

Testimony  
of  
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Before

House Small Business Committee

“Burdensome Regulations: Examining the Impact of EPA Regulations on Main Street”

2360 Rayburn House Office Building

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Chairman Willams, Ranking Member Velaquez, and Members of the Committee,

Thank you for the opportunity to submit testimony in today's hearing. The expected adverse impact of EPA's regulations, particularly those related to methane, on small businesses like mine and others across Texas and the nation is of great concern and an important topic to discuss. I thank you for your careful consideration and the opportunity to share my perspective and experience, which is unique. My background is multifaceted in professional disciplines and steeped in real world everyday experience of challenges – and reward – that comes from running a successful small business. I am a past Chairman of the Board – and active current member – of the Texas Alliance of Energy Producers, the 3,000-member strong association of independent oil and gas operators in the state. My experience and role in the Alliance helped to provide me with a deep understanding of how common my experiences are, and the extent to which small business ethos are reflected and shared by other small operators in our industry – not just in Texas, but across the nation.

## **My Small Business – An Introduction**

I grew up in rural North Central Texas and went to school, played sports, and worked in the small communities surrounding us – towns the size of 200 to 3,000 people – total. I graduated from Texas A&M University with a degree in petroleum engineering and a minor in business. In my collegiate and post-collegiate career – I have been fortunate to work with the smallest of the small (my family company), large independents (Burlington Resources, EOG Resources) and up to a super major (Chevron). After graduation and working for a few years for EOG Resources, I decided to ask my father if I could join the family business. It has now been 15 years since I have been running our family business – and in the last 10 years – my husband and brother have joined me in that endeavor as well. We are a true mom and pop – my parents started the business themselves over 40 years ago. We have about two hundred wells across Texas and produce about 450 barrels of oil and a million cubic feet of gas (1,000 mcf) a day. A majority of our wells are in the rural areas where I grew up. Our wells are not ones that make headlines for thousands of barrels a day or millions of mcf of natural gas – they very much marginal producers with only five-barrels of equivalent production per day, and usually less.

I am genetically predisposed to have responsible stewardship in my veins, and for the almost 40 years I have been alive it has been a passion that I will pass on to the next generations in my family. Outside of my role as a second-generation mom and pop oil and gas producer, I am a fifth-generation wheat farmer and cattle rancher. These commodities are the only way of life I have known, and I have chosen to make them not only my career, but my passion to steward these natural resources surrounding us.

Across our business, we employ eleven full-time people including myself and have about twenty monthly contract positions. We also employ even more service contractors across Texas in our operations monthly for whom, it is important to note, the entire company payroll is one or two persons. Our small company is one of the large employers in a multi-county area in Texas that offers 401K retirement, health insurance and paid leave and is a vital piece of the survival of this rural area. We have been in business for 40 years and in that time, we have never taken bankruptcy, nor had massive layoffs or nor taken (or been provided) government assistance – outside of the PPP program during COVID.

Our impact on the communities we proudly serve is significant. The foods we produce help feed people across the state and the country. The ad valorem taxes that we pay from our wells contribute directly to the rural hospitals, school districts, and local municipalities in our operating regions, and the community support that we provide is the lifeblood of the area. The royalties we pay are typically to retirees or elderly whose entire income is that of their social security and royalty checks.

In everything I do in both those vital economic and societal endeavors, I am a staunch supporter of clean air, clean water, and doing what is right for our Earth – something I try to teach my two young children daily.

Discussion topics heard in our family are often:

- “This is how we farm this wheat crop responsibly,”
- “This is how we care for these thousands of cattle – all natural, with no steroids or antibiotics – their health, the land they need to graze, and the water they drink,”
- “This is how we hunt, fish, and manage this wild game and their natural habitats,” and
- “These are the oil wells that mommy and daddy drilled and produce here in the middle of all of it.”

Values of hard work, dedication to community, and good stewardship of our lands and waters have been followed in our industry and businesses for many, many years; we’ve just never felt the need to advertise it.

We fight against a cyclical market, rising supply and service costs, labor shortages, and more so that our fellow citizens can have the fuels, technologies, schools, and communities that we create and support.

Unfortunately, we did not understand that, as a private industry, we needed to provide greater public information about what we do. We did not realize the massive lack of education about how things are made, touched, and used daily (that are direct and indirect products of our daily toils) and the repercussions of that shortfall to our industry. However, in recent years, we have come to realize that we cannot just sit back and hope the legislators and regulators do what our industry needs to survive and continue to allow us to support our families and communities.

