

**Testimony of Patrick Montalban**

**Chairman - National Stripper Well Association**

**Before the House Small Business Committee's**

*Hearing On*

*"The Gold Age: Unleashing Main Street Through Deregulation"*

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Chairman Williams, Ranking Member Velazques, Vice Ranking Member McGarvey and members of the House Small Business Committee, thank you for inviting me to testify at this important hearing. It is an honor to testify before you.

My name is Patrick Montalban, Chairman of the National Stripper Well Association (NSWA). The NSWA celebrated their 90-year anniversary last year in Oklahoma and continues to represent the small Independent Oil and Gas Operators in America.

A stripper well is defined as a well making 15 or less barrels of oil per day and a natural gas well making 90 MCF or less per day. These marginal oil and gas wells operated by the small Independent Operators are important for continued production in Montana and the USA. There are over 760,000 stripper wells across 32 states, which make up 80% of the wells in America. These stripper wells, operated by small businesses, produce 8-10 percent of the oil and 7-8 percent of the natural gas in the United States. The current daily total oil production in the United States is 13.6 million barrels per day. The small independent operators produce approximately 10% or 1.3 million barrels per day. Many in our Industry refer to these wells or reserves as the "Strategic Petroleum Reserve" for

the stable energy production they provide the United States. These wells provide consistent daily production all over America. More importantly, these oil and gas wells create good paying jobs in rural America.

The many good paying jobs created by these stripper wells contribute to the survival of small-town America, the schools, hospitals, police force and fire departments and many other small businesses in these rural communities. It takes as many oilfield workers to produce a well making 3 barrels of oil per day well as it does one producing 300 barrels of oil per day. All producing wells in America are either a stripper producing well or will eventually become a stripper producing well during the life of that well.

Stripper well production also generates royalties that are paid by the operators to the land/mineral royalty owners. We are a vital source of income for thousands of oil and gas royalty owners, who rely on their monthly royalty checks from our producing wells. Many of our royalty owners are retirees on a fixed income and rely on these payments to supplement their income. These royalty payments are also often an important source of income to farmers and their families who regularly lease their land to oil and gas operators. On a monthly basis, we distribute between 700 to 1,000 payments to our royalty owners. A sampling of the number of royalty owners in a few key states: Texas – 4,462,500; Minnesota – 71,400; Pennsylvania - 18,500; Kansas – 221,850, and Montana - 71,500.

I am the Chairman and Chief Executive Officer of Montalban Oil and Gas Operations, Inc (MOGO, INC). We currently operate over 500 wells (320 Natural Gas and 180 Oil and Water Disposal wells) in the State of Montana. I began my career roughnecking on a drilling rig and from there decided to

become a petroleum geologist in 1978. I received my degree in geology from the University of Montana in 1981 and have been working in the oil and gas industry for the last 50 years. My father started the company in Montana in the 1950's and my son, who is third generation, continues our family legacy in the oil and gas business.

We employ 17 full-time and contract employees. Many of our employees in the field and office have worked for us for over 35 years. We have been in the business for generations, and we understand that to have a good operation, you need to have knowledgeable, experienced employees. Our employee wages average \$35 to \$40 per hour, an exceptionally good wage in Rural Montana. In addition, we offer the following benefits: bonuses, 100% paid health insurance for employees and family, short-term and long-term disability, paid vacation and sick leave, and life insurance.

We are the largest operator on the Blackfeet Indian Reservation and provide important revenue in the way of taxes and royalties to the Blackfeet Nation. We pay royalties on tribal property at the lofty royalty rates of 19.25% to 24.5%. The normal royalty rate on a private lease is 12.5% to 15%. The primary community for the Blackfeet Nation is Browning, MT, the seat for Tribal Government. There are over 16,000 enrolled members and approximately 9,500 to 10,000 live in Browning. We regularly address the Tribal Council to report on operations and keep them informed of our oil and gas activities.

We are located in Cut Bank, Montana and we are a community-oriented company. Our employees live locally, own homes, raise families and contribute to the local economy in rural Montana. The jobs we provide create important and necessary income for the small towns

and rural communities of Montana. These jobs generate critical tax revenue to the local communities and counties in the State through the state's county revenue sharing program. We also generate critical tax revenues through taxes paid to the State for production, property and income tax in the counties and state in which we operate. As a supporter of our communities, we provide scholarships to local schools and work closely with the Cut Bank and Browning, Montana school systems: donating to educational and sporting causes, community food banks, kid pack programs, CASA, and other community enrichment activities.

