

**Statement of
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**Before the
House Energy and Commerce Committee
Subcommittee on Energy and Power**

***“The American Energy Initiative -- The Growing Differences for Energy Development on
Federal vs. non-Federal Land”***

August 2, 2012

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to discuss the role of the Bureau of Land Management (BLM) in the Administration’s efforts to facilitate responsible development of oil and gas resources from our nation’s public lands.

The BLM, an agency of the U.S. Department of the Interior (Department), is responsible for protecting the resources and managing the uses of our public lands, which are located primarily in 12 Western states, including Alaska. The BLM administers more land – over 245 million surface acres – than any other Federal agency. The BLM also manages approximately 700 million acres of onshore subsurface mineral estate throughout the Nation, and carries out the Secretary’s mineral operations on 56 million acres of Indian trust lands. We work closely with state governments and other Federal agencies in the management of this subsurface mineral estate. In addition to oil and gas production, the BLM’s unique multiple-use management of public lands also includes activities as varied as livestock grazing, outdoor recreation, solid mineral development, and the conservation of natural, historical, cultural, and other important resources.

Background

Secretary Salazar has emphasized that the development and production of conventional energy resources from BLM-managed public lands are an important component of the new energy frontier, and play a critical role in meeting the Nation’s energy needs. Facilitating the efficient, responsible development of domestic oil and gas resources is part of the Administration’s broad energy strategy that will help protect consumers and help reduce our dependence on foreign oil, and the BLM has taken a number of steps to fulfill this strategy.

The BLM currently manages nearly 37 million acres of onshore oil and gas leases. In FY 2011, over 117 million barrels of oil were produced from public and Indian lands. In addition, the nearly 3 trillion cubic feet of natural gas produced from public lands made 2011 the second-most productive year for natural gas production on record. Natural gas production on BLM lands increased by 6 percent during 2009-2011, compared with 2006-2008. In 2011, conventional energy development from public and Indian lands produced 14 percent of the Nation’s natural

gas, and 6 percent of its domestically produced oil. In Fiscal Year (FY) 2011, onshore Federal oil and gas production resulted in nearly \$2.9 billion in royalties, approximately half of which was paid directly to the states in which the development occurred.

Well-paying jobs are often associated with energy and mineral exploration and development. These jobs provide needed revenues and economic activity to communities. The BLM's management of energy and mineral resources results in extraordinary economic benefits to local communities and to the Nation, helping to contribute more than \$140 billion annually to the national economy and supporting more than 650,000 American jobs according to the Department of the Interior Economic Contributions report of July 9, 2012.

There are a number of differences in the way oil and gas development and production occurs on Federal lands, as compared to development and production on private or State mineral estate. The BLM manages public lands under a complex "multiple-use" mandate from Congress. By contrast, the standards on state or private lands are often different and may be focused more on a single use. The BLM considers a wide variety of factors in land management decisions, including industry interest, conservation values, protection of the environment, as well as other potential uses of the public lands, such as outdoor recreation. These lands and resources belong to the public and, as directed by law, the BLM places a high priority on requiring that energy leasing and development are conducted in an environmentally-sound manner while balancing other multiple uses and resource values.

In addition to the multiple uses of the public lands, the BLM complies with a variety of statutes that are not necessarily applicable to state or private lands, such as the National Environmental Policy Act (NEPA) and the National Historic Preservation Act. The NEPA process, in combination with the BLM land use planning process, provides important opportunities for the public to provide input concerning the management of these public resources.

Given the checkerboard ownership patterns of many public lands in the West, as well as the significant portfolio of split estate ownership, the BLM also must coordinate with other landowners and land managers. Of the 700 million acres of mineral estate managed by the BLM, 57 million acres are under surface acres that belong to private entities, and a significant number of acres are under surface managed by other Federal agencies. It is important that the BLM provide not only the public an opportunity to engage on these issues, but also neighboring landowners.

Multiple factors affect levels of production from Federal lands and the Federal mineral estate. Scale is one such factor. On public lands in the western United States, industry may propose one well or a large-scale development which may eventually lead to thousands of wells. If the BLM approves a proposed large-scale development, marked increases in production may occur in that area. For example, the BLM recently issued decisions for large oil and gas field developments in the Greater Natural Buttes and Gasco areas of northeastern Utah. These two projects open the way for thousands of new wells to be developed on public lands over the coming years, which will likely affect the pace and level of production in the region.

