

**Testimony of Carl Michael Smith
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**Subcommittee on Energy and Mineral Resources Hearing
On H.R. 2661, H.R. 2907 and H.R. 3565**

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Chairman Gosar, Ranking Member Lewanthal and members of the subcommittee, thank you for the opportunity to appear before you today to testify concerning legislation important to the states my organization represents.

My name is Carl Michael Smith. I am the executive director of the Interstate Oil and Gas Compact Commission (IOGCC), which represents the governors of 31 oil and gas producing states. The states that comprise the IOGCC are responsible for 99 percent of the nation's onshore production of oil and natural gas.

The organization was established and chartered by Congress in 1935, and has seen its mission of ensuring the conservation of petroleum resources and environmental protection continue during times of both excess and shortage.

Each member state, as a condition of joining the Compact, has passed legislation to conserve oil and natural gas resources, prevent physical waste of these resources and protect the environment through stringent enforcement options.

In fact, the IOGCC was the first entity to develop model conservation legislation designed specifically to protect the environment, correlative rights and prevent the physical waste of resources. The Model Conservation Statute (and its subsequent updates) forms the basis for each state's oil and regulatory programs today. State programs have evolved into comprehensive oil and gas regulatory regimes with agencies employing skilled personnel to enforce laws and rules for environmental protection and to ensure conservation.

In its own way, each piece of legislation on your agenda today takes into account the unique characteristics that contribute to a state's identity. There are vast differences in climate, topography, geology, and demographics from state to state. These differences present challenges for regulators responsible for resource exploration and production.

The ability to recognize and design for localized conditions creates a far more efficient and effective regulatory program than is possible utilizing a one-size-fits-all approach. As a result, state oil and gas regulatory programs differ from state to state. As we often say, what works in Louisiana will not work in Alaska, and vice versa.

Strengths of State Programs -- Laboratories for Regulatory Innovation

States bring tools to their regulatory task that cannot be duplicated at a broader level. Each state brings elements of flexibility in program design and enforcement, adaptability to rapidly evolving technologies, accessibility of local regulatory field personnel as well as the inherent value of "protecting your own backyard" in their work.

Accompanying these tools are the important elements of determination and ingenuity that result in state oil and gas programs serving as the world's laboratories for regulatory innovation.

All these factors have combined to make the states the first to address many important regulatory responsibilities. States are first to respond in time of need, first to develop innovative regulatory approaches, first to recognize opportunity as technology develops and first to promote transparency in government.

These attributes of state programs have helped maintain the highest level of environmental protection even as our country has emerged as the world's leading producer of oil and natural gas.

All the while, the IOGCC has served as the vehicle through which states can interact, sharing knowledge on best practices for regulating emerging technological advances such as hydraulic fracturing, fluid recycling, horizontal drilling and waste management.

Giving States Tools for Continuous Regulatory Improvement

Under the IOGCC umbrella, each state has committed to an active effort toward continuous regulatory improvement that aptly fits its unique needs. For its part, the IOGCC assists in providing tools to accomplish this mission and stands ready to continue this service in the future.

For example, in partnership with the Ground Water Protection Council, the IOGCC helped create an internationally recognized, web-based forum for reporting chemicals used in the process of hydraulic fracturing. "FracFocus®," a database and information-sharing site, is designed to allow any interested person the opportunity to see the concentrations of chemicals used in individual fracturing operations (additional information enclosed). FracFocus has emerged as not only a tool for ensuring transparency, but also as a regulatory reporting mechanism used by nearly 1,600 companies. To date, 127,781 individual fracturing operations have reported on the web site. More are added each day.

The IOGCC and GWPC have also offered a structured opportunity for states to consult with peer professionals on regulatory issues. Such consultations and assessments

are used by states to evaluate their existing regulations and procedures as well as to develop approaches to emerging regulatory challenges not addressed in existing law.

In addition, states acting through the IOGCC have developed comprehensive regulatory approaches to problems of a global scale, such as carbon capture and storage (CCS) using a resource management model, managing the relationship between produced water disposal and induced seismicity, and safe and effective regulations for long-term natural gas storage (see attached). These efforts have proven yet again that states can combine a wealth of knowledge and regulatory flexibility to create programs that work to create win-win outcomes.

For decades, the IOGCC has offered assistance to states interested in improving field level inspection and enforcement activities. The IOGCC Inspector Certification program allows states to recognize inspectors who embody the high level of experience and training that are hallmarks of the most successful state programs.

The states and the IOGCC have and will continue to develop the tools and personnel necessary for the demanding challenges of an evolving regulatory environment.

Coalition for Cooperative Federalism

To continue the successes of the past, the IOGCC has embarked on a new initiative designed to allow states a forum through which they can work more closely with their federal counterparts (see attached).

For many years the IOGCC has worked closely with the U.S. Department of Energy as well as the Environmental Protection Agency through Memoranda of Understanding and have served national interests through interaction with Congress, Interior, Labor, Transportation, and Homeland Security and others (see attached).

The IOGCC is seeking to broaden its ability to serve as a conduit for creating the forum for continuing dialogue on how best to manage our country's vast oil and natural gas resources for today's needs and tomorrow's energy security.

It is in this spirit that the IOGCC comes before you today to offer our services in any way possible to facilitate the enactment of the principles detailed in the legislation you are considering today.

Conclusion

For more than 80 years, states that comprise the IOGCC have served as willing and capable co-regulators to protect environmental and to prevent the waste of a non-renewable resource. These two equally important functions are demanded of resource management agencies the United States.

As an organization, we have spoken many times over the last thirty (30) years in favor of empowering the states with regulatory and funding authority to regulate oil and gas resources within their borders (see attached).

Our governors, who are leading various aspects of our Cooperative Federalism Coalition are prepared to bring the expertise of the states to the table to identify and address the barriers to achieving this goal.

Thank you again on behalf of the member states of the IOGCC to address this subcommittee.