

**Statement of
Katharine S. MacGregor
Acting Assistant Secretary
Land and Minerals Management
U.S. Department of Interior**

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Subcommittee on Energy and Mineral Resources
Hearing on “Access to Onshore Federal Oil & Gas Resources”**

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Chairman Gosar, Ranking Member Lowenthal, and Members of the Subcommittee, I am pleased to join you today to discuss the Bureau of Land Management’s (BLM’s) onshore oil and gas program and our efforts to advance the program to help secure American energy independence, create jobs, and build a strong economy.

Background

The BLM manages about 245 million surface acres and 700 million subsurface acres, located primarily in 12 western states, including Alaska. This diverse portfolio of lands is administered by the BLM on behalf of the American people as part of the agency’s multiple-use mission – including energy and mineral development, livestock grazing, timber production, recreation, and conservation, among others. The BLM manages approximately 30 percent of the Nation’s minerals. In Fiscal Year (FY) 2016, onshore energy production on Federal lands accounted for 7 percent of oil, 10 percent of natural gas, and 41 percent of coal produced domestically, and another 17,963 megawatts of renewable energy projects are approved. Public lands support the Administration’s America First Energy Agenda and Secretary Zinke’s priority to maintain our nation’s energy dominance by advancing domestic energy production, generating revenue, and creating and sustaining jobs throughout our country.

America First Energy Plan is an “all-of-the-above” plan that includes oil and gas, coal, and renewable resources. Public lands are integral to the development of these important energy resources. Through this plan, America’s free markets will help determine where and when energy development on public lands is feasible. In order to respond to our Nation’s energy needs, the BLM is engaged in a variety of efforts to support domestic production. These efforts include predictable leasing; reducing barriers to accessing energy resources on BLM public lands; reviewing and streamlining the BLM’s leasing and permitting processes to serve its customers and the public more efficiently and effectively; and improving coordination among key stakeholders, including state and local governments, other Federal agencies, and the public. The BLM is also committed to supporting improved electricity transmission and pipeline development – key areas of our nation’s energy infrastructure that stabilize the U.S. electric grid and keep energy prices low for American families.

The BLM oversees onshore oil and gas development on Federal lands and lands held in trust for the benefit of various tribes. Collectively, these lands contain world-class deposits of energy and mineral resources which power millions of homes and businesses. BLM-managed public lands

provide a diverse marketplace for industry and play a significant role in creating jobs for hardworking Americans. Last year, the BLM economic study estimated the Federal onshore oil and natural gas program alone provided approximately \$50 billion in economic output and supported approximately 188,000 jobs nationwide. The BLM is also a key revenue producer for the Federal government by providing a significant non-tax source of funding to state and Federal treasuries and is an important economic driver for local communities across the country. For example, while Congress appropriated about \$135 million to the BLM's oil and gas program in FY 2016, the program generated more than \$1.56 billion in royalties, rental payments, and bonus bids – all of which were split between the U.S. Treasury and the states where the development occurred. States and counties in turn use these funds to support roads, schools, and other important community needs.

The BLM is providing access to our diverse energy resources across our public lands while also adhering to key environmental laws and regulations. We remain committed to the safe and responsible development of these resources alongside our state and local neighbors.

Public Lands' Contribution to Energy Independence

Onshore oil and gas production on BLM-managed public lands is a significant part of this strategy and makes an essential contribution to the Nation's energy supply. The BLM has 27 million surface acres specifically under lease for oil and gas development, including approximately 94,000 active wells and 40,000 leases. Under Secretary Zinke's leadership, the BLM has scheduled a quarterly lease sale in nearly every office. To date, the BLM has held 13 lease sales, including the February 2017 Wyoming lease sale, which garnered nearly \$129 million – the second largest amount generated from an onshore lease sale in the last 30 years.

While we are proud of the BLM's contribution to domestic energy production, we also recognize that there is a significant amount of work to be done. At the Secretary's direction, the BLM established ambitious 90-day targets to approve oil and gas Applications for Permit to Drill (APDs), shifting resources to the more active offices of Carlsbad, New Mexico; Casper, Wyoming; and Dickinson, North Dakota. While the first 90-day goal BLM set was to process 711 APDs, the BLM approved an impressive 758 APDs. The BLM remains committed to completing reviews on all pending APDs and to work with operators to match their rig schedules.