The geography of resource occurrence and the relative economic attractiveness of development (which can depend on numerous market forces and technological changes) are also key factors impacting discoveries and production levels on both Federal and non-Federal lands. For example, huge potential natural gas plays in the Marcellus, Fayetteville, Barnett, Niobrara and Bakken shale formations are attracting significant development interest. Industry might consider these gas resources attractive for a number of reasons. All of these geologic formations exist largely on state and private mineral estates, sometimes near populous markets, and do not underlie large expanses of Federally-managed lands in the West, which are also generally more gas-prone.

Given the current technology and industry interest in developing natural gas, these unconventional shale oil and gas formations, mostly on non-Federal mineral estate, are proving to be very productive, possibly impacting demand on Federal lands. Although the BLM has issued oil and gas leases that are still in effect on more than 37 million acres of public lands – comprising a large percentage of BLM acreage that could yield hydrocarbons – only about 12 million acres are in production.

Moving Forward

All these factors can have an effect on production numbers in a geographic area and across markets from year to year. However, much can and has been done to improve agency processes in managing oil and gas production on Federal lands. As part of the President's all-of-the-above energy strategy, the BLM is working on a variety of fronts to ensure that development occurs efficiently and responsibly – including implementing leasing reforms; implementing a new, automated tracking system designed to reduce the review period for drilling permits by two-thirds and expedite the sale and processing of Federal oil and gas leases; improving inspection, enforcement, and production accountability; reviewing hydraulic fracturing policies and practices; and carefully planning for development in the National Petroleum Reserve in Alaska (NPR-A).

Leasing Reforms

Oil and gas production from Federal lands begins with the acquisition of Federal oil and gas leases. Leasing reform is designed to provide greater predictability and certainty that those leases will ultimately be developed and produced. Prior to implementation of the Secretary's leasing reforms in 2010, 47 percent of lease parcels were protested, resulting in a backlog of pending parcels awaiting adjudication. The BLM invested vast amounts of staff time and attention in defending time-consuming and costly lawsuits and appeals, and revisiting the leasing process after receiving direction from the courts.

The leasing reforms implemented in 2010 provide more certainty to industry by enhancing the BLM's ability to resolve protests prior to lease sales. The agency is taking a front-loaded approach and is vetting parcels thoroughly prior to lease sales, including offering an increased opportunity for public participation and a more thorough environmental review process and documentation.

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 fewer than 3 million acres nominated in the previous year. The BLM's leasing reforms require adequate planning and analysis to identify potential areas where the leasing would not compromise the BLM's multiple-use land management mission, and include greater public participation, on site visits to potential lease tracts, and interdisciplinary review of available information. In 2011, lease protests fell below 36 percent, and the BLM believes that these reforms will result in fewer protests and therefore quicker approval in the future.

The Department held 32 onshore oil and gas lease sales during calendar year 2011, offering 1,755 parcels of land covering nearly 4.4 million acres. In total, 1,296 parcels of land were leased generating approximately \$256 million in revenue for American taxpayers – a nearly 20 percent increase in lease sale revenue over 2010 levels.

Automated Tracking Systems / Permitting

On April 3, 2012, at Fort Berthold in North Dakota, Secretary Salazar unveiled initiatives to expedite safe and responsible leasing and development of domestic energy resources on U.S. public and Indian trust lands. As part of the BLM's ongoing effort to ensure efficient processing of oil and gas permit applications on both Indian trust and Federal lands, the agency will implement a new automated tracking system that is expected to reduce the review period for drilling permits. The new system will track permit applications through the entire review process, quickly flagging missing or incomplete information, and reducing the back-and-forth between the BLM and industry applicants, which is currently needed to ensure that applications processed by the BLM are complete. This initiative comes as part of the Department's efforts to continually meet increased demands for oil and gas development on public and Indian lands across the country.

As the demand for drilling permits increases, the BLM is adjusting its staffing capabilities to provide for timely processing of industry applications for permits to drill (APD). The BLM processed approximately 5,200 such permits in Fiscal Year 2011. As of July 7, 2012, the BLM has received over 4,100 APDs (Federal and Indian lands), and has processed over 4,400 received and pending APDs (Federal and Indian lands). About 6,700 APDs on BLM and Indian lands have been approved by BLM, but not yet drilled by industry as of May 30, 2012.

