Statement of
Robert V. Abbey, Director
Bureau of Land Management
U.S. Department of the Interior

Before the
Subcommittee on Energy and Power,
House Committee on Energy and Commerce

March 28, 2012

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Department of the Interior's role in the Administration's plan for our domestic energy future. I am Bob Abbey, Director of the Bureau of Land Management.

We understand that the Subcommittee is considering a discussion draft of legislation intended to link oil and gas leasing on federal lands to the authorization by the President of a drawdown of the Strategic Petroleum Reserve. While we defer to the Department of Energy, which is the lead agency on this issue, for a position on the legislation, we would note that the planning and leasing processes currently in place at the Department of the Interior are already contributing to a broad energy strategy that is protecting consumers and reducing our dependence on foreign oil.

On the Right Path to Energy Security

We know that prices at the pump, which are driven largely by increased oil prices in the global market, are too high. But we also know that there is no silver bullet to bring down that price. This is why the President, and the Department, has continued to promote and implement an all-of-the-above approach to American energy.

The President's call for this sustained, all-of-the-above approach to our domestic energy policies means not only increasing the efficiency of our cars and trucks, but also investing in advanced technologies and alternative fuels and energy generation, as well as expanding the responsible production of our domestic oil and gas supplies. The Department of the Interior is doing its part to respond to the President's call.

To encourage energy production, the Administration is taking a series of common sense steps as part of the Administration's overall *Blueprint for a Secure Energy Future*, a broad effort to reduce our dependence on foreign oil by producing more oil and natural gas at home and using cleaner, alternative fuels and improving our energy efficiency.

Specifically with regard to domestic hydrocarbon production, the President has made clear that he wants us to continue to produce more oil and natural gas here at home. And while this alone is not a solution to high gas prices, it will help reduce domestic reliance on foreign oil.

Before discussing the specifics of the Department's onshore and offshore energy programs, let's first look at the facts:

- In 2011, American oil production reached the highest level in nearly a decade and natural gas production reached an all-time high;
- When President Obama took office, America imported 11 million barrels of oil a day. Since that time, our dependence on foreign oil has gone down every year, with a cut in net imports of ten percent – or a million barrels a day – in the last year alone. This is in response to booming domestic oil and gas production, more efficient cars and trucks, and increased use of non-petroleum liquid fuels;
- The fuel efficiency of the cars and trucks we drive will nearly double – to 55 miles per gallon – by 2025, thanks to new fuel economy standards announced last year, standards that will also reduce oil imports;
- Total federal oil production (offshore and onshore) has increased by 13 percent during the first three years of the Obama Administration combined, compared with the last three years of the previous administration. Each of the three years from 2009-2011 was higher than any year from 2006-2008; and
- Total natural gas production from public lands *(onshore)* has increased by 6 percent during the first three years of the Obama Administration combined, compared with the last three years of the previous administration.
- It's also important for companies to use the leases they currently have. Onshore, there are now over 38 million acres under lease for oil and gas, but less than one third –about 32 percent – of that acreage is currently in production. Companies also continue to hold thousands of approved but unused permits to drill on our public lands. Offshore, in 2011 industry had leased nearly 38 million acres, but operators were actively exploring or developing on just over 10 million of those acres.

While production levels fluctuate from year-to-year based on market conditions and industry decisions, a recently published Energy Information Administration report confirms that this Administration has overseen an overall expansion of production on federal lands and waters as part of the nationwide rise in production levels even when taking into account the impact of the *Deepwater Horizon* oil spill in the Gulf of Mexico in 2010.

Energy Development at the Department of the Interior
The Department and its bureaus play an important role in advancing domestic energy production. America's public lands and federal waters provide resources that are critical to the Nation's energy security. At the Department we are expanding development of cleaner sources of energy, including renewables like wind, solar, and geothermal, as well as natural gas on public lands. The Administration is also working to facilitate the development of advanced coal technologies. But domestic oil and gas production remain critical to our energy supply and to reducing our dependence on foreign oil.

