Statement of Governor Mark Gordon of Wyoming
Before the Senate Energy and Natural Resources Committee
Tuesday, April 27, 2021

Chairman Manchin, Ranking Member Barrasso, and members of the Committee. Good morning and thank you for the opportunity to meet with you today. I come with greetings from the people of Wyoming. We, just like the rest of the nation, have experienced a year that has been economically, emotionally and socially challenging. The people of Wyoming were fortunate that we never had to completely shut down. I am happy to report that Wyoming had the nation's highest percentage of students enrolled fully in-person in school because our schools and businesses remained open, but our economy has taken a particularly hard body blow as policies have changed to discriminate against the oil, gas, and coal industries that have anchored it for more than a century.

The focus of my comments today is on the Federal oil and gas program, but I cannot talk about Wyoming and not mention coal. Mr. Chairman, you know coal well, you know the value of the industry to both our states' economies and you know the challenge we face to keep coal viable. Wyoming coal's largest consumers are electric generation facilities nationwide. Unfortunately, as you well know, coal has become a scapegoat for climate change and is the market facing the greatest pressure to reduce carbon emissions. According to the Wyoming Mining Association, coal production in the US has declined 35 percent since 2007. Federal and state regulatory policies and consumer choice is contributing greatly to the decreased market for thermal coal. Many of these policies have painted a bullseye on the chest of coal. That target is misplaced. Burning coal is not the issue, concentrations of C02 in the atmosphere is and reducing that is where our energies should be placed. I heartily thank you, Senator Barrasso, and members of this committee for recognizing that challenge and for your efforts to promote Federal support for deployment of carbon capture utilization and sequestration (CCUS).

I recently announced that Wyoming can achieve negative net zero carbon emissions AND continue to use fossil fuels. In fact, in my State of the State address I called for Wyoming to lead this nation to a net negative standard and I called for us to achieve this goal while fully supporting an all of the above energy approach. If we all work together, Wyoming will continue to supply energy to consumers across the nation using wind, solar, nuclear, hydrogen and fossil fuels, all while reducing carbon emission. Energy distribution must be reliable, robust, and broad to ensure a reliable energy supply to our families and businesses.

It is my goal that Wyoming will be home to the next commercial CCUS facility. Advancements in technology will help bring down costs and make it more affordable both in other states and in other countries. There is an urgency to this quest that we cannot ignore. We cannot reach global goals for net-zero carbon emissions without CCUS. Nor can we overlook the ancillary benefits of responsible coal development. Critical mineral by-products essential to batteries and electronics are often associated with coal deposits.

But to return to the topic at hand, Wyoming's oil and gas industry was hit hard by the combined impacts of the Saudi-Russian oil war and COVID-19. Subsequent recovery of the industry has been as elusive as perfect spring weather in the Rockies. The market is gradually getting warmer, but is now buffeted by Federal policy headwinds, including the "pause," a clever way to repackage a moratorium of oil and gas leasing on Federal lands.

Oil and gas production from Federal land and mineral acreage is vital to our state and national economy. According to data compiled by the Petroleum Association of Wyoming, Wyoming ranks first in natural gas production on public lands and second in oil. Since 2015, leasing revenues generated $474 million total for the State of Wyoming with more than that going to the U.S. Treasury. Total energy related revenues from public lands in Wyoming generated $457 million last fiscal year for Wyoming. That income is our largest source of revenue for schools and other essential government programs. Over the last 8 years, Wyoming averaged $35 million annually from lease sales. How much has Wyoming received from lease revenues this year? Zero, because of the de facto leasing moratorium. This absence of revenue is glaring, especially when we are also reeling from the economic devastation of COVID-19.

