

**STATEMENT OF
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**HOUSE RESOURCES SUBCOMMITTEE ON ENERGY & MINERAL RESOURCES
OVERSIGHT HEARING ON FY 2003 ENERGY AND MINERALS BUDGETS OF BLM AND FS
February 14, 2002**

Madam Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the Fiscal Year 2003 budget request for energy and minerals programs administered by the Bureau of Land Management (BLM). I am accompanied by Larry Benna, BLM's Budget Officer, and Erick Kaarlela, BLM's National Energy Office Director.

National Energy Policy Implementation

The subject of this hearing is of great importance as the BLM works to fulfill its critical responsibilities in implementing the President's National Energy Policy. That policy identifies a major role for public lands and resources in meeting our nation's increasing energy needs. The BLM is a primary player in implementing the President's National Energy Policy goals of modernizing our energy infrastructure, increasing our energy supplies, and protecting the environment. The BLM also plays a major role in supporting the Secretary of the Interior's Indian Trust responsibilities as they relate to energy.

The Bureau is focusing its efforts on increasing domestic production of traditional energy resources, such as oil and gas and coal, as well as expanding our emphasis on development of renewable energy sources, such as geothermal, hydropower, wind, solar, and biomass. The BLM is currently working on more than 40 energy actions to implement the President's National Energy Policy. Taken together, these actions will help provide both short-term and long-term solutions to increasing energy supplies while protecting our natural environment.

Background on BLM's Energy & Minerals Programs

Today, the BLM manages the resources on about 262 million acres of public land, and more than 700 million acres of Federally-owned subsurface mineral estate. These energy and mineral resources are an important asset to the Nation, and generate the highest revenues of any of the uses of the public lands. In 2001, energy and minerals development generated \$2.2 billion through royalties, rents, bonuses, sales, and fees. The public lands produce 35 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's mineral materials, such as sand, gravel and stone. In 2001, the BLM administered 311 coal leases and over 50,000 oil and gas leases, of which approximately 21,000 oil and gas leases were producing. Federal geothermal resources produced over \$20 million of revenue and generated 630 megawatts of electric power last year. The public lands are also currently being used to produce energy from other renewable resources, such as wind and hydropower.

BLM's Proposed FY 2003 Energy & Minerals Budget

The President's 2003 budget proposes \$1.9 billion for the BLM, including \$63 million for the government-wide legislative proposal to shift to agencies the full cost of the CSRS pension system and the Federal Employee Health Benefits Program for current employees. Without the legislative proposal, the 2003 BLM request totals \$1.8 billion. The BLM is requesting \$10.2 million in additional funds for the energy and mineral programs it manages. The BLM's 2003 energy and minerals budget request provides increased funding for environmentally-responsible resource production, including oil and gas on the North Slope of Alaska; coalbed methane development; implementation of the Energy Policy and Conservation Act (EPCA) study; right-of-way processing; development of renewable energy resources; and the

Department's Indian Trust-related responsibilities. It also supports continued mining law administration, as well as coal development and other mineral resource production. The BLM's 2003 budget request also includes an additional \$3 million to update high priority land use plans critical to meeting the nation's energy and mineral needs.

Oil & Gas / Coalbed Methane – Oil and gas operations on Federal and Indian lands generate more than \$500 million in royalties each year, and in 2000, the Federal lands produced over 108 million barrels of oil and over 2.1 trillion cubic feet of natural gas. Consistent with the President's National Energy Policy, the BLM is enhancing its oil and gas inspection and enforcement capabilities to ensure that the public resources are protected, and an additional \$1.5 million has been requested for these programs for 2003.

Because of industry's interest in natural gas development, including coalbed methane, the BLM continues to experience a significant increase in requests for oil and gas leases and subsequently in drilling permit filings. In 2003, the BLM is requesting an additional \$496,000 to identify ways to expedite the process of approving drilling permits, with an emphasis on coalbed methane development; review Bureau policies and practices to facilitate development of coal and coalbed methane in areas of development conflict; and continue the development and implementation of common reclamation standards for oil and gas leases.

Coal – Coal provides the base fuel for approximately 56 percent of the electricity generated in the United States today. Of all the coal consumed for electric generation in the United States, approximately one-third is mined from Federal land through coal leases issued by the BLM – much of which originates in the Powder River Basin in Wyoming and Montana.

With \$500,000 in additional funding for coal programs, the Bureau will work to implement the President's National Energy Policy. With this funding, the BLM will process four additional post-leasing actions. The BLM will also review current procedures, work to more effectively resolve the conflicts between coalbed methane and coal development, expedite the processing of coal lease applications, and, if warranted, revise royalty rate guidelines.

