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Report to Congressional Requesters

August XX, 2012

# OIL AND GAS

DRAFT

# Information on Shale Resources, Development, and Environmental and Public Health Risks

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GAO-12-732

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# Highlights

Highlights of GAO-12-732, a report to congressional requesters

# OIL AND GAS

## Information on Shale Resources, Development, and Environmental and Public Health Risks

## Why GAO Did This Study

New applications of horizontal drilling techniques and hydraulic fracturing—in which water, sand, and chemical additives are injected under high pressure to create and maintain fractures in underground formations—allow oil and natural gas from shale formations (known as "shale oil" and "shale gas") to be developed. As exploration and development of shale oil and gas have increased—including in areas of the country without a history of oil and natural gas development—questions have been raised about the estimates of the size of these resources as well as the processes used to extract them.

GAO was asked to determine what is known about the (1) size of shale oil and gas resources and the amount produced from 2007 through 2011, and (2) environmental and public health risks associated with the development of shale oil and gas. GAO reviewed estimates and studies from federal and nongovernmental organizations on the size and production of shale oil and gas resources and development. GAO also interviewed stakeholders, including federal and state regulatory officials, representatives from industry and environmental organizations, oil and gas operators, and researchers from academic institutions.

GAO is not making any recommendations in this report.

View GAO-12-732. For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

## What GAO Found

Estimates of the size of shale oil and gas resources in the United States by the Energy Information Administration (EIA), U.S. Geological Survey (USGS), and the Potential Gas Committee—three organizations that estimate the size of these resources—have increased over the last 5 years, which could mean an increase in the nation's energy portfolio. For example, in 2012, EIA estimated that the amount of technically recoverable shale gas in the United States was 482 trillion cubic feet—an increase of 280 percent from EIA's 2008 estimate. However, according to EIA and USGS officials, estimates of the size of shale oil and gas resources in the United States are highly dependent on the data, methodologies, model structures, and assumptions used to develop them. In addition, less is known about the amount of technically recoverable shale oil than shale gas, in part because large-scale production of shale oil is relatively recent. Estimates are based on data available at a given point in time and will change as additional information becomes available. In addition, domestic shale oil and gas production has experienced substantial growth; shale gas production increased four-fold from 2007 to 2011, and shale oil production increased five-fold from 2007 to 2011.

Oil and gas development, whether conventional or shale oil and gas, pose inherent environmental and public health risks, but the extent of these risks associated with shale oil and gas development is unknown, in part, because the studies GAO reviewed do not generally take into account the potential long-term, cumulative effects. For example, according to a number of studies and publications GAO reviewed, shale oil and gas development pose risks to air quality, generally as the result of (1) engine exhaust from increased truck traffic, (2) emissions from diesel-powered pumps used to power equipment, (3) gas that is flared (burned) or vented (released directly into the atmosphere) for operational reasons, and (4) unintentional emissions of pollutants from faulty equipment or impoundments—temporary storage areas. Similarly, a number of studies and publications GAO reviewed indicate that shale oil and gas development pose risks to water quality from contamination of surface water and groundwater as a result of erosion from ground disturbances; spills and releases of chemicals and other fluids; or underground migration of gases and chemicals. For example, tanks storing toxic chemicals or hoses and pipes used to convey wastes to the tanks could leak, or impoundments containing wastes could overflow as a result of extensive rainfall or snow. As GAO reported in June 2005, spilled, leaked or released chemicals or wastes could flow to a surface water body or infiltrate the ground, reaching and contaminating subsurface soils and aquifers. In addition, shale oil and gas development poses a risk to land resources and wildlife habitat as a result of constructing, operating, and maintaining the infrastructure necessary to develop oil and gas; using toxic chemicals; and injecting fluids underground. However, the extent of these risks is unknown. For example, the studies and publications GAO reviewed on air quality conditions provide information for a specific site at a specific time but do not provide the information needed to determine the overall cumulative effect that shale oil and gas activities may have on air quality. Further, the extent and severity of environmental and public health risks identified in the studies and publications GAO reviewed may vary significantly across shale basins—large scale geological areas that may contain oil and gas resources—and also within basins because of location- and process-specific factors, including the location and rate of development; geological characteristics, such as permeability, thickness, and porosity of the formations; climatic conditions; business practices; and regulatory and enforcement activities.

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Congressional Requesters

For decades the United States has relied on imports of oil and natural gas to meet domestic needs. As recently as 2007, the expectation was that the nation would increasingly rely on imports of natural gas to meet its growing demand. However, recent improvements in technology have allowed companies that develop petroleum resources to extract oil and natural gas from shale formations,[1] known as "shale oil" and "shale gas," respectively, which were previously inaccessible because traditional techniques did not yield sufficient amounts for economically viable production. In particular, as we reported in January 2012, new applications of horizontal drilling techniques and hydraulic fracturing—a process that injects a combination of water, sand, and chemical additives under high pressure to create and maintain fractures in underground rock formations that allow oil and natural gas to flow—have transformed the nation's prospects for oil and gas production.[2] According to the Energy Information Administration (EIA) within the Department of Energy (DOE), America's shale oil and gas resource base is abundant and development of this resource could have beneficial effects for the nation, such as job creation.[3] According to a report by the Baker Institute, domestic shale gas development could limit the need for expensive imports of these resources—helping to reduce the U.S. trade deficit.[4] In addition, replacing older coal burning power generation with new natural gas-fired generators could reduce greenhouse gas emissions and result in fewer air pollutants for the same amount of electric power generated.[5] Early drilling activity in shale formations was centered primarily on natural gas, but with the falling price of natural gas—

[1]Shale oil differs from "oil shale." Shale is a sedimentary rock that is predominantly comprised of consolidated clay-sized particles. Oil shale is produced using a different technology than for shale oil and gas. Specifically, to extract the oil from oil shale, the rock needs to be heated to very high temperatures—ranging from about 650 to 1,000 degrees Fahrenheit—in a process known as retorting. Oil shale has a large resource base, but it is not currently economically viable to produce. GAO, *Energy-Water Nexus: A Better and Coordinated Understanding of Water Resources Could Help Mitigate the Impacts of Potential Oil Shale Development*, GAO-11-35 (Washington, D.C.: Oct. 29, 2010).

[2] GAO, *Energy-Water Nexus: Information on the Quantity, Quality, and Management of Water Produced during Oil and Gas Production*, GAO-12-156 (Washington, D.C.: January 2012).

[3]EIA is a statistical agency within DOE that provides independent data, forecasts, and analyses.

[4]The Baker Institute is a public policy think tank located on the Rice University campus.

[5]EIA reported that using natural gas over coal would lower emissions in the United States, but some researchers have reported that greater reliance on natural gas would fail to significantly slow climate change because more U.S. coal could be exported onto world markets causing increases in global consumption.



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caused in part by the success of shale gas development—companies switched their focus to oil and natural gas liquids, which currently promise a greater return on investment. [6]

As exploration and development of shale oil and gas have increased in recent years—including in areas of the country without a history of oil and natural gas activities—questions have been raised about the estimates of the size of domestic shale oil and gas resources as well as the processes used to extract them. [7] For example, some nongovernmental organizations have questioned the accuracy of the estimates of the shale oil and gas supply prepared by the federal government and non-federal organizations. In particular, some of these organizations have expressed concerns that such estimates may be inflated, which, in turn, could discourage interest in production of renewable energy sources. In addition, concerns about environmental and public health effects of the increased use of horizontal drilling and hydraulic fracturing, particularly on air quality and water resources, have garnered extensive public attention. According to some researchers, questions also exist about whether switching from coal to natural gas will lead to a reduction in greenhouse gas emissions—based, in part, on uncertainty about additional emissions from the development of shale gas compared with conventional gas. These concerns and other considerations have led some communities and certain states to impose restrictions or moratoriums on drilling operations to allow time to study and better understand the potential risks associated with these practices.

In this context, you asked us to provide information on shale oil and gas. This report describes what is known about (1) the size of shale oil and gas resources in the United States and the amount produced from 2007 through 2011—the years for which data were available, and (2) the environmental and public health risks associated with development of shale oil and gas.

To determine what is known about the size of shale oil and gas resources and the amount of shale oil and gas produced, we collected data from federal agencies, state agencies, private industry, and academic organizations. Specifically, to determine what is known about the size of

[6]The natural gas liquids are typically propane, butane, and ethane, and are separated from the produced gas and liquefied at the surface in lease separators, field facilities, or gas processing plants. Because these liquids have a higher energy content, measured in British Thermal Units (BTUs), their market value per unit of volume is greater than natural gas.

[7]For the purposes of this report, resources refer to concentrations of naturally occurring hydrocarbons and can be divided into resources and reserves.



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these resources, we obtained information for technically recoverable and proved reserves estimates for shale oil and gas from the EIA, the U.S. Geological Survey (USGS), and the Potential Gas Committee—a nongovernmental organization composed of academics and industry representatives. We interviewed key officials from these agencies and organization about the assumptions and methodologies used to estimate the resource size. Estimates of proved reserves of shale oil and gas are based on data provided to EIA by operators—companies that develop petroleum resources to extract oil and natural gas.[8] To determine what is known about the amount of shale oil and gas produced from 2007 through 2011, we obtained data from EIA—which is responsible for estimating and reporting this and other energy information. To assess the reliability of these data, we examined EIA's published methodology for collecting this information and interviewed key EIA officials regarding the agency's data collection efforts. We also met with officials from states, representatives from private industry, and researchers from academic institutions who are familiar with these data and EIA's methodology. We discussed the sources and reliability of the data with these officials and found the data sufficiently reliable for the purposes of this report. For all estimates we report, we reviewed the methodologies used to derive them and also found them sufficiently reliable for the purposes of this report.

To determine what is known about the environmental and public health risks associated with the development of shale oil and gas,[9] we reviewed studies and other publications from federal agencies and laboratories, state agencies, local governments, Indian tribes, the petroleum industry, academic institutions, environmental and public health groups, and other nongovernmental associations. The studies and publications we reviewed included peer-reviewed scientific and industry periodicals, government-sponsored research, and reports or other publications from nongovernmental organizations. For a number of studies, we interviewed the author or authors to discuss the study's findings and limitations, if any. In addition, during interviews with federal, state, and tribal officials; representatives from industry, trade organizations, environmental, and other nongovernmental groups; and researchers from academic institutions, we discussed studies relevant to our review. We believe we have

[8]Proved reserves refer to the amount of oil and gas that have been discovered and defined.

[9]Operators may use horizontal drilling and hydraulic fracturing to develop oil and natural gas from formations other than shale, but for the purposes of this report we focused on development of shale formations. Specifically, coal bed methane and tight sandstone formations may rely on these practices and some studies and publications we reviewed identified risks that can apply to these formations. However, most development has occurred in shale formations and most of the studies and publications we identified and reviewed focused primarily on shale formations.



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identified the key studies through our literature review and interviews, and that the studies included in our review have accurately identified currently known potential risks for shale oil and gas development. However, it is possible that we may not have identified all of the studies with findings relevant to our objectives, and the risks we present may not be the only issues of concern.

The risks identified in the studies and publications we reviewed cannot, at present, be quantified and the magnitude of potential adverse affects or likelihood of occurrence cannot be determined for several reasons. First, it is not possible to predict how many or where shale oil and gas wells may be constructed since economically viable reservoirs continue to be explored. Second, the extent to which operators use effective best management practices to mitigate risk may vary. Third, there are relatively few studies that are based on comparing pre-development conditions to post-development conditions—making it difficult to detect or attribute adverse conditions to shale oil and gas development. In addition, changes to the federal, state, and local regulatory environment and the effectiveness of implementing and enforcing regulations will affect operators' future activities and, therefore, the level of risk associated with future development of oil and gas resources. Moreover, risks of adverse events, such as spills or accidents, may vary according to business practices which, in turn, may vary across oil and gas companies, making it difficult to distinguish between risks associated with the process to develop shale oil and gas from risks that are specific to particular business practices. Further, a number of identified risks are inherent to all oil and gas development, not just shale oil and gas development. To obtain additional perspectives on issues related to environmental and public health risks, we interviewed stakeholders, including federal officials from DOE's National Energy Technical Laboratory, the Department of the Interior's Bureau of Land Management (BLM) and Bureau of Indian Affairs, and the Environmental Protection Agency (EPA); state regulatory officials from eight selected states: Arkansas, Colorado, Louisiana, North Dakota, Ohio, Oklahoma, Pennsylvania, and Texas;[10] tribal officials from the Osage Nation; shale oil and gas operators; representatives from environmental and public health organizations; and other knowledgeable parties with experience related to shale oil and gas development, such as petroleum engineers from consulting firms and researchers from the Colorado School of Mines, the University of Texas, Oklahoma University, and Stanford University. The federal and state regulatory officials we interviewed included those with responsibility for regulating oil and natural gas, as well as

[10]We selected these states because they are involved with shale oil and gas development.



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clean water and drinking water. We also visited selected locations in Oklahoma, Texas, and Colorado, where we met with federal, state, and tribal officials, operators, industry trade organizations, environmental representatives, researchers from universities, and authors of published studies, and toured a shale gas development site. During these visits, we discussed issues related to the shale oil and gas development process, environmental and public health risks, and mitigation practices. We selected these locations based on (1) proximity to shale formations, (2) extent of involvement with shale oil and gas development, and (3) proximity to relevant academic institutions and/or industry representatives. Findings from our visits cannot be generalized to other locations we did not visit.

We conducted this performance audit from November 2011 through August 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Background**

This section includes (1) an overview of oil and natural gas, (2) the shale oil and gas development process, (3) the regulatory framework, (4) the location of shale oil and gas in the United States, and (5) information on estimating the size of these resources.

Overview

Oil and natural gas are found in a variety of geologic formations. Conventional oil and natural gas are found in deep, porous rock or reservoirs that can flow under natural pressure to the surface after drilling. In contrast to the free-flowing resources found in conventional formations, the low permeability of some formations, including shale, means that oil and gas trapped in the formation cannot move easily within the rock. On one extreme—oil shale, for example—the hydrocarbon trapped in the shale will not reach a liquid form without first being heated to very high temperatures—ranging from about 650 to 1,000 degrees Fahrenheit—in a process known as retorting. In contrast, to extract shale oil and gas from the rock, fluids and proppants (usually sand or ceramic beads used to hold fractures open in the formation) are injected under high



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pressure to create and maintain fractures to increase permeability, thus allowing oil or gas to be extracted. Other formations, such as coalbed methane formations and tight sandstone formations,[11] may also require stimulation to allow oil or gas to be extracted.[12]

Most of the energy used in the United States comes from fossil fuels such as oil and natural gas. Oil supplies about 40 percent of all the energy the country consumes, and almost the entire U.S. transportation fleet—cars, trucks, trains, and airplanes—depend on fuels made from oil. Natural gas is an important energy source to heat buildings, power the industrial sector, and generate electricity. Natural gas provides more than 20 percent of the energy used in the United States, supplying nearly half of all the energy used for cooking, heating, and powering other home appliances, and generating almost one-quarter of U.S. electricity supplies.

## The Shale Oil and Gas Development Process

The process to develop shale oil and gas is similar to the process for conventional onshore oil and gas, but shale formations rely on the use of horizontal drilling and hydraulic fracturing—which may or may not be used on conventional wells. Horizontal drilling and hydraulic fracturing are not new technologies, as seen in figure 1, but advancements, refinements, and new uses of these technologies have greatly expanded oil and gas operators' abilities to use these processes to economically develop shale oil and gas resources over the last 40 years. For example, the use of multi-stage hydraulic fracturing within a horizontal well has only been widely used in the last decade.[13]

[11] Conventional sandstone has well-connected pores, but tight sandstone has irregularly distributed and poorly connected pores. Due to this low connectivity or permeability, gas trapped within tight sandstone is not easily produced.

[12] For coalbed methane formations, the reduction in pressure needed to extract gas is achieved through dewatering. As water is pumped out of the coal seams, reservoir pressure decreases, allowing the natural gas to release (desorb) from the surface of the coal and flow through natural fracture networks into the well.

[13] Hydraulic fracturing is often conducted in stages. Each stage focuses on a limited linear section and may be repeated numerous times.