To put a finer point on it; last year's lease sales were paltry due to the Saudi-Russian oil war and the effects of COVID-19. However, the quarterly Federal oil and gas lease sales still provided about $5.7 million to Wyoming in bonus bids for the year -- roughly $1.4 million per sale. Wyoming is the least populated state in the nation, so even as low as they were, these revenues were still notable. 2020 was a low point in lease sales, therefore, one can calculate that Wyoming loses a minimum of $1.4 million dollars each time a lease sale does not occur. Normally, there are four sales each year. For comparison purposes, lease sales in 2018 brought approximately $57 million to Wyoming and in 2019 that amount was about $69 million. And these numbers merely represent lease sales; factor in royalties, rentals, jobs, local taxes, everything all the way down to vehicle registrations and the impacts of this cessation of leases has an enormous ripple effect in Wyoming. Those schools we have kept open are affected along with a host of other services Wyoming folks depend upon.

On January 27, 2021 President Biden issued Executive Order 14008, which halted the Federal oil and gas leasing program, and Mr. Chairman, this administration did this without any consultation with the governors of the affected states -- a courtesy Governor Lujan-Grisham, a Democrat, and I respectfully requested. While I disagree with the moratorium, I do believe the climate goals of this administration could be achieved through better consultation with governors before sweeping action is taken.

Moreover, I do not believe the climate goals of this Administration will be reached by targeting the Federal oil and gas leasing program. Let me state what is obvious: this moratorium on leasing during the review discriminates against the people of Wyoming and every other Western state with Federal minerals. We are all disproportionately affected by the freeze. Oil and gas producing states where activity occurs mainly on private lands are now seeing an increase of interest from oil and gas producers. These jobs and the economic activity that production provides migrate elsewhere. Wyoming sees fewer jobs, the overall economy declines, and less revenue accrues to the state from bonus bids, rentals, and royalties. This revenue funds our schools, health care, public safety, and other essential services. In a study conducted at the University of Wyoming, it was predicted that the eight Western states with Federal oil and gas leasing programs will have investment losses of $2.3 billion, production value losses of $872 million and tax revenue losses of $345 million in the first year of the moratorium/review.

And all of this seems completely unnecessary. Any comprehensive, thoughtful, diligent and meaningful review could be done without stopping the entire leasing program.

Adding insult to injury, on April 16, the Department of the Interior issued two Executive Orders, SO 3398 and SO 3399. The first revokes a slew of earlier Executive Orders, many of which are very important to Wyoming. These included the halt of a coal leasing moratorium, setting strong goals for energy production, increasing the ability to use hydraulic fracturing on Federal lands, and increasing efficiency in the oil and gas leasing program. The second establishes a climate task force, which among other assignments, will implement the review and reconsideration of Federal oil and gas leasing and permitting practices. That sounds a lot like bureau-speak for more delay, further stifling our economy for as long as the review continues. I would have appreciated the

opportunity to speak to the importance of these former orders before such draconian measures were implemented.
Mr. Chairman, as a former Governor, I am confident you recognize how important consultation with one's state is and how crucial a component it should be of any major Federal policy change.

The heart of enlightened responsible policy lies in fully understanding all its consequences. In that vein, Governor Lujan-Grisham of New Mexico and I have offered our services and perspectives. But the constructive dialogue began after the fact. While I hesitate to speak for her, I cannot imagine she would have been unwilling to engage in conversation before those decisions were made.

The world will continue to need and use fossil fuels for the foreseeable future. This Administration's action on leasing has done nothing to change demand for oil and gas. The question is whether it will be produced under the environmental safeguards in place on Federal lands in Wyoming, or overseas where our stringent regulations are absent. In fact, President Biden's de-facto ban on oil and gas leasing under Executive Order 14008 will not meet the climate goals of the Administration. Production will simply shift to private land or other countries where they can continue without impediment.

Some may say the moratorium has not hurt Wyoming, but I would respectfully point out that our fledgling recovery is in spite of the moratorium. Producers are just getting a better price for oil and gas that was discovered long before the moratorium. Last summer for a time there were no drilling rigs operating in Wyoming. That was a first. If there is a recovery, it is happening in spite of the moratorium and further delayed by it.

