

Steven H. Pruet  
Energy and Commerce Committee  
Subcommittee on Energy, Climate and Grid Security  
February 16, 2023

Thank you, Madame Chairman McMorris Rodgers, Chairman Duncan, Congressman Pfluger, and this distinguished committee for holding this hearing in the heart of the Permian Basin and for the invitation to speak to you today.

I'm Steven Pruet, founder and CEO of Elevation Resources, a Midland-based independent oil & gas company, active in drilling and operating horizontal wells in the Permian Basin. I am also the Chairman of the Independent Petroleum Association of America, which represents over 6,000 independent oil & gas companies and individuals in 33 states. Elevation, and the other active drillers in the Permian Basin, rely upon horizontal drilling and multi-stage hydraulic fracturing to develop the unconventional shales that comprise over 90% of the oil and natural gas production in the Permian Basin today.

I'm going to discuss 3 factors limiting growth in U.S. oil & natural gas production: the impact of regulatory uncertainty, permitting delays, and labor and supply chain shortages.

**Regulatory Uncertainty** constrains capital formation and the reinvestment of cash flows needed to increase oil and gas production in the U.S. and across the globe. As a result of the COVID-induced oil and gas price collapse, over 300 oil & gas companies and oilfield service companies filed for bankruptcy protection, and many ceased operations. The universe of investors who will invest in oil & gas companies is dramatically smaller than a few years ago due to ESG concerns and financial losses. The number of banks loaning money to oil and gas companies is half what it was 5 years ago due to loan losses and ESG mandates from their investors.

The EPA is drafting rules for OOOO b/c which dictate the equipment and practices to manage and reduce emissions. The EPA is rulemaking for the Inflation Reduction Act methane fee, which is ambiguous and gives the EPA a license to tax our industry as they see fit. IPAA supports Congressman Pfluger's H.R. 484, the "Natural Gas Tax Repeal Act," as it addresses a tax singularly focused on the oil and natural gas industry, implemented by the EPA which does not have taxing authority or resources, and whose taxation formula is derived by dividing the calculated weight of methane by the sales of natural gas in volume and heat content. The EPA's definition of a producer's "facility" for taxing purposes is an entire basin, which is an overreach.

Rest assured Elevation and our peers have made and continue to make substantial investments in methane recovery and emissions monitoring and reduction technologies. Oil and gas producers utilizing these technologies produce the lowest emission oil and natural gas in the world.

IPAA also supports Chairman Duncan's H.R. 150, "Protecting American Energy Production Act." State regulatory bodies are best informed and staffed to regulate oil and natural gas operations in their respective states. Giving the president authority to shut down hydraulic fracturing is akin to quashing the shale revolution which is responsible for growth in U.S. oil production from 5 MMBopd in 2008 to 12.3 MMBopd presently, and natural gas production from 56 Bcfd in 2008 to over 100 Bcfd today, which has been an economic engine for our country and our allies by providing cheap, reliable energy.

**Permitting delays** for infrastructure development limits growth in U.S. oil and gas production. Without new pipelines, processing plants and export terminals, oil and gas production in the U.S. will not grow as we need markets for our product. Examples include:

- Permitting the reactivation of the Freeport LNG export facility, representing 2.1 Bcfd for our allies in Europe, along with other LNG export terminals waiting on FERC approvals
- Permitting natural gas pipelines serving the Northeast where power generators are still burning coal and homes and businesses burn heating oil and import LNG from abroad, not from the U.S. Gulf Coast due to the Jones Act
- Leasing federal land does not translate into drillable locations as many other permits and easements are needed to actually produce a well, and if not in place, the well doesn't get drilled.

### **Labor & Supply Chain Constraints**

Negative messaging by the Biden Administration discourages people from joining our industry. COVID relief reduced our workforce as workers stayed home, living on government handouts. My generation is approaching retirement, setting the oil and gas industry up for the "great crew change." However, there are not enough young people to replace my generation in the oil industry. Over the last 2 years, the oilfield has experienced 15% wage inflation if you can find qualified workers. We've also experienced months-long delays in completing or repairing wells and facilities due to manpower and equipment shortages. Drilling & completion costs for my company have risen from \$8 million in 2021 to \$11 million per well in 2022 due to escalating input costs including steel and labor, while weak natural gas and liquids prices have reduced our returns, thus limiting drilling activity.

To reduce uncertainty and improve the investment climate needed to grow U.S. oil and gas production, we need Congress to provide oversight of the EPA, DOI, FERC and SEC as it relates to regulations affecting the oil and natural gas industry broadly defined from the wellhead to the consumer.