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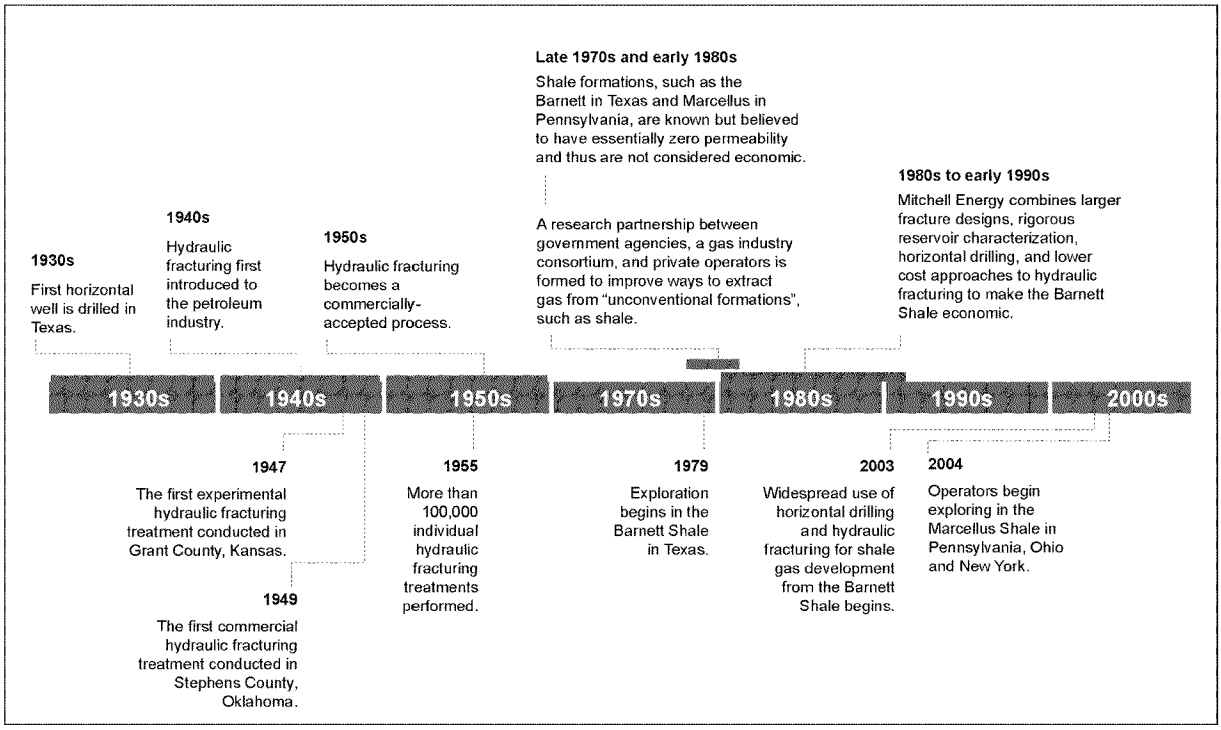
**Figure 1: History of Horizontal Drilling and Hydraulic Fracturing**




Source: GAO.

First, operators locate suitable shale oil and gas targets using seismic methods of exploration,[14] negotiate contracts or leases that allow mineral development, identify a specific location for drilling, and obtain necessary permits; then, they undertake a number of activities to develop shale oil and gas. The specific activities and steps taken to extract shale oil and gas vary based on the characteristics of the formation, but the development phase generally involves the following stages: (1) well pad preparation and construction, (2) drilling and well construction, and (3) hydraulic fracturing.

[14]The seismic method of exploration introduces energy into the subsurface through explosions in shallow "shot holes" by striking the ground forcefully (with a truck-mounted thumper), or by vibration methods. A portion of the energy returns to the surface after being reflected from the subsurface strata. This energy is detected by surface instruments, called geophones, and the information carried by the energy is processed by computers to interpret subsurface conditions.

### Well Pad Preparation and Construction

The first stage in the development process is to prepare and construct the well pad site.[15] Typically, operators must clear and level surface vegetation to make room for numerous vehicles and heavy equipment—such as the drilling rig—and to build infrastructure—such as roads—needed to access the site.[16] Then operators must transport the equipment that mixes the additives, water, and sand needed for hydraulic fracturing to the site—tanks, water pumps, and blender pumps, as well as water and sand storage tanks, monitoring equipment, and additive storage containers . Based on the geological characteristics of the formation and climatic conditions, operators may (1) excavate a pit or impoundment to store freshwater, drilling fluids, or drill cuttings—rock cuttings generated during drilling, (2) use tanks to store materials, or (3) build temporary transfer pipes to transport materials to and from an off-site location.

### Drilling and Well Construction

The next stage in the development process is drilling and well construction. Operators use a drill pipe and bit to dig a hole (referred to as the wellbore) into the earth through a combination of vertical and horizontal drilling techniques. At several points in the drilling process—such as the point at which drilling reaches the bottom of a groundwater aquifer—the drill pipe and bit is removed from the wellbore so that casing and cement may be inserted. Casing is a metal pipe that is inserted inside the wellbore to prevent high-pressure fluids outside the formation from entering the well, and to prevent drilling mud inside the well from fracturing fragile sections of the wellbore. As drilling progresses with depth, casings that are slightly narrower than the hole created by the drill bit are inserted into the wellbore and bonded in place with cement, sealing the wellbore from the surrounding formation.

Drilling mud (a lubricant also known as drilling fluid) is pumped through the wellbore at different densities to balance the pressure inside the wellbore and bring rock particles and other matter cut from the formation back to the rig. A blowout preventer is installed over the well as a safety measure to prevent any uncontrolled release or escape of oil or gas to the atmosphere and help

[15] A temporary drilling site is usually constructed of local materials such as gravel, shell, or wood. For some deep wells, such as the ultradeep wells of western Oklahoma, or pads may be paved with asphalt or concrete. After drilling is completed, most of the pad is usually removed or plowed back into the ground.

[16] According to the New York Department of Conservation's 2011 Supplemental Generic Environmental Impact Statement, the average size of a well pad is 3.5 acres.



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maintain control over pressures in the well. Drill cuttings, which are made up of ground rock coated with a layer of drilling mud or fluid, are brought to the surface. Mud pits excavated adjacent to the drilling rig provide a reservoir for mixing and holding the drilling mud. The mud pits also serve as settling ponds for the cuttings. At the completion of drilling, the drilling mud may be recycled for use at another drilling operation.

Instruments guide drilling operators to the "kickoff point"—the point that drilling starts to turn at a slight angle and continues turning until it nears the shale formation and extends horizontally. Production casing and cement are then inserted to extend the length of the borehole to maintain wellbore integrity and prevent any communication between the formation fluids and the wellbore. After drilling to the target depth, the drilling operator may run a cement evaluation log by lowering an electric probe into the well to measure the thickness and continuity of the cement. The purpose of the cement evaluation log is to confirm that the cement will function as designed—preventing well fluids from migrating outside the casing and infiltrating overlying formations. After vertical drilling is complete, horizontal drilling is conducted by slowly angling the drill bit until it is drilling horizontally. Horizontal stretches of the well typically range from 2,000 to 6,000 feet long but can be as long as 12,000 feet long, in some cases.

Throughout the drilling process, operators typically vent or flare some natural gas, often intermittently in response to maintenance needs or equipment failures. This natural gas is either released directly into the atmosphere (vented) or burned (flared). Intermittent venting or flaring may take place when operators purge water or other liquids that collect in well bores. In October 2010, we reported on venting and flaring of natural gas on public lands.[17] We reported that vented and flared gas on public lands represents potential lost royalties for the federal government and contributes to greenhouse gas emissions. Specifically, venting releases methane, and flaring emits carbon dioxide, both greenhouse gases that contribute to global climate change. Methane is a particular concern since it is a more potent greenhouse gas than carbon dioxide.

[17]GAO, *Federal Oil and Gas Leases: Opportunities Exist to Capture Vented and Flared Natural Gas, Which Would Increase Royalty Payments and Reduce Greenhouse Gases*, GAO-11-34 (Washington, D.C.: Oct 29, 2010).



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## Hydraulic Fracturing

The next stage in the development process is stimulation of the shale formation using hydraulic fracturing.[18] Before operators or service companies perform a hydraulic fracture treatment of a well, a series of tests may be conducted to ensure that the well, well-head equipment, and fracturing equipment can safely withstand the high pressures associated with the fracturing process. Minimum requirements for equipment pressure testing are typically determined by state regulatory agencies for operations on state or private lands, and by BLM for operations on federal lands. In addition, fracturing is conducted below the surface of the earth, sometimes several thousand feet below, and can only be indirectly observed. Therefore, operators typically collect subsurface data—such as information on rock stresses,[19] natural fault structures, and location of previously drilled wells—needed to develop models that predict fracture height, length, and orientation prior to drilling a well. The purpose of modeling is to design a fracturing treatment that optimizes the location and size of induced fractures and maximizes oil or gas production, while confining fracture growth to the target formation.

To prepare a well to be hydraulically fractured, a perforating tool is inserted into the casing and used to create holes in the casing and cement. Through these holes, fracturing fluid—that is injected under high pressures—can flow into the shale (fig. 2 shows perforated casing).

[18] Well stimulation is a well intervention activity performed on an oil or gas well to increase production by improving the flow of hydrocarbons from the drainage area into the well bore.

[19] Stresses in the formation generally define a maximum and minimum stress direction that influence the direction a fracture will grow.



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**Figure 2: Casing Perforations in the Barnett Shale**

Source: GAO.

Fracturing fluids are tailored to site specific conditions, such as shale thickness, stress, compressibility, and rigidity. As such, the chemical additives used in a fracture treatment vary. Computer models consider local conditions to design site-specific hydraulic fluids. The water, chemicals, and proppant used in fracturing fluid are typically stored on site in separate tanks and blended just before they are injected into the well. Figure 3 provides greater detail about some chemicals commonly used in fracturing.



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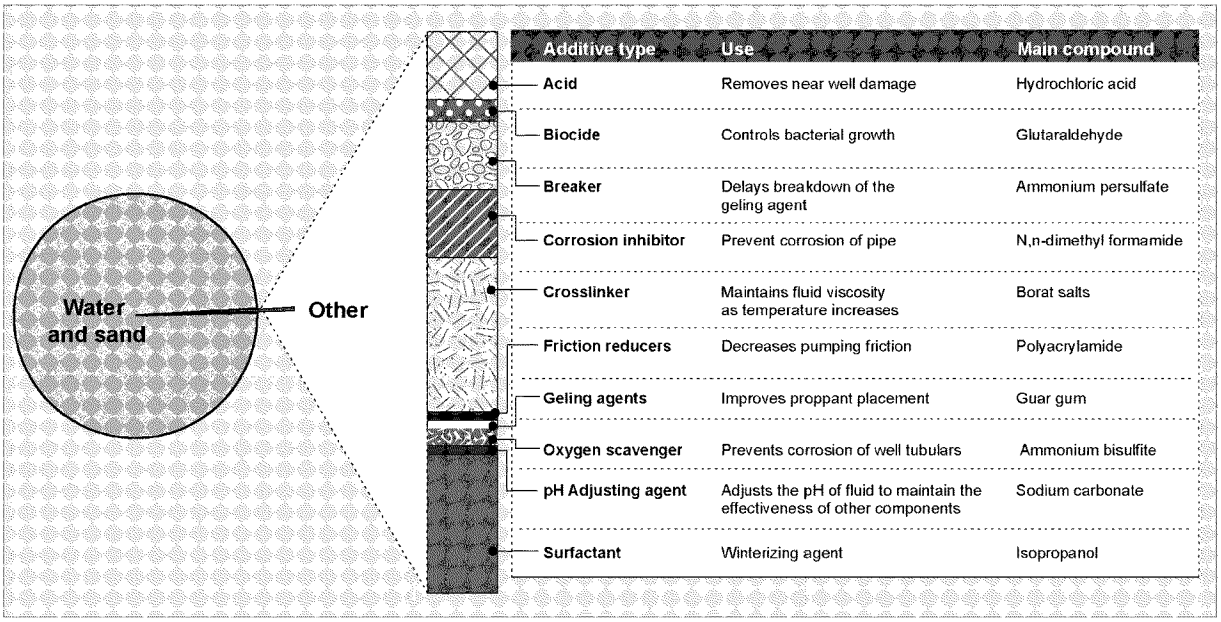
**Figure 3: Examples of Common Ingredients Found in Fracturing Fluid**




| Additive type | Use | Main compound |
|---|---|---|
| Acid | Removes near well damage | Hydrochloric acid |
| Biocide | Controls bacterial growth | Glutaraldehyde |
| Breaker | Delays breakdown of the geling agent | Ammonium persulfate |
| Corrosion inhibitor | Prevent corrosion of pipe | N,n-dimethyl formamide |
| Crosslinker | Maintains fluid viscosity as temperature increases | Borat salts |
| Friction reducers | Decreases pumping friction | Polyacrylamide |
| Geling agents | Improves proppant placement | Guar gum |
| Oxygen scavenger | Prevents corrosion of well tubulars | Ammonium bisulfite |
| pH Adjusting agent | Adjusts the pH of fluid to maintain the effectiveness of other components | Sodium carbonate |
| Surfactant | Winterizing agent | Isopropanol |

Source: Department of Energy and Groundwater Protection Council.

The operator pumps the fracturing fluid into the wellbore at pressures high enough to force the fluid through the perforations into the surrounding formation—which can be shale, coalbed methane or tight sandstone—expanding existing fractures and creating new ones in the process. After the fractures are created, the operator reduces the pressure. The proppant stays in the formation to hold open the fractures and allow the release of oil and gas. Some of the fracturing fluid that was injected into the well will return to the surface (commonly referred to as flowback) along with water that occurs naturally in the oil- or gas-bearing formation—collectively known as produced water. The produced water is brought to the surface and collected by the operator, where it can be stored onsite in impoundments, injected into underground wells, transported to a wastewater treatment plant, or reused by the operator in other ways.[20] Given the length of horizontal wells, hydraulic fracturing is often conducted in stages, where each stage focuses on a limited linear section and may be repeated numerous times.

[20]Underground injection is the predominant practice for disposing of produced water. In addition to underground injection, a limited amount of produced water is managed by discharging it to surface water, storing it in surface impoundments, and reusing it for irrigation or hydraulic fracturing.



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Once a well is producing oil or natural gas, equipment and temporary infrastructure associated with drilling and hydraulic fracturing operations is no longer needed and is to be removed, leaving only the parts of the infrastructure required to collect and process the gas or oil and ongoing produced water. Operators may begin to reclaim the part of the site that will not be used by restoring the area to predevelopment conditions. Throughout the producing life of a gas or oil well, the operator may find it necessary to periodically re-stimulate the flow of oil and gas by repeating the hydraulic fracturing process. The frequency of such activity depends on the characteristics of the geologic formation and the economics of the individual well. If the hydraulic fracturing process is repeated, the site and surrounding area will be further affected by the required infrastructure, truck transport, and other activity associated with this process.

Regulatory Framework

Shale oil and gas development, like conventional onshore oil and gas production, are governed by a framework of federal, state, and local laws and regulations, but most enforcement authority lies with the states. Most shale formations currently under development are on state or private lands and, therefore, states typically take the lead in enforcement activities. However, in some cases, federal agencies oversee shale oil and gas development. For example, BLM oversees shale oil and gas development on federal lands. In large part, the federal laws, regulations, and permit requirements that apply to conventional onshore oil and gas exploration and production activities also apply to shale oil and gas development.

- *Federal.* A number of federal agencies administer laws and regulations that apply to various phases of shale oil and gas development. For example, BLM manages and regulates federal lands and approximately 700 million acres of federal subsurface minerals, also known as the federal mineral estate. EPA administers and enforces key federal laws, such as the Safe Drinking Water Act, to protect human health and the environment on federal, state, and private lands. EPA regional offices work with states, which implement some aspects of these laws. Other federal land management agencies, including the U.S. Department of Agriculture's Forest Service, the Department of the Interior's National Park Service, Interior's Fish and Wildlife Service, and the U.S. Army Corps of Engineers, also manage federal lands, including shale oil and gas development on those lands.



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- *State.* State agencies implement and enforce many of the federal environmental regulations and may also have their own set of state laws covering shale oil and gas development. The degree of local regulation, such as by municipalities, may also be subject to state control.
- *Other.* Additional requirements regarding shale oil and gas operations may be imposed by various levels of government for specific locations. Entities such as cities, counties, tribes, and regional water authorities may set additional requirements that affect the location and operation of wells.

GAO is conducting a separate and more detailed review of the federal and state laws and regulations that apply to unconventional oil and gas development, including shale oil and gas.

Location of Shale Oil and Gas in the United States

Shale oil and gas are found in shale plays—a set of discovered or undiscovered oil and natural gas accumulations or prospects that exhibit similar geological characteristics—on private, state-owned, and federal lands across the United States. Shale plays are located within basins, which are large-scale geological depressions, often hundreds of miles across, that also may contain other oil and gas resources. Figure 4 shows the location of shale plays and basins in the contiguous 48 states.



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**Figure 4: Shale Plays and Basins in the Contiguous 48 States**

Source: Energy Information Administration (shale location data) and MapInfo (map).

A shale play can be developed for oil, natural gas, or both. In addition, a shale gas play may contain "dry" or "wet" natural gas. Dry natural gas is a mixture of hydrocarbon compounds that exists as a gas both underground in the reservoir and during production under standard temperature and pressure conditions. Wet natural gas contains natural gas liquids, or the portion of the hydrocarbon resource that exists as a gas when in natural underground reservoir conditions but that is liquid at surface conditions. The natural gas liquids are typically propane, butane, and ethane, and are separated from the produced gas at the surface in lease separators, field facilities, or gas processing plants. Operators may then sell the natural gas liquids, which may give wet shale gas plays an economic advantage over dry gas plays. Another advantage of liquid petroleum and natural gas liquids is that they can be transported more easily than natural gas, because to bring natural gas to markets and consumers, companies must build an extensive network of gas pipelines. In areas where gas pipelines are not extensive, natural gas produced along with liquids is often vented or flared.



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Estimating the Size of Shale Oil and Gas Resources

Estimating the size of shale oil and gas resources serves a variety of needs for consumers, policy makers, land and resource managers, investors, regulators, industry planners, and others. For example, federal and state governments may use resource estimates to estimate future revenues and establish energy, fiscal, and national security policies. The petroleum industry and the financial community use resource estimates to establish corporate strategies and make investment decisions.

A clear understanding of some common terms used to generally describe the size and scope of oil and gas resources is needed to determine the relevance of a given estimate. For an illustration of how such terms describe the size and scope of shale oil and gas, see figure 5.

The most inclusive term is *in-place* resource. The in-place resource represents all oil or natural gas contained in a formation without regard to technical or economic recoverability. In-place resource estimates are sometimes very large numbers, but often only a small proportion of the total amount of oil or natural gas in a formation may ever be recovered. Oil and gas resources that are in-place but not technically recoverable at this time may, in the future, become technically recoverable.