Today, there are 7 drilling rigs operating where we had 34 operating in February of 2019. Wyoming employment figures tell a similar story. In October of 2019, our Department of Workforce Services reported 13,100 oil and gas related jobs. By October of 2020, that number was 7,200 -- a 45 percent decrease. Last month the figure was 7,500. These are good paying jobs that support families and this moratorium makes that recovery tenuous.

A moratorium on leasing and delays in implementing APDs of any length has consequences to Wyoming producers. Many Wyoming producers are smaller independents. They run on smaller margins, are likely to have less capital, but are committed to responsibly developing oil and gas. Even in 2020, these operators produced over one trillion cubic feet of natural gas and over 43 million barrels of oil from public lands. These are the same folks who have supported our efforts to protect the sage-grouse, establish migration routes for big game, and establish conservation easements to protect valuable watersheds.

In Wyoming, the Federal government owns approximately 39 million oil and gas mineral acres. For clarification, approximately 48 percent of the surface of Wyoming is federally owned, and about 68 percent of the subsurface mineral acreage is federally owned. Of that amount, approximately, 26,584,584 acres are considered leasable, which does not include national parks, national monuments, national grasslands, wilderness areas, the Wind River Indian Reservation and geographically unsuitable areas for oil and gas leasing. Of those leasable Federal mineral rights, only 9,134,584 acres are currently leased (approximately 34 percent). Currently available, but unleased Federal acreage is 17,450,000 (approximately 66 percent). Again, in perspective of the total amount of Federal mineral rights acreage, 23 percent, or less than a fourth of the Federal mineral estate, is actually leased for oil and gas at this time in Wyoming.

When elected I took an oath to protect the people and industries of Wyoming. I believe the current de facto leasing moratorium is bad policy for Wyoming and contrary to law. The full economic effect will be determined in the months to come. On the policy side the Federal government is sending the message that investment in Federal oil and gas leases is risky and uncertain. It has a chilling effect on the oil and gas related economy.

Some may claim the moratorium is not harmful because companies have hordes of stockpiled leases. Again, I do not see that in Wyoming. While some operators may currently hold numerous leases, it is a necessary part of any responsible development strategy, not a stockpiling scheme. Here are the reasons why:

First, that argument is apparently based on the belief that every lease, if drilled, will provide oil and gas. Even with the great improvements in seismic technology, there is no guarantee that companies will discover hydrocarbons or produce economic quantities of commercial oil and/or gas just by purchasing a lease. Drilling in developed areas yields up to 90 percent success rate, while exploratory wells are generally in the range of 50 percent. Leases adjoining leased-land with known discoveries are often the target of companies when they are offered for sale.

Second, in order to develop fields responsibly, with minimal and environmentally sensitive surface disturbance and the least amount of stranded oil and gas, leasing must be thoughtful, strategic, and forward-thinking. It may take a company several years and multiple sales for a successful bidder to gather enough leases to allow the organized development of the entire field to avoid waste and stranding assets. In Wyoming, much of the land is in what we call "the checkerboard," where Federal, private and state lands (or minerals) alternate section by section, much like a checkerboard. While it might look like a company is stockpiling leases, it is really attempting to gather enough leases to form a multi-section drilling spacing unit, working out pooling arrangements and verifying who gets rental and royalty payments, and planning ahead to minimize disturbance and promote efficient development. When you add the time necessary for environmental reviews and surface use agreements it is often years and the holding of many leases before the actual exploration can begin. Quarterly lease sales allow companies to keep working towards completing their development plans. A pause on leasing can set back development for years.

It is important to point out that the companies must pay the Federal government while they hold the lease. Those payments come as bonus bids, rentals and royalty payments. Most companies do not have unlimited capital, thus they are not going to pay for leases that do not have the real potential for an eventual return. During the window when a company holds a lease, the lands remain available for other uses not incompatible with the ability to develop a lease.

