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March 17, 2023

The Honorable Steve Scalise
Majority Floor Leader
House of Representatives
2049 Rayburn HOB
Washington, DC 20515

SENT VIA EMAIL 3-17-2023

RE: Comments on HR 1 – the “Lower Energy Costs Act”

Leader Scalise:

Kirkwood Oil and Gas LLC hereby submits its comments in support of the proposed HR 1, the “Lower Energy Costs Act”.

The Inflation Reduction Act (IRA) was signed into law by President Biden on August 16, 2022. Unfortunately, several aspects relating to the IRA had a very negative affect on oil and gas development on federal lands. I believe these actions are a direct result of the staff composing the Act having little to no experience in private business or knowledge of the oil and gas exploration and development business. These actions will ultimately translate into a reduction in exploration activity on federal lands and a corresponding reduction in future production which results in reduced revenue to the United States Treasury. I believe the proposed HR 1, the “Lower Energy Costs Act” corrects many of these unintended consequences made by the IRA.

Before developing my comments, I took note that only the Internal Revenue Service generates more revenue to the federal treasury than the federal oil and gas leasing program. In 2020, revenue from oil and gas leasing generated \$3.46 billion to the federal Treasury. Why Congress would try to change an agency that is so productive makes no sense. Further, this revenue was generated from fewer leases. A comparison of leases in force under the Obama and Trump Administrations show over 500,000 less acres were under lease at the end of the Trump Administration. Again, why Congress would try to change a business plan like this makes no sense.

Kirkwood Oil and Gas LLC is not Big Oil. Kirkwood is part of a family-owned Wyoming company that employs 35 people. The Company operates over 600 producing wells in the States of Wyoming, Utah, North Dakota, Montana, Nevada, and Colorado. These wells include mostly conventional wells and a few unconventional wells. In addition to operating existing producing wells, the company’s exploration group develops new drilling prospects. These exploration projects start with an idea by a geologist or geophysicist in an area that does not currently have oil and gas production. Because many of our exploration projects are in the Rocky Mountain region, Kirkwood is one of the largest holders of non-productive federal oil and gas leases in the country. All these leases were purchased with the intent to piece together a jig-saw puzzle of

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leasehold in an exploratory area the company hopes to drill a test well on as soon as the lease block is completed.

By dedicating enormous hours of study, Kirkwood develops a theory of where oil and/or gas might be trapped, in some cases over 10,000 feet below the surface of the earth. However, only the drilling and completion of an exploratory well at a cost of \$5-10 million dollars will determine whether the geologic theory is successful. Initial leasing and an exploratory well may take decades to acquire and justify. If leasing changes made by the IRA are not reversed, future oil and gas reserves will not be developed because the supply chain of those exploratory projects will be irreversibly disrupted.

Kirkwood was an early entrant to the Bakken Play of the Williston Basin, North Dakota, the Niobrara/Codell Play in the DJ Basin of Southeastern Wyoming and Northeastern Colorado and the stacked-pay play in the Powder River Basin of Wyoming. These plays did not occur overnight by Big Oil. These plays were developed over decades by small independents in a trial-and-error methodology, drilling dry holes or uneconomic wells that, along with technological advancements, eventually made the play feasible and economic. These achievements enabled the United States to change from an importer of oil and gas to an exporter of oil and gas. Since Kirkwood operates almost entirely in the Rocky Mountains region, its exposure to federal leasing is constant and the impacts of the IRA are harmful.

The IRA changed the oil and gas leasing program and removed any incentive for small independents like Kirkwood to look for new reserves since the basis of exploration starts with acquiring a lease in an area where no current production exists. Buying leases where there is no current oil and gas production is extremely risky and results in failure and loss of money most of the time. Hence the reason why lease prices and lease terms need to be attractive enough to encourage companies to risk capital to look for new reserves. America’s energy independence supply chain begins in the mind of a geologist dreaming of where oil and gas might be trapped, then obtaining leases and getting like-minded explorationists to risk their capital to test the geologic theory. HR 1, the “Lower Energy Costs Act” makes changes that will encourage companies to explore on federal lands and retains the fiduciary responsibility required for public land management.

For the reasons stated above, Kirkwood Oil and Gas LLC supports the proposed HR 1, the “Lower Energy Costs Act” and urges you to move this Bill forward. Kirkwood appreciates the opportunity to submit the above comments. In the event you have any questions or require additional information regarding the statements made herein or wish a further discussion in detail, please do not hesitate to contact me.

Very truly yours,



D. Steven Degenfelder
Land Manager