*Technically recoverable resources* are a subset of in-place resources that include gas or oil, including shale oil and gas that is producible given available technology. Technically recoverable resources include those that are economically producible and those that are not. Estimates of technically recoverable resources are dynamic, changing to reflect the potential of extraction technology and knowledge about the geology and composition of geologic formations. According to the National Petroleum Council,[21] technically recoverable resource estimates usually increase over time because of the availability of more and better data, or knowledge of how to develop a new play type (such as shale formations).

*Proved reserve* estimates are more precise than technically recoverable resources and represent the amount of oil and gas that have been discovered and defined, typically by drilling

[21] The National Petroleum Council is a federally chartered and privately funded advisory committee that advises, informs, and makes recommendations to the Secretary of Energy on oil and natural gas matters.



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wells or other exploratory measures, and which can be economically recovered within a relatively short time frame. Proved reserves may be thought of as the "inventory" that operators hold and defines the quantity of oil and gas operators estimate can be recovered under current economic conditions, operating methods, and government regulations. Estimates of proved reserves increase as oil and gas companies make new discoveries and report them to the government; oil and gas companies can increase their reserves as they develop already-discovered fields and improve production technology. Reserves decline as oil and gas reserves are produced and sold. In addition, reserves can change as prices and technologies change. For example, technology improvements that enable operators to extract more oil or gas from existing fields can increase proved reserves. Likewise, higher prices for oil and gas may increase the amount of proved reserves because more resources become financially viable to extract.[22] Conversely, lower prices may diminish the amount of resources likely to be produced, reducing proved reserves.

*Historical production* refers to the total amount of oil and gas that has been produced up to the present. Because these volumes of oil and gas have been measured historically, this is the most precise information available as it represents actual production amounts.

[22]For example, secondary recovery operations can be costly (such as using a well to inject water into an oil reservoir and push any remaining oil to operating wells), but the costs may be justified if prices are high enough.



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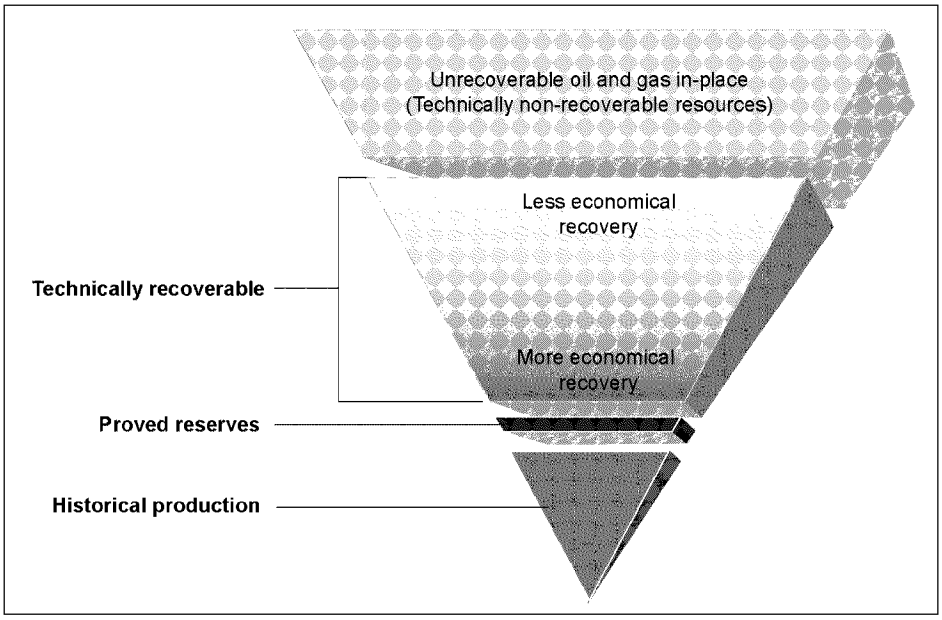
**Figure 5: Common Terminology to Describe the Size and Scope of Shale Oil and Gas**




Source: GAO, based on an illustration by the Congressional Research Service.

Note: This illustration is not necessarily to scale because all volumes, except historical production, are subject to significant uncertainty.

Certain federal agencies have statutory responsibility for collecting and publishing authoritative statistical information on various types of energy sources in the United States. EIA collects, analyzes, and disseminates independent and impartial energy information, including data on shale oil and gas resources. Under the Energy Policy and Conservation Act of 2000, as amended, USGS estimates onshore undiscovered technically recoverable oil and gas resources in the United States.[23] USGS has conducted a number of national estimates of undiscovered technically recoverable oil and natural gas resources over several decades. USGS geologists and other experts estimate undiscovered oil and gas—that is, oil and gas that has not been proven to be present by oil and gas companies—based on geological survey data and other information about the location and size of different geological formations across the United States. In addition to EIA and USGS, experts from industry, academia, federal advisory committees, private consulting firms, and professional societies also estimate the size of the resource.

[23]Pub. L. No. 106-469 § 604 (2000), 114 Stat. 2029, 2041-42, codified, as amended, at 42 U.S.C. § 6217.



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## Domestic Shale Oil and Gas Estimates and Production

Estimates of the size of shale oil and gas resources in the United States have increased over time as has the amount of such resources produced from 2007 through 2011. Specifically, over the last 5 years, estimates of (1) technically recoverable shale oil and gas and (2) proved reserves of shale oil and gas have increased, as technology has advanced and more shale has been drilled. In addition, domestic shale oil and gas production has experienced substantial growth in recent years.

### Estimates of Technically Recoverable Shale Oil and Gas Resources

EIA, USGS, and the Potential Gas Committee have increased their estimates of the amount of technically recoverable shale oil and gas over the last 5 years, which could mean an increase in the nation's energy portfolio; however, less is known about the amount of technically recoverable shale oil than shale gas, in part because large-scale production of shale oil has been underway for only the past few years. The estimates are from different organizations and vary somewhat because they were developed at different times and using different data, methods, and assumptions, but estimates from all of these organizations have increased over time, indicating that the nation's shale oil and gas resources may be substantial. For example, according to estimates and reports we reviewed, assuming current consumption levels without consideration of a specific market price for future gas supplies, the amount of domestic technically recoverable shale gas could provide enough natural gas to supply the nation for the next 14 to 100 years. The increases in estimates can largely be attributed to improved geological information about the resources, greater understanding of production levels, and technological advancements.



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## Estimates of Technically Recoverable Shale Oil Resources

In the last 2 years, EIA and USGS provided estimates of technically recoverable shale oil.[24] Each of these estimates increased in recent years as follows:

- In 2012, EIA estimated that the United States possesses 33 billion barrels of technically recoverable shale oil,[25] mostly located in 4 shale formations—the Bakken in Montana and North Dakota; Eagle Ford in Texas; Niobrara in Colorado, Kansas, Nebraska, and Wyoming; and the Monterey in California.
- In 2011, USGS estimated that the United States possesses just over 7 billion barrels of technically recoverable oil in shale and tight sandstone formations. The estimate represents a more than 3-fold increase from the agency's estimate in 2006. However, there are several shale plays that USGS has not evaluated for shale oil because interest in these plays is relatively new. According to USGS officials, these shale plays have shown potential for production in recent years and may contain additional shale oil resources. Table 1 shows USGS' 2006 and 2011 estimates and EIA's 2011 and 2012 estimates.

**Table 1: USGS and EIA Estimates of Total Remaining Technically Recoverable U.S. Oil Resources (in billion barrels of oil)**

| | USGS | | EIA | |
|---|---|---|---|---|
| | **2006** | **2011** | **2011** | **2012** |
| Estimated technically recoverable shale oil and tight sandstone resources | 2 | 7 | 32 | 33 |
| Estimated technically recoverable oil resources other than shale[a] | 142 | 133 | 187 | 201 |

[a]Includes estimates for conventional offshore oil and gas, as well as natural gas liquids. In addition, the USGS estimates for 2006 and 2011 include a 2006 estimate of technically recoverable offshore conventional oil resources totaling 86 billion barrels of oil and natural gas liquids from the former Minerals Management Service, which has since been reorganized into the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement.

[24]As noted previously, for the purposes of this report, we use the term "shale oil" to refer to oil from shale and other tight formations, which is recoverable by hydraulic fracturing and horizontal drilling techniques and is described by others as "tight oil." Shale oil and tight oil are extracted in the same way, but differ from "oil shale." Oil shale is a sedimentary rock containing solid organic material that converts into a type of crude oil only when heated.

[25]Comparatively, the United States currently consumes about 7 billion barrels of oil per year, about half of which are imported from foreign sources.



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Overall, estimates of the size of technically recoverable shale oil resources in the United States are imperfect and highly dependent on the data, methodologies, model structures, and assumptions used. As these estimates are based on data available at a given point in time, they may change as additional information becomes available. Also these estimates depend on historical production data as a key component for modeling future supply. Because large-scale production of oil in shale formations is a relatively recent activity, their long-term productivity is largely unknown. For example, EIA estimated that the Monterey Shale in California may possess about 15.4 billion barrels of technically recoverable oil. However, without a history of production, the estimate has greater uncertainty than estimates based on historical production data. At this time, USGS has not yet evaluated the Monterey Shale play.

### Estimates of Technically Recoverable Shale Gas Resources

The amount of technically recoverable shale gas resources in the United States has been estimated by a number of organizations, including EIA, USGS, and the Potential Gas Committee (see fig. 6). Their estimates were as follows:

- In 2012, EIA estimated the amount of technically recoverable shale gas in the United States at 482 trillion cubic feet.[26] This represents an increase of 280 percent from EIA's 2008 estimate.
- In 2011, USGS reported that the total of its estimates for the shale formations the agency evaluated in all previous years[27] shows the amount of technically recoverable shale gas in the United States at about 336 trillion cubic feet. This represents an increase of about 600 percent from the agency's 2006 estimate.

[26] EIA estimates are based on natural gas production data from the previous year; for example, EIA's 2012 estimate is based on 2010 data.

[27] USGS estimates are based on updated data in a few—but not all—individual geological areas, combined with data from other areas from all previous years. Each year USGS estimates new information for a few individual geological areas. For example, the 2011 USGS estimate includes updated 2011 data for the Appalachian Basin, the Anadarko Basin, and the Gulf Coast, combined with estimates for all other areas developed before 2011. See appendix IV for additional information on USGS estimates.



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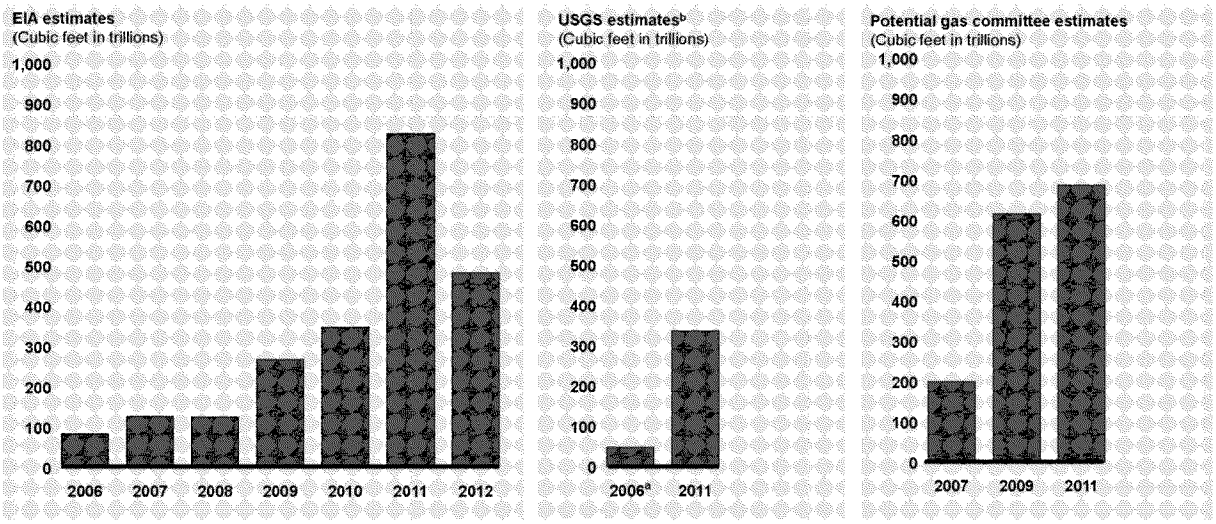
- In 2011, the Potential Gas Committee estimated the amount of technically recoverable shale gas in the United States at about 687 trillion cubic feet.[28] This represents an increase of 240 percent from the committee's 2007 estimate.

**Figure 6: Estimates of Technically Recoverable Shale Gas from EIA, USGS, and the Potential Gas Committee (2006 through 2012)**




Source: GAO analysis of EIA, Potential Gas Commitee, and USGS estimates.

Notes: Natural gas is generally priced and sold in thousand cubic feet (abbreviated Mcf, using the Roman numeral for one thousand). Units of a trillion cubic feet (Tcf) are often used to measure large quantities, as in resources or reserves in the ground, or annual national energy consumption. One Mcf is enough natural gas to heat 15 million homes for one year or fuel 12 million natural gas-fired vehicles for 1 year. In 2012, EIA reduced its estimate of technically recoverable shale gas in the Marcellus Shale by about 40 percent. According to EIA officials, the decision to revise the estimate was based primarily on the availability of new production data, which was highlighted by the release of the USGS estimate. In 2011, EIA used data from a contractor to estimate that the Marcellus Shale possessed about 410 trillion cubic feet of technically recoverable gas. After EIA released its estimates in 2011, USGS released its first estimate of technically recoverable gas in the Marcellus in almost 10 years. USGS estimated that there were 84 trillion cubic feet of natural gas in the Marcellus—which was 40 times more than its previous estimate reported in 2000, but significantly less than EIA's estimate. In 2012, EIA announced that it was revising its estimate of the technically recoverable gas in the Marcellus Shale from 410 to 141 trillion cubic feet. EIA reported additional details about its methodology and data in June 2012. See U.S. Department of Energy, Energy Information Administration, *Annual Energy Outlook 2012, With Projections to 2035* (DOE/EIA-0383(2012), Washington D.C., June 25, 2012).

[a] The Potential Gas Committee did not report separate estimates of shale gas until 2007 and has updated this estimate every 2 years afterward.

[b] The 2006 USGS estimate of about 54 trillion cubic feet represents those assessments that had been done up to the end of 2006. As such, the estimate is partially dependent on how the agency scheduled basin studies and assessments from 2000 through 2006, rather than purely on changes in USGS views of resource potential since 2006.

In addition to the estimates from the three organizations we reviewed, operators and energy forecasting consultants prepare their own estimates of technically recoverable shale gas to plan operations or for future investment. In September 2011, the National Petroleum Council aggregated data on shale gas resources from over 130 industry, government, and academic

[28] Potential Gas Committee estimates are based on natural gas production data from the previous year; for example, committee's 2011 estimate is based on 2010 data.

groups and estimated that approximately 1,000 trillion cubic feet of shale gas is available for production domestically. In addition, private firms that supply information to the oil and gas industry conduct assessments of the total amount of technically recoverable natural gas. For example, ICF International, a consulting firm that provides information to public and private-sector clients, estimated in March 2012 that the United States possesses about 1,960 trillion cubic feet of technically recoverable shale gas.

Based on estimates from EIA, USGS, and the Potential Gas Committee, five shale plays—the Barnett, Haynesville, Fayetteville, Marcellus, and Woodford—are estimated to possess about two-thirds of the total estimated technically recoverable gas in the United States (see table 2). To put this in perspective, according to an industry representative, the Haynesville Shale alone is estimated to have enough technically recoverable gas to meet the nation's natural gas needs for 11 years, based on 2010 consumption levels.

**Table 2: Estimated Technically Recoverable Shale Gas Resources, by Play**

| Shale Play | Location | Technically recoverable gas, in trillion cubic feet (Tcf) |
|---|---|---|
| Barnett | Louisiana and East Texas | 43-53 |
| Fayetteville | Arkansas | 13-110 |
| Haynesville | North Texas | 66-110 |
| Marcellus | Northeast United States | 84-227[a] |
| Woodford | Oklahoma | 11-27 |

Source: GAO analysis of EIA, USGS, and Potential Gas Committee data.

Note: The estimated technically recoverable gas shown here represents the range of estimates for these plays determined by EIA, USGS, and the Potential Gas Committee.

[a]This estimate of the Marcellus also includes estimated shale gas from other nearby lands in the Appalachian area; but, according to an official for the estimating organization, the Marcellus shale is the predominant source of gas in the basin.

As with estimates for technically recoverable shale oil, estimates of the size of technically recoverable shale gas resources in the United States are also highly dependent on the data, methodologies, model structures, and assumptions used and may change as additional information becomes available. These estimates also depend on historical production data as a key component for modeling future supply. Because most shale gas wells generally were not in place until the last few years, their long-term productivity is untested. According to a February



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2012 report released by the Sustainable Investments Institute and the Investor Responsibility Research Center Institute, production in emerging shale plays has been concentrated in areas with the highest known gas production rates, and many shale plays are so large that most of the play has not been extensively tested.[29] As a result, production rates achieved to date may not be representative of future production rates across the formation. EIA reports that experience to date shows production rates from neighboring shale gas wells can vary by as much as a factor of three and that production rates for different wells in the same formation can vary by as much as a factor of 10. Most gas companies estimate that production in a given well will drop sharply after the first few years and then level off, continuing to produce gas for decades, according to the Sustainable Investments Institute and the Investor Responsibility Research Center Institute.

