

Statement of Randy Bolles
Manager, Regulatory Affairs - Western Division
Devon Energy Corporation
to the
House Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
Oversight Hearing on
"Impacts to Onshore Jobs, Revenue, and Energy: Review and Status of Sec. 390
Categorical Exclusions of the Energy Policy Act of 2005."
September 9, 2011

Chairman Lamborn, Ranking Member Holt, and members of the Subcommittee, my name is Randy Bolles, and I am employed by Devon Energy Corporation. I am pleased to share my perspective on how Section 390 categorical exclusions can help preserve the environment while benefiting local, state and federal economies. More specifically, I will discuss how Devon has used categorical exclusions in the Washakie Basin of Wyoming and how Devon's drilling efforts there have been affected by the Bureau of Land Management's May 2010 guidance.

Devon Energy Corporation is an Oklahoma City-based independent energy company engaged in oil and natural gas exploration and production. Devon is a leading U.S.-based independent oil and gas producer and is included in the S&P 500 Index. I am responsible for regulatory affairs in Montana, Wyoming, Colorado, New Mexico, Utah and West Texas. My staff and I spend our time working with local, state and federal agencies to resolve issues related to regulation so that Devon may gain access to minerals on fee, state and federal lands. To the point of today's topic, I am part of the management team responsible for all aspects of the permitting process in the Washakie Basin.

Mr. Chairman, Devon works hard to be a good neighbor and maintain a strong relationship with all landowners. Because about 26 percent of Devon's leased minerals in the Western Division are on federal lands, Devon's relationship with the federal government is particularly important to us. As a result, Devon strives to comply with or exceed all environmental regulations and seek all necessary approvals to drill. To Devon, it is not just about complying with regulations. It's about taking meaningful environmental steps and assuring the communities where we work that Devon wants to partner in their growth.

As this Subcommittee knows, the 2005 Energy Policy Act (EPAAct) provided five specific exclusions from review under the National Environmental Policy Act. In 2010, the BLM provided guidance that virtually eliminated categorical exclusions Devon had used over 260 times prior to the regulatory action by BLM.

When categorical exclusions are utilized, each well is still subject to public notice and comment procedures and site-specific reviews to ensure other resources are adequately protected. The exclusions allow Devon to drill multiple wells from an existing pad, or to drill directionally in a field previously approved for vertical wells. This practice reduces surface disturbance. The categorical exclusion provides BLM with the ability to offer a practical environmental review while avoiding a lengthy, often duplicative NEPA effort that was previously completed. Simply put, it is a common-sense approach.

Let me provide an example of our activity and applications using categorical exclusions: In 2009 — before BLM restricted categorical exclusions — the BLM field office in Rawlins, Wyoming, authorized 75 applications for permits to drill submitted by Devon based on the section 390 categorical exclusions. Devon was able to obtain timely BLM approval of those applications because of the categorical exclusions.

If the exclusions had not existed in 2009, and BLM was required to prepare NEPA analyses on those 75 applications, the applications would have taken much more time. As a result, it would have taken Devon more than an additional year to develop the leases. Many of the applications simply involved drilling additional wellbores from existing well pads. In these cases, the delay would have been unreasonable and might have led Devon to consider dedicating its resources to more timely projects in other areas of the country.

When considering not only the 75 wells drilled in 2009, but the more than 260 wells Devon drilled since EPOA was approved in 2005, the economic impact is significant. A report released by SWCA Environmental Consultants this past March, when extrapolated to the more than 260 wells Devon drilled under section 390, translated to 6,838 jobs, \$598 million in employment earnings and, over the life of the well, \$35 million in annual government revenue. A copy of this study is attached to my prefiled written testimony.

While these numbers are significant, so is the toll that is taken when drilling comes to a standstill. Following the BLM guidance that restricted Devon's ability to use the Congressionally-approved categorical exclusions, Devon reassigned one of its two drilling rigs in the Washakie field to other areas where that rig could be used.

This is just one of the BLM restrictions that make it extremely difficult for Devon to drill, produce and maintain its wells. Burdensome wildlife stipulations and timing restrictions, when coupled with a prohibition on the use of categorical exclusions, make it almost impossible to develop the resources in an economic fashion. Devon believes in environmental stewardship and has been recognized for its efforts to protect and preserve habitat and wildlife. However, BLM should give consideration to the practical aspects of developing federal resources.

In conclusion, Mr. Chairman, Devon Energy Corporation works to do its part to preserve and protect the areas we operate. Moreover, Devon is an active part of the communities in which we operate, and we truly wish to see them grow. As I mentioned earlier, the jobs and revenue that occur with new well development can leave a significant hole in local economies if they are not considered in the regulatory process. Devon is dedicated to production on federal lands and will continue to produce on federal lands. However, the level of regulatory burden will determine not only our activity, but also the economic benefit received by federal, state and local governments.

Thank you very much for your time.