

**Statement of  
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House Committee on Oversight and Government Reform  
Subcommittee on Interior**

***“Recent Management of Oil and Gas Lease Sales  
by the Bureau of Land Management”***

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Chairman Lummis, Ranking Member Lawrence, and Members of the Subcommittee, I am pleased to join you today to discuss the Bureau of Land Management’s (BLM) oil and gas program. The BLM is responsible for managing nearly 250 million surface acres and 700 million subsurface acres, located primarily in 12 western states, including Alaska. The BLM manages this large portfolio on behalf of the American people under the dual framework of multiple use and sustained yield. The BLM administers public lands for a broad range of uses, including renewable and conventional energy development, livestock grazing, timber production, hunting, fishing, recreation, and conservation.

Striking the right balance between these many competing interests and uses of the public lands means that the land management professionals of the BLM must make hard choices every day. Whereas other Federal agencies primarily support either development or conservation, at the BLM we do it all. This unique role often puts the BLM in the middle of the greatest natural resource challenges facing our country.

With respect to energy development, the BLM takes seriously its responsibility to manage the Federal government’s onshore conventional and renewable energy resources in an environmentally responsible manner. The energy projects supported by the BLM represent some of the most advanced developments in the world. They make a critical contribution to the nation’s energy supply and provide a significant non-tax source of revenue to state and Federal treasuries. Each year the BLM strives to make improvements in the way that we manage these resources, and we continue to do so this year.

**Oil & Gas Program Overview**

The BLM oversees oil and gas development on Federal and Indian lands. This development provides critical energy resources for our nation, and reduces our reliance on oil imports. Secretary Jewell has made it clear that as we expand and diversify the nation’s energy portfolio, the development of conventional energy resources from BLM-managed lands will continue to play a critical role in meeting our energy needs and fueling our economy.

Since 2008, oil production is up 108 percent on lands where drilling requires a BLM permit. This doubling of production is even greater than the 88 percent increase in oil production that was

seen across all lands nationwide during that same time period. This increase in production expanded the nation's energy portfolio and provided important economic benefits. For example, in FY 2015, onshore Federal oil and gas royalties exceeded \$1.8 billion, approximately half of which were paid directly to the states in which the development occurred. In the same period, tribal oil and gas royalties exceeded \$850 million, with all of those revenues paid to the tribes or individual Indian owners of the land where the development occurred.

However, in addition to overseeing this development, it is equally important to remember that the BLM bears a cradle-to-grave responsibility for the more than 100,000 active wells on public lands and has an affirmative obligation to ensure that the production from these wells is conducted in an environmentally responsible manner. To satisfy these responsibilities, the BLM works closely with its lessees and operators to implement best management practices and other required mitigation. Designed to promote safe and efficient operations, these measures minimize impacts to the environment by concentrating development in smaller areas and lessening impacts to affected resources.

In the last year, the BLM approved 4,228 drilling permits, yet industry only drilled 1,620 wells. As result of the agency's robust permitting effort in recent years, there are currently over 7,500 approved drilling permits in industry's hands that are available for use today with no additional action or review from the Bureau. In other words, at current activity levels, industry has more than four years' worth of drilling permits approved and ready to go. In FY 2015, we also made significant progress reducing the quantity of pending permits and continued to make strategic investments in technology to streamline the review process.

### **Oil & Gas Leasing Authority**

The Mineral Leasing Act of 1920 (MLA) and the Mineral Leasing Act for Acquired Lands of 1947 give the BLM responsibility for oil and gas leasing of minerals underlying about 564 million acres of BLM-managed surface lands, National Forest System lands, other Federal lands managed by other agencies, and State and private surface lands where the mineral rights underneath were retained by the Federal government. Domestic production from Federal oil and gas wells on these lands accounts for ten percent of the Nation's natural gas supply and five percent of its oil.

The Federal Onshore Oil and Gas Leasing Reform Act of 1987 (Sec. 5102) amended the MLA (30 USC 226), and directs that "[l]ease sales shall be held for each State where eligible lands are available at least quarterly and more frequently if the Secretary of the Interior determines such sales are necessary." Leases are first offered for sale at competitive auctions and then are made available non-competitively, for two years, if a qualified bid is not received at the competitive sale.

When a lease sale is assembled, the applicable statutes, as well as the BLM's leasing regulations, policy, and land use plans, require a careful evaluation of parcels identified for potential inclusion in the sale. The decision whether to include any particular parcel in a lease sale is squarely within the BLM's discretion.

## **Identification of Lands Available for Leasing**

On BLM-managed lands, consideration of the eligibility of a particular parcel for oil and gas leasing begins well before the lease sale process. The BLM's Resource Management Plans (RMPs) establish the foundation for its land management decisions, containing general resource allocations and other decisions that reflect the BLM's effort to balance the many resources and competing uses within a planning area. Through the RMPs, major resource conflicts are considered, such as balancing important wildlife habitat needs with energy development. For purposes of oil and gas leasing, lands within a planning area are identified as fitting in one of three categories: lands open under standard lease terms, lands open with restrictions, and lands closed to leasing. Many of the lands closed to leasing consist of areas with special designations and other unique and environmentally sensitive areas, such as habitat for special status species.