## **Regulations**

As an Operator in Montana, we have wells producing on state, federal, tribal, and private lands. The following are examples of costs associated with operating in this kind of diverse setting and what we consider a politically and regulatory restrictive environment. The small independent oil and gas producer **are not** fully integrated companies like the "Majors" who produce, refine, and sell the gasoline and diesel to the public. We absorb these costs and sell our oil and gas product on site at prices determined by the purchaser.

We are a first-hand example of how the Biden Administration was aggressively trying to put the small operator out of business. In my 50 years working in the oil and gas business, I have never encountered such aggressive regulations and taxes on the industry. During the Obama Administration we were regulated extremely heavily. The small independent oil and gas producers called this approach being "regulated by 1,000 cuts."

Unfortunately, what we found during the Biden Administration was that they wanted to put the small independent oil and gas operators **out of business**. As we are in the fossil fuel industry the Biden Executive Branch used the justification of “global warming” and the implementation of the “New Green Deal” to achieve this. In fact, members of the Biden Administration did not hesitate to inform me that the goal was to put the small independent oil and gas operators out of business. The federal methane rules and regulations, if allowed to be fully implemented, are so extreme that they would have achieved their goal.

The Biden Administration had an approach to ruin us financially. They implemented a sweeping methane emissions regulatory package and a methane waste emissions charge (WEC), established under the 2022 Inflation Reduction Act. The concerning part for the small business operator is that it is still in effect today. On the regulatory package, those actions included the mandatory Greenhouse Gas Reporting Registry (often referred to as Subpart W rule). In addition, they developed the Methane Rule – known as “OOOOb and OOOOc,” and proposed comprehensive inspection programs no matter how small an operator. These regulations have already created excessive costs for research and comprehension, by small independent operators, necessary to adhere to the rules. We faced these looming regulations with the EPA and the State regulatory bodies, like the Montana Department of Environmental Quality. These rules and regulations were so extreme that they would have put many small independent operators out of business.

Through the Department of Environmental Quality, in the State of Montana, there are numerous environmental protections in place to monitor the emissions of our facilities.

Small independent oil and gas operators have always been great stewards of the land in Montana and this Country. I am an avid fisherman, and hunter. I have lived in a rural community most of my life and I will always protect the environment.

The Inflation Reduction Act's Methane Emissions Reduction Program (MERP), which includes the methane WEC, was intended to impose a tax on large operators with production of over 25,000 metric tons of CO<sub>2</sub> equivalent per year. Congress recently passed the Congressional Review Act to remove the regulations. This is more detailed in the article attached to my testimony.

This is a good start, but the fee must be repealed, or the small independent oil and gas operators must be exempt. From discussions with our Congressional colleagues, it is our understanding that this can be achieved through the budget reconciliation process.

The NSWA established a Methane Committee that includes engineers from the Colorado School of Mines. They calculated the methane emissions from abandoned and orphaned wells to be 0.06% of the total U.S. emissions. The stripper well methane emissions in the United States are 22.5 million Metric Tons of CO<sub>2</sub> equivalent per year, which is just 10% of the U.S. cattle methane emissions of 225 million Metric Tons of CO<sub>2</sub> equivalent per year. According to a Department of Energy study, released during the Biden Administration, "Quantification of Methane Emissions from Marginal Oil and Natural Gas Wells," 55 – 60% of all oil and gas wells produced no detectable emissions and the majority of abandoned wells have no emissions.

## **EPA UIC Program**

We operate a number of water disposal wells on private state, federal, and tribal lands, which are regulated by the State of Montana Board of Oil and Gas and EPA. After acquiring a property on the Blackfeet Indian Reservation, the EPA required that we re-permit the Tribal 194-38 injection well. This well was permitted 40 years ago and has injected wastewater properly, within permitted limits and at low pressures, creating no ground water contamination during that time. The process of re-permitting included conducting costly testing, such as step rate and fall off pressure testing, which resulted in no change in the injection profile nor engineering changes to the permit. However, the expense of meeting the regulatory requirements was exorbitant, costing our company over \$100,000.

We have another instance in which we were required to re-permit two Class II injection wells in Pondera County, Montana. A Class II injection well is permitted to dispose of any wastewater from oil and gas drilling, completion, and production operations. The Jody Fields 34-1 and 34-2 were originally permitted in August 2011. They have injected wastewater at low pressure and volumes during this time without ever contaminating the ground water. Over the past 13 years, each well has had over 200,000 barrels of wastewater injected under the original Class II permits. Along with the re-permitting, we are seeking a Class V permit, and the permitting process requirements include extensive testing and analysis, such as step rate and fall off testing along with mechanical integrity testing (MIT). The cost to date is over \$415,000. We understand the need for the tests on the reservoir to prove a proper injection profile, but it is going on 3 years with this permitting process and the permits have yet to be issued.