Access to Energy Resources & Multiple-Use Considerations

There are a number of factors that may open, limit, or close Federal lands to oil and gas development, including land use planning, statutory and regulatory requirements, consideration of potential impacts to public land resources, and whether the resources in question are located on lands that have been withdrawn from mineral leasing. The Department and the BLM are reviewing all of these factors, and we are taking action, where possible, to encourage development opportunities and improve efficiencies.

Identifying Lands Available for Oil & Gas Leasing / Land Use Planning

The BLM's land use planning process provides – among many other resource considerations – a standardized procedure for analyzing the opportunities for oil and gas development on public lands, while also ensuring that such development is done in a way that minimizes environmental

impacts and considers the public interest. Resource Management Plans (RMPs) contain general resource allocations and other decisions that reflect the BLM's efforts to weigh the many resources and competing uses within a planning area, and they often include reasonably foreseeable development (RFDs) scenarios that analyze the known and potential oil and gas resources of the planning area. For purposes of oil and gas leasing, lands within a planning area are identified as fitting into one of three categories – lands open under standard lease terms, lands open with restrictions, and lands closed to leasing.

While the RMPs identify appropriate uses of public lands, generally it is industry and the public who will nominate lands for leasing in the form of expressions of interest (EOIs). Upon receipt of an EOI, the BLM determines where lands are eligible for leasing under the RMP. Following applicable laws and regulations, with limited exceptions the BLM holds competitive lease sales quarterly in each of the state offices where lands are nominated and available. After the lease sale is held, any protests are resolved, and leases are issued, a lessee may then submit an APD for a specific area within their lease. The BLM then works with the lessees on final surface use and downhole drilling plans. Often, however, operators will assess drilling targets based on ongoing data analysis of resource potential and determine where and when to develop based on a variety of business model decisions.

Regulatory Limitations

When industry is considering whether to develop Federal onshore oil and natural gas resources, current regulations can serve as a significant barrier. The Department is committed to the Administration's priority of eliminating unnecessary or duplicative regulations, thereby reducing burdens that may unnecessarily encumber responsible energy production. As directed by Secretary Zinke's March 29, 2017, Secretarial Order 3349, *American Energy Independence*, the BLM is currently reviewing all regulations related to domestic oil and natural gas development on public lands. The BLM has proposed a rule to rescind the final rule titled *Oil and Gas; Hydraulic Fracturing on Federal and Indian Lands* and has reviewed the *Waste Prevention, Production Subject to Royalties, and Resource Conservation Rule*, postponing the implementation of any rule provisions that have not yet gone into effect. Finally, the BLM is working with industry to identify areas to adjust the technical requirements for the new regulation updates on site security, metering, and measurement standards. This effort is designed to ensure that production accountability is maintained, but does not deter the successful development of oil and gas resources or lead to premature abandonment of marginal wells.

Stipulations on Oil & Gas Leasing

During the land use planning process, the BLM determines if lease stipulations are needed to ensure that development is done in an environmentally sound manner. Lease stipulations may include no surface occupancy (NSO), controlled surface use (CSU), and timing limitations (TL). Areas identified as NSO open to fluid mineral leasing, but surface-disturbing activities cannot be conducted on the lease; however, the lease may potentially be developed by directionally or horizontally drilling from nearby lands that do not have NSO limitations. CSU areas are also open to fluid mineral leasing but, in contrast, allow surface-disturbing activities, subject to special operational constraints to protect the specified resource or value. Finally, areas identified for TL are closed to fluid mineral exploration and development, surface-disturbing activities, and intensive human activity during identified time frames.

Mineral Withdrawals

Public land withdrawals are formal land actions that reserve or withhold public land by statute or proclamation, or in more limited cases by administrative order, from operation of public land, mining, mineral leasing, and geothermal leasing laws. Withdrawals are established for a broad array of public purposes, including for military reservations which account for approximately 16 million acres of currently withdrawn BLM-managed public lands. In addition, on lands where the federal estate is split with other federal agencies, the federal surface management agency may require withdrawal of the Federal mineral estate.