Recognizing the importance of well-considered land allocation decisions when it comes to leasing, the BLM rolled out the Master Leasing Plan (MLP) process in 2010 as part of its larger leasing reform effort. MLPs minimize conflicts and facilitate responsible development by determining, at a finer scale than RMPs, which areas are appropriate for exploration and development and which are not because of other resource values present. MLPs establish a model for how communities can work together to balance development with important environmental, cultural, and recreational resources. The BLM has completed seven MLPs over the past few years and additional MLPs, including one for lands near Moab, Utah, are slated for finalization this year.

## **Preparing Parcels for a Lease Sale**

When it comes time to build the parcel list for a particular sale, the BLM does so primarily through nominations from industry and the public, in the form of Expressions of Interest (EOIs). Upon receipt of an EOI, the BLM reviews the nominated parcels to determine if they are eligible for leasing under the applicable RMP. The BLM must also determine whether offering specific parcels will be in compliance with various statutory requirements, including the National Environmental Policy Act, the Endangered Species Act, the National Historic Preservation Act, and other laws. In some limited circumstances the BLM nominates parcels on its own initiative, such as when it identifies instances of potential drainage.

After the nomination of lands and confirmation that they are available for leasing, the BLM prepares an Environmental Assessment (EA) to analyze specific parcels to determine what reasonably foreseeable impacts may occur from the leasing and development of those parcels. The lease sale EA gives the public and the BLM an opportunity to look more closely at individual parcels and determine if conditions have changed since the area was identified as being available for potential development. Since the EA further analyzes the decisions made in an RMP with current on-the-ground conditions, the BLM may decide to defer the leasing of some areas so that current conditions can be further evaluated. The BLM posts leasing EAs online for a 30-day public comment period. This is followed by a Notice of Competitive Sale which is posted 90 days prior to the sale. That Notice includes a list of each parcel and

associated stipulations, and initiates a 30-day protest period. Given the extraordinary demands placed on public lands for all of the varied resources they contain, the BLM works closely with stakeholders throughout the entire leasing process in an effort to ensure that development is directed to the most appropriate places with the fewest resource conflicts.

In order to improve and automate aspects of the lease sale assembly process, the BLM is developing the National Fluids Lease Sale System (NFLSS). The NFLSS is an online system that will automate and standardize the pre-sale process of gathering EOIs, assembling parcels, creating lease sale notices, and other critical actions related to leasing. The system will provide an online public portal for industry to enter its leasing nominations and track the progress of those nominations.

### **Holding the Lease Sale**

Following applicable laws and regulations, the BLM holds competitive lease sales quarterly in each of its state offices where lands are available. In order for lands to be available, identified parcels must be open for leasing under the applicable RMP and the BLM must have satisfied applicable legal requirements. From time to time, the BLM has had to postpone previously scheduled sales if there are no lands available – e.g., the BLM has not received any EOIs or the applicable pre-sale legal requirements have not been satisfied. Additionally, in some isolated cases, there may be unpredictable events or safety concerns that trigger postponement of a lease sale. In those instances, all of the parcels that would have been offered at that sale are offered at a subsequent sale. For the sake of efficiency, rather than scheduling an entirely new sale, the BLM simply combines the parcels from a postponed sale with those proposed for inclusion in an already scheduled future sale. For example, although the February 2, 2016, lease sale in Wyoming had to be postponed because of a severe winter storm, all of the parcels that would have been offered on that day will be offered at Wyoming's May sale in addition to the parcels originally proposed for the May sale.

Through its leasing program, the BLM offered over 4 million acres for sale in Fiscal Year (FY) 2015. Of those, industry bid on just over 600,000 acres, or roughly 15 percent of the total acres offered. Those sales generated \$142.9 million in bonus bids and rental fees for the U.S. Treasury and the states where the leases are located. This contributed to the more than \$3 billion the BLM has generated in lease sale bonus bids between 1988 and today.

Last year's sales also continued a longstanding trend, whereby the BLM offers more lands for oil and gas leasing than industry actually bids on. Since 1988, industry has only acquired 34 percent of the acreage offered by the BLM, even though much of the acreage offered is based on industry EOIs. Moreover, while industry has 32 million acres currently under lease – an area roughly the size of the state of Alabama – only 12 million of those acres (40 percent) are producing.

### **Modernization of Lease Sale Process**

Recognizing that there is always room for progress, and consistent with BLM's larger effort to modernize its oil and gas program, the BLM is seeking to improve its program generally through

the deployment of new, more efficient online systems, including online leasing and permitting systems. These improvements should reduce overhead costs and processing times.

Specifically, since receiving new, permanent statutory authority in the FY 2015 National Defense Authorization Act, the BLM has been working to set up internet-based leasing for onshore oil and gas lease sales. The BLM's intent is to begin phasing in an internet-based leasing system in the summer of 2016 with the goal of having the option to use internet-based bidding or in-person auctions for all 2017 lease sales. The BLM is currently evaluating targeted regulatory changes to support this effort.

### **Conclusion**

The BLM and the Administration remain committed to promoting environmentally responsible domestic oil and gas production in a manner that will protect consumers, human health, the environment, and sensitive resources on the public lands. The BLM's oil and gas leasing program is a critical component of this process, and we are continuing our efforts to update and improve our operations and systems.

Thank you for the opportunity to present this testimony. I will be glad to answer any questions.