

**Kathleen Sgamma
Vice President of Government & Public Affairs
Western Energy Alliance**

**Before the
House Oversight and Government Reform Committee**

***Rhetoric Versus Reality: Does President Obama Really Support an
"All-of-the-Above" Energy Strategy?
May 31, 2012***

Chairman Issa, Ranking Member Cummings, and Members of the Committee, thank you for the opportunity to appear before you today. Western Energy Alliance represents 400 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas across the West. Alliance members are mainly small businesses and independent producers. Because of the huge portion of public lands in the West, my members are particularly affected by government policies that reduce access to energy owned by all Americans on federal lands. Our members are proud to produce 27% of America's natural gas and 14% of its oil production while disturbing only 0.07% of public lands.

To this representative of the oil and natural gas industry, it seems that my industry has figured into the Administration's strategy as an annoyance to be eliminated in favor of its preferred energy sources. The attitude has translated into budgets intended to reduce oil and gas production through increased taxes and the elimination of business expense deductions:

"To the extent expensing encourages overproduction of oil and gas, it is detrimental to long-term energy security and is also inconsistent with the administration's policy of reducing carbon emissions and encouraging the use of renewable energy sources through a cap-and-trade program." (FY2010 budget)

Since America still imports over 50% of its oil from overseas, it's hard to understand how we're "overproducing" in America. That doesn't sound like "all-of-the-above" to me. The energy strategy has been based on idealism, not the reality of US energy security. Of course, less American oil and natural gas production means more oil imports from unfriendly nations.

We have seen some acknowledgement from the Administration recently that domestic oil and natural gas are important for energy security and one of the few bright spots in the economy driving significant job creation, economic growth, and new manufacturing opportunities. The fact that recent rhetoric has been toned down for political expediency doesn't wipe away reality.

One thing that particularly rings hollow with western producers is the Administration taking credit for increased production of oil and natural gas. The dramatic success of my industry increasing production and significantly decreasing foreign imports is the story of private sector investment on mainly private lands. Despite all the obstacles put in place by this Administration, oil and gas companies, responding to market forces and the demands of a nation for energy,

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jobs, and economic growth, have dramatically increased production and reduced foreign imports. 5.5 times more oil is produced on private and state lands than on federal lands.

For example, North Dakota would not have increased its oil production 250% over the last decade, with most of that increase coming in the last five years, if the Bakken formation were largely on federal lands. If the Bakken were on federal lands, it would be year five of a seven year federal environmental analysis with little additional production in sight.

But it's not just a matter of who should take credit for increased US production. More important is how to ensure that America continues to increase energy production, create jobs and grow the economy. On that front, it's important that we recognize the role of policies and regulations that stifle economic growth. We've seen Interior Department policies intended to slow development on federal lands, and numerous regulations from the Environmental Protection Agency that divert significant productive resources away from energy development and toward environmental compliance without commensurate environmental benefit.

On onshore public lands where the Administration has the most control, the Department of the Interior has put in place more obstacles to producers. As a result, oil production has declined by 14.7% and natural gas increased by a scant half of a percent from FY 2010 to 2011, according to the Office of Natural Resources Revenue. Moreover, natural gas production on all federal lands declined by 27% in FY2011 from its FY2009 level, while natural gas production on state and private lands increased 28% over that time period.

Whereas on state lands production can be realized within a matter of months from the time of leasing, on federal lands three years is a general minimum before full production can occur. Usually it is a matter of five to ten years, and we've seen delays stretching over fifteen years. Therefore, today's production is the result of policies and actions taken three to five years ago. The decline in FY 2011 is the first true indication of this Administration's policies.

To deflect criticism of policies that have slowed production, we continue to hear accusations and misleading statistics that industry is letting millions of acres sit idle. By looking at the statistics over time, it is evident that industry has become much more efficient over the last several decades. While we used to hold 80,000 leases and produce on 24% in 1988, we now hold just 49,000 leases and produce on 46%. Secretary Salazar's statements that this shows industry is intentionally leaving leases idle is tired rhetoric that fails to take into account the huge obstacles the federal government places in the way of oil and natural gas producers, and the fact that not every lease has recoverable oil and gas.

