

**STATEMENT OF NINA ROSE HATFIELD
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HOUSE RESOURCES COMMITTEE
SUBCOMMITTEE ON ENERGY AND MINERALS
FY2001 BUDGET OVERSIGHT
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Madam Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the Fiscal Year 2001 Budget Request for energy and minerals programs administered by the Bureau of Land Management (BLM).

Budget Overview

The President's Fiscal Year 2001 Budget proposes \$1,358,955,000 in current appropriations for the BLM -- including funds for operation of the Bureau, Payments in Lieu of Taxes, construction and facilities maintenance, land acquisition, as well as hazardous materials and wildland fire management activities across the Department of the Interior.

Of the \$715,191,000 requested in the Management of Lands and Resources Appropriation, the request for energy and minerals activities is \$82,087,000. This is an increase of \$5,635,000 (or 7%) above the FY 2000 enacted level of funding. The President's Budget also requests \$34,328,000 for the administration of mining claims under the Mining Law of 1872. These costs are offset by the collection of mining claim maintenance fees. There is also a request for \$2,198,000 for the assessment of mineral resources on Federal lands in Alaska.

Funding for the major program activities within energy and minerals management are as follows:

- \$62,181,000 for oil and gas management, which provides for the competitive and non-competitive leasing of oil and gas resources, use authorizations and inspection and enforcement of active leases;
- \$ 8,257,000 for leasing and management of coal leases; and
- \$ 9,451,000 for other minerals management activities, which include leasing and management of potash, phosphate, sodium, geothermal and other mineral resources, including mineral materials.

The energy and mineral resources of the public lands contribute enormously to the Nation's economic and social development. They also generate the highest revenue of any uses of the public lands. Of the total \$1.4 billion in annual revenues from the public lands in FY 1999, energy and mineral development generated \$1.2 billion through royalties, rents, bonuses, sales and fees. Energy and minerals also generated about 95% of the total \$10.5 billion of production value derived from the public lands.

Today, BLM manages the resources on about 264 million acres of public land and more than 560 million acres of Federally-owned subsurface mineral estate. The BLM also provides technical assistance for management of minerals on Tribal and allotted lands. The public lands produce

about 47% of the Nation's geothermal resources, 33% of its coal, 11% of its natural gas, and 5% of its oil. Public lands also produce a large portion of the Nation's fertilizer minerals, mineral materials, gold, silver, and other metals. The scope and importance of BLM's management of energy and mineral resources is reflected by these statistics:

- At the end of FY 1999, there were over 46,000 oil and gas leases in effect on 33 million acres, with 20,000 of those leases in producing status, and 3,900 producing leases managed by the BLM on Tribal lands;
- The sales value of the oil and gas produced from public lands exceeded \$5.2 billion in 1999.
- In 2001, BLM expects to offer over 2,500 leases at more than 30 competitive lease sales. This should result in the issuance of approximately 2,200 leases. Industry demand is expected to remain high and may increase given the recent increases in oil prices.
- At the end of FY 1999, there were 128 producing coal leases, producing 348 million tons; there were also about 289,000 mining claims of record;
- Also, at the end of FY 1999, there were a total of 768 leases of other mineral resources (such as phosphate, potash, sodium, geothermal and trona);
- And last year, the BLM managed the disposal of over 15 million cubic yards of sand, gravel and other mineral materials.

With filing of applications for permits to drill for oil, natural gas and coalbed methane increasing rapidly, revenues from activities on Federal lands are projected to increase substantially.

Within the minerals division, we have continued to focus on programs and activities that best serve the public interest while maintaining a balanced approach to the management of public lands. Allow me to highlight several of those areas:

National Environmental Policy Act (NEPA) and Land Use Planning Documents

Over the past two decades, the magnitude and complexity of resource issues relating to management of public lands have grown at a rate far exceeding the BLM's ability to resolve associated land use conflicts. We have found that many of our land use plans and associated NEPA documents are out-of-date, not reflecting current natural resource and/or socio-economic conditions, not keeping pace with changes in cumulative impact analysis, and not addressing new environmental standards. In response, BLM has begun to aggressively update its planning base.

