

Statement

of

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on behalf of the

**Domestic Petroleum Council
Independent Petroleum Association of America
U.S. Oil and Gas Association
Colorado Oil & Gas Association
New Mexico Oil & Gas Association
Independent Petroleum Association of the Mountain States
Petroleum Association of Wyoming**

on

H.R. 5110, the More Water and More Energy Act of 2006

before the

**U.S. House of Representatives
Committee on Resources
Subcommittee on Water and Power**

September 26, 2006

Mr. Chairman, I am David Templet, Manager of Environment, Health and Safety for Devon Energy Corporation of Oklahoma City, one of the largest independent exploration and production companies in the United States.

I am pleased to be here today on behalf of Devon Energy and the other large independents of the Domestic Petroleum Council as well as the Independent Petroleum Association of America, the U.S. Oil and Gas Association, the Colorado Oil and Gas Association, the New Mexico Oil & Gas Association, the Independent Petroleum Association of the Mountain States and the Petroleum Association of Wyoming. Thank you for this opportunity to offer our support for H.R. 5110, the More Water and More Energy Act of 2006, and its goal of facilitating beneficial use of water produced by energy extraction operations.

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 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 H.R. 5110, since produced water volume and quality varies greatly across the country, the three projects suggested in the proposed legislation may not be sufficient to fully evaluate the opportunities for increased use of that water. But the projects can be an important start. 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 with the 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 convert a lost resource to beneficial use. This legislation has a significant upside and, although we may have more specific suggestions as to legislative language as we continue to examine the bill, we do support it.

Thank you again for seeking our views on H.R. 5110.

I would be glad to answer questions.