Their development enhances our energy security and fuels our Nation's economy. Recognizing that America's oil supplies are limited, we must develop our domestic resources safely, responsibly, and efficiently, while at the same time taking steps that will ultimately lessen our reliance on oil. We are also taking steps both onshore and offshore to encourage industry to develop the thousands of leases and permits it already has but that are currently sitting idle.

<u>Energy Development on Public Lands</u>
The BLM is responsible for managing our National System of Public Lands, which are located primarily in 12 western States, including Alaska. The BLM administers over 245 million surface acres, more than any other federal agency, and approximately 700 million acres of onshore subsurface mineral estate throughout the Nation.

The BLM's management of public land resources and protection of public land values results in extraordinary economic benefits to local communities and to the Nation, helping to contribute more than $120 billion annually to the national economy and supporting more than 550,000 American full and part-time jobs according to the Department of the Interior Economic Contributions report of June 21, 2011. Energy and mineral resources generate the highest revenue values of any uses of the public lands from royalties, rents, bonuses, sales and fees.

These benefits are not only economic, but also contribute substantially to America's energy security. During calendar year 2011, the BLM held 32 onshore oil and gas lease sales, offering 1,755 parcels of land covering nearly 4.4 million acres. Nearly three-quarters (1,296) of those parcels were leased, generating about $256 million in revenue. Onshore mineral leasing revenues are estimated to be $4.4 billion in 2013. The 2011 lease sale revenues are 20 percent higher than those in calendar year 2010, following a strong year in which leasing reform helped to lower protests and increase revenue from onshore oil and gas lease sales on public lands. This strong record is expected to continue in 2012 with over 30 planned lease sales.

Industry nominations are the first step in BLM's leasing process. After evaluating the parcels, BLM may offer them at auction, and successful bidders can then apply to drill for oil and gas. The BLM has recently seen a 50 percent jump in industry proposals to lease for oil and gas exploration, with oil and gas companies nominating nearly 4.5 million acres of public minerals for leasing in 2011. This is up from just under 3 million acres in the previous year.

Interior is moving aggressively to put the President's energy strategy, *Blueprint for a Secure Energy Future*, into action and expand secure energy supplies for the Nation – a strategy that includes an all-of-the-above approach, including the responsible development of both conventional and renewable energy sources on the public lands. The President's *Blueprint* recognizes the economic potential of renewable energy development. The economic benefits could be particularly significant in America's remote and rural places near public lands. The Department's 2010 estimates identified nearly $5.5 billion in economic benefits associated with renewable energy activities, a growing economic sector that supports high paying jobs.

Under Secretary Salazar, BLM has approved permits for 29 commercial-scale renewable energy projects on public lands or the transmission associated with them since 2009. This includes 16 solar, five wind, and eight geothermal projects. Together, these projects represent more than 6,600 megawatts (MW) and 12,500 jobs, and when built will power about 1.3 million homes. In addition, the Department has identified more than 3,000 miles of transmission lines for expedited review. Enhanced development of wind power is a key component of our Nation's energy strategy for the future. There are currently 437 MW of installed wind power capacity on BLM-managed public lands, but there are 20 million acres of public lands with wind potential. Additionally, nearly half of U.S. geothermal energy production capacity is from Federal leases. The Administration's 2013 budget reflects a goal of permitting a total of 11,000 MW of clean renewable energy by the end of 2013.

Energy Development on the OCS

Expanding safe and responsible oil and gas production from the OCS is a key component of our comprehensive energy *Blueprint*, and will help us continue to reduce our dependence on foreign oil and create jobs here at home.

Following the *Deepwater Horizon* explosion and oil spill, the Administration has been implementing the most aggressive and comprehensive reforms to offshore oil and gas regulation in U.S. history. The Minerals Management Service was restructured and the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement now work closely with each other to encourage the safe and responsible exploration and development of domestic oil, gas, and renewable energy resources on the Outer Continental Shelf, activities that support job growth and healthy local economies.