Estimates of Proved Reserves of Shale Oil and Gas

Estimates of proved reserves of shale oil and gas have more than doubled from 2007 to 2009. Operators determine the size of proved reserves based on information collected from drilling, geological and geophysical tests, and historical production trends. These are also the resources operators believe they will develop in the short term—generally within the next 5 years—and assume technological and economic conditions will remain unchanged.

*Estimates of proved reserves of shale oil.* EIA does not report proved reserves of shale oil separately from other oil reserves; however, EIA and others have noted an increase in the proved reserves of oil in the nation, and federal officials attribute the increase, in part, to oil from shale and tight sandstone formations. For example, EIA reported in 2009 that the Bakken Shale in North Dakota and Montana drove increases in oil reserves, noting that North Dakota proved reserves increased over 80 percent from 2008 through 2009.

*Estimates of proved reserves of shale gas.* According to data EIA collects from about 1,200 operators, proved reserves of shale gas has grown from 23 trillion cubic feet in 2007 to 61

[29]The Sustainable Investments Institute (Si2) is a non-profit membership organization founded in 2010 to conduct research and publish reports on organized efforts to influence corporate behavior. The Investor Responsibility Research Center Institute is a non-profit organization established in 2006 that provides information to investors.



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trillion cubic feet in 2009, or an increase of 62 percent.[30] More than 65 percent of the proved shale gas reserves are located in 3 shale plays—the Barnett, Fayetteville, and the Marcellus.

Shale Oil and Gas Production

From 2007 through 2011, annual production of shale oil and gas has experienced significant growth. Specifically, shale oil production increased more than five-fold, from 39 to about 217 million barrels over this 5 year period and shale gas production increased approximately four-fold, from 1.6 to about 7.2 trillion cubic feet, over the same period. To put this shale production into context, the annual domestic consumption of oil in 2011 was about 6,875 million barrels of oil, and the annual consumption of natural gas was about 24 trillion cubic feet. The increased shale oil and gas production was driven primarily by technological advances in horizontal drilling and hydraulic fracturing that made more shale oil and gas development economically viable.

Shale Oil Production

Annual shale oil production in the United States increased more than five-fold, from about 39 million barrels in 2007 to about 217 million barrels in 2011, according to data from EIA (see fig. 7).[31] This is because new technologies allowed more oil to be produced economically, and because of recent increases in the price for liquid petroleum that has led to increased investment in shale oil development.

[30]Reserves are key information for assessing the net worth of an operator. Oil and gas companies traded on the U.S. stock exchange are required to report their reserves to the Securities and Exchange Commission. According to an EIA official, EIA reports a more complete measure of oil and gas reserves because it receives reports of proved reserves from both private and publically-held companies.

[31]As noted previously, for the purposes of this report, we use the term "shale oil" to refer to oil from shale and other tight formations, which is recovered by hydraulic fracturing and horizontal drilling and is described by others as "tight oil." Shale oil and tight oil are extracted in the same way, but differ from "oil shale." Oil shale is a sedimentary rock containing solid organic material that converts into a type of crude oil only when heated.



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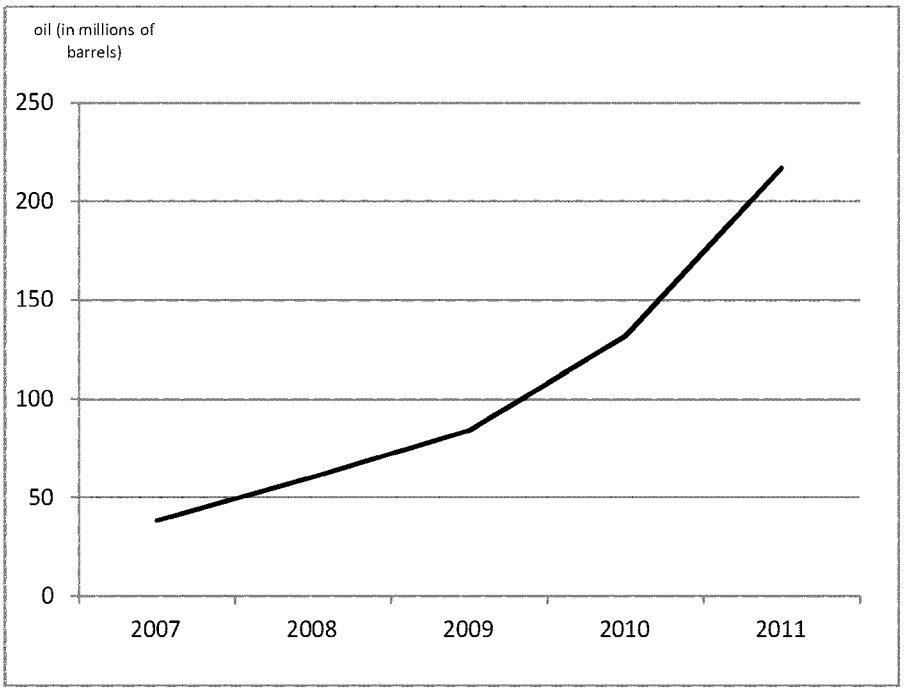
**Figure 7: Estimated Production of Shale Oil from 2007 through 2011 (in millions of barrels of oil)**




Source: GAO analysis of EIA data.

In total, during this period, about 533 million barrels of shale oil was produced. More than 65 percent of the oil was produced in the Bakken shale (368 million barrels; see fig. 8).[32] The remainder was produced in the Niobrara (62 million barrels), Eagle Ford (68 million barrels), Monterey (18 million barrels), and the Woodford (9 million barrels). To put this in context, shale oil production from these plays in 2011 constituted about 8 percent of U.S. domestic oil consumption, according to EIA data.[33]

[32]EIA provided us with estimated shale oil production data from a contractor, HPDI LLC., for 2007 through 2011. EIA uses these data for the purposes of estimating recent shale oil production. EIA has not routinely reported shale oil production data separately from oil production in general because, according to an EIA official, significant shale oil production has only begun recently.

[33]In addition to production from these shale oil plays, EIA officials told us that oil was produced from "tight oil" plays such as the Austin Chalk. The technology for producing tight oil is the same as for shale oil, and EIA uses the term "tight oil" to encompass both shale oil and tight oil that are developed with the same type of technology. In addition, EIA officials added that the shale oil data presented here is approximate because the data comes from a sample of similar plays. Overtime, this production data will become more precise as more data becomes available to EIA.



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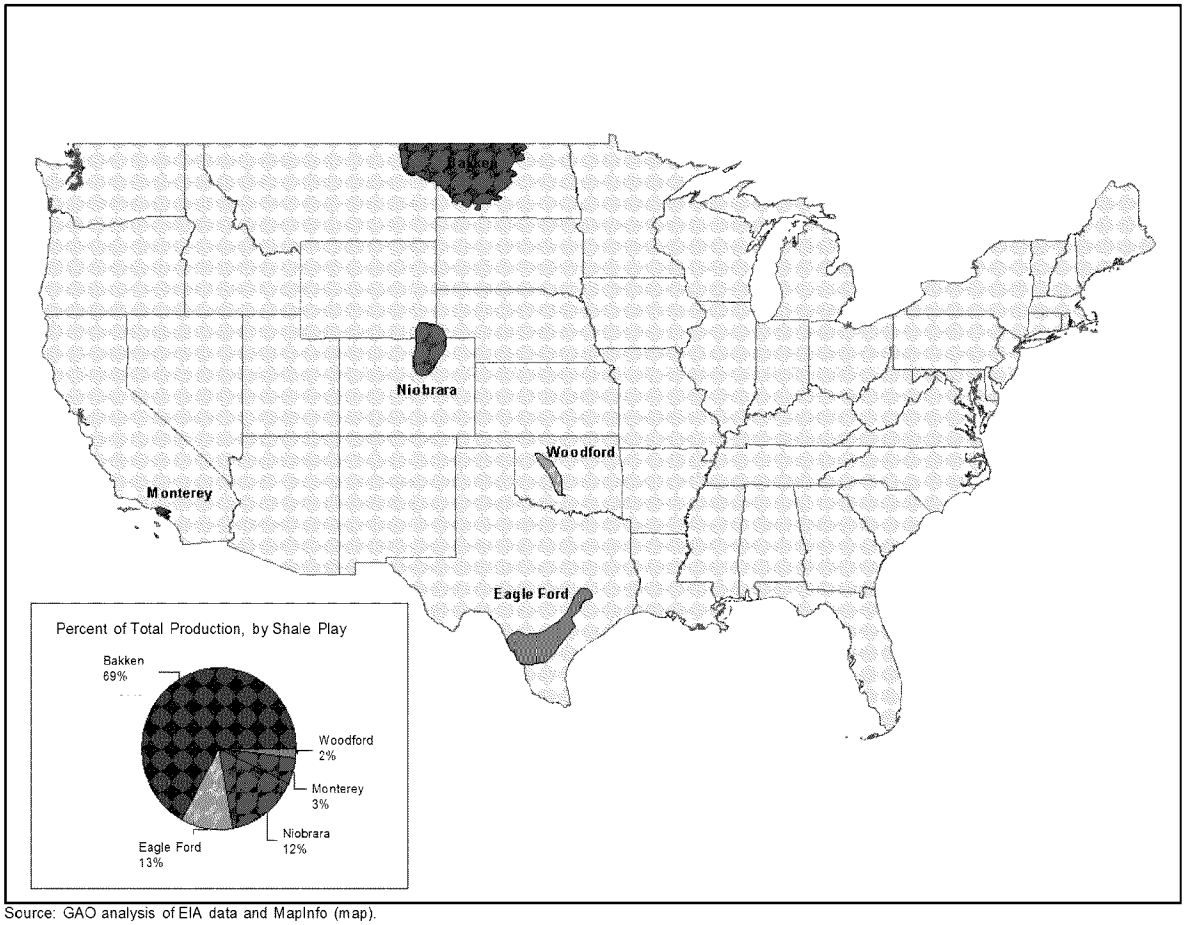
**Figure 8: Shale Oil Production, by Shale Play (from 2007 through 2011)**



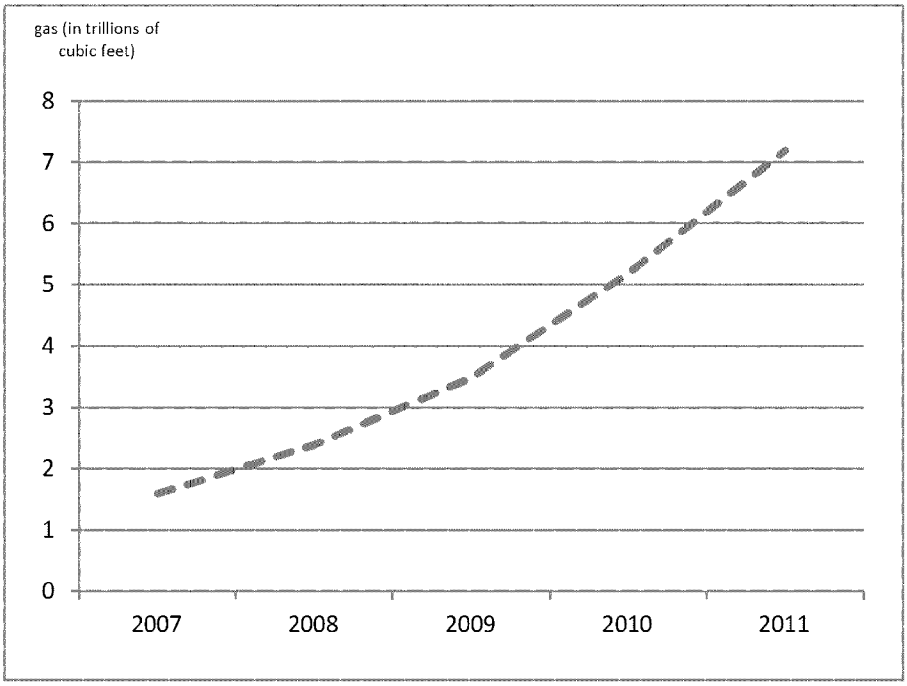

Source: GAO analysis of EIA data and MapInfo (map).

## Shale Gas Production

Shale gas production in the United States increased more than four-fold, from about 1.6 trillion cubic feet in 2007 to about 7.2 trillion cubic feet in 2011, according to estimated data from EIA (see fig. 9).[34]

[34]EIA provided us with estimated shale gas production data from a contractor, Lippman Consulting, Inc., for 2007 through 2011. EIA uses these data for the purposes of estimating recent shale gas production. EIA has separately reported shale gas production data using reports from states for the years 2008 and 2009.

**Figure 9: Estimated Production of Shale Gas from 2007 through 2011 (in trillions of cubic feet)**




Source: GAO analysis of EIA data.

In total, during this period, about 20 trillion cubic feet of shale gas was produced—representing about 300 days of U.S. consumption, based on 2011 consumption rates. More than 75 percent of the gas was produced in 4 shale plays—the Barnett, Marcellus, Fayetteville, and Haynesville (see fig.10). From 2007 through 2011, shale gas' contribution to the nation's total natural gas supply grew from about 6 percent in 2007 to 25 percent in 2011 and is projected to increase to 49 percent by 2035, according to an EIA report. Overall production of shale gas increased from 2007 through 2011, but production of natural gas on federal and tribal lands—including shale gas and natural gas from all other sources—decreased by about 17 percent. According to an EIA report, this decrease can be attributed to several factors, including the location of shale formations—which, according to an EIA official, appear to be predominately on non-federal lands.



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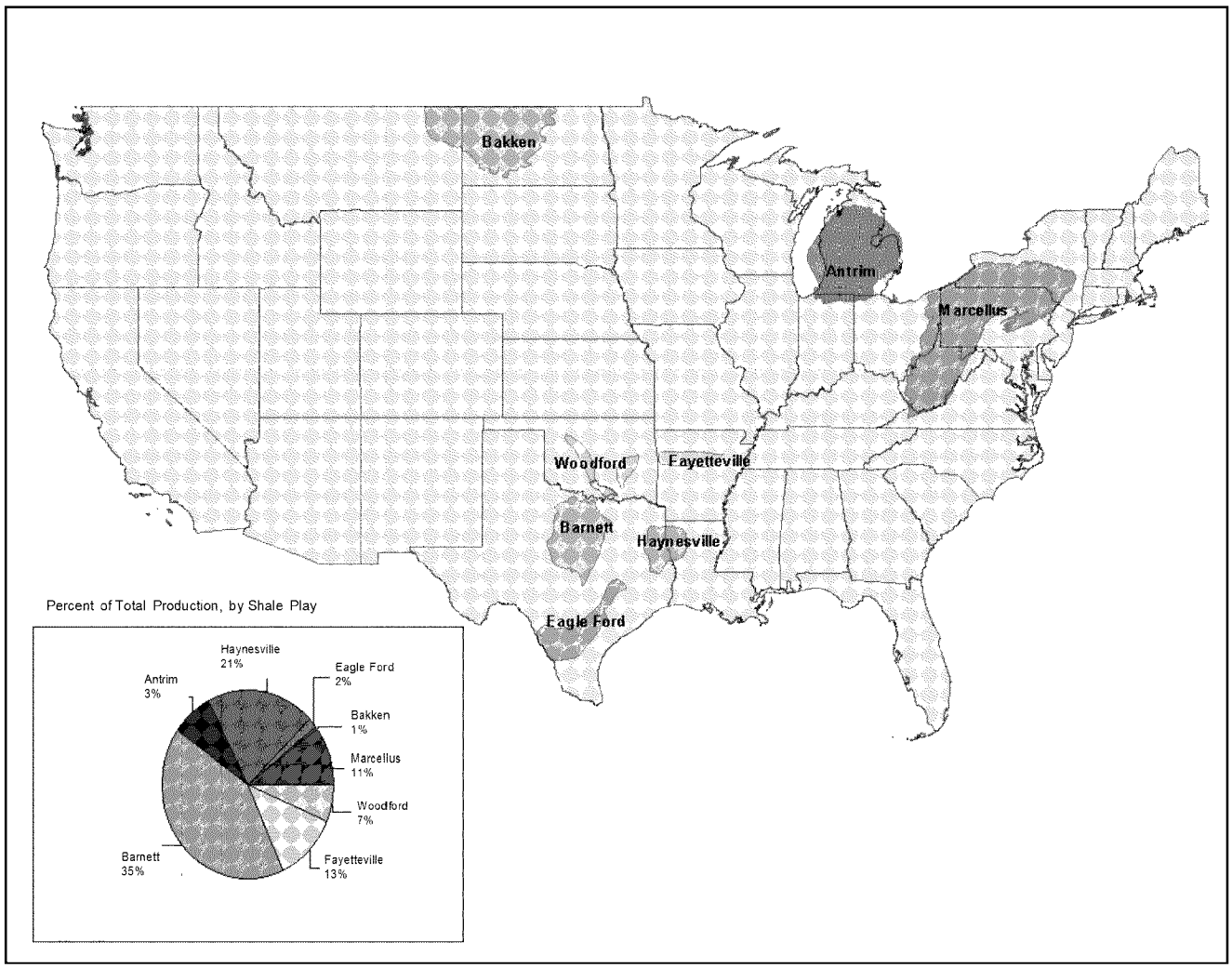
**Figure 10: Shale Gas Production, by Shale Play (from 2007 through 2011)**




Source: GAO analysis of EIA data and MapInfo (map).

