

Statement

Of the

Domestic Petroleum Council

also on behalf of the

**Colorado Oil & Gas Association
Independent Petroleum Association of America
Independent Petroleum Association of the Mountain States
International Association of Drilling Contractors
New Mexico Oil & Gas Association
Petroleum Association of Wyoming
U.S. Oil and Gas Association
Western Business Roundtable**

on

S. 1116, the More Water, More Energy and Less Waste Act of 2007

before the

**U.S. Senate
Committee on Energy and Natural Resources
Subcommittee on Water and Power**

April 25, 2007

The large independent exploration and production companies of the Domestic Petroleum Council as well as the member companies of the Colorado Oil and Gas Association, Independent Petroleum Association of America, Independent Petroleum Association of the Mountain States, International Association of Drilling Contractors, New Mexico Oil & Gas Association, Petroleum Association of Wyoming, US Oil & Gas Association and the Western Business Roundtable appreciate the opportunity to offer our support for S 1116, the More Water, More Energy and Less Waste Act of 2007 and its goals of facilitating beneficial use of water that must be produced by energy extraction operations while also exploring ways of reducing such water production.

Produced water is the most abundant byproduct – unfortunately often characterized as a “waste” -- produced in the oil and gas production process. There are not many wells in this country that do not produce some water. While the quality of the water varies dramatically, we believe there are significant opportunities to convert more produced water to beneficial use.



According to the American Petroleum Institute (API) about 18 billion barrels of produced water was generated by U.S. onshore operations in 1995. Some significant share of that water is already used for irrigation, livestock watering and the like, but converting just 1% more of that total to additional beneficial use would yield over 75 billion gallons more useable water for irrigation, ranching, fish and wildlife enhancement, stream augmentation or drinking water.

The produced water that contains the lowest concentration of total dissolved solids, or TDS, (less than 10,000 parts per million, or ppm) is found in the Western United States where water is a critical resource (see attachment). For example, energy operations in the Powder River Basin in north-central Wyoming produce approximately 1.4 million barrels of relatively good-quality water per day. A large volume of this water could be used for agricultural, ranching and other purposes.



Beneficial use of water in these arid environments should be a win-win for the energy industry and water consumers, but the costs of water treatment and inconsistent water quality regulations among states make that process extremely difficult.

Section 3 of the proposed legislation recognizes the need to fully identify the legal and regulatory problems with beneficial use water and find solutions. Early attempts to implement beneficial use solutions have faced state-specific water rights issues and regulatory restrictions or prohibitions. The research conducted in response to this legislation needs to evaluate existing regulatory barriers for beneficial use, particularly with surface discharge under the Environmental Protection Agency (EPA)'s National Pollutant Discharge Elimination System (NPDES) onshore permit programs. Additionally, a number of the issues preventing or posing obstacles to the surface discharge of produced water are firmly within the arena of state agencies, current rulemaking and lawsuits.

Often the biggest hurdle to beneficial use is finding the technology to accomplish water treatment in a cost effective manner. Water treatment must compete with the lower-cost option of deep well injection. And while deep well injection is the most environmentally sound method of disposal, it forgoes the opportunity to use millions of gallons of water as a resource.

Management and/or conservation of produced water can represent a critical cost component that affects the economic viability of oil and gas production. Research that provides concise and comprehensive information on produced water and ways in which it can be managed can help operators, regulators, landowners, and other stakeholders to be better informed and support management options that can lower production costs and protect and even enhance the environment.

With respect to the demonstration projects authorized in S 1116, we trust that a Senate-House conference agreement will ensure appropriate direction with respect to their regional allocation. We note, however, that such projects will undoubtedly be most important in areas that are seeing the most significant energy activity increases and corresponding water quantity and quality issues. And, since produced water volume and quality varies greatly across the country, it will be important to have enough projects to fully evaluate the opportunities for increased conservation and use of that water.

The consultation language of S 1116 specifying involvement of those with experience "...relating to production of oil, natural gas, coalbed methane, or other energy resources (including geothermal resources)..." is important to ensure that appropriate projects are selected. To ensure that their potential is fulfilled to the maximum degree, however, the legislation may need to be more explicit as to the qualifications of those who may apply and be awarded grants. The ability to carry out meaningful projects with real potential benefits will be crucial. We strongly support the involvement of energy industry representatives to help guide the research and demonstration project efforts to help ensure that practical and transferable technology is developed.

Again, useable produced water can be an abundant resource but the technology must be cost-effective when compared with other disposal options available to the industry.

We encourage you to evaluate the cost implications and incentives that may be necessary to fulfill the true intent of this legislation which is to find ways to conserve such a valuable resource, while converting water that must be produced as part of our energy supply efforts is put to beneficial use.

We will be glad to help see a final version of S 1116 signed into law, and we appreciate the opportunity to provide our views.

Contacts:

Bill Whitsitt
President
Domestic Petroleum Council
(202) 742 4300

David Templet
Devon Energy Corporation
Chairman
DPC Environment, Health & Safety Committee
(405) 228 8628