For example, Western Energy Alliance recently completed a study which shows the enormous economic potential of just twenty projects proposed in the West on public lands. These twenty projects propose just 3,164 wells annually, but would generate 120,905 sustained jobs, and \$8 billion in wages and \$27.5 billion in economic activity *annually*.

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However, once a project is proposed by a company on federal lands, the Interior Department’s Bureau of Land Management must complete environmental analysis under the National Environmental Policy Act (NEPA). Despite the fact that companies pay for contractors to complete the analysis, the government still manages document completion and approval. We’re seeing even small nine-well projects take up to four years, and large projects taking over seven years.

In fact, if we look at projects that have been waiting for NEPA completion for three years or more, we see that government delays are preventing the creation of 64,805 jobs, \$4.3 billion in wages and \$14.9 billion in economic activity annually. These NEPA delays are the direct result of government inaction that prevents companies from producing on their leases.

Other obstacles abound. Secretary Salazar started his tenure by cancelling leases in Utah. He followed that up with policies that added three new layers of analysis to the leasing process, which have resulted in an 81% reduction in acreage offered in the Rocky Mountain West. If there was any doubt about the intention to slow oil and natural gas development, Secretary Salazar allayed those doubts when he introduced those new policies by saying his agency would no longer be a “candy store” for the petroleum industry. The attitude was that there was a new sheriff in town who needed to stop unfettered development, as if a responsible industry providing 27% of our nation’s natural gas and 14% of oil production while disturbing less than a tenth of a percentage of public lands was an industry gone wild.

Secretary Salazar recently admitted that it takes the government 298 days on average to process a drilling permit and promised to reduce that time to sixty days. Given that every proposed budget for the last four years has attempted to zero out funding for improving processing of oil and natural gas permits, again the rhetoric doesn’t match reality.

Furthermore, Interior has decided to regulate hydraulic fracturing despite the lack of a single incident on federal lands, EPA’s ongoing scientific study to determine if any regulation is even warranted, and successful state regulation. Western Energy Alliance estimates conservatively that BLM’s planned regulations will add about 100 days to permitting times. With federal permitting times of 298 days while states can process their corresponding permits in about thirty days, it’s difficult to understand why the federal government is trying to usurp control from the states which have proved themselves more effective and efficient. The effect will be to further disadvantage federal production and the states in the West dominated by public lands.

For the last three years, we have been part of an “anything but oil and gas” energy strategy. We’re heartened that the Administration has changed the rhetoric – now we’re just waiting for reality to catch up.

Kathleen Sgamma

Western Energy Alliance

KATHLEEN M. SGAMMA

PROFESSIONAL EXPERIENCE

Western Energy Alliance, Denver, CO 3/06 - Present

Vice President of Government Affairs & Public Affairs

Leads all advocacy efforts to promote the interests of the oil and natural gas industry in the West regarding environmental, regulatory, public lands access, demand promotion, and other issues.

Bankers Life and Casualty, Chicago, IL 3/03 – 11/05

Senior Database Developer

Developed data applications for marketing and demographics analysis.

Sagent Technology, London, England 6/96 – 2/01

Director of Professional Services

Established and directed the European consulting practice for this software vendor, and started the German subsidiary.

Ogden Government Services, Fairfax, Virginia 6/93 – 6/96

Senior Systems Analyst

Conducted numerous data analysis and Business Processing Reengineering (BPR) projects for various government clients.

US Army, Various locations 8/89 – 9/92

Military Intelligence Officer

Led a platoon of thirty soldiers deployed for the Persian Gulf War. Led a platoon of fifty soldiers and an intelligence system supporting military commands throughout Europe after redeploying the system from Saudi Arabia.

EDUCATION

M.S., Information Systems, Virginia Tech

B.S., Political Science/Defense Studies, Massachusetts Institute of Technology (MIT)

VOLUNTEER WORK

Board Member, Denver Asset Building Coalition 2005 - Present

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: Kathleen Sgamma

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Western Energy Alliance, a trade association representing 400 companies involved in all aspects of environmentally responsible exploration and production of oil and natural gas in the West. I am the Vice President of Government & Public Affairs in charge of advocacy.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature:



Date: May 29, 2012