BOEM manages the Nation's offshore energy and mineral resources in a balanced way that promotes efficient and environmentally responsible energy development through oil and gas leasing, renewable energy development, and a commitment to rigorous, science-based environmental review and study. The bureau's functions include offshore leasing, resource evaluation, review and administration of oil and gas exploration and development plans, renewable energy development, National Environmental Policy Act analysis, and environmental studies. BSEE provides safety and environmental oversight of offshore oil and gas operations on the OCS, and this includes issuing drilling permits and managing the orderly development of the Nation's offshore oil and gas resources. BSEE continues to expand its capacity to maintain a robust and fair inspection and compliance program.

Production from these leases generates billions of dollars in revenue for the federal treasury and state governments while supporting thousands of jobs. In calendar year 2010, OCS leases produced 589.5 million barrels of oil and 2,300 billion cubic feet of natural gas, accounting for about 30 percent of domestic oil production and 10 percent of domestic natural gas production.

Required by the Outer Continental Shelf Lands Act, the Five-Year Oil and Gas Leasing Program is a key element in managing our offshore oil and gas assets. Under these statutory requirements, the Department prepares a long-range program that specifies the size, timing, and location of areas to be considered for federal offshore oil and gas leasing. BOEM cannot schedule a lease sale except under the process prescribed under OCSLA and other statues. BOEM works in consultation with stakeholders, including federal and state agencies, local communities, federally-recognized tribes, private industry, and the public, to develop a program that not only offers access to those areas of the OCS with the most promising potential for development of oil and natural gas resources, but also does so in an environmentally responsible manner.

Western Gulf of Mexico Lease Sale 218, held on December 14, 2011, was the last Western Gulf sale scheduled under the current Five-Year Program, and the first sale conducted after completion of a supplemental environmental impact statement that considered the effects of the *Deepwater Horizon* oil spill. That sale attracted $337,688,341 in high bids on 191 tracts comprising over a million acres. The sum of all bids received was over $700 million, and the total area made available for leasing was more than 21 million acres. BOEM has scheduled Consolidated Central GOM Sale 216/222, the final sale in the current Program, for June 20, 2012. That sale will make available nearly 38 million acres in an area of the Gulf estimated to contain close to 31 billion barrels of oil and 134 trillion cubic feet of natural gas that are undiscovered and technically recoverable.

While working to implement these sales, BOEM is also finalizing the next Five-Year Program, which will be in effect later this year. Issued in November 2011, the Proposed OCS Oil and Gas Leasing Program for 2012-2017 includes substantial acreage for lease in regions with known potential for oil and gas development, making areas containing more than 75 percent of undiscovered technically recoverable oil and gas resources estimated in federal OCS available for exploration and development. It also advances an innovative, regionally-tailored approach to offshore oil and gas leasing that will take into account the particular resource potential, environmental and social concerns, and infrastructure condition of each planning area. In sum, this Proposed Program both promotes responsible and expanded OCS development and is informed by lessons learned from the *Deepwater Horizon* tragedy and the reforms that we have implemented to make offshore drilling safer and more environmentally responsible.

The majority of lease sales are scheduled for areas in the Gulf of Mexico, where resource potential and interest is greatest and where infrastructure is most mature. But it also includes frontier areas, such as the Arctic, where we must proceed cautiously, safely, and based on the best science available. In Alaska and off its coast, the Proposed Program recommends that the current inventory of already-leased areas in the Arctic should be expanded only after additional evaluations have been completed, and in a manner that accounts for the Arctic's unique environmental resources and the social, cultural, and subsistence needs of Native Alaskan communities. BOEM is moving forward with planning under the Proposed Program, as reflected by the announcement this weekend that BOEM is inviting industry to express its interest in potential oil and gas leasing in the Cook Inlet Planning Area offshore of Southcentral Alaska.

While the proposed leasing program makes available the areas with the richest resources, BOEM is also evaluating the oil and gas potential of areas where drilling has not occurred in the recent past. We are moving forward with a strategy to evaluate the potential for oil and gas exploration off of the mid- and south- Atlantic. Although it is premature to schedule lease sales in those areas, BOEM will soon issue a draft Environmental Impact Statement relating to seismic activity in the mid- and south-Atlantic so that current, accurate data can be collected about the oil and gas potential in the region. BOEM is also actively engaged with the Department of Defense about the military's needs in these areas, interests which of course we all respect, as well as developing information about other potentially conflicting uses. These are all threshold issues that must be better understood to inform decisions about whether – and if so where – any oil and gas activity in the Atlantic should occur in the future, and BOEM is pursuing a strategy to develop that understanding.

