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Energy and Education: What's the Connection
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The oil and natural gas industry is proud to be a significant contributor to education in the West and across the country. From school trust lands and royalties to production, severance and property taxes, the revenue generated by the industry sustains education and many other vital services for localities and states. The upstream sector of the industry operating in the thirteen western states that Western Energy Alliance covers generates nearly $12 billion in annual state and federal taxes.[1]

Western Energy Alliance represents 300 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in the West. Alliance members are independents, the majority of which are small businesses with an average of fifteen employees.

Oil and natural gas development on state school trust lands is one direct source of funding for education. Utah's School and Institutional Trust Lands Administration (SITLA) reports that oil and natural gas provided $34.7 million in revenue to schools, or 43% of total annual revenue.[2] New Mexico's State Land Office reports that oil and natural gas accounts for 92% of all revenue generated from school trust lands, providing $624 million in revenues, 85% which go to public schools. Contrast that to the next largest source, business leases at $7 million, or renewable energy at $407,000.[3] Other states are in a similar situation.

Oil and natural gas development on federal lands is another large source of revenue for western states and indirectly, for education. Forty-nine percent of federal onshore royalty and lease revenue is returned to the states in which it is generated. Likewise, revenues from production in Indian Country provide significant funding for tribes and individual Indian minerals owners, who received $676 million for FY 2017. With an increase of $1 billion in federal oil and natural gas revenues in just one year, disbursements to states likewise increased. Wyoming, the largest federal onshore oil and natural gas state, received $669 million, New Mexico $455 million, Colorado $92 million, and Utah $73.5 million, all increases over the prior year.[4] The numbers show that the policies of Interior Secretary Zinke are starting to bear fruit.

These policies are indeed putting federal onshore development on the right track. Whereas the prior administration curtailed development on federal lands with myriad new regulations and policies, this

[1] *Employs America,* John Dunham & Associates for Western Energy Alliance, 2018 update.
[2] *Fiscal Year 2017 Annual Report*, SITLA.
[3] *New Mexico State Land Office 2017 Annual Report*.
[4] "Interior Department FY2017 Energy Disbursements Grow by $1 Billion to $7.11 Billion Under President Trump," Department of the Interior Press Release, Nov 30, 2017.

administration has not only cleared away some of that regulatory underbrush, but has taken many positive steps to advance an energy dominance agenda and provide a more rational and predictable regulatory environment.

In the first category, rules like the BLM hydraulic fracturing rule and the Office of Natural Resources Revenue valuation rule have been rescinded. BLM is in the process of finalizing a new waste prevention rule that will actually focus on preventing waste of natural gas within BLM's authority, rather than regulating air quality which is the jurisdiction of the states and the Environmental Protection Agency. Sage grouse plans are being rewritten to better reflect state and local on-the-ground efforts that more effectively protect sage grouse than a federal one-size-fits-all straightjacket. Net-conservation-benefit mitigation policies that lacked any basis in law have been swept away, as have leasing policies meant to lengthen the time from nomination to auction by years in many cases.

Positive new policies include reducing the time it takes to conduct environmental analysis under the National Environmental Policy Act (NEPA). NEPA is one of the biggest obstacles to responsible oil and natural gas development on public lands. Western Energy Alliance has documented how thousands of jobs and billions in economic activity have been held up by NEPA documents delayed for eight years or more.

EOG Resources' Chapita Wells project is a case in point. After proposing a project nine years ago in Utah's Uinta Basin, BLM failed to advance the environmental impact statement (EIS) even though EOG was paying for third-party contractors to perform the analysis. In the meantime, market conditions have changed and technological innovation has marched on. The NEPA document proposed no longer represents the best technology and methods for developing the energy, but the NEPA process is so cumbersome that the changes necessary to the project proposal would cause a complete re-do of the EIS. The federal process stifled economic and job growth while preventing the generation of $1 billion in state revenue over the course of the project.

The Interior Department under Secretary Zinke intends to get NEPA analyses down to a manageable one year and 350 pages. Since many NEPA documents have run thousands of pages, the page limitation will improve efficiency as well as readability, increasing the chances that someone can actual comprehend the contents. We are hopeful that in another six months or so the first round of year-long NEPA documents will be released.

Other very positive policies include leasing reforms that removed Master Leasing Plans, which were a fourth or even fifth layer of NEPA analysis on top of Resource Management Plan, leasing and project-level NEPA documents. The January leasing reform instruction memorandum also stated the intention of reducing the timeline from lease nomination to sale by about a year. Likewise the Administration has stated its intention to reduce timelines for Applications for Permit to Drill,[5] and reports from BLM

[5] "Order No. 3354 Subject: Supporting and Improving the Federal Onshore Oil and Gas Leasing Program and Federal Solid Mineral Leasing Program," The Secretary of the Interior, July 5, 2017.

indicate that indeed permitting times are going down in certain situations.[6] As with NEPA reform, the next step is the execution. Can the administration get the bureaucracy to actually deliver on reasonable lease processing, NEPA analysis and permitting timelines?

The Administration will have to work hard over the next few years to ensure these good policies are enacted at the state and field office levels. We hope to see leadership put in place, particularly State Directors, that can help implement these policies effectively. But that also raises a role for Congress: ensuring these policy changes last beyond the current administration. Can Congress pass legislation that will give some durability to these policies?

Western Energy Alliance strongly supports several onshore bills that would achieve just that. The bills, HR 6106, Common Sense Permitting; HR 6107, Ending Duplicative Permitting Act; HR 6088, the SPEED Act; and HR 6087, Removing Barriers to Energy Independence Act, would increase the efficiency of processing approvals for oil and natural gas activities where the environmental impacts have been identified and minimized. These bills do such things as reduce redundant layers of NEPA, eliminate NEPA analysis on nonfederal wells, and speed the APD process. This legislation is welcome for making policies that enable responsible development of oil and natural gas durable.

The Uinta Basin must compete with other oil and natural gas producing areas of the country like the Permian Basin in Texas and New Mexico, and the Bakken in North Dakota that have better resource bases and are not as constrained by transportation. The Basin suffers another competitive disadvantage with the large amount of federal public lands and the associated regulatory burden that further puts the Basin behind. The fact that the Trump Administration is working hard to reduce many of the regulatory obstacles and promote energy development bodes well for the future.

[6] "Table 12 Time to Complete an APD Federal and Indian," BLM Oil and Gas Statistics page, accessed August 27, 2018.