The growth in production of shale gas has increased the overall supply of natural gas in the U.S. energy market. Since 2007, increased shale gas production has contributed to lower prices for consumers, according to EIA and others.[35] These lower prices create incentives for wider use of natural gas in other industries. For example, several reports by government, industry, and others have observed that if natural gas prices remain low, natural gas is more likely to be used to power cars and trucks in the future. In addition, electric utilities may build additional natural gas-fired generating plants as older coal plants are retired. At the same time, some groups have expressed concern that greater reliance on natural gas may reduce interest in developing

[35]According to a 2012 report from the Bipartisan Policy Center, natural gas prices declined roughly 37 percent from February 2008 to January 2010.

renewable energy, which in the long run could cause an increase in the use of fossil fuels and emissions of greenhouse gases.

The greater availability of domestic shale gas has also decreased the need for natural gas imports. For example, EIA has noted that volumes of natural gas imported into the United States have fallen in recent years—in 2007, the nation imported 16 percent of the natural gas consumed and in 2010, the nation imported 11 percent—as domestic shale gas production has increased. This trend is also illustrated by private investment in terminals for exporting liquefied natural gas to other countries. In its 2012 annual energy outlook, EIA predicted that, under certain scenarios, the United States will become a net exporter of natural gas by about 2022.[36]

**Development of Wet Gas**

EIA reported that operators have recently moved away from the development of shale plays that are primarily dry gas in favor of developing plays with higher concentrations of natural gas liquids. At current natural gas prices, natural gas liquids are a much more valuable product than dry gas. This is because the end products and byproducts of natural gas liquids contain more energy per unit of volume and have uses beyond heating and power generation, and may be converted into products that can be more easily transported and traded in the global market. Shale plays with significant natural gas liquids include the Eagle Ford and Marcellus.

## Shale Oil and Gas Development Pose Environmental and Public Health Risks, but the Extent is Unknown and Depends on Many Factors

Developing oil and gas resources—whether conventional or from shale formations—pose inherent environmental and public health risks, but the extent of risk associated with shale oil and gas development is unknown, in part, because the studies we reviewed do not generally take into account potential long-term, cumulative effects. In addition, the severity of adverse effects depend on various location- and process-specific factors, including the location of future shale oil and gas development and the rate at which it occurs, geology, climate, business

[36]Energy Information Administration, Annual Energy Outlook 2012, DOE/EIA-0383 (Washington, D.C.: June 25, 2012).



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practices, and regulatory and enforcement activities. Appendix III includes a list of the studies and publications we reviewed in doing our work.

## Shale Oil and Gas Development Pose Risks to Air, Water, Land and Wildlife

Oil and gas development, which includes development from shale formations, pose inherent risks to air quality, water quantity, water quality, and land and wildlife.

### Air Quality

According to a number of studies and publications we reviewed, shale oil and gas development pose risks to air quality. These risks are generally the result of engine exhaust from increased truck traffic, emissions from diesel-powered pumps used to power equipment, intentional flaring or venting of gas for operational reasons, and unintentional emissions of pollutants from faulty equipment or impoundments.

Construction of the well pad, access road, and other drilling facilities requires substantial truck traffic, which degrades air quality. According to a 2008 National Park Service report, an average well, with multi-stage fracturing, typically requires 320 to 1,365 truck loads to transport the water, chemicals, sand, and other equipment—including heavy machinery like bulldozers and graders—needed for drilling and fracturing. The increased traffic creates a risk to air quality as engine exhaust that contains air pollutants such as nitrogen oxides and particulate matter that affect public health and the environment are released into the atmosphere. [37] Air quality may also be degraded as fleets of trucks traveling on newly graded or unpaved roads increase the amount of dust released into the air–which can contribute to the formation of regional haze. [38] In addition to dust released by trucks, silica sand (see fig. 11)—commonly used as proppant in the hydraulic fracturing process—may pose a risk to human health, if not properly handled. According to a federal researcher from the Department of Health and Human Services,

[37] Nitrogen oxides are regulated pollutants commonly known as NOx that, among other things, contribute to the formation of ozone and have been linked to respiratory illness, decreased lung function, and premature death. Particulate matter is a ubiquitous form of air pollution commonly referred to as soot. GAO, *Diesel Pollution: Fragmented Federal Programs That Reduce Mobile Source Emissions Could Be Improved*, GAO-12-261 (Washington, D.C.: Feb. 7, 2012).

[38] T. Colborn, C. Kwiatkowski , K. Schultz, and M. Bachran, "Natural Gas Operations From a Public Health Perspective", *International Journal of Human & Ecological Risk Assessment*, Vol.17 Iss. 5 (2011).



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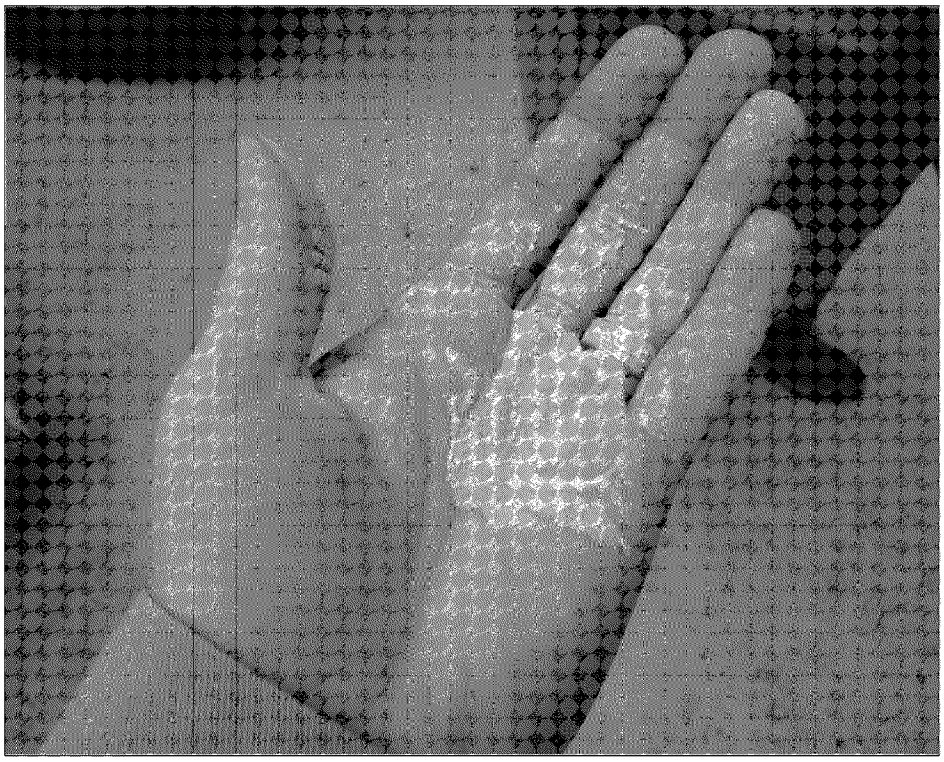
uncontained sand particles and dust pose threats to workers at hydraulic fracturing well sites. The official stated that particles from the sand, if not properly contained by dust control mechanisms, can lodge in the lungs and potentially cause silicosis.[39] The researcher expects to publish the results of research on public health risks from proppant later in 2012.

**Figure 11: Silica Sand Proppant**



Source: GAO.

Use of diesel engines to supply power to drilling sites also degrades air quality. Shale oil and gas drilling rigs require substantial power to drill and case wellbores to the depths of shale formations. This power is typically provided by transportable diesel engines, which generate exhaust from the burning of diesel fuel. After the wellbore is drilled to the target formation, additional power is needed to operate the pumps that move large quantities of water, sand, or chemicals into the target formation at high pressure to hydraulically fracture the shale—generating additional exhaust. In addition, other equipment used during operations—including pneumatic valves and dehydrators—contribute to air emissions. For example, natural gas

[39]Silicosis is an incurable lung disease caused by inhaling fine dusts of silica sand.



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powers switches that turn valves on and off in the production system. Each time a valve turns on or off, it "bleeds" a small amount of gas into the air. Some of these pneumatic valves vent gas continuously. A dehydrator circulates the chemical glycol to absorb moisture in the gas, but also absorbs small volumes of gas. The absorbed gas vents to the atmosphere when the water vapor is released from the glycol.[40]

Releases of natural gas during the development process also degrade air quality. As part of the process to develop shale oil and gas resources, operators flare or vent natural gas for a number of operational reasons, including lowering the pressure to ensure safety or when operators purge water or hydrocarbon liquids that collect in well bores to maintain proper well function. Flaring emits carbon dioxide, and venting releases methane. Venting and flaring are often a necessary part of the development process but contribute to greenhouse gas emissions.[41] According to EPA analysis, natural gas well completions involving hydraulic fracturing vent approximately 230 times more natural gas and volatile organic compounds than natural gas well completions that do not involve hydraulic fracturing. As we reported in July 2004, in addition to the operational reasons for flaring and venting, in areas where the primary purpose of drilling is to produce oil, operators flare or vent associated natural gas because no local market exists for the gas and transporting to a market may not be economically feasible.[42] For example, according to EIA, in 2011, approximately 30 percent of North Dakota's natural gas production from the Bakken Shale was flared by operators due to insufficient natural gas gathering pipelines, processing plants, and transporting pipelines. The percentage of flared gas in North Dakota is considerably higher than the national average; EIA reported that, in 2009, less than 1 percent of natural gas produced in the United States was vented or flared.

Storing fracturing fluid and produced water in impoundments may also pose a risk to air quality as evaporation of the fluids have the potential to release contaminants into the atmosphere.

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[40] GAO-11-34.

[41] Methane and other chemical compounds found in the earth's atmosphere create a greenhouse effect. Under normal conditions, when sunlight strikes the earth's surface, some of it is reflected back toward space as infrared radiation or heat. Greenhouse gases such as carbon dioxide and methane impede this reflection by trapping heat in the atmosphere. While these gases occur naturally on earth and are emitted into the atmosphere, the expanded industrialization of the world over the last 150 years has increased the amount of emissions from human activity (known as anthropogenic emissions) beyond the level that the earth's natural processes can handle.

[42] GAO, *Natural Gas Flaring and Venting: Opportunities to Improve Data and Reduce Emissions*, GAO-04-809 (Washington, D.C.: July 2004).



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According to the New York Department of Environmental Conservation's 2011 Revised Draft Supplemental Generic Environmental Impact Statement, analysis of air emission rates of some of the compounds used in the fracturing fluids in the Marcellus Shale reveals the potential for emissions of hazardous air pollutants, in particular methanol, from the fluids stored in impoundments. [43]

As with conventional oil and gas development, emissions can also occur as faulty equipment or accidents, such as leaks or blowouts, release concentrations of methane and other gases into the atmosphere. For example, corrosion in pipelines, improperly tightened valves or seals, or rupturing of confining equipment can be sources of emissions.

A number of studies we reviewed evaluated air quality at shale gas development sites. However, these studies are generally anecdotal, short-term, and focused on a particular site or geographic location. For example,

- According to a 2012 University of Texas study, in 2009, the Texas Commission on Environmental Quality surveyed air emissions at 126 shale gas production sites—including well drilling and fracturing operations, disposal sites, and compressor facilities—over 3 days in the Barnett Shale. The results of the surveying found no pollutants at levels that would be a cause for concern.
- In 2009, an environmental consulting firm sampled air quality at seven locations in DISH, Texas—a community in close proximity to shale gas development. [44] According to the principal investigator, an analysis of samples found that carcinogenic and neurotoxin compounds, particularly benzene, in ambient air near and/or on residential properties exceeded short-term and long-term levels permitted by the state regulatory agency, potentially causing short-term health effects such as headaches, nosebleeds, dizziness, and blackouts in local residents. [45]

[43]Methanol, or wood alcohol, is (1) used as a solvent; in various adhesives, cleaners, and inks; in the production of formaldehyde; and (2) found as an exhaust from gasoline and diesel engines. It is toxic to humans.

[44]The community was originally named Clark. In November 2005, the community accepted an offer to rename itself DISH (all capitalized letters) as part of a commercial agreement with a satellite television company.

[45]In humans, benzene causes cells not to work correctly. For example, it can cause bone marrow not to produce enough red blood cells, which can lead to anemia. Also, it can damage the immune system by changing blood levels of antibodies and causing loss of white blood cells.



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- In 2010, the Pennsylvania Department of Environmental Protection conducted short-term sampling of ambient air concentrations in north central Pennsylvania. The sampling detected concentrations of natural gas constituents including methane, ethane, propane, and butane in the air near Marcellus Shale drilling operations, but according to the state agency the concentration levels were not considered significant enough to cause adverse health effects.[46]

The studies and publications we reviewed provide information on air quality conditions at a specific site at a specific time but do not provide the information needed to determine the overall cumulative effect that shale oil and gas activities have on air quality.[47] The cumulative effect shale oil and gas activities have on air quality will be largely determined by the amount of development and the rate at which it occurs, and the ability to measure this will depend on the availability of accurate information on emission levels. However, the number of wells which will ultimately be drilled cannot be known in advance—in part because the productivity of any particular formation at any given location and depth is not known until drilling occurs. In addition, as we reported in 2010, data on the severity or amount of pollutants released by oil and gas development, including the amount of fugitive emissions, are limited.

Water Quantity

According to a number of studies and publications we reviewed, shale oil and gas development poses a risk to surface water and groundwater because withdrawing water from streams, lakes, and aquifers for drilling and hydraulic fracturing could adversely affect water sources.[48] Operators use water for drilling, where a mixture of clay and water (drilling mud) is used to carry rock cuttings to the surface, as well as to cool and lubricate the drillbit. Water is also a component of fracturing fluid. Table 4 shows the average amount of freshwater used to drill and fracture a shale oil or gas well.

[46]Methane emissions represent a waste of resources and a fractional contribution to greenhouse gas levels.

[47]According to a 2008 National Park Service report, on a site-by-site basis, emissions may not be significant but on a regional basis may prove significant as states and parks manage regional ozone transport.

[48]An aquifer is an underground layer of rock or unconsolidated sand, gravel, or silt that will yield groundwater to a well or spring.



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**Table 4: Average Freshwater Use per Well for Drilling and Hydraulic Fracturing**

| Shale Play | Average freshwater used (in gallons) | |
|---|---|---|
| | For drilling | For hydraulic fracturing |
| Barnett | 250,000 | 4,600,000 |
| Eagle Ford | 125,000 | 5,000,000 |
| Haynesville | 600,000 | 5,000,000 |
| Marcellus | 85,000 | 5,600,000 |
| Niobrara | 300,000 | 3,000,000 |

Source: GAO analysis of data reported by George King, Apache Corporation (2011).

Note: The amount of water required to hydraulically fracture a single well varies considerably as fracturing of shale oil and gas becomes dominated by more complex, multi-staged fracturing activities.

According to a 2012 University of Texas study, water for these activities is likely to come from surface water (rivers, lakes, ponds), groundwater aquifers, municipal supplies, reused wastewater from industry or water treatment plants, and recycling water from earlier fracturing operations.[49] As we reported in October 2010, withdrawing water from nearby streams and rivers could decrease flows downstream, making the streams and rivers more susceptible to temperature changes—increases in the summer and decreases in the winter. Elevated temperatures could adversely affect aquatic life because many fish and invertebrates need specific temperatures for reproduction and proper development. Further, decreased flows could damage or destroy riparian vegetation. Similarly, withdrawing water from shallow aquifers—an alternative water source—could temporarily affect groundwater resources. Withdrawals could lower water levels within these shallow aquifers and the nearby streams and springs to which they are connected. Extensive withdrawals could reduce groundwater discharge to connected streams and springs, which in turn could damage or remove riparian vegetation and aquatic life. Withdrawing water from deeper aquifers could have longer-term effects on groundwater and connected streams and springs because replenishing deeper aquifers with precipitation generally takes longer.[50] Further, groundwater withdrawal could affect the amount of water available for other uses, including public and private water supplies.

[49]Operators are pursuing a variety of techniques and technologies to reduce freshwater demand, such as recycling their own produced water and hydraulic fracturing fluids. We recently reported that some shale gas operators have begun reusing produced water for hydraulic fracturing of additional wells (see GAO-12-156).

[50]GAO-11-35.



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Fresh water is a limited resource in some arid and semi-arid regions of the country where an expanding population is placing additional demands on water. The potential demand for water is further complicated by years of drought in some parts of the country and projections of a warming climate. According to a 2011 Massachusetts Institute of Technology study,[51] the amount of water used for shale gas development is small in comparison to other water uses, such as agriculture and other industrial purposes. However, the cumulative effects of using surface water or groundwater at multiple oil and gas development sites can be significant at the local level, particularly in areas experiencing drought conditions.

Similar to shale oil and gas development, development of gas from coalbed methane formations poses a risk of aquifer depletion. To develop natural gas from such formations, water from the coal bed is withdrawn to lower the reservoir pressure and allow the methane to desorb from the coal. According to a 2001 USGS report, dewatering coalbed methane formations in the Powder River Basin in Wyoming can lower the groundwater table and reduce water available for other uses, such as livestock and irrigation.[52]

The key issue for water quantity is whether the total amount of water consumed for the development of shale oil and gas will result in a significant long-term loss of water resources within a region, according to a 2012 University of Texas study.[53] However, it is not possible to determine the long-term effect on water resources because the scale and location of future shale oil and gas development operations remains largely unknown. Similarly, the total volume that operators will withdraw from surface water and aquifers, as opposed to other potential sources, for drilling and hydraulic fracturing is not known until operators submit applications to the appropriate regulatory agency. As a result, the cumulative amount of water consumed over the lifetime of the activity—key information needed to assess the effects of water withdrawals—remains largely unknown.