We have a history of operating 17 injection wells on State and Federal Lands and it has never taken longer than 6 months to secure a permit and receive an aquifer exemption from Montana Board of Oil and Gas and the EPA.

We work well with the Montana Board of Oil and Gas, Department of Environmental Quality, and the Department of State Lands. We have never experienced an issue with local or State interference with the permitting process in the industry until recently. Currently there are local elected officials, in Pondera County, which is in Congressman Zinke's District, who are holding up a re-permit for two injection wells that have been permitted and actively injecting oil and gas wastewater for over 12 years. These are the wells we mentioned previously. We have never failed a mechanical integrity test or any regulatory requirement during that time. These elected officials are fighting the Class II and Class V permits for locations in Pondera County, Montana. Even though there has never been any contamination of underground drinking water or ground water in the State of Montana, these Officials are telling the public that we are going to contaminate the ground water. In addition, these officials are infringing on landowner property rights.

This not only reflects negatively on our Company but the rest of the Industry in the United States. We take pride in knowing we are diligent in protecting the ground water as a good operator in the State of Montana. There are currently 35 active injection wells in Pondera County, Montana and 1,161 Class II injections wells in the State of Montana. These elected officials never mention or oppose the other injection wells in Pondera County, Montana and this has become a political issue instead of an environmental concern. The disposal of wastewater is critical to our Industry and



injection/disposal is the most environmentally sound and effective way to dispose of produced oil and gas wastewater in Montana and our Country. Without disposal wells there will be no oil production in Montana or any other State in the Country.

### **Bonding Rules**

Another egregious regulatory step taken by the Biden Administration was the increased bonding of wells on Federal Lands. The new rules take bonding on a single well from \$10,000 to \$150,000 and for multiple well bonding from \$25,000 to \$500,000. This drastic increase in bonding has prohibited many operators from acquiring leases/wells on Federal Lands. We recently acquired two wells on a federal lease and this regulation would increase our bond from \$25,000 to \$500,000. Small independent oil and gas companies cannot purchase surety bonds and therefore cannot operate or purchase federal wells without posting a cash bond.

While operating on Federal Lands, we are under the authority of the Bureau of Land Management. They continue to increase unnecessary monitoring of small oil and gas operators. The continual reporting to the BLM becomes cumbersome, repetitive, and egregious when repeatedly they find no questionable operations. We have requested variances from BLM over the last three years and we never receive a response.

### **The “New Gold Age”**

With the Trump Administration and the new appointments: EPA Administrator, Lee Zeldin, Secretary of Energy, Chris Wright and Secretary of the Interior, Doug Burgum, we are already seeing a noticeable change in the day-to-day oil and gas operations. Administrator Zeldin expressed goals to rescind all methane rules and regulations, and we are confident with this new

Administrator that they will be eliminated. It is absolutely critical that the small independent oil and gas operators be exempt from the OOOOb and OOOOc rules and regulations. If not, it will put most of these operators out of business. The new EPA Region 8 Director, Cyrus Western, from Wyoming, and Administrator Lee Zeldin, will restore the EPA to common sense standards, where permits in the U.S. are approved and issued in a timely manner, often less than 6-months, for good environmental protection and economic efficiency.

In correspondence with the Department of the Interior, Secretary Doug Burgum is considering rescinding the new bonding requirements or making them affordable for the small independent oil and gas operator. This would allow them to participate in operations on federal lands. If this is not achieved, it would eliminate a large sector of the oil and gas industry, namely the small businesses, from ever operating federal oil and gas wells in America.

Through my years of working in the oil and gas Industry in Montana and the United States, we have faced tax and regulations challenges in the past but, never have we had an Administration openly admit they were “Going to put us out of business.” It is a new “**Gold Age**” with the Trump Administration including the EPA, Department of Energy and Department of Interior.

We, again, look forward to producing fossil fuels for the citizens of the great State of Montana and Country. There is a breath of fresh air whistling off the Rocky Mountain Front, over the Blackfeet Nation to the Cut Bank Oil & Gas Field in Glacier County, Montana. We, again feel welcome as a small independent oil and gas business in the Great Country of the United States of America.

Thank you for this privilege and honor to testify. I would be happy to answer any questions.