



Testimony

Of

The Independent Petroleum Association of America

To

Committee on Natural Resources

Subcommittee on Energy and Minerals

U.S. House of Representatives

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The Independent Petroleum Association of America (IPAA) represents thousands of independent oil and natural gas explorers and producers, as well as the service and supply industries that support their efforts. Independent producers develop 95 percent of American oil and natural gas wells, produce 54 percent of American oil and produce 85 percent of American natural gas. The average independent has been in business for 26 years and employs 12 full-time and three part-time employees. IPAA's members are truly the face of small business in the oil and natural gas industry and support more than 2 million direct jobs in the United States.

H.R. 2728

IPAA supports H.R. 2728 and urges the Committee and the full House of Representatives to pass this important legislation as soon as possible.

The IPAA supports H.R. 2728 because although the individual states and state oil and gas regulators have successfully regulated the process of hydraulic fracturing for decades, many opponents of increased American oil and natural gas production are determined to have the long-reach of the federal government make the regulatory process more complicated and difficult. The states have effectively managed the limited environmental risks of the fracturing process for more than 60 years. Hydraulic fracturing is a temporary part of natural gas and oil development, and H.R. 2728 ensures that these activities are properly managed by states that have regulations, guidance, or permitting requirements for these activities.

Over the 60 plus years since the earliest use of hydraulic fracturing, there have been no incidents related to the fracturing process that suggests the existence of a systemic environmental management problem. Responsible, common sense regulations on development are a foundation of the oil and natural gas industry's operations. State regulators, not federal officials, have the technical expertise to appropriately evaluate fracturing stimulation activity within a given state. In addition, the states have the specific knowledge of local geology and hydrology that makes regulation at the state level more efficient.

Efforts to insert the federal government into the regulatory process concerning hydraulic fracturing ignore state expertise in addressing state-specific issues and significant regional differences throughout the nation. Many of IPAA's members have concerns that the federal land management agencies are not equipped to provide the level of service necessary to enforce additional regulations. Efforts to impose a "one-size-fits-all" regulatory scheme by the federal government regarding hydraulic fracturing fail to recognize the shortcomings both in terms of staff resources and site-specific expertise.

To be clear, no one can guarantee that the extraction of oil and natural gas is a risk free process. It requires effective regulation, which currently exists in the states. Unfortunately, opponents of American oil and natural gas production suggest that even a single failure or incident constitutes such a crisis that the only solution is to overturn the entire regulatory structure and replace it with aggressive federal regulation. No regulatory system can meet the standard of zero failures. Regulatory systems are designed to assure that proper management of industrial activities is required, which in turn minimizes risk. State oil and gas programs meet this test, and through efforts of organizations like the Interstate Oil and Gas Compact Commission (IOGCC), the

Ground Water Protection Council (GWPC) and the State Review of Oil and Natural Gas Environmental Regulations (STRONGER), these programs have continued to respond to new conditions and continually improve requirements to effectively manage environmental risks. In fact, given limited federal budgets and the difficulty agencies such as the Bureau of Land Management (BLM) have with retaining qualified petroleum engineers and other technical staff, the federal government should consider ways to delegate more regulatory activities to the states.

Protecting the environment and developing America's mineral resources must go hand-in-hand. Today, the oil and natural gas industry is regulated by both state and federal environmental agencies. However, efforts to develop uniform federal standards that usurp longstanding, state regulatory authority are not the answer. In fact, most federal environmental laws create a broad, overarching federal framework that delegates to the states the responsibility of creating the specific regulations. Many times these regulations reflect the realities that circumstances differ in each state and require different regulatory approaches.

Despite the numerous federal and state regulations applicable to the oil and natural gas production process, the opponents of American energy production frequently plead for the federal government to develop regulations governing hydraulic fracturing. In addition, the environmental groups continually expand the definition of hydraulic fracturing to describe the entire process of exploring for and producing oil and natural gas. Activities and processes that have nothing to do with the fracturing process, including pipelines, compressor stations and facilities processing liquefied natural gas (LNG) exports are characterized in some quarters as "fracturing." All of these scare tactics do nothing to increase protection of the environment and serve only to make it more difficult for America's independent oil and natural gas producers to find more American energy.

As the Committee considers policies related to America's oil and natural gas resources, it should support actions that enhance the bright future oil and natural gas shale development provides for our nation. IPAA supports H.R. 2728 because it provides a reasonable solution to ill-advised calls for unnecessary federal regulation of hydraulic fracturing. IPAA urges the Committee and the full House of Representatives to pass this important legislation as soon as possible.