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[51]Massachusetts Institute of Technology, *The Future of Natural Gas: An Interdisciplinary MIT Study* (2011) (web.mit.edu/mitei/research/studies/report -natural-gas.pdf).

[52]USGS, *A Field Conference On Impacts of Coalbed Methane Development in the Powder River Basin, Wyoming,* Open-File Report 01-126 (Denver, CO: 2001).

[53]Charles G. Groat, Ph.D. and Thomas W. Grimshaw, Ph.D., *Fact-Based Regulation for Environmental Protection in Shale Gas Development* (Austin, Texas: The Energy Institute, The University of Texas at Austin, February, 2012).



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## Water Quality

According to a number of studies and publications we reviewed, shale oil and gas development pose risks to water quality from contamination of surface water and groundwater as a result of spills and releases of produced water, chemicals, and drill cuttings; erosion from ground disturbances; or underground migration of gases and chemicals.

### *Spills and Releases*

Shale oil and gas development poses a risk to water quality from spills or releases of toxic chemicals and waste that can occur as a result of tank ruptures, blowouts, equipment or impoundment failures, overfills, vandalism, accidents (including vehicle collisions), ground fires, or operational errors. For example, tanks storing toxic chemicals or hoses and pipes used to convey wastes to the tanks could leak, or impoundments containing wastes could overflow as a result of extensive rainfall. According to New York Department of Environmental Conservation's 2011 Supplemental Generic Environmental Impact Statement, spilled, leaked or released chemicals or wastes could flow to a surface water body or infiltrate the ground, reaching and contaminating subsurface soils and aquifers. In August 2003, we reported that damage from oil and gas related spills on National Wildlife Refuges varied widely in severity, ranging from infrequent small spills with no known effect on wildlife to large spills causing wildlife death and long-term water and soil contamination. [54]

Drill cuttings, if improperly managed, also pose a risk to water quality. Drill cuttings brought to the surface during oil and gas development may contain naturally occurring radioactive materials (NORM), [55] along with other decay elements (radium$_{226}$ and radium$_{228}$), according to an industry report presented at the Society of Petroleum Engineers Annual Technical Conference and Exhibition. [56] According to the report, drill cuttings should be stored and

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[54]GAO, *National Wildlife Refuges: Opportunities to Improve the Management and Oversight of Oil and Gas Activities on Federal Lands*, GAO-03-517 (Washington, D.C.: Aug. 28, 2003).

[55]Naturally occurring radioactive materials (NORM) are present at varying degrees in virtually all environmental media, including rocks and soils. According to a DOE report, human exposure to radiation comes from a variety of sources, including naturally occurring radiation from space, medical sources, consumer products, and industrial sources. Normal disturbances of NORM-bearing rock formations by activities such as drilling do not generally pose a threat to workers, the general public or the environment, according to studies and publications we reviewed.

[56]J. Daniel Arthur, Brian Bohm, David Cornue. "Environmental Considerations of Modern Shale Gas Development" (presented at the Society of Petroleum Engineers Annual Technical Conference and Exhibition, New Orleans, Louisiana, October 2009).



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transported through steel pipes and tanks—which the radiation cannot penetrate. However, improper transport and handling of drill cuttings could result in water contamination. For example, NORM concentrations can build up in pipes and tanks, if not properly disposed, and the general public or water could come into contact with them, according to an EPA factsheet.

The chemical additives in fracturing fluid, if not properly handled, also poses a risk to water quality if they come into contact with surface water or groundwater. Some additives used in fracturing fluid are known to be toxic, but data are limited for other additives. For example, according to reports we reviewed, operators may include diesel fuel—a refinery product that consists of several components, possibly including some toxic impurities such as benzene and other aromatics—as a solvent and dispersant in fracturing fluid. While some additives are known to be toxic, less is known about potential adverse effects on human health in the event that a drinking water aquifer was contaminated as a result of a spill or release of fracturing fluid, according to the 2011 New York Department of Environmental Conservation's Supplemental Generic Environmental Impact Statement. This is largely because the overall risk of human health effects occurring from hydraulic fracturing fluid would depend on whether human exposure occurs, the specific chemical additives being used, and site-specific information about exposure pathways and environmental contaminant levels.

The produced water and fracturing fluids returned during the flowback process contain a wide range of contaminants and pose a risk to water quality, if not properly managed.[57] Most of the contaminants occur naturally, but some are added through the process of drilling and hydraulic fracturing. In January 2012, we reported that the range of contaminants found in produced water can include,[58] but is not limited to

- salts, which include chlorides, bromides, and sulfides of calcium, magnesium, and sodium;
- metals, which include barium, manganese, iron, and strontium, among others;
- oil, grease, and dissolved organics, which include benzene and toluene, among others;

[57]A 2009 report from DOE and the Groundwater Protection Council—a nonprofit organization whose members consist of state ground water regulatory agencies—estimates that from 30 percent to 70 percent of the original fluid injected returns to the surface.

[58]GAO-12-156.



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- NORM; and
- production chemicals, which may include friction reducers to help with water flow, biocides to prevent growth of microorganisms, and additives to prevent corrosion, among others.

At high levels, exposure to some of the contaminants in produced water could adversely affect human health and the environment. For example, in January 2012 we reported that, according to EPA, a potential human health risk from exposure to high levels of barium is increased blood pressure.[59] From an environmental standpoint, research indicates that elevated levels of salts can inhibit crop growth by hindering a plant's ability to absorb water from the soil. Additionally, exposure to elevated levels of metals and production chemicals, such as biocides, can contribute to increased mortality among livestock and wildlife.

Operators must transport or store produced water prior to disposal. According to a 2012 University of Texas report, produced water temporarily stored in tanks (see fig. 12) or impoundments prior to treatment or disposal may be a source of leaks or spills, if not properly managed. The risk of a leak or spill is particularly a concern for surface impoundments as improper liners can tear and impoundments can overflow.[60] For example, according to state regulators in North Dakota, in 2010 and 2011, impoundments overflowed during the spring melt season because operators did not move fluids from the impoundments—which were to be used for temporary storage—to a proper disposal site before the spring thaw.[61]

[59] GAO-12-156.

[60] The composition of pit lining depends on regulatory requirements, which vary from state to state.

[61] In response, the state passed new law which will significantly reduce the number of pits. Under the new law, operators can use pits for temporary storage of fluid from the flowback process, but must drain and reclaim the pits no more than 72 hours after hydraulic fracturing is complete.



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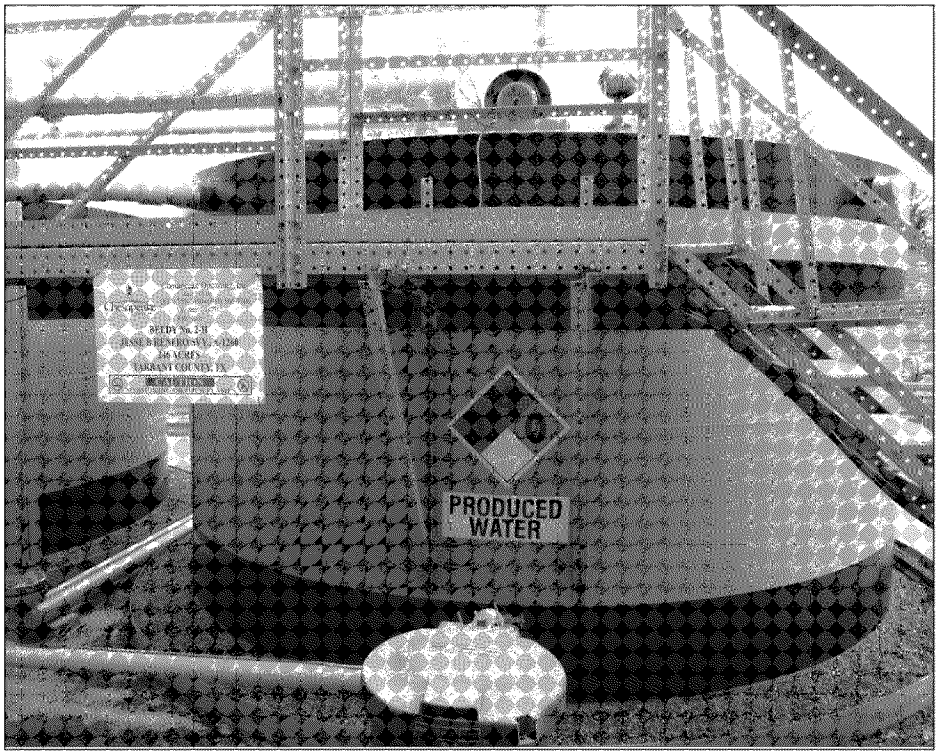
**Figure 12: Storage Tank for Produced Water in the Barnett Shale**




Source: GAO.

Unlike shale oil and gas formations, water permeates coalbed methane formations, and its pressure traps natural gas within the coal. To produce natural gas from coal bed methane formations, water must be extracted to lower the pressure in the formation so the natural gas can flow out of the coal and to the wellbore. In 2000, USGS reported that water extracted from coalbed methane formations is commonly saline and, if not treated and disposed of properly, could adversely affect streams and threaten fish and aquatic resources.

According to several reports, handling and transporting toxic fluids or contaminants poses a risk of environmental contamination for all industries, not just oil and gas development; however, the large volume of fluids and contaminants—fracturing fluid, drill cuttings, and produced water—that are associated with hydraulic fracturing poses an increased risk for a release to the environment and the potential for greater effects should a release occur in areas that might not otherwise be exposed to these chemicals.

*Erosion*

Oil and gas development, whether conventional or shale oil and gas, can contribute to erosion, which could carry sediments and pollutants into surface waters. Shale oil and gas development require operators to undertake a number of earth-disturbing activities, such as clearing, grading, and excavating land to create a pad to support the drilling equipment. If necessary, operators may also construct access roads to transport equipment and other materials to the site. As we reported in February 2005, as with other construction activities, if sufficient erosion controls to contain or divert sediment away from surface water are not established then surfaces are exposed to precipitation and runoff could carry sediment and other harmful pollutants into nearby rivers, lakes, and streams.[62] For example, in 2012, the Pennsylvania Department of Environmental Protection concluded that an operator in the Marcellus Shale did not provide sufficient erosion controls when heavy rainfall in the area caused significant erosion and contamination of a nearby stream from large amounts of sediment.[63] As we reported in February 2005, sediment clouds water, decreases photosynthetic activity, and destroys organisms and their habitat.

*Underground Migration*

According to a number of studies and publications we reviewed, underground migration of gases and chemicals poses a risk of contamination to water quality.[64] Underground migration can occur as a result of improper casing and cementing of the wellbore as well as the intersection of induced fractures with natural fractures, faults, or improperly plugged dry or abandoned wells. Moreover, there are concerns that induced fractures can grow over time and intersect with drinking water aquifers. Specifically:

*Improper casing and cementing.* A well that is not properly isolated through proper casing and cementing could allow gas or other fluids to contaminate aquifers as a result of inadequate

[62]GAO, *Storm Water Pollution: Information Needed on the Implications of Permitting Oil and Gas Construction Activities*, GAO-05-240 (Washington, D.C.: Feb. 9, 2005).

[63]In response, the state required the operator to install silt fences, silt socks, gravel surfacing of the access road and a storm water capture ditch.

[64]Methane can occur naturally in shallow bedrock and unconsolidated sediments and has been known to naturally seep to the surface and contaminate water supplies, including water wells. Methane is a colorless, odorless gas and is generally considered non-toxic, but there could be an explosive hazard if gas is present in significant volumes and the water well is not properly vented.



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depth of casing,[65] inadequate cement in the annular space around the surface casing, and ineffective cement that cracks or breaks down under the stress of high pressures. For example, according to a 2008 report by the Ohio Department of Natural Resources, a gas well in Bainbridge, Ohio, was not properly isolated because of faulty sealing, allowing natural gas to build up in the space around the production casing and migrate upwards over about 30 days into the local aquifer and infiltrating drinking water wells.[66] The risk of contamination from improper casing and cementing is not unique to the development of shale formations. Casing and cementing practices also apply to conventional oil and gas development. However, wells that are hydraulically fractured have some unique aspects. For example, hydraulically fractured wells are commonly exposed to higher pressures than wells that are not hydraulically fractured. In addition, hydraulically fractured wells are exposed to high pressures over a longer period of time as fracturing is conducted in multiple stages and wells may be refractured multiple times—primarily to extend the economic life of the well when production declines significantly or falls below the estimated reservoir potential.

*Natural fractures, faults, and abandoned wells*. If shale gas and oil development activities result in connections being established with natural fractures, faults, or improperly plugged dry or abandoned wells, a pathway for gas or contaminants to migrate underground could be created—posing a risk to water quality. These connections could be established through either induced fractures intersecting directly with natural fractures, faults, or improperly plugged dry or abandoned wells or as a result of improper casing and cementing that allows gas or other contaminants to make such connections. In 2011, the New York State Department of Environmental Conservation reported that operators generally avoid development around known faults because natural faults could allow gas to escape, which reduces the optimal recovery of gas and the economic viability of a well. However, data on subsurface conditions in some areas are limited. Several studies we reviewed report that some states are unaware of the location or condition of many old wells. As a result, operators may not be fully aware of the location of abandoned wells and natural fractures or faults.

[65]The depth for casing and cementing may be determined by state regulations.

[66]Ohio Department of Natural Resources, *Report on the Investigation of the Natural Gas Invasion of Aquifers in Bainbridge Township of Geauga County, Ohio* (September 2008).



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*Fracture growth*. A number of such studies and publications we reviewed report that the risk of induced fractures extending out of the target formation into an aquifer—allowing gas or other fluids to contaminate water—may depend, in part, on the depth separating the fractured formation and the aquifer. For example, according to a 2012 Bipartisan Policy Center report, [67] the fracturing process itself is unlikely to directly affect fresh water aquifers because fracturing typically takes place at a depth of 6,000 to 10,000 feet, while drinking water tables are typically less than 1,000 feet deep.[68] Fractures created during the hydraulic fracturing process are generally unable to span the distance between the targeted shale formation and fresh water bearing zones. According to a 2011 industry report, fracture growth is stopped by natural subsurface barriers and the loss of hydraulic fracturing fluid.[69] When a fracture grows, it conforms to a general direction set by the stresses in the rock, following what is called fracture direction or orientation. The fractures are most commonly vertical and may extend laterally several hundred feet away from the well, usually growing upward until they intersect with a rock of different structure, texture, or strength. These are referred to as seals or barriers and stop the fracture's upward or downward growth. In addition, as the fracturing fluid contacts the formation or invades natural fractures, part of the fluid is lost to the formation. The loss of fluids will eventually stop fracture growth according to this industry report.

From 2001 through 2010, an industry consulting firm monitored the upper and lower limits of hydraulically-induced fractures relative to the position of drinking water aquifers in the Barnett and Eagle Ford Shale, the Marcellus Shale, and the Woodford Shale.[70] In 2011, the firm reported that the results of the monitoring show that even the highest fracture point is several thousand feet below the depth of the deepest drinking water aquifer. For example, for over 200 fractures in the Woodford Shale, the typical distance between the drinking water aquifer and the

[67]Bipartisan Policy Center, *Shale Gas: New Opportunities, New Challenges* (Washington, D.C.: January, 2012).

[68]Some coalbed methane and tight sandstone formations are much closer to drinking water aquifers than are shale formations. In 2004, EPA reviewed incidents of drinking water well contamination believed to be associated with hydraulic fracturing in coalbed methane formations. EPA found no confirmed cases linked to the injection of fracturing fluid or subsequent underground movement of fracturing fluids. The report states that although thousands of coal bed methane formations are fractured annually, EPA did not find confirmed evidence that drinking water wells had been contaminated by the hydraulic fracturing process.

[69]George E. King, Apache Corporation, "Explaining and Estimating Fracture Risk: Improving Fracture Performance in Unconventional Gas and Oil Wells" (presented at the Society of Petroleum Engineers Hydraulic Fracturing Conference, The Woodlands, Texas, February 2012).

[70]Kevin Fisher, Norm Warpinski, "Hydraulic Fracture-Height Growth: Real Data" (presented at the Society of Petroleum Engineers Technical Conference and Exhibition, Denver, Colorado, October 2011).

top of the fracture was 7,500 feet, with the highest fracture recorded at 4,000 feet from the aquifer. In another example, for the 3,000 fractures performed in the Barnett Shale, the typical distance from the drinking water aquifer and the top of the fracture was 4,800 feet, and the fracture with the closest distance to the aquifer was still separated by 2,800 feet of rock. Table 3 shows the relationship between shale formations and the depth of treatable water in five shale gas plays currently being developed.

**Table 3: Shale Formation and Treatable Water Depth (in feet)**

| Shale Play | Depth to shale | Depth to base of treatable water | Distance between shale and base of treatable water |
|---|---|---|---|
| Barnett | 6,500- 8,500 | 1,200 | 5,300- 7,300 |
| Fayetteville | 1,000- 7,000 | 500 | 500- 6,500 |
| Haynesville | 10,500- 13,500 | 400 | 10,100- 13,100 |
| Marcellus | 4,000- 8,500 | 850 | 2,125- 7,650 |
| Woodford | 6,000- 11,000 | 400 | 5,600- 10,600 |

Source: GAO analysis of DOE data.

Note: Depths to base of treatable water are approximate.