And that is why I am here before you today. To tell my story and hopefully shed some light on the important reality that frequently well-meaning and well-intentioned laws, rules, and regulations, often miss the mark in development and application. But equally important, as you will see from my testimony, much of the regulatory framework at the federal and state level are in place and working.

Are things perfect? Of course not, not in my industries nor any others. However, I am also here to support those in Congress who feel the need to do more for small businesses. We should focus on implementing regulations and policy that will help us do our jobs better and encourage partnership with small operators for the betterment of our nation. That would be a productive and mutually beneficial working relationship between the current administration over what seems to be happening – a never ending effort to pursue an assault of regulations and taxation that are duplicitous and punitive for our small business will do more harm to our company, our employees, and the communities we support with no clearly defined benefit to the environment.

We are a voice that is not heard very often, if at all. And yet we are the leading stewards of our great country’s natural resources.

### **Our Operations – Oversight and Regulation are a Part of Daily Life**

Many of the super majors and large independents that are typically heard from in the public forum function on entirely different economic scales than our little mom and pop. The marginal wells we operate cannot support implementation of commercially marketed automated monitoring equipment. However, necessity is the mother of invention they say, and we have

proactively taken steps – with no requirement from any legislation nor regulation – to monitor and maintain the responsible management of our production. My husband created a production monitoring app on his own that our employees and contractors use to allow daily monitoring of all of our operations across Texas. Again, this wasn't required – this was the right thing to do. Our mom and pop is not alone in that thinking – we bootstrap and scrap in economically efficient ways to protect our producing natural resources – it is a point of pride to do it better and cleaner than anywhere else does in the world.

I also want to give you a sense of what regulated life is like in Texas. We are regulated by the popularly elected Texas Railroad Commission, and we have a robust set of regulations that we must abide by to be viable operators – in my company, in “oil and gas friendly Texas”, we were inspected 297 times in the calendar year of 2023. Since August 1, 2015, my company has been inspected 1,832 times. I am proud to say that we have remained in good standing with the Texas RRC for the 40 years of our existence. Our record of success speaks for itself, and my company is not alone in that record in a lengthy tenure of business – there are other small operator mom and pops just like mine across the country.

Those initial inspections are conducted without notice or warning – we must be always compliant to protect our products as well as the air and land on which we operate – or face fines, penalties or losing our permitted approval to sell our products or license operate at all in the state of Texas. These records of inspection are public – there is nowhere to hide when it comes to our business operations. Again, we (as other small businesses in our industry) pride ourselves on doing it better and cleaner than anywhere else in the world and support fact-based, cost-benefit proven legislation and regulation for our industry. These regulatory inspections from our state officials maintain not only state-mandated rules and regulations, but federal-delegated standards that have been placed in state agencies, and also equipment-design standards set by API standards – we are required to follow all rules and regulations for clean, safe and responsible production standards across every aspect of our operations, and do so better than anywhere else in the world to deliver a vitally demanded product to market.

### **Oil and Gas Operators in Texas and the Nation - A Success Story by Any Measure**

I and my fellow Alliance members are immensely proud members of a highly technical, ever-advancing, rigorously regulated oil and gas industry.

We produce oil and gas for the world cleaner than any other country in the world. In Texas alone we have sextupled our production outputs and *lowered* our emissions – *without* the federal government intervention. We did this because we are stewards of our resources, not wasters.

It was in Texas that the highly successful combination of horizontal drilling and hydraulic fracturing was perfected and deployed to scale in the Barnett Shale in the 2000s. (The Barnett Shale is a natural gas production region in north Texas). This is where I began my career after college. Those technologies were then put to work in other producing regions around the country, bringing forth significant volumes of crude oil and natural gas production in the Bakken in North Dakota, the Marcellus in Pennsylvania and others.

That also includes the Eagle Ford Shale in South Texas, from which scarcely a barrel of oil was produced until 2008, but by 2015 was adding over 1.7 million barrels per day to U.S. output.

The most impressive producing region in the country, however, is the mighty Permian Basin, contained primarily within Texas. In 2010, the Permian Basin was producing under 1 million barrels per day and is now producing nearly 6 million barrels per day, generating the same or less greenhouse gas volumes now as in 2010.

That said, crude oil and natural gas production take place in every corner of the state. Of the 254 counties in Texas, some measurable, reportable volume of crude oil and/or natural gas is produced in about 85% of them. Though the Eagle Ford was the shiny new rose in 2008 and after, and the Permian Basin is the behemoth, production elsewhere in Texas comes from a number of legacy fields including the East Texas Field, the Panhandle, North Texas, West Central Texas, the Gulf Coast, and others.

