

**Statement of
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**Senate Energy and Natural Resources Committee
Subcommittee on Public Lands, Forests, and Mining
S. 180, To Streamline the Oil & Gas Permitting Process
September 16, 2020**

Thank you for the opportunity to testify on S. 180. The bill would streamline the Federal oil and gas permitting process by eliminating the requirement for Applications for Permit to Drill (APDs) on non-Federal surface estate when the subsurface mineral estate is less than 50 percent Federal in drilling and spacing units. We look forward to working with the committee on refinements to S. 180.

The Department of the Interior (DOI) supports streamlining administrative processes and reducing unnecessary procedural reviews and believes the bill would help modernize Federal oil and gas permitting. We appreciate the Sponsor's focus on finding reasonable solutions to expedite permitting on Federal lands and to reduce burdens on industry without sacrificing environmental protections.

Enhancing Federal Oil & Gas Development

The Bureau of Land Management (BLM) manages about 245 million surface acres and 700 million subsurface acres, located primarily in 12 western states. Oil and gas production from Federal lands is an essential component of the Nation's energy supply – and supports numerous jobs for hard-working Americans. The Trump Administration continues to make environmentally responsible development of all domestic energy sources and minerals a top priority. The BLM supports an “all of the above” energy development approach, fulfilling the Administration's promise to facilitate domestic energy production, generate revenue, and support good paying American jobs.

Revenues generated from public lands represent one of the Federal government's largest sources of non-tax revenues. Oil, natural gas, coal, and other mineral resources generate the highest revenue values of any uses of public lands. Over the last two years, oil and gas production from Federal lands generated more than \$3.2 billion in Federal royalties, rental payments, and bonus bids. Approximately half of this revenue was shared with the state where production activities occurred, with the remainder directed to the U.S. Treasury. States and counties utilize these important funds to support the construction and maintenance of roads, schools, and other community needs. Further, the DOI Economic Report estimated that in Fiscal Year (FY) 2018, the Federal onshore oil and natural gas program alone provided approximately \$71.5 billion in economic output and supported approximately 300,000 jobs nationwide.

As a result, the American taxpayer has reaped enormous rewards. In FY 2018, the BLM generated over \$1.1 billion from oil and gas lease sale bids. This represented the highest grossing year on

record for onshore lease bonus bids, nearly tripling the collections received from BLM oil and gas lease sales held in 2008, the previous high year. In FY 2019, the BLM continued to build on past energy development milestones by holding 28 oil and gas lease sales – with 1,710 new leases covering 1.9 million acres. These lease sales resulted in almost \$219 million in bonus bids, rentals, and fees.

Promoting Efficiencies & Maintaining Safeguards

In response to several Executive Orders related to energy development on public lands, the Department and the BLM have conducted an extensive assessment of its policies to help reduce burdens and improve environmental reviews and permitting authorizations for energy and infrastructure projects. The assessment resulted in a number of new Secretary's Orders (S.O.s), ranging from S.O. 3355, *Streamlining National Environmental Policy Act Reviews and Implementation of Executive Order 13807*, which provides a number of internal Departmental directives to increase efficiency of environmental reviews, to S.O. 3349, *American Energy Independence*, which directed bureaus to examine specific actions impacting oil and gas development.

The BLM also reviewed all regulations pertaining to domestic oil and natural gas development on public lands, resulting in several policy changes related to permitting. For example, the BLM issued guidance on June 12, 2018, which established policies and procedures for processing Federal APDs that propose drilling into leased Federal minerals from well pads located entirely on non-Federal locations. In addition, the BLM issued guidance on June 10, 2020, to establish the BLM's policy and procedures for detecting and deterring trespass on Federal and Indian mineral estates. The BLM established the steps to follow when a BLM office discovers a mineral trespass, often a result of situations S.180 is attempting to address. Further, the BLM issued guidance on June 6, 2018, to remind BLM offices of the existing procedures for streamlining NEPA review under applicable statutes, regulations, and guidance and to encourage BLM offices to use these tools consistently and effectively.

Finally, the BLM's approach to oil and natural gas production on public lands has focused on being both better business partners and environmental stewards. As part of this, the BLM is working diligently to improve its oil and gas permitting processes. In FY 2019, the BLM approved 3,741 APDs on Federal and Indian lands. By prioritizing permitting efficiency, modernizing databases, and shifting resources across BLM offices, the average APD processing time for an administratively complete application continues to drop – to an average of 44 days processing time with the BLM in FY 2019, compared to 63 days with the BLM in FY 2018, and 120 days in FY 2017.

S. 180 will enhance the BLM's ongoing effort to reduce burdens on operators and lead to more efficient review of APDs.

S. 180

S. 180 eliminates the requirement that an operator submit to the BLM a Federal APD in instances where there is non-Federal surface estate and where the subsurface mineral estate is less than 50 percent Federal. S. 180 does not alter the amount of royalties due the United States from production of Federal oil and gas, nor does it negate operator compliance with BLM rules during

production operations or plugging operations.

If enacted, S. 180 would no longer require the BLM to analyze surface impacts on non-federal lands with less than a 50 percent Federal mineral interest in drilling and spacing units. The BLM appreciates the goal of S. 180 to focus the BLM's review of Federal actions to Federal lands. These changes could help reduce burdens on industry and the BLM by making the planning and NEPA process more efficient and less expensive, and could allow the BLM to focus on surface and downhole implications where the mineral estate is more fully within the jurisdiction of the Federal Government. The Department also notes that the bill may affect the BLM's trust responsibilities and processing APDs for certain Indian leases.

The BLM frequently encounters two different situations related to the development of Federal oil and gas leases involving private lands. First are the split estate operations where the drill site is located on non-Federal surface lands directly overlying the Federal oil and gas minerals. Second, as technology has increased, operations have allowed for development from predominantly private surface to private and Federal minerals in the lateral length of the drilled hole – which are commonly referred to as “Fee-Fee-Fed” wells. Often Fee-Fee-Fed wells produce only a marginal amount of Federal minerals. In both instances, no Federal surface is impacted, yet, under current law, the BLM must require an APD for the Fee-Fee-Fed wells. For these APDs, the BLM must still fulfill requirements of NEPA, the National Historic Preservation Act (NHPA), and the Endangered Species Act (ESA). S. 180 would provide significant efficiencies to both operators and the Federal Government by eliminating unnecessary Federal permit requirements in these instances of only limited Federal resources.

To ensure the BLM's ability to track the commencement of operations that could impact Federal resources, the BLM would like to work with the Sponsor to add language that would require an operator to submit a copy of the state approved drilling permit to the BLM. Further, the BLM recognizes that in instances where there is minimal Federal interest, it may not be necessary for the BLM to conduct NEPA and ESA review or for NHPA consultation to be triggered. The BLM therefore recommends that for these instances, the bill clarify NEPA requirements for the exploration, development or production of oil and gas. This would allow the BLM to better use its limited resources while decreasing unnecessary analysis on non-Federal split estate lands.

While we appreciate the bill's direction to maintain DOI's authority to