Renewable Resources – The BLM currently administers 55 producing geothermal leases that generated over \$20 million in revenues in FY 2001. An additional \$350,000 in geothermal funding will be used in 2003 to support the National Energy Policy by working with users to define development barriers and identify opportunities for streamlining the geothermal application process and making additional lands available for geothermal leasing.

The BLM will also support the development of other renewable energy resources – including solar, wind, hydropower, and biomass – from the public lands in 2003. An additional \$300,000 will be used to address hydropower relicensing projects, while another \$100,000 will be directed to activities related to wind energy development that will be addressed through cooperation with the Department of Energy's Renewable Energy Laboratory.

Rights-of-Way – Addressing national energy needs includes providing a means for transportation and transmission of energy supplies. The BLM issues approximately 6,000 right-of-way (ROW) actions each year, including 2,700 ROW grants and amendments. Currently, the BLM has a backlog of about 1,700 ROW applications, of which about 1,000 are needed to support energy development. Because of increased energy demand, the need for energy-related ROWs also will increase. An additional \$1.6 million requested in 2003 would be used, in part, to reduce the energy ROW backlog by 40 percent by processing 400 more energy applications.

Alaska's North Slope – The North Slope of Alaska is the nation's best prospect for substantial new oil and gas production, and the Bureau is working on 10 National Energy Policy actions that are specific to oil and gas development and production in that area. In the National Petroleum Reserve-Alaska (NPR-A), the BLM offered leases in 1999 that generated \$104 million in bids. Exploration in NPR-A is pioneering new technologies that minimize environmental impacts, and represent the cleanest operations in the

world. In 2001, industry announced a major new discovery in the area that could be the largest in the United States in the last ten years. The BLM is continuing to pursue a biennial leasing strategy in the Northeast sector of NPR-A. The BLM also is pursuing the expansion of the area offered for lease to include the Northwest sector of NPR-A, and anticipates the completion of the Northwest NPR-A plan and EIS in 2003 and a first sale in 2004.

An additional \$3 million is included in the 2003 budget to address the pre-planning requirements and the coordination required between all involved agencies for leasing and development in NPR-A. Funds would cover new inspection and enforcement work, drilling permit processing, and BLM's partnership obligations with the Minerals Management Service. Additionally, these funds would cover monitoring of exploration activities, and protecting environmental, wildlife and subsistence resources.

Also, if Congress passes legislation that authorizes the leasing of oil and gas in a portion of the Arctic National Wildlife Refuge (ANWR), the BLM would be responsible for conducting lease sales and oversight of exploration and development. If legislation does not provide that existing NEPA analyses are sufficient, the BLM will work in coordination with the Fish and Wildlife Service to prepare a land activity plan and an accompanying Environmental Impact Statement (EIS). The BLM will be responsible for preparing operating and leasing regulations; developing stipulations to mitigate impacts; and conducting a tract delineation to determine the appropriate configuration for the lease sale.

Energy Policy & Conservation Act (EPCA) Study – The Energy Policy and Conservation Act Reauthorization of 2000 requires an inventory be completed of all onshore oil and gas reserves and any restrictions or impediments to the development of those resources. The BLM, as lead agency of the EPCA study, is working closely with the Department of Energy, Forest Service, and U.S. Geological Survey to expedite the EPCA study in support of the National Energy Policy. The initial study focuses on five priority areas within the Rocky Mountains, and is expected to be completed by the end of April 2002. Once this initial study is completed, the BLM will initiate studies of other areas. The results of these studies will provide the Bureau with a better basis to ensure timely planning on Federal lands, allowing for the development of oil and gas resources with minimal restrictions while providing for sound environmental protection.

Indian Trust Responsibilities – As part of its Indian Trust responsibility, the BLM provides energy and minerals technical assistance to individual Indians and Tribes by conducting mineral resource evaluations; approving drilling permits, mining plans, and production plans; inspecting operations; and enforcing conditions of approval. An additional \$150,000 in funding is included in the FY 2003 budget to address coal technical assistance, and an additional \$750,000 is included for oil and gas activities to carry out the National Energy Policy.

Conclusion

Madam Chairman, as you can see, the BLM anticipates a busy and productive Fiscal Year 2003 for its energy and minerals programs. As we continue to promote the environmentally-sound recovery of the nation's mineral resources and boost renewable energy development on our public lands, we will continue to work with Members of this Subcommittee, as well as the public, states and industry. Thank you for the opportunity to testify before you today. I welcome any questions the Subcommittee may have.