Several government, academic and nonprofit organizations evaluated water quality conditions or groundwater contamination incidents in areas experiencing shale oil and gas development. Among the studies and publications we reviewed that discuss the potential contamination of drinking water from the hydraulic fracturing process in shale formations are the following:

- In 2011, the Center for Rural Pennsylvania analyzed water samples taken from 48 private water wells located within about 2,500 feet of a shale gas well in the Marcellus Shale.[71] The analysis compared pre-drilling samples to post-drilling samples to identify any changes to water quality. The analysis showed that there were no statistically significant increases in pollutants prominent in drilling waste fluids—such as total dissolved solids, chloride, sodium, sulfate, barium, and strontium—and no statistically

[71]The Center for Rural Pennsylvania, *The Impact of Marcellus Gas Drilling on Rural Drinking Water Supplies* (Harrisburg, Pennsylvania: October 2011).



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significant increases in methane. The study concluded that gas well drilling had not had a significant effect on the water quality of nearby drinking water wells.

- In 2011, researchers from Duke University studied shale gas drilling and hydraulic fracturing and the potential effects on shallow groundwater systems near the Marcellus Shale in Pennsylvania and the Utica Shale in New York. Sixty drinking water samples were collected in Pennsylvania and New York from bedrock aquifers that overlie the Marcellus or Utica shale formations—some from areas with shale gas development and some from areas with no shale gas development.[72] The study found that methane concentrations were detected generally in 51 drinking water wells across the region—regardless of whether shale gas drilling occurred in the area—but that concentrations of methane were substantially higher closer to shale gas wells. However, the researchers reported that a source of the contamination could not be determined. Further, the researchers reported that they found no evidence of fracturing fluid in any of the samples.
- In 2011, the Ground Water Protection Council evaluated state agency groundwater investigation findings in Texas and categorized the determinations regarding causes of groundwater contamination resulting from the oil and gas industry. During the study period—from 1993 through 2008—multi-staged hydraulic fracturing stimulations were performed in over 16,000 horizontal shale gas wells. The evaluation of the state investigations found that there were no incidents of groundwater contamination caused by hydraulic fracturing.

In addition, regulatory officials we met with from eight states—Arkansas, Colorado, Louisiana, North Dakota, Ohio, Oklahoma, Pennsylvania, and Texas—told us that, based on state investigations, the hydraulic fracturing process has not been identified as a cause of groundwater contamination within their states.

While a number of studies discuss the potential contamination of water from the hydraulic fracturing process in shale formations, a number of completed studies we reviewed did not evaluate pre-development conditions compared to post-development conditions—largely because there are insufficient data for pre-development (or baseline) conditions. Without data to

[72]Stephen G. Osborn, Avner Vengosh, Nathaniel R. Warner, and Robert B. Jackson, "Methane Contamination of Drinking Water Accompanying Gas-well Drilling and Hydraulic Fracturing," *Proceedings of the National Academy of Science*, Vol. 108, Iss. 20 (2011).



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compare pre-drilling conditions to post-drilling conditions, it is difficult to determine if adverse effects were the result of oil and gas development, natural occurrences, or other activities. In addition, while researchers have evaluated fracture growth, the widespread development of shale oil and gas is relatively new. As such, little data exist on (1) fracture growth in shale formations following multi-stage hydraulic fracturing over an extended time period, (2) the frequency with which refracturing of horizontal wells may occur, (3) the effect of refracturing on fracture growth over time,[73] and the likelihood of adverse effects on drinking water aquifers from a large number of hydraulically fractured wells in close proximity to each other.

### Ongoing Studies Related to Water Quality

Ongoing studies by federal agencies, industry groups, and academic institutions are evaluating the effects of hydraulic fracturing on water resources so that over time, better data and information about these effects should become available to policy makers and the public. For example, EPA's Office of Research and Development initiated a study in January 2010 to examine the potential effects of hydraulic fracturing on drinking water resources. According to agency officials, the agency anticipates issuing a progress report in 2012 and a final report in 2014. EPA is also conducting an investigation to determine the presence of groundwater contamination above a tight sandstone formation being developed for natural gas near Pavillion, Wyoming, and to the extent possible identify the source of the contamination. In December 2011, EPA released a draft report outlining findings from the investigation. The report is not finalized, but the agency indicated that it had identified certain constituents in groundwater above the production zone of the Pavillion natural gas wells that are consistent with some of the constituents used in natural gas well operations, including the process of hydraulic fracturing. DOE researchers are also testing whether hydraulic fracturing fluids can travel thousands of feet through geologic faults into water aquifers close to the surface. In addition, the American Petroleum Institute—in coordination with other trade organizations—is studying the potential effects of hydraulic fracturing on drinking water resources that will mirror EPA's review.

[73]According to research presented in the New York Department of Environmental Conservation's Supplemental Generic Environmental Impact Statement, refracturing can restore the original fracture height and length, and can often extend the fracture length beyond the original fracture dimensions.



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## Land and Wildlife

Oil and gas development, whether conventional or shale oil and gas, poses a risk to land resources and wildlife habitat as a result of constructing, operating, and maintaining the infrastructure necessary to develop oil and gas; using toxic chemicals; and injecting waste products underground.

### *Habitat Degradation*

According to studies and publications we reviewed, development of oil and gas, whether conventional or shale oil and gas, poses a risk to habitat from construction activities. Specifically, clearing land of vegetation and leveling the site to allow access to the resource, as well as construction of roads, pipelines, storage tanks, and other infrastructure needed to extract and transport the resource can fragment habitats.[74] In August 2003, we reported that oil and gas infrastructure on federal wildlife refuges can reduce the quality of habitat by fragmenting it.[75] Fragmentation increases disturbances from human activities, provides pathways for predators, and helps spread nonnative plant species.

In addition, spills of oil, gas, or other toxic chemicals have harmed wildlife and habitat. Oil and gas can injure or kill wildlife by destroying the insulating capacity of feathers and fur, depleting oxygen available in water, or exposing wildlife to toxic substances. Long-term effects of oil and gas contamination on wildlife are difficult to determine, but studies suggest that effects of exposure include reduced fertility, kidney and liver damage, immune suppression, and cancer. In August 2003, we reported that even small spills may contaminate soil and sediments if they occur frequently.[76] Further, noise and the presence of new infrastructure associated with shale gas development may also affect wildlife. A study by the Houston Advanced Research Center and the Nature Conservancy investigated the effects of noise associated with gas development on the Attwater's Prairie Chicken—an endangered species. The study explored how surface disruptions, particularly construction of a rig and noise from diesel generators would affect the

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[74] Habitat fragmentation occurs when a network of roads and other infrastructure is constructed in previously undeveloped areas.

[75] GAO-03-517.

[76] GAO-03-517.



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animal's movement and habitat.[77] The results of the study found that the chickens were not adversely affected by the diesel engine generator's noise but that the presence of the rig caused the animals to temporarily disperse and avoid the area.

A number of studies we reviewed identified risks to habitat and wildlife as a result of shale oil and gas activities. However, because the location and rate of development is largely unknown, a number of these studies did not evaluate the adverse effects from multiple wells developed over a longer period of time. In addition, because shale oil and gas development is relatively new in some areas, the long-term effects—after operators are to have restored portions of the land to predevelopment conditions—have not been evaluated. Without these data, the cumulative effects of shale oil and gas development on habitat and wildlife are largely unknown.

*Induced Seismicity*

According to several studies and publications we reviewed, the hydraulic fracturing process releases energy deep beneath the surface to break rock but the energy released is not large enough to trigger a seismic event that could be felt on the surface. However, a process commonly used by operators to dispose of waste fluids—underground injection—has been associated with earthquakes in some locations. For example, a 2011 Oklahoma Geological Survey study reported that underground injection can induce seismicity. In March 2012, the Ohio Department of Natural Resources reported that "there is a compelling argument" that the injection of produced water into underground injection wells was the cause of the 2011 earthquakes near Youngstown, Ohio. In addition, the National Academy of Sciences released a study in June 2012 that concluded that underground injection of wastes poses some risk for induced seismicity but that very few events have been documented over the past several decades relative to the large number of disposal wells in operation.

The available research does not identify a direct link between hydraulic fracturing and increased seismicity, but there could be an indirect effect to the extent that increased use of hydraulic fracturing produces increased amounts of water that is disposed of through underground

[77] James F. Bergan, Richard Haut, Jared Judy, and Liz Price. "Living In Harmony—Gas Production and the Attwater's Prairie Chicken" (presented at the Society of Professional Engineers Annual Technical Conference, Florence, Italy, September 2010).



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injection. In addition, according to the National Academy of Science's 2012 report, accurately predicting magnitude or occurrence of seismic events is generally not possible, in part, because of a lack of comprehensive data on the complex natural rock systems at energy development sites.

Extent of Risks Is Unknown and Depends on Many Factors

The extent and severity of environmental and public health risks identified in the studies and publications we reviewed may vary significantly across shale basins and also within basins because of location- and process-specific factors, including the location and rate of development; geological characteristics, such as permeability, thickness, and porosity of the formations in the basin; climatic conditions; business practices; and regulatory and enforcement activities.

*Location and rate of development.* The location of oil and gas operations and the rate of development can affect the extent and severity of environmental and public health risks. For example, as we reported in October 2010, while much of the natural gas that is vented and flared is considered to be unavoidably lost, certain technologies and practices can be applied throughout the production process to capture some of this gas, according to the oil and gas industry and EPA. The technologies' technical and economic feasibility varies and sometimes depends on the location of operations. For example, some technologies require a substantial amount of electricity, which may be less feasible for remote production sites that are not on the electrical grid. In addition, the extent and severity of environmental risks may vary based on the location of oil and gas wells. For example, in areas with high population density that are already experiencing challenges adhering to federal air quality limits, increases in ozone levels because of emissions from oil and gas development may compound the problem.

*Geological characteristics.* Geological characteristics can affect the extent and severity of environmental and public health risks associated with shale oil and gas development. For example, geological differences between tight sandstone and shale formations are important because, unlike shale, tight sandstone has enough permeability to transmit groundwater to water wells in the region. In a sense, the tight sandstone formation acts as a reservoir for both



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natural gas and for groundwater. In contrast, shale formations are typically not permeable enough to transmit water and are not reservoirs for groundwater. According to EPA officials, hydraulic fracturing in a tight sandstone formation that is a reservoir for both natural gas and groundwater poses a greater risk of contamination than the same activity in a deep shale formation.

*Climatic conditions*. Climatic factors, such as annual rainfall and surface temperatures, can also affect the environmental and public health risks for a specific region or area. For example, according to a 2007 study funded by DOE, average rainfall amounts can be directly related to soil erosion.[78] Specifically, areas with higher precipitation levels may be more susceptible to soil compaction and rutting during the wellpad construction phase. In another example, risk of adverse effects from exposures to toxic air contaminants can vary substantially between drilling sites, in part, because of the specific mix of emissions and climatic conditions that affect the transport and dispersion of emissions. Specifically, wind speed and direction, temperature, as well as other climatic conditions, can influence exposure levels of toxic air contaminants. For example, according to a 2012 study from the Sustainable Investments Institute, the combination of air emissions from shale gas development, snow on the ground, bright sunshine and temperature inversions during winter months have contributed to ozone creation in Sublette County, Wyoming.[79]

*Business practices.* A number of studies we reviewed indicate that some adverse effects from shale oil and gas development can be mitigated through the use of technologies and best practices. For example, according to standards and guidelines issued jointly by the Departments of the Interior and Agriculture, mitigation techniques, such as fencing and covers, should be used around impoundments to prevent livestock or wildlife from accessing fluids stored in the impoundments.[80] In another example, EPA's Natural Gas STAR program has identified over 80 technologies and practices that can cost-effectively reduce methane emissions, a potent

[78]ALL Consulting, *Improving Access to Onshore Oil and Gas Resources on Federal Lands* (a special report prepared at the request of the U.S. Department of Energy National Energy and Technology Laboratory, March 2007).

[79]Susan Williams, "Discovering Shale Gas: An Investor Guide to Hydraulic Fracturing," Sustainable Investments Institute and Investor Responsibility Research Center Institute (New York, New York: February 2012).

[80]United States Department of the Interior and United States Department of Agriculture. *Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development*. BLM/WO/ST-06/021+3071/REV 07, (Denver, Colorado: 2007).



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greenhouse gas, during oil and gas development. However, the use of these technologies and business practices are typically voluntary and rely on responsible operators to ensure that necessary actions are taken to prevent environmental contamination. Further, the extent to which operators use these mitigating practices is unknown and could be particularly challenging to identify given the significant increase in recent years in the development of shale oil and gas by a variety of operators, both large and small.

*Regulatory and enforcement activities.* Potential changes to the federal, state, and local regulatory environment will affect operators' future activities and can therefore affect the risks or level of risks associated with shale oil and gas development. Shale oil and gas development is regulated by multiple levels of government—including federal, state, and local. Many of the laws and regulations applicable to shale oil and gas development were put in place before the increase in operations that has occurred in the last few years and various levels of government are evaluating and, in some cases, revising laws and regulations to respond to the increase in shale oil and gas development. For example, in April 2012, EPA promulgated New Source Performance Standards for the oil and gas industry that, when fully phased-in by 2015, will require emissions reductions at new or modified oil and gas well sites, including wells using hydraulic fracturing. Specifically, these new standards, in part, focus on reducing the venting of natural gas and volatile organic compounds during the flowback process. In addition, areas without prior experience with oil and gas development are just now developing new regulations. These governments' effectiveness in implementing and enforcing this framework will affect future activities and the level of associated risk.

**Agency Comments**

We provided a draft of this report to the Department of Energy, the Department of the Interior, and the Environmental Protection Agency for review and comment.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Secretary of Energy, the Secretary of the Interior, the EPA Administrator, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.



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If you or your staff have any questions about this report, please contact me at (202) 512-3841 or ruscof@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Frank Rusco
Director, Natural Resources and Environment



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## Appendix I: Scope and Methodology

Our objectives for this review were to determine what is known about (1) the size of shale oil and gas resources in the United States and the amount produced from 2007 through 2011—the years for which data were available, and (2) the environmental and public health risks associated with development of shale oil and gas.

To determine what is known about the size of shale oil and gas resources, we collected data from federal agencies, state agencies, private industry, and academic organizations. Specifically, to determine what is known about the size of these resources, we obtained information for technically recoverable and proved reserves estimates for shale oil and gas from the EIA, the USGS, and the Potential Gas Committee—a nongovernmental organization composed of academic and industry officials. We interviewed key officials about the assumptions and methodologies used to estimate the resource size. Estimates of proved reserves of shale oil and gas are based on data provided to EIA by operators. In addition to the estimates provided by these three organizations, we also obtained and presented technically recoverable shale oil and gas estimates from two private organizations—IHS Inc., and ICF International—and one national advisory committee representing the views of the oil and gas industry—the National Petroleum Council. For all estimates we report, we reviewed the methodologies used to derive them and also found them sufficiently reliable for the purposes of this report.

To determine what is known about the amount of produced shale oil and gas from 2007 through 2011, we obtained data from EIA—the federal agency responsible for estimating and reporting this and other energy information. To ensure the reliability of these data, we examined EIA's published methodology for collecting this information and interviewed key EIA officials regarding the agency's data collection efforts. We also interviewed officials from three state agencies, representatives from five private companies, and researchers from three academic institutions who are familiar with these data and EIA's methodology and discussed the sources and reliability of the data. We determined that these data were sufficiently reliable for the purposes of this report.



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To determine what is known about the environmental and public health risks associated with the development of shale oil and gas[81], we identified and reviewed more than 90 studies and other publications from federal agencies and laboratories, state agencies, local governments, Indian tribes, the petroleum industry, academic institutions, environmental and public health groups, and other nongovernmental associations. The studies and publications we reviewed included peer-reviewed scientific and industry periodicals, government-sponsored research, reports or other publications from nongovernmental organizations, and presentation materials. We identified these studies by conducting a literature search, and by asking for recommendations during our interviews with stakeholders. For a number of studies, we interviewed the author or authors to discuss the study's findings and limitations, if any. We believe we have identified the key studies through our literature review and interviews, and that the studies included in our review have accurately identified potential risks for shale oil and gas development. However, given our methodology, it is possible that we may not have identified all of the studies with findings relevant to our objectives and the risks we present may not be the only issues of concern. The widespread use of horizontal drilling and hydraulic fracturing to develop shale oil and gas is relatively new. Studying the effects of an activity and completing a formal peer-review process can take numerous months or years. Because of the relative short timeframe for operations and the lengthy timeframe for studying effects, we did not limit the review to peer-reviewed publications. Rather, we included all reports, studies, and publications that were found through our literature review or interviews as long as the information was of sufficient breadth and depth to provide observations or conclusions directly related to our objectives, and the information was targeted specifically toward the development of shale oil and gas.

The risks identified in the studies and publications we reviewed cannot, at present, be quantified, and the magnitude of potential adverse affects or likelihood of occurrence cannot be determined for several reasons. First, it is not possible to predict how many or where shale oil and gas drilling operations may be constructed since the locations of economically viable reservoirs are still being explored and identified. Second, operators' use of effective best practices to mitigate risk may vary. Third, there are relatively few studies that are based on evaluating pre-development conditions to post-development conditions—making it difficult to

[81] Operators may use horizontal drilling and hydraulic fracturing to develop oil and natural gas from formations other than shale. Specifically, coal bed and tight sand formations may rely on these practices and some studies and publications we reviewed identified risks that can apply to these formations. However, most of the studies and publications we identified and reviewed focused primarily on the development of shale formations.



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detect or attribute adverse changes to shale oil and gas development. In addition, changes to the federal, state, and local regulatory environment and the effectiveness in implementation and enforcement will affect operators' future activities. Moreover, risks of adverse events, such as spills or accidents, may vary according to business practices, which in turn, may vary across oil and gas companies making it difficult to distinguish between risks that are inherent to the development of shale oil and gas from risks that are specific to particular business practices.

