

**Statement
Of
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Before the
House Resources Committee
Subcommittee on Energy and Mineral Resources
Oversight Hearing on the FY 2006 Energy and Minerals Budget Request
of the Bureau of Land Management**

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the Fiscal Year (FY) 2006 President's Budget request for the Energy and Minerals programs administered by the Bureau of Land Management (BLM). I am accompanied by Mike Ferguson, the BLM's Budget Officer, and Tom Lonnie, the BLM's Assistant Director for Minerals, Realty and Resource Protection.

The BLM manages over 261 million acres of public land, primarily in the western United States, and over 700 million acres of Federally-owned subsurface mineral estate. Our mandate from the Congress is to manage the public lands for multiple uses and to sustain the health, diversity and productivity of these lands for the use and enjoyment of present and future generations.

The range of activities on the public lands managed by the BLM is as diverse as the land itself. Commercial uses, such as oil and gas production, mineral development, livestock grazing, and timber harvest coexist with various other uses, such as recreation, and cultural and historic preservation. Congress also designated certain public lands to be managed for particular uses, such as wilderness and National Conservation Areas. Federal onshore and Tribal lands provide almost 40 percent of the Nation's coal reserves, eleven percent of the Nation's natural gas, and five percent of the Nation's oil. Nationally, 51 percent of the electricity generated comes from coal. Almost half the coal production in FY 2004 in the United States was mined from Federal lands, and this production has increased by 30 percent in the last five years. The public lands also support an increasing amount of alternative energy, such as wind, solar, and geothermal energy.

All of our public lands are managed under a multiple-use concept. Responsible stewardship of the public lands means the BLM must balance multiple and potentially conflicting uses, including increased demands for recreation, grazing, and energy production. The BLM's multiple-use mission also means that we manage the public rangelands, forests, and woodlands to provide healthy, functioning ecosystems that provide habitat for species ranging from elk to sage-grouse. Additionally, the BLM provides important public services such as wildfire management and enforcement of Federal laws on the public lands.

The challenges and opportunities of this complex mission are made greater by the burgeoning populations in many parts of the West. The increasing population and changing demographics of the West are also changing the ways in which Americans use the public lands. In efforts to build consensus concerning how the public lands should be used, we have cultivated a community-based, citizen-centered approach to decision-making. Recent internal and regulatory changes formally recognize the participation of state, local, and Tribal governments in cooperative planning for the use of the public lands. This change affirms that the lands administered by the BLM belong to the public and are managed in partnership with the public to serve public needs and interests.

We all are aware that the demand for energy in this country has outstripped domestic energy production. Although domestic energy production has doubled in the past 50 years, an increasing population has resulted in higher demand for energy. Each year we are more dependent on foreign sources of energy.

We must find a way to reduce our energy consumption and increase our domestic energy production. Further, our energy production needs to be secure, affordable, and environmentally-sound.

The President's National Energy Policy was developed to reduce the gap between energy consumption and domestic energy production. It is a comprehensive, long-term strategy that will reduce dependence on foreign energy and provide for energy security through increasing conservation, modernizing and expanding our aging energy infrastructure, diversifying energy supplies and improving environmental protection. The BLM plays a major role in the implementation of the National Energy Policy by authorizing coal and oil and gas production on public lands, authorizing renewable energy projects on public lands, and authorizing additional energy transportation systems. We are proud of our progress in implementing the National Energy Policy. For example, in FY 2004, we processed a record number of Applications for Permits to Drill (APDs), made progress in reducing the backlog of pending applications, and held a record number of coal lease sales. We have also issued a record number of oil and gas rights-of-way.

Our multiple-use mandate guides us in the development of the energy resources of the Federal lands. We can meet the goals of the President's National Energy Policy in a responsible manner while also protecting the environment and managing for multiple use. This is a tall order, but one that the BLM continually meets with the help of local communities and the constituents the BLM serves.

Secretary Norton requested that we consider the following in the development of the FY 2006 President's Budget request for the BLM:

- The power of partnerships to leverage resources and achieve results;
- The imperative of fiscal restraint to maintain a dynamic economy;
- The need for investments that will help the Department work smarter, more efficiently, and more effectively; and
- The importance of funding activities linked to core Departmental responsibilities.