Wilderness, Wilderness Study Areas & Areas of Critical Environmental Concern

Many conservation designations lead to withdrawals from the mineral leasing laws through legislation, presidential proclamation or administrative determinations. Each of these special designations is subject to valid existing rights, and some include exceptions for specific types of mineral leasing. The BLM currently manages nearly 8.8 million acres of wilderness and 517 WSAs comprising approximately 12.6 million acres across the west. In addition to these designations, the BLM also manages approximately 1,100 Areas of Critical Environmental Concern (ACECs) spanning over 24 million acres. An ACEC designation by itself does not automatically prohibit or restrict other uses in the area; rather, the BLM determines as part of the land use planning process which activities or uses are consistent with the resources and values for which the area was designated.

Putting America First by Building a Strong Energy Economy

Under Secretary Zinke's leadership, the Department and the BLM have taken many proactive measures to reduce the burdens associated with developing onshore oil and gas resources on public lands. Following is a discussion of some of these efforts.

Secretarial Orders

Improving access to oil and gas resources is an important component for ensuring energy independence. As discussed earlier, Secretarial Order 3349 provides guidance for removing unnecessary impediments to oil and gas leasing while fostering the creation of good jobs for hard-working American families. Secretarial Order 3348 overturned the federal coal leasing moratorium enacted by the last Administration. On May 31, 2017, Secretary Zinke signed Secretarial Order No. 3352 to jump-start Alaskan energy production in the National Petroleum Reserve – Alaska (NPR-A) and update resource assessments for areas of the North Slope, helping to unleash Alaska's energy potential. The Order calls for the review and development of a revised Integrated Activity Plan for the NPR-A that strikes an appropriate balance of promoting energy development while protecting surface resources. The order also aims to maximize the tracts offered for sale during the next NPR-A lease sale.

Online Leasing & Other Technological Process Improvements

The BLM is proactively streamlining its business processes to better serve its customers and the public. In addition to the 13 lease sales conducted to date, the BLM plans to hold 14 additional sales throughout 2017 using the new authority to conduct onshore oil and gas lease sales via internet-based bidding. The BLM is also committed to continuing the National Fluids Lease Sale System (NFLSS) automation effort, which standardizes many leasing functions while

providing additional EOI transparency to the nominator and the public. Finally, the BLM is adding features to enhance the new electronic APD processing system, the Automated Fluid Minerals Support System II (AFMSS II), and plans to decommission parts of the prior APD processing systems – established nearly 20 years ago – to improve the automation capacity and better match the BLM resources to permit activities. These improvements increase transparency and reduce overhead costs and processing times, leading to increased competition and revenue for states and the Treasury.

Building Stakeholder Relationships & Being a Better Neighbor

The BLM has also sought to improve interagency coordination during the oil and gas permitting process, which is instrumental in removing communication barriers, providing an efficient means for dispute resolution, and eliminating delays during the NEPA process. In order to achieve results, the BLM has focused on restoring full collaboration and coordination with state and local governments, tribes, individuals, and other stakeholders to resolve issues, develop productive relationships, and build consensus.

Establishing BLM's Energy & Minerals Task Force

The BLM is also looking at establishing an Energy and Minerals Task Force to assist BLM state and field offices with expediting the leasing and permitting process. In order to decrease backlogs, the BLM intends to expedite the completion of planning efforts, collaborate with other bureaus within the Department as well as external surface management agencies, and coordinate resource needs among BLM offices. The Task Force will monitor significant actions and resource needs in the field, identify trouble spots, and resolve resource challenges.

Prioritization & Capacity Building

To address the high-priority energy demands of our Nation, the President's FY 2018 Budget Request includes an additional \$16 million for the BLM's oil and gas program. This includes an increase of about 82 full-time-equivalent employees to enhance the core capacity for processing APDs, EOIs, and rights-of-way. In the past, funding increases provided by Congress, along with substantial improvements in the BLM's approval process, have enhanced the BLM's capacity to process and issue leases and permits.

Conclusion

The BLM and the Administration remain committed to promoting responsible oil and gas production that helps create jobs, promotes a robust economy, and contributes to America's energy independence, while also protecting consumers, public health, and sensitive public land resources and uses. The BLM's oil and gas leasing program is a critical component of the Nation's energy infrastructure and is an important Federal revenue generator. Thank you for the opportunity to present this testimony. I will be glad to answer any questions.