Inspection, Enforcement, & Production Accountability

Of paramount importance to the BLM is a commitment to ensuring oil and gas production is carried out in an environmentally responsible manner. We continue to work to strengthen our oil and gas inspection, enforcement, and production accountability program. As part of this effort, the BLM has developed a strong technical certification program for all of our oil and gas field inspectors, who completed over 33,000 inspections in FY 2011. These inspections ensure that lessees meet important environmental and safety requirements, and that the reported oil and gas volumes match actual production. The BLM also has begun using a risk-based inspection strategy for production inspections, inspecting first those leases that present the highest risk. The BLM plans to expand this risk-based strategy to the other types of inspections it performs with the goal of maximizing the efficient use of inspection staff to meet inspection goals and requirements.

Hydraulic Fracturing

Increases in oil and gas production nationwide are the result of employing improved drilling and hydraulic fracturing techniques. These techniques stimulate natural gas production and have been the subject of increasing interest in the past few years. The Department has been monitoring the developments around hydraulic fracturing and is proactively engaging the public, states, tribes, and industry on this important topic.

As part of the Department's proactive efforts to ensure that oil and gas development is taking place on public lands in a responsible and environmentally sustainable manner, the BLM held a series of regional public forums in April 2011 to discuss the use of hydraulic fracturing. The sessions were held in North Dakota, Colorado, and Arkansas—states that have experienced significant increases in natural gas development on Federal lands or on leases issued by the BLM. Issues raised by members of the public and panel members included best management practices, disclosure of the chemicals used in hydraulic fracturing fluids, well construction and integrity, production wastewater management, and other techniques for protecting drinking water resources.

The BLM has proposed measures to create a consistent framework across BLM-managed lands in many states, to strengthen the requirements for hydraulic fracturing performed on Federal and Indian trust lands and protect the health of American communities. Straightforward measures outlined in the proposed rule include disclosure of the chemicals used in hydraulic fracturing operations; assurance of wellbore integrity; and water management requirements that would apply to the fluids that flow back to the surface after hydraulic fracturing has taken place.

The BLM developed the proposed rule with an eye toward improving public awareness and oversight without introducing complicated new procedures or delays in the process of developing oil and gas resources on public and Indian lands. The BLM's proposal was released on May 11, 2012, and seeks to create a consistent oversight and disclosure model that will work in concert with other regulators' requirements while protecting Federal and tribal interests and resources. The BLM extended the comment period on the proposed rule until September 10, 2012.

National Petroleum Reserve in Alaska (NPR-A)

The National Petroleum Reserve in Alaska (NPR-A) is a vast area of nearly 23 million acres on the North Slope of Alaska that has Federal production potential. In 2010, the U.S. Geological Survey estimated that 896 million barrels of conventional, undiscovered technically-recoverable oil and 53 trillion cubic feet of conventional, undiscovered technically-recoverable gas were within NPR-A and adjacent state waters.

A balanced and careful approach to energy exploration and development in the Arctic must account for a range of factors, including resource potential; environmental needs; and the social, cultural, and subsistence needs of Alaska Native communities. Through a careful public planning process, the BLM has in place an active leasing program in the NPR-A with nearly 1.5 million acres currently under lease. The BLM is committed to holding annual lease sales in the NPR-A and will hold the next lease sale in November, 2012. The most recent lease sale, which was held by the BLM in December, 2011, resulted in new leases for nearly 120,000 acres of the area and generated \$3.6 million in total bids. Later this year, DOI will finalize an integrated

activity plan that will guide future sales in the NPR-A, while providing for adequate consideration and protection of the Reserve's outstanding ecological and subsistence resources. Further, the BLM's planning process for the entire NPR-A will help identify long-term leasing and infrastructure goals to support both onshore and offshore oil and gas development as well as resource conservation goals.

Conclusion

Consistent with the framework presented by the President's *Blueprint for a Secure Energy Future*, the BLM is working to secure the Nation's energy future by ensuring the potential oil and natural gas development on our public lands is realized. We are pursuing the safe, responsible, and efficient development of energy resources here at home. The Administration has taken a number of steps to accelerate safe and responsible oil and gas development and production on public lands, as part of the President's all-of-the-above energy strategy.

The BLM is committed to encouraging responsible energy development on the public lands and to ensuring that the American people receive a fair return for the public's resources. We are mindful of our responsibility for stewardship of natural resources and public assets that generate substantial revenue from Federal onshore oil and gas royalties directed to the U.S. Treasury and to the states, and which provide well-paying jobs in local economies. Mr. Chairman, thank you for the opportunity to testify on the BLM's oil and gas program policies and activities. I will be pleased to answer any questions you may have.