16, 2023.
[16] *Top 100 U.S. Oil and Gas Fields*, EIA, March 2015.
[17] Draft RMP and Supplemental EIS, Colorado River Valley Field Office and Grand Junction Field Office, August 2023.
[18] NEPA Implementing Regulations Revisions Phase 2, CEQ, July 31, 2023.
[19] Testimony of Kathleen Sgamma before the House Committee on Natural Resources, Legislative Hearing on H.R. 3397, June 15, 2023.

> is seeking to erode the standards with the goal of listing species that do not credibly meet the ESA's definition of threatened or endangered species and designate critical habitat on a massive scale, including areas that are unoccupied. The result is reduced areas open to development, increased costs, unwarranted or unjustified permit requirements, delays, and a multitude of operational constraints that significantly impact the ability to responsibly develop energy resources.

<u>"Diligent" Development</u>

I would like to focus in particular on the BLM leasing rule. The proposed rule is based on the Administration's continued narrative that operators are not diligently developing their valid existing leases. It would impose penalties for not developing within the first five years of the primary term of the lease, restricting availability of lease extensions and suspensions for any reason, and restricting extensions for applications for permit to drill (APD), regardless of the fact that BLM is often the source of the delays. In good Kafkaesque form, BLM is largely discouraging companies from wanting to develop federal oil and natural gas through this rule and others, further piling on the impediments to leasing and development to ensure they don't. These include changes in bonding requirements, increased fees and royalty rates, shorter permit validity times, a new nomination fee, higher bonus bids, higher royalty rates, and increased rental rates collectively raise operational costs on federal lands, deterring participation, especially by new small businesses.

We have to assume it is irony that BLM discusses "incentiviz[ing] diligent development of leased resources . . . ."[20] after extensive language in the proposed rule aimed at discouraging companies from wanting to obtain federal leases in the first place. Instead of encouraging development by providing incentives to develop such as fast-tracking approvals or otherwise being proactive in assisting companies in the regulatory review process, BLM proposes to further punish operators for holding federal leases.

At the end of FY 2022, there were 34,409 leases in effect, 23,631 producing, and only 10,778 nonproducing leases, which is a 69% utilization rate.[21] Sixty nine percent of leases are in production, despite the fact that the Alliance is in court defending over 5,900 leases from litigation by environmental groups. Most of these leases cannot be developed on until the litigation is cleared up. Factoring in that litigation means that only 28,509 of those 34,409 acres are available for development, which indicates a practical utilization rate of 83%, a very high rate since other leases may be tied up in the NEPA process, awaiting permit approvals or adjacent leases, and otherwise working their way through the federal approval process. Rather than a two-faced rule that claims to "incentivize" diligent development while tying up companies in more red tape and cost, BLM could simply complete the corrective NEPA analysis as required by the D.C. District Court. Yet BLM is dragging its feet on simply completing that straightforward NEPA analysis and letting our members develop on the leases they have in hand.

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[20] 88 Fed. Reg 47566.
[21] BLM Fiscal Year 2022 Oil & Gas Statistics, Table 1, Number of Leases; Table 6, Producing Leases.

Additionally, BLM has a number of Expressions of Interest (EOI) from industry that are not being processed but which are adjacent to leased lands. Oftentimes companies need to acquire adjacent leases in order to efficiently develop existing leases, especially when drilling horizontal wells with one- to three-mile laterals. They nominate lands that may be part of a larger patchwork of federal, state and fee leases in order to form a full development unit that best accesses the resources while minimizing surface disturbance. BLM's delay in processing many of these EOIs stalls a company's ability to put these lease positions together. Moving forward with regular leasing would increase the utilization rate further.

Bonding

The bonding provisions in the proposed rule would in particular price small companies out of the process. The proposed rule suffers from the flawed assumption that bonds are the only source of funding available to plug and abandon wells and reclaim well sites. In fact, companies are under obligation for the full cost of properly plugging wells and are not released from liability until BLM has determined they have properly done so. Companies assume the obligation when they acquire another company's assets and successor companies also assume the obligation. Struggling companies are often acquired, so at-risk wells, as identified in the Government Accountability Office (GAO) reports, do not necessarily become orphaned wells.[22]

Bankruptcies almost always result in continuous liability for the assets, whether through restructuring or sale of the assets. In addition, when companies acquire new federal leases that have existing orphan wells on them, oftentimes the acquiring companies plug and reclaim orphan wells before moving forward with new wells. When a company sells or transfers its federal assets, it maintains its liability to plug and abandon any well, and reclaim any well site, that it operated or benefitted from during the term of its lease should a future company default.[23] Thus, there is very low risk of a well on federal lands becoming orphaned. BLM rarely needs to access a bond in order to plug a well, and in fact has done so at the rate of about four per year. A good question to ask BLM is how many wells are plugged and abandoned each year without requiring a call on a bond.

If bond levels are raised too high, as they are in the proposed rule, it ties up significant amounts of capital in an unproductive capacity, adding another cost that, in combination with all the other costs of operating on federal lands and in the proposed rule, leads to less production. The rule would raise costs unnecessarily for the vast majority of companies who are responsible and fulfill their reclamation obligations. The real issue is of course, fly-by-night operators, but the issues are being or have been addressed by BLM with existing policies that give it the flexibility to set higher bond amounts for at-risk companies, more stringent interim and final reclamation requirements, additional bonding reviews, and other measures to limit the risk to the taxpayer.

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[22] "Oil and Gas: Bureau of Land Management Should Address Risk from Insufficient Bonds to Reclaim Wells,'' GAO, September 2019; "Oil and Gas: Bureau of Land Management Needs to Improve Its Data and Oversight of Its Potential Liabilities," GAO, May 2018.
[23] 43 C.F.R. § 3106.7-2.

In fact BLM should be applauded for—using the power it already has over the last two years of the Trump Administration and into the Biden Administration—reducing the number of orphaned wells from the 296 wells identified in the 2019 GOA down to 37 today. That is a success story that shows that the new bonding provisions are unnecessary, yet the political leadership at BLM blindly continues to ignore that success. Throughout the proposed rule, BLM focuses extensively on addressing an orphan well problem not supported by evidence. BLM leadership must recognize its own facts: orphan wells are not the crisis it implies and addressing orphan wells on federal lands is not the taxpayer emergency BLM leads the public to believe in the proposed rule.[24] BLM's approach is disingenuous and misleading.

In the 2019 report, GAO estimated that annually BLM spends about $267,600 in total on reclamation. That amount is just 0.003% of the $8.6 billion in revenue the industry returned to the government in 2022 from the onshore program. That reclamation total is likely much smaller now given how few orphan wells there are on federal lands. It certainly doesn't provide justification for a rule that will price small business out of the bond market altogether.

Thank you Chairman Stauber, for your oversight of these issues. I look forward to questions.

[24] *See* Preamble, 1. Reducing Taxpayer Exposure to Reclamation-Related Liabilities, 88 Fed. Reg. 47565.