To obtain additional perspectives on issues related to environmental and public health risks, we summarized the results of interviews with a nonprobability sample of stakeholders representing numerous agencies and organizations. (See appendix II for a list of these stakeholders.) We selected these stakeholders to be broadly representative of differing perspectives regarding environmental and public health risks. In particular, we obtained views and information from federal officials from DOE's National Energy Technical Laboratory, the Department of the Interior's Bureau of Land Management and Bureau of Indian Affairs, and the Environmental Protection Agency; state regulatory officials from Arkansas, Colorado, Louisiana, North Dakota, Ohio, Oklahoma, Pennsylvania, and Texas; tribal officials from the Osage Nation; shale oil and gas operators; representatives from environmental and public health organizations; and other knowledgeable parties with experience related to shale oil and gas development, such as petroleum engineers from consulting firms and researchers from the Colorado School of Mines, the University of Texas, Oklahoma University, and Stanford University. The federal and state regulatory officials we interviewed included those with responsibility for regulating oil and natural gas, as well as clean water and drinking water. The findings from our interviews with stakeholders and officials cannot be generalized to those we did not speak with.

We also visited selected locations in Oklahoma, Texas, and Colorado, where we met with federal, state, and tribal officials, operators, industry trade organizations, environmental representatives, researchers from universities, and authors of published studies, and toured a shale gas development site. During these visits, we discussed issues related to the shale oil and gas development process, environmental and public health risks, and mitigation practices. We selected these locations based on (1) proximity to shale formations, (2) extent of involvement with shale oil and gas development, and (3) proximity to relevant academic institutions and/or industry representatives. Findings from our visits cannot be generalized to other locations we did not visit.



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We conducted this performance audit from November 2011 to August 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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## Appendix II: List of Stakeholders

Federal Agencies

Congressional Research Service

Department of Energy's National Energy Technology Laboratory

Department of Health and Human Services

Department of the Interior's Bureau of Indian Affairs

Department of the Interior's Bureau of Land Management

Department of the Interior's U.S. Geological Survey

Environmental Protection Agency

State Agencies

Arkansas Department of Environmental Quality

Arkansas Oil and Gas Commission

Colorado Oil and Gas Conservation Commission

Colorado Department of Natural Resources

Louisiana Department of Natural Resources

North Dakota Industrial Commission

Ohio Department of Natural Resources

Ohio Environmental Protection Agency

Oklahoma Geological Survey

Oklahoma Corporation Commission

Texas Railroad Commission

Academic Institutions

Colorado School of Mines



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Louisiana State University

Oklahoma University

Southern Methodist University

Stanford University

University of Texas at Arlington

University of Texas Energy Center and Bureau of Economic Geology

Wilkes University

Environmental Organizations

Clean Water Action Pennsylvania

Earthworks Oil and Gas Accountability Project

Environmental Defense Fund

Environmental Defense Fund of Texas

Subra Environmental Consulting

Western Resource Advocates

Public Health Organizations

The Endocrine Disruption Exchange

National Association of County and City Health Officials

Southwest Pennsylvania Environmental Health Project

Industry

ALL Consulting

American Exploration and Production Council

American Natural Gas Association

American Petroleum Institute



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Apache Corporation

Chesapeake Energy

Colorado Oil and Gas Association

Devon Energy

Energy In Depth

Independent Petroleum Association of America

Powell Shale Digest

Others

FracDallas

Ground Water Protection Council

Houston Advanced Research Center

Martin Consulting

Red River Watershed Management Institute

Osage Tribal Nation



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## Appendix III: List of Selected Studies, Publications, and Other Documents

The following are the studies publications and other documents (e.g., presentations) that we reviewed.

### Studies and Publications


Advanced Resources International, *Bringing Real Information on Energy Forward: Environmental and Regulatory Considerations Associated With the American Oil and Natural Gas Industry* (prepared for the Independent Petroleum Association of America and The Liaison Committee of Cooperating Oil and Gas Associations, April 24, 2009).

Agency for Toxic Substances and Disease Registry, *Evaluation of Contaminants in Private Residential Well Water: Pavillion, Wyoming* (August 31, 2010).

ALL Consulting, Improving Access to Onshore Oil and Gas Resources on Federal Lands (a special report prepared at the request of the U.S. Department of Energy National Energy and Technology Laboratory, March 2007).

ALL Consulting, The History and Current Conditions of the Greater Sage-Grouse in Regions with Energy Development (a special report prepared at the request of the U.S. Department of Energy, January 2007).

ALL Consulting, The Modern Practices of Hydraulic Fracturing: A Focus on Canadian Resources (a special report prepared at the request of the Petroleum Technology Alliance Canada and the Science and Community Environmental Knowledge Fund, June 2012).

Ramón A. Alvarez, Stephen W. Pacala, James J. Winebrake, William L. Chameides, and Steven P. Hamburg, "Greater Focus Needed on Methane Leakage From Natural Gas Infrastructure", *Proceedings of the National Academy of Science*, doi:10.1073 (Washington, D.C.: 2012).

Argonne National Laboratory, *Water Management Technologies Used by Marcellus Shale Gas Producers*, a special report prepared at the request of the Department of Energy, July 2010.

Arkansas Public Policy Panel, *Arkansas in the Balance: Managing the Risks of Shale Gas Development in the Natural State* (February 2011).

Al Armendariz, *Emissions from Natural Gas Production in the Barnett Shale Area and Opportunities for Cost-Effective Improvements* (a special report prepared at the request of the Environmental Defense Fund, January 2009).

Dan Arthur and Dave Cornue, *Technologies Reduce Pad Size, Waste*, The American Oil and Gas Reporter (August 2010).

Michelle Bamberger and Robert E. Oswald, "Impacts of Gas Drilling on Human and Animal Health", *New Solutions, A Journal of Environmental and Occupational Health Safety*, Vol. 22, Iss. 1 (Baywood Publishing Co., Inc.: 2012).




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Bureau of Land Management, *Air Resources Technical Report For Oil and Gas Development: New Mexico, Oklahoma, Texas, and Kansas* (Albuquerque, New Mexico: November, 2011).

Bipartisan Policy Center, *Shale Gas: New Opportunities, New Challenges* (Washington, D.C.: January, 2012).

T. Colborn, C. Kwiatkowski, K. Schultz, M. Bachran, Natural Gas Operations from a Public Health Perspective, *International Journal of Human & Ecological Risk Assessment,* Vol. 11, Iss. 5 (2011).

Congressional Research Service, *Unconventional Gas Shales: Development, Technology, and Policy Issues*, R40894 (Washington, D.C.: October 30, 2009).

Congressional Research Service, *Marcellus Shale Gas: Development Potential and Water Management Issues and Laws*, R42333 (Washington, D.C.: January 27, 2012).

Congressional Research Service, *The EPA Draft Report of Groundwater Contamination Near Pavillion, Wyoming: Main Findings and Stakeholder Responses*, R42327 (Washington, D.C.: January 25, 2012).

Congressional Research Service, *Hydraulic Fracturing and the National Environmental Policy Act (NEPA): Selected Issues*, R42502 (Washington, D.C.: April 25, 2012).

Honorable Irene C. Cuch, Written Testimony Before the Subcommittee on Indian and Alaska Native Affairs, Natural Resources Committee, U.S. House of Representatives (Washington, D.C.: April 19, 2012).

R.J. Davies, S. Mathias, J. Moss, S. Hustoft, and L. Newport, "Hydraulic Fractures: How Far Can They Go?", *Marine and Petroleum Geology*, doi:10.1016/j.marpetgeo.2012.04.001 (2012).

Delaware Riverkeeper, *Natural Gas Well Drilling and Production In the Upper Delaware River Watershed* (Bristol, Pennsylvania: 2011).

Department of Energy, *The Secretary of Energy Advisory Board: Shale Gas Production Subcommittee Final Report* (Washington, D.C.: November 18, 2011).

Department of Energy, *Environmental Benefits of Advanced Oil and Gas Exploration and Production Technology*, DOE-FE-0385 (October 1999).

Department of Energy, *Rocky Mountain States Natural Gas: Resource Potential and Prerequisites to Expanded Production,* DOE/FE-0460 (September 2003).

Earthworks Oil and Gas Accountability Project, A Human Rights Assessment of Hydraulic Fracturing for Natural Gas (prepared for the New York State Department of Environmental Conservation Washington, D.C.: December 12, 2012).

Earthworks Oil and Gas Accountability Project, *Our Drinking Water At Risk: What EPA and Industry Don't Want Us to Know About Hydraulic Fracturing* (Durango, Colorado: April, 2005).

Environmental Protection Agency, *Draft Hydraulic Fracturing Study Plan* (April 28, 2011).



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Environmental Protection Agency, *Evaluation of Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing of Coalbed Methane Reservoirs,* EPA 816-R-04-003 (Washington, D.C.: June 2004).

Environmental Protection Agency, Reduced Emissions Completions For Hydraulically Fractured Natural Gas Wells (Washington, D.C.: 2011).

S.A. Entrekin, M. Evans-White, B. Johnson, E. Hagenbuch, "Rapid expansion of natural gas development poses a threat to surface waters," *Frontiers in Ecology and the Environment*, Vol. 9 (2011).

Federal Reserve Bank of Dallas, "Natural Gas from Shale: Texas Revolution Goes Global", *Southwest Economy,* Issue Q3 (Dallas, Texas: 2010).

Madelon L. Finkel and Adam Law. The Rush to Drill for Natural Gas: A Public Health Cautionary Tale. *American Journal of Public Health,* Vol. 101, No. 5 (2011).

GAO, *Energy-Water Nexus: Information on the Quantity, Quality, and Management of Water Produced during Oil and Gas Production,* GAO-12-156 (Washington, D.C.: January 2012).

GAO, *Federal Oil and Gas Leases: Opportunities Exist to Capture Vented and Flared Natural Gas, Which Would Increase Royalty Payments and Reduce Greenhouse Gased,* GAO-11-34 (Washington, D.C.: October 2010).

GAO, *Nonpoint Source Water Pollution: Greater Oversight and Additional Data Needed for Key EPA Water Program*, GAO-12-335 (Washington, D.C.: July 2, 2012).

GAO, *Oil And Gas Development: Increased Permitting Activity Has Lessened BLM's Ability to Meet Its Environmental Protection Responsibilities*, GAO-05-418 (Washington, D.C.: June 17, 2005).

GAO, *Nonpoint Source Water Pollution: Greater Oversight and Additional Data Needed for Key EPA Water Program*, GAO-12-335 (Washington, D.C.: July 2012).

GAO, *National Wildlife Refuges: Opportunities to Improve the Management and Oversight of Oil and Gas Activities on Federal Lands*, GAO-03-517 (Washington, D.C.: August 2003).

GAO, *Natural Gas Flaring and Venting: Opportunities to Improve Data and Reduce Emissions*, GAO-04-809 (Washington, D.C.: July 2004).

GAO, *Storm Water Pollution: Information Needed on the Implications of Permitting Oil and Gas Construction Activities*, GAO-05-240 (Washington, D.C.: February 2005).

Michael Goldman, Environmental Issues Related to Hydraulic Fracturing and Shale Gas Development and the Laws That Govern (presented at the Dallas Association of Petroleum Landman on November 14, 2011).

Bernard D. Goldstein, MD, The Public Health Implications of Unconventional Gas Drilling" (for presentation to the Energy and Environment Subcommittee, Committee on Science, Space, and Technology, Washington, D.C.: February 1, 2012).



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Charles G. Groat, Ph.D. and Thomas W. Grimshaw, Ph.D., *Fact-Based Regulation for Environmental Protection in Shale Gas Development* (Austin, Texas: The Energy Institute, The University of Texas at Austin, February, 2012).

Ground Water Protection Council and ALL Consulting, *Modern Shale Gas Development in the United States: A Primer,* a special report prepared at the request of the Department of Energy (Washington, D.C.: April 2009).

Ground Water Protection Council, *State Oil and Natural Gas Regulations Designed to Protect Water Resources*, a special report prepared for the Department of Energy (Washington, D.C.: May 2009).

Ground Water Protection Council, *State Oil and Gas Agency Groundwater Investigations And Their Role in Advancing Regulatory Reforms: A Two-State Review: Ohio and Texas* (Oklahoma City, Oklahoma: August 2011).

Christopher Harto, *Shale Gas –The Energy Water Nexus* (prepared for Argonne National Laboratory, April 2011).

Austin Holland, *Examination of possibly induced seismicity from hydraulic fracturing in the Eola* Field, Garvin County, Oklahoma, Oklahoma Geological Survey, Open-File Report OF1-2011 (2011).

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Tom Meyers, *Potential Contaminant Pathways from Hydraulically Fractured Shale to Aquifers,* Groundwater (April 17, 2012).

National Park Service, *Potential Development of the Natural Gas Resources in the Marcellus Shale* (Denver, Colorado: December 2008).



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National Petroleum Council, *Prudent Development: Realizing the Potential of North America's Abundant Natural Gas and Oil Resources* (a special report prepared at the request of the Secretary of Energy, Washington, D.C.: September 2011).

New York State Department of Environmental Conservation, *Draft Supplemental Generic Environmental Impact Statement on the Oil, Gas and Solution Mining Regulatory Program* (updated 26 October 2009), www.dec.ny.gov/energy/58440.html, updated 26 October 2009.

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## Appendix IV: Additional Information on USGS Estimates

The USGS estimates potential oil and gas resources in 69 geological areas (called "provinces") in the United States—discovered resources, such as proved or inferred reserves, are excluded. Since 1995, USGS has conducted oil and gas estimates at least once in all of these 69 provinces; about half of these estimates have been updated since the year 2000 (see table 1). USGS estimates for an area are updated once every 5 years or more, depending on factors such as the importance of an area.

**Table 1: USGS Estimates**

| Number | Name of USGS Province | Assessment Year |
|---|---|---|
| 1 | North Slope, Coal-bed Gas | 1995, 2006 |
| 2 | Central Alaska | 1995, 2004 |
| 3 | Southern Alaska | 1995, 2011 |
| 4 | Western Oregon-Wash. | 1995, 2009 |
| 5 | Eastern Oregon-Wash. | 1995, 2006 |
| 7 | Northern Coastal | 1995 |
| 8 | Sonoma-Livermore | 1995 |
| 9 | Sacramento Basin | 1995, 2006 |
| 10 | San Joaquin Basin | 1995, 2004 |
| 11 | Central Coastal | 1995 |
| 12 | Santa Maria Basin | 1995 |
| 13 | Ventura Basin | 1995 |
| 14 | Los Angeles Basin | 1995 |
| 17 | Idaho-Snake River Downwarp | 1995 |
| 18 | Western Great Basin | 1995 |
| 19 | Eastern Great Basin | 1995, 2004 |
| 20 | Uinta-Piceance Basin | 1995, 2002 |
| 21 | Paradox Basin | 1995 |
| 22 | San Juan Basin | 1995, 2002 |
| 23 | Albuquerque-Sante Fe Rift | 1995 |
| 24 | Northern Arizona | 1995 |
| 25 | S. Ariz.-S.W. New Mexico | 1995 |
| 26 | South-Central New Mexico | 1995 |
| 27 | Montana Thrust Belt | 1995, 2002 |
| 28 | Central Montana | 1995, 2001 |
| 29 | Southwest Montana | 1995 |
| 30 | Hanna, Laramie, Shirley | 1995, 2005 |
| 31 | Williston Basin (includes Bakken Shale | 1995, 2008 |



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| | | |
|---|---|---|
| | Formation) | |
| 33 | Powder River Basin | 1995, 2006 |
| 34 | Big Horn Basin | 1995, 2008 |
| 35 | Wind River Basin | 1995, 2005 |
| 36 | Wyoming Thrust Belt | 1995, 2004 |
| 37 | Southwestern Wyoming | 1995, 2002 |
| 38 | Park Basins | 1995 |
| 39 | Denver Basin | 1995, 2003 |
| 40 | Las Animas Arch | 1995 |
| 41 | Raton Basin-Sierra Grande Uplift | 1995, 2005 |
| 43 | Palo Duro Basin | 1995 |
| 44 | Permian Basin (includes Barnett Shale) | 1995, 2007 |
| 45 | Bend Arch-Ft. Worth Basin | 1995, 2004 |
| 46 | Marathon Thrust Belt | 1995 |
| 47-49 | Gulf Coast (includes Eagle Ford Shale) | 1995, 2011 |
| 50 | Florida Peninsula | 1995, 2000 |
| 51 | Superior | 1995 |
| 53 | Cambridge Arch-Central Kansas | 1995 |
| 55 | Nemaha Uplift | 1995 |
| 56 | Forest City Basin | 1995 |
| 58 | Anadarko Basin | 1995, 2011 |
| 59 | Sedgwick Basin/Salina Basin | 1995 |
| 60 | Cherokee Platform | 1995 |
| 61 | Southern Oklahoma | 1995 |
| 62 | Arkoma Basin | 1995, 2010 |
| 63 | Michigan Basin | 1995, 2005 |
| 64 | Illinois Basin | 1995, 2007 |
| 65 | Black Warrior Basin | 1995, 2002 |
| 66 | Cincinnati Arch | 1995 |
| 67 | Appalachian Basin (includes Marcellus Shale) | 1995, 2002, 2011 |
| 68 | Blue Ridge Thrust Belt | 1995 |
| 69 | Piedmont | 1995 |

Source: USGS.



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## Appendix V: GAO Contact and Staff Acknowledgments

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Staff Acknowledgements

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