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**Before the
House Natural Resources Committee**

DOI Hydraulic Fracturing Rule: A Recipe for Government Waste, Duplication and Delay

May 8, 2013

Chairman Hastings, Ranking Member Markey, and Members of the Committee, thank you for the opportunity to appear before you today. I am the President of DJ Simmons, Inc., a small independent oil and gas company located in Farmington, New Mexico near the Four Corners.

I am also here representing Western Energy Alliance, a trade association with over 400 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas across the West.

Simmons just celebrated its 60th anniversary of producing natural gas in the San Juan Basin, one of the largest oil and natural gas basins in the world. Like many western state producing areas, much of the land is owned by the Federal Government and managed by the BLM. Simmons' acreage position is similarly dominated by federal leases, and we have a long history and successful relationship with the federal regulators that manage those leases.

However, over the past several years, the regulatory burdens that have been layered upon those lands have increased dramatically, driving up costs and increasing delays for our drilling and ongoing operations. In the past, our company viewed federal leases favorably, with their standardized rules, experienced staff and reasonable terms. But now, with ever increasing fees and permitting costs, more onerous rules, and delays in permitting that drag on for months and even years, it is not difficult for me to see why the majority of new development in this country is occurring on non-federal lands.

And that is a shame. The San Juan Basin still has tremendous reserves in oil and natural gas, the assessment of which has taken a big jump given results of recent horizontal drilling success. However, the economic recovery of these vast reserves is marginal at best with current gas prices, and it will be a challenge for companies that operate on federal lands like Simmons to compete with drillers in other areas around the country. The absolute last thing we need now is additional regulations that will further drive up costs.

Presently, the Department of the Interior (DOI) is planning to add regulations for hydraulic fracturing (HF) on federal lands which are redundant to state regulations, and will add even more length and bureaucracy onto a process which already takes significantly more time than on private and state lands. The added red tape will divert investment away from energy development, job creation, and economic growth into redundant federal regulation, further disadvantaging western public lands states like New Mexico. While states efficiently process permits in an average of thirty days, the Federal Government takes 228 days. The proposed HF rule could add another 100 days onto permitting times.

John Byrom, DJ Simmons
Testimony
May 8, 2013

Page 2 of 2

States are the proper place to regulate as they are closer to the communities impacted, and have an appreciation of the multiplicity of factors affecting operations. State rules specifically tailored to each state's unique geologic and hydrologic conditions better protect the environment and groundwater than a one-size-fits-all federal rule. States also do a better job of balancing environmental protection with economic activity and job creation. A distant Federal Government, far removed from local communities, does not adequately respond to local needs and concerns.

Despite the fact that states have been regulating HF for over six decades with no cases of contamination of underground sources of drinking water, the Federal Government feels the need to step in with redundant regulations. DOI can point to no incidents on public lands that would compel it to add duplicative regulations. Even the Environmental Protection Agency (EPA) is waiting to determine if federal regulations are necessary for HF until it completes a scientific study, due for completion in 2014. Why DOI feels compelled to move forward with regulation that is uninformed by those scientific findings is not clear.

Rather than adding more regulation and infringing on state regulatory efforts, Western Energy Alliance supports legislation to ensure that responsibility for HF remains with the states. States have an exemplary safety record – 1.2 million frac jobs with no incidents of contamination – and there is no compelling reason for the Federal Government to take over control. DOI already struggles to meet its current oil and natural gas program leasing, environmental analysis, permitting, monitoring and inspecting obligations. Adding a whole new regulatory regime which it has neither the manpower nor the budget to implement will add more delay and cost, further disadvantaging the West compared to other regions of the country without significant federal lands.

In fact, public lands states like New Mexico have recently strengthened HF rules, including disclosure. Currently, state and federal permitting functions have many areas of overlap. States already permit wells on federal lands, regulating down-hole spacing, water protection, and well construction. DOI permitting is redundant in several respects. We strongly support legislation that prevents DOI from infringing upon state authority and making the process even more redundant.

The San Juan Basin, like other Western oil and gas areas, holds a vast treasure of domestic oil and natural gas for this nation. Harvesting this resource will bring tremendous benefits including badly needed jobs to struggling western communities, tax revenues to cash strapped local and state governments, and billions of dollars in the form of royalties and taxes that will flow directly into federal coffers. So I am asking you to help us work to realize these gains for our citizens and help us fuel this nation.

Thank you for the opportunity to appear before you today. I look forward to answering questions.