With this direction from Secretary Norton, the BLM identified the following four emphasis areas that establish the BLM's priorities for FY 2006:

- We will contribute to the Nation's energy supply consistent with the President's National Energy Policy;
- We will improve dispersed recreation opportunities;
- We will manage rangelands and forests to achieve healthy and productive watersheds; and
- We will protect and preserve heritage and cultural resources.

These four priorities recognize the contribution of the BLM to the sustainability of the Nation's energy supply and the importance of managing the public lands in a manner that supports healthy environments. These priorities also ensure that the BLM continues to play a significant role in cooperating with local communities and citizens to meet the challenges described above, and most importantly, enhancing the quality of life for all citizens through a balanced stewardship of the public lands.

FY 2006 BLM Energy and Minerals Budget Overview

The FY 2006 budget request proposes funding for the BLM's Energy and Minerals programs at \$117.6 million, or \$9.1 million above the FY 2005 enacted level. If enacted, this would represent a 53% increase in program funding since FY 2001. These programs are included in the BLM's Management of Lands and Resources Appropriation.

Revenues: Activities on BLM-managed public lands generate significant revenue for the Federal government and for county and State governments. These revenues support activities and services vital

to Western communities. In FY 2006, activities on the Federal lands will generate \$5.0 billion in revenue. Of that amount, receipts from the BLM's onshore leasing activities, including bonuses, rents, and royalties collected by the Minerals Management Service, will generate \$3.7 billion of the total revenue.

Oil and Gas Management: The FY 2006 President's Budget request maintains significant increases in funding for the Oil and Gas Management program that were appropriated in the past few years. Funding for the BLM's oil and gas program has increased from \$58.1 million in FY 2000 to \$87.4 million in FY 2005. The FY 2006 President's Budget request includes \$87.3 million in appropriated funds and \$9.7 million in cost recovery fees.

The Oil and Gas Management program is one of the major mineral leasing programs in the Federal government. The BLM administers over 45,000 oil and gas leases, of which 21,000 are currently producing. The BLM also administers 399 geothermal leases, of which 55 are producing. Domestic production from the 74,000 Federal and Indian onshore oil and gas wells accounts for eleven percent of the Nation's natural gas and five percent of the Nation's oil, with a sales value exceeding \$15.4 billion in FY 2004. In addition to the Federal onshore leases, the BLM supervises operational activities on 3,700 Indian oil and gas leases.

The processing of APDs, and offering parcels of Federal land for oil and gas leasing, will continue to be a major emphasis in FY 2006. In FY 2005 and FY 2006, the BLM expects a continued high demand for natural gas drilling permits, especially in the Powder River Basin of Wyoming and Montana, the San Juan Basin in New Mexico and Colorado, and the Uinta/Piceance basins in Colorado and Utah. In addition, recent discoveries in the Greater Green River Basin in southwestern Wyoming and northwestern Colorado will result in additional demands for drilling permits in these areas.

Keeping pace with the demand for new APDs is a priority for the BLM, as is eliminating the backlog of older pending APDs and continuing to perform the required inspections and monitoring. Increased funding provided by Congress and management improvements have enabled the BLM to make significant progress in responding to demand, and will continue to do so in 2005 and 2006. In FY 2004, the BLM processed 7,351 APDs, approving 6,452. In FY 2005, BLM expects to process 7,400 APDs, approve 6,550 APDs, and expects to process another 7,900 APDs leading to the approval of an estimated 6,800 APDs in FY 2006. The BLM has made dozens of internal improvements to be able to more efficiently process this volume of permits, reducing the number of APDs pending over 60 days by 20 percent last year. By the end of FY 2006, the BLM plans to substantially reduce the inventory of APDs pending for more than 60 days.

Much of the increase in natural gas production from Federal lands will come from coal bed natural gas. The BLM will continue to work with State, Federal and Tribal governments, and surface owners, environmental groups, and industry to address the demand of coal bed natural gas in an environmentally-sensitive manner.

Along with processing APDs, in FY 2006 the BLM will also continue its program of inspecting oil and gas operations, which is critical to ensuring the proper payment of royalties and necessary environmental protection. BLM inspectors performed almost 19,000 inspections in 2004 to ensure compliance with permit stipulations, thus protecting the environment and human health and safety, and ensuring the proper accounting of production from Federal and Indian lands. BLM finds that most oil and gas operators diligently comply with lease stipulations and operate effective, environmentally-sound exploration and development facilities.