BOEM has also established the regulatory framework for renewable energy leasing and development. On April 19, 2011, Secretary Salazar announced the approval of the Cape Wind Associates' Construction and Operations Plan (COP). The Secretary signed the Cape Wind lease in 2010, and it is the first offshore commercial wind lease in the United States. Recently, BOEM has taken a number of important steps towards additional lease sales in FY 2013 and beyond, including: developing a commercial lease form and conducting an analysis to determine auction formats; completing an environmental assessment to support leasing in wind energy areas off of four Mid-Atlantic states; and issuing Calls for Information and Nominations to gauge industry interest in areas including offshore Rhode Island, Massachusetts, New Jersey, Maryland and Virginia. BOEM also is moving forward with the review for a potential Mid-Atlantic Wind Energy Transmission Line, which would enable up to 7,000 megawatts of wind turbine capacity to be delivered to the electric grid.

Focusing on Production

As mentioned above, while the Department defers to the Department of Energy as to a position on this legislation, as discussed in this statement the planning and leasing processes currently being carried out by the Department's bureaus are contributing to a broad energy strategy that is protecting consumers and reducing our dependence on foreign oil.

Moreover, while we continue to offer additional new acreage for oil and gas development, industry now has more leased acreage than it is putting to productive use. Last year BLM held 32 onshore oil and gas lease sales, offering 1,755 parcels of land covering almost 4.4 million acres. Of those, 1,296 parcels, or nearly three-quarters of those offered, were purchased, generating about $256 million in revenue for the public. In 2010, the Department offered nearly 37 million acres on the OCS for lease, but industry leased just 2.4 million acres. And in 2011, a lease sale for the Western Gulf of Mexico made available more than 21 million acres, equal to an area the size of South Carolina, and just over 1 million acres received bids from industry.

As indicated above, there are now over 38 million onshore acres under lease for oil and gas, but less than one third, about 32 percent, of that acreage is in production, and companies continue to hold thousands of approved but unused permits to drill on our public lands. And in 2011 industry had almost 38 million offshore acres leased but operators were actively exploring or developing on just over 10 million of those acres.

For this reason, we do not support efforts to legislate prescribed percentage increases in federal acreage under oil and gas lease. While the Department can, and does, offer significant acreage in its lease sales, it is industry that makes the final decision whether or not to purchase a lease on any particular tract and, subsequently, whether and when to develop the resources on such lease.

In addition to offering significant acreage from which to lease, both onshore and offshore, the Department is also providing greater incentives for its lessees to make production from their leases a priority. These resources are important in creating jobs and reducing our dependence on fossil fuels and oil imports, and ensuring the diligent development of lands under lease should be a priority for Congress as well.

For example, offshore, BOEM lease terms now include a range of lease terms and drilling requirements to ensure that taxpayers receive fair value and encourage operators to undertake diligent development. These include recent changes to raise the minimum bid level from $37.50 per acre to $100 per acre in deepwater to focus industry on areas it intends to develop; imposing shortened primary lease terms, with the opportunity for additional years on a lease if the operator shows diligence in drilling under the lease; and providing for escalating rental rates to encourage faster exploration and development of leases.

And to encourage development both onshore and on the OCS, the Administration has proposed a per-acre fee on each nonproducing lease issued after enactment of the proposal. The $4-per-acre fee on non-producing leases would provide a financial incentive for oil and gas companies to either put their leases into production or relinquish them so that tracts can be re-leased and developed by new parties.

Conclusion

The Obama Administration and the Department of the Interior are working to secure our energy future by ensuring that our domestic oil and gas resources are safely and responsibly developed and that the potential for clean energy development on our public lands and waters is realized. We have taken a balanced approach, and it is an approach that works.

Again, thank you Mr. Chairman for giving me the opportunity to discuss the Department of the Interior's efforts to reduce our dependence on foreign oil and create jobs through the development of these important energy resources. I am happy to answer any questions that you or the Committee may have.