The Administration has repeatedly stated their intention to not affect existing leases. I pointed out earlier the delays on extensions for APDs. Another area is litigation. Nearly every oil and gas lease sale since 2017 in Wyoming is in litigation. Federal lease sales in Wyoming are before Federal district courts in Washington, DC, Idaho and Montana -- involving thousands of acres. Wyoming is actively involved in these challenges and intervened on the behalf of the Federal government, meaning support of the lease sales. With the change of the Administration, we are beginning to see the ground shifting under our legal feet as the US backs away from supporting past sales. This could result in oil producing states such as Wyoming paying back lease bonus bids that were long ago distributed to the states and spent on programs such as schools.

I am most proud to say that Wyoming is known for both its energy production and a haven for wildlife. We can and do have it all. To do so, we work cooperatively together. Wyoming has demonstrated unequaled leadership in mitigation efforts to protect species like Greater sage-grouse and vital habitat components such as deer and antelope migration routes have been established and conserved. Much of the work supporting these issues has been funded by the very industries hampered by the moratorium. NGOs, industry, local and state governments are cooperating to the greater good of the environment, society, and people's well-being. But, that progress is undermined when timely scheduled development is uncertain. Even where development can occur around protective wildlife stipulations, Federal actions like the moratorium can take entire development seasons off-line.

Wyoming is home to the largest stable population of Greater sage-grouse and we have implemented effective mechanisms to maintain habitat. Many of the habitat protections are either funded or provided by oil and gas operators. Wyoming is home to the longest mule deer and pronghorn migrations on the planet. The migration corridor policy I established last year focuses on siting surface disturbances outside of the most important habitats in designated corridors and at appropriate times, in keeping with Wyoming's tradition of leadership balancing wildlife protections and development for decades. Here too, the review and moratorium puts in jeopardy these multi-use policies and disrupts the wildlife protections we have worked so hard to implement in partnership with industries.

Wyoming is a dual-permitting state, meaning to get an APD an operator must get a permit from Wyoming. Much of the siting and mitigation to protect habitat is done in cooperation with an operator after leasing. We have led the country in developing strong policies to have healthy wildlife and industries - all while leasing state and Federal lands in a cooperative and prudent way.

Let me emphasize parts of a letter I recently sent to the Secretary of Interior outlining the responsible and forward looking way in which my state has addressed issues like methane emissions. By the way, we addressed these issues long before the Federal government even thought of them. I have included a copy of that letter as part of my written statement.

I close with recognition of Wyoming's record on actions and policies that do benefit climate action. These are related to flared gas and plugging wells. Flaring is tightly controlled by the Wyoming Oil and Gas Conservation Commission. The total volume flared in Wyoming for all wells is very small, less than one percent, typically that is closer to 0.25 percent, of all gas produced in the state in any given year.

The Wyoming Oil and Gas Conservation Commission also has a very active well-plugging program. Most of the funds for that program comes from conservation taxes paid by the oil and gas industry. Additional wells have been plugged through an agreement with the Bureau of Land Management. Last year, the pace of plugging picked up through the use of Coronavirus Aid Relief and Economic Security funding. This aggressive program to plug wells means Wyoming does not have a significant problem with fugitive methane emissions. Abandoned and unplugged oil and gas wells are likely responsible for less than 1 percent of reported methane emissions from the state's oil and gas operations.

Finally, Mr. Chairman and members of the Committee: Thank you again for taking the time to listen to my testimony on this senseless Federal oil and gas leasing moratorium. A coherent and operational leasing program is vital to people of Wyoming and provides energy to consumers across the nation. Without a doubt, any program can be improved, but the most effective improvements will come through cooperation between the Federal government, states and industry. Arrogant monocratic policy pronouncements no matter how cleverly couched are simply bad policy. Consistent quarterly lease sales are important to producers and provide consistent revenue to the State of Wyoming.

I stand ready to work with you as you continue your oversight of the program and contemplate changes. I leave you with my belief that the leasing moratorium is unnecessary and discriminatory to the people of the Western United States.

(Copy of April 15, 2021 letter to Secretary Haaland attached.)

(Copy of The Fiscal and Economic Impacts of Federal Onshore Oil and Gas Leave Moratorium and Drilling Ban Policies attached)