In FY 2006, the BLM will continue leasing, exploration and development activities in the National Petroleum Reserve-Alaska (NPR-A), an area of more than 23 million acres in the northwest corner of the state. Development of these oil and gas resources is an important component of the President's National Energy Policy. The first significant commercial oil production from the NPR-A is expected as early as 2008. The BLM will also participate in the inter-agency effort for approval of the Alaska Natural Gas

Pipeline. In October 2004, the President signed into law legislation that greatly enhances the prospects for approval of the Alaska Natural Gas Pipeline, which will provide enhanced access to the natural gas supplies on the North Slope of Alaska.

Renewable Energy Issues: To achieve the goals of the President's National Energy Policy, the BLM is facilitating the development of renewable energy – especially geothermal, wind, biomass, and solar – as part of a strategy to diversify domestic energy supplies and meet the Nation's future energy needs. The overall demand for energy and the requirement by some Western states that energy companies generate a certain portion of electricity from renewable energy sources has created a renewed interest in Federal renewable energy resources. Although renewable energy resources comprise a relatively small percentage of the Nation's total energy portfolio, interest in these resources is growing, and these resources can make a larger contribution to our energy supplies in the future. Congress provided an increase in appropriations of \$300,000 in FY 2004 and \$250,000 in FY 2005 for renewable energy projects. These increases are retained in the FY 2006 President's Budget request for the renewable energy program to continue efforts in this area.

The Department of the Interior and Department of Energy continue to assess the potential for renewable energy development on public lands, as a continuation of the 2003 report *Assessing the Potential for Renewable Energy on Public Lands*. The Department of the Interior has appointed a renewable energy ombudsman to track renewable energy actions and serve as a clearinghouse for information on renewable energy projects.

The BLM currently administers 55 active geothermal leases that allow the operation of 34 geothermal power plants with a total capacity of 1,275 mega watts. These plants supply electricity to more than 1.2 million homes. A recent study completed with the Department of Energy's Energy Efficiency and Renewable Energy Office identified BLM-managed lands suitable for geothermal energy development. The BLM is incorporating this information into land use plans for these areas, with the goal of reducing impediments to leasing lands for geothermal development.

Since 2001, the BLM issued a total of 63 wind energy testing and production authorizations, compared to 9 authorizations throughout the previous four years. In cooperation with the Department of Energy's Argonne National Laboratory, the BLM is completing a final Programmatic Environmental Impact Statement that will address and expedite the future development of wind-energy on BLM-managed public lands in the Western United States.

In October 2004, the BLM issued a solar energy development policy to provide guidance for the authorization of solar energy projects on BLM-managed public lands and encourage the use of solar energy at BLM facilities.

Biomass: The BLM is implementing a biomass utilization strategy for increasing the utilization of biomass from BLM-managed public lands. BLM is also working with the Departments of Agriculture and Energy and the National Association of Conservation Districts to increase the public understanding of the benefits of using wood and other plant materials to generate energy while reducing the risk of catastrophic fires. In the FY 2003 Omnibus Appropriation Act, Congress granted BLM the authority for stewardship contracting to achieve land management goals that meet local and rural community needs, including hazardous fuels reduction. A by-product of these projects is woody materials. The Department is working to encourage energy generation and other energy-related uses from the woody biomass.

Coal Leasing Program: The FY 2006 President's Budget Request maintains funding increases provided in FY 2002 and FY 2003 for the BLM's coal leasing program. In FY 2005, the BLM also plans to revise the current cost recovery regulations for this program. Federal coal production has increased more than 20 percent in the last five years. In FY 2004, 511 million tons (47 percent of the total estimated U.S. coal production), was mined from these coal leases, generating \$417.6 million in royalties.

Funding increases of \$1.0 million in FY 2002 and \$500,000 in FY 2003 allowed the BLM to process an increased number of coal lease applications. Given the time it takes to evaluate the environmental impacts and process the applications, the funding increases in FY 2002 and FY 2003 resulted in the BLM conducting eight successful lease sales in FY 2004, a record number of sales. These lease sales contained over 1.0 billion tons of coal and generated bonus bids of \$893.9 million. To date in FY 2005, the BLM has held five successful coal lease sales, containing another 1.0 billion tons of coal and generating bonus bids of \$812.9 million.