The life cycles of these fields and their producing wells look very similar and are characterized by declining production over a long period of time. That is why the majority of wells in Texas are “marginal”, or low volume wells, and a sizable chunk of those are “stripper” wells, producing 15 barrels per day or less, and/or 90 mcf per day of natural gas or less.

The only way to grow production, then, is to drill new wells to replace the declining production from existing wells, and, importantly, to increase productivity and efficiency – more crude oil and natural gas with fewer resources deployed to produce them - and that is what has happened in the Permian Basin.

Even though most of the life of crude oil and natural gas wells is spent with production in decline, the useful economic life of those wells is typically decades long, and the majority of a well’s productive life may be spent as a low volume well.

The most recent well count data from the Railroad Commission of Texas is from November 2023, and indicates 240,025 active producing wells, of which 162,789 are producing crude oil and 77,236 are producing natural gas.

Of the 162,789 crude oil producing wells, less than 10% (9.5%) are producing more than 100 barrels per day, which means that over 90% of all crude oil producing wells in Texas are producing less than 100 barrels per day.

Just over 25% of all crude oil producing wells are producing between 10 and 100 barrels per day, and over 65% of all crude oil producing wells are pumping out less than 10 barrels per day. At some point, the wells producing over 100 barrels per day will fall into the 10-100 bpd range, and many of those will, in turn, ultimately fall into the less than 10 bpd range.

Of the 77,236 gas producing wells, less than 5% (4.6%) of those are producing more than 1,000 mcf/day, only 488 of which are producing more than 5,000 mcf/day. That means that over 95% - over 73,200 wells - of all producing natural gas wells in Texas are producing less than 1,000 mcf/day.

And most of those are producing less than 250 mcf/day. As of November 2023, 66,381 natural gas wells, or 86% of all natural gas wells, are producing less than 250/mcf per day. And a great many of those are producing substantially less than that.

The national production picture looks very similar.

This data makes it clear that the oil and gas industry in Texas (and the U.S.) is an industry characterized by a high number of low-volume wells – and by a high number of smaller to mid-size companies that are operating those wells.

This is an effective and thriving business model under market conditions that are not altered by damaging federal government policies that put these wells and companies at risk.

On every single one of these wells:

- Employees and contractors are paid to service and manage their operation and production on a daily basis.
- Payments are made monthly to working interest and royalty interest owners, and for many, this may be an important addition to monthly household income; further, the spending of these dollars represents an important infusion of activity as it ripples through the local and state economies.
- Ad valorem taxes are paid to municipalities, local school districts, and hospital districts in their areas of operation based on the reserves these wells are producing.
- The state budget is supported by severance tax payments, the sales tax, and other direct tax payments by oil and gas operators in Texas.

The loss of one third to one half of these wells as a result of the EPA's vast regulatory overreach represents an unimaginable negative impact to these regions of the state and the communities within them.

It is true that, while these wells comprise the vast majority of wells in Texas and across the U.S., the volume of production from those wells does not. However, the volumes are not statistically insignificant, and the lost production from one third to one half of those wells would represent a shortage in production that would either raise prices to consumers, have to be replaced with imports, or both.

Virtually irreplaceable, however, are the jobs, direct payments on production, local taxes, and local economic support provided by the ongoing existence and operation of these wells.

Shutting in a massive number of wells in Texas and the U.S. and imperiling a great many of the companies that operate them represents a set of nasty trade-offs for the policies now being put in place by the EPA, and we should not pretend they do not exist.

## **Conclusion**

The regulations being discussed in this hearing would not only be of high cost to my small generational family business and no benefit to the environment, but also detrimental to so many that we uplift with our jobs, contract work, tax dollars, royalties, donations and more in our important, vital, rural but often unheard from and underrepresented communities. Further, it has been touted elsewhere by supports of the IRA tax and the related regulations have industry supported, and that is not quite correct. That support comes from very large super majors that employ thousands and thousands of employees, with vast operations and resources to pass those costs on to consumers.

I can assure you that methane regulations that provide no credible environmental gain and provide certainty of increased operational costs for companies like mine and will hurt all I have discussed today – my small family business, the local rural economy, schools, hospitals and community members. Those regulations will not hurt every major company whose name is on the signs at your corner gas station.

In closing, I and my fellow Alliance members are proud stewards of the lands and waters in which we operate and provide the energy that makes the economy, and the world, go-round. We proudly supply products and byproducts that have given the world a way of life that would not exist otherwise. We understand and support the need and vitally important role of state-based regulation of emissions as well as other facets of our industry. The current successful state-based framework is where oversight and enforcement should remain.

I would be happy to answer your questions.

Thank you.