Within the oil and gas program, the BLM is experiencing significant growth in gas drilling. Much of this expansion is due to the current interest in coalbed methane in Wyoming, Montana, New Mexico, Colorado and Utah. Interest has increased so dramatically that the recently completed Wyodak Environmental Impact Statement (EIS) is no longer sufficient; and without additional NEPA and related planning work for oil and gas activities, BLM cannot issue permits for this expected level of development. To assess the impact of coalbed methane development and conventional oil and gas development in the Powder River Basin, the BLM is planning to prepare an EIS for the entire Powder River Basin. We are hopeful that these planning efforts will facilitate environmentally-sound and efficient resource development on the public lands.

Revitalization of Inspection and Enforcement (I&E)

The I&E program for oil and gas activities is one of the most critical in the Bureau where the potential for fraud and abuse is very high. Program objectives are to protect the environment, public health, and public safety; to ensure that the public's oil and gas resources are properly developed in a manner that maximizes recovery while minimizing waste; and to ensure the proper accounting of production from Federal and Indian lands. Mishandling of production from Federal and Indian leases can result in significant underpayment of royalties, and environmental degradation from oil and gas operations has the potential to cause serious impacts that will last for generations. To combat these potential harms, the BLM is committed to focusing more on accountability as well as verification for royalty production.

I&E program responsibility includes inspection of oil and gas operations to determine compliance with applicable statutes, regulations, Onshore Operating Orders, Notices to Lessees (NTLs), lease terms and permit conditions of approval pertaining to drilling, production, well plugging and abandonment, and other requirements related to lease administration. The BLM's inspectors have broad responsibilities and authority with respect to protection of the environment and public, proper disposition of production, accurate reporting of production and adequate lease site security. When inspectors identify noncompliance they initiate enforcement actions to ensure compliance, e.g., issuing notices of violations, imposing assessments or civil penalties, ordering a shut-down of operations, and possible lease cancellation.

Under this revitalization initiative, our goals are to increase management and oversight of the program to ensure inspections are conducted uniformly and in accordance with established procedures; ensure our I&E staff maintains a current level of knowledge and skills and keeps abreast of current policies and technologies to ensure high quality inspections; and increase resources to conduct an ample inspections to ensure compliance.

Ensuring Orderly Development of Coalbed Methane

In order to ensure orderly development of coalbed methane, the BLM has worked diligently with Congress and industry to process and approve the influx of APDs. Additionally, we have also issued a policy to that provides guidance to our State Offices when there is a conflict between oil and gas lessees who produce or want to produce CBM from coal that is expected to be mined by a coal lessee.

Our policy strongly encourages agreements between the coal and oil and gas lessees as a first step. However, absent such agreements, we will use our existing authority under current laws and regulations in conjunction with lease provisions to optimize recovery of both resources. We appreciate the Members' assistance in addressing the many issues surrounding this new resource.

Idle/Orphan Well Initiative

Another initiative the BLM is diligently working on is a review of our idle (or inactive) well program. Our records show there are approximately 12,000 shut-in and temporarily abandoned wells on lands under BLM supervision. About 80 percent of these inactive wells are in New

Mexico, Wyoming and California and over 30% of those wells have been inactive for over 10 years. The purpose of our review is threefold: 1. to validate the reason for a well being shut-in or temporarily abandoned; 2. to ensure that a shut-in or temporarily abandoned well is in sound condition; and 3. to ensure that there is adequate bond coverage to protect the public interest.

This initiative is particularly important in light of the increase in APDs to our Wyoming offices. We anticipate a large number of coalbed methane wells will be drilled in the Powder River Basin and in other coalbed methane basins across the U.S. By focusing on this issue now, we will be prepared to carefully monitor, control and appropriately bond oil and gas operators to ensure accountability for their production activities and provide for public safety. BLM has established the Idle Well Working Group to address these issues and we expect to work towards implementing an action plan later this year.

As I am sure you are aware, the principal mission of the BLM is to sustain the health, diversity and productivity of the public lands for the use and enjoyment of present and future generations.

As we continue to pursue measures which increase efficiencies as well as promote environmentally sound recovery of mineral resources, we will continue to work with members of this subcommittee, the public, states and industry to improve the BLM's programs. This concludes my statement. I will be pleased to answer questions.

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