Minerals Program: Federal lands are the source of important mineral resources for the Nation, including potassium, phosphorus, sodium, potash, lead, zinc, sand, and gravel. Production of leasable minerals from Federal lands such as phosphate, potash, sodium, and certain hard rock minerals with a market value of \$781 million generated \$38.9 million in revenues. The BLM will continue to issue use authorizations for exploration and extraction of mineral resources from the public lands. In addition, the BLM has recently solicited public comments on and is evaluating several requests for oil shale research and development projects on public lands.

Reflecting market demand for minerals mined under the authority of the 1872 Mining Law, the number of active claims has recently increased, following a gradual increase in the price of gold. New filings for mining claims are three times greater than in 2001, with 44,350 new mining claims filed in FY 2004. Funding for this program is offset by the annual maintenance fees for each mining claim and site. The BLM is implementing a nationwide system to track the processing of mining claim plans of operations. In FY 2006, the BLM will continue to manage 250,000 mining claims on the public lands to promote responsible use of the mineral resources.

Sage-grouse Initiative: In November 2004, the BLM released its national Sage-Grouse Habitat Conservation Strategy, which emphasizes partnership efforts to conserve the remaining sage-grouse habitat on BLM lands. This strategy consists of 48 actions under four goals that are intended to maintain, enhance, and restore sagebrush habitat while ensuring multiple use of the public lands. Under our strategy, agency biologists work closely with the BLM's Energy and Minerals programs in managing energy development activities to minimize the impact to sage-grouse habitat. This program will help minimize the threat to the species and thereby prevent restrictions on development.

The FY 2006 President's Budget request includes a request for an additional \$7.0 million for projects to conserve and restore sagebrush habitat, including a \$3.4 million increase for partnerships through the Challenge Cost Share program.

Cost Recovery: Cost recovery is an important element of the President's FY 2006 Budget Request. The BLM plans to finalize energy and mineral regulations in FY 2005 that will require applicants to pay more of the costs for processing documents associated with oil and gas lease transactions, APDs, coal lease applications, and approvals of pre- and post-lease actions for both coal and other leaseable minerals. In FY 2004, the BLM collected \$640,000, and expects to recover \$10.8 million in FY 2006 under the final regulations. These cost recoveries will align BLM's Energy and Minerals program with the Department of Interior's Office of Inspector General recommendations directing the BLM to implement cost recovery for this program.

Cost recovery funds will be spent on labor and other costs associated with processing oil and gas and mineral leases and permits. By directing cost recovery fees to the offices that are processing applications, the BLM will be able to respond more efficiently to changes in demand for processing applications, thereby increasing capacity in the areas of greatest demand.

Right-of-way regulations in place since 1987 allow the BLM to collect fees to recover the costs the BLM incurs in processing grants for rights-of-way on the public lands, including those for energy transportation, such as electric transmission lines and oil and gas pipelines that transmit energy off of the leases. In FY 2004, the BLM collected \$7.5 million in these fees. The BLM plans to finalize regulations later this spring

that update the fees established in 1987, which will result in the collection of a total of \$12.5 million in FY 2006. The new right-of-way regulations will include provisions designed to improve customer service, and will greatly enhance the BLM's ability to process rights-of-way applications and grants.

Conclusion

In FY 2006 and in future years, we expect to see a continuation of the unprecedented demand for energy and minerals leases and permits. This access to the development of oil, natural gas, oil shale, coal bed natural gas, coal and renewable energy will help the nation meet its goals for secure and diverse energy sources. The BLM plans to meet this unprecedented demand, building on past appropriations increases, applying new cost recoveries and developing program innovations that improve effectiveness and reduce cost.

The President's FY 2006 Budget Request will further enhance the BLM's ability to respond to the demand for coal, oil and natural gas, and other minerals. It includes funds for new projects, and studies such as the wind energy Environmental Impact Statement, which will position the BLM to respond to increasing demand for renewable energy sources in future years, while meeting the other goals of our multiple use mandate.

Thank you for the opportunity to testify today about the President's Budget Request for FY 2006. I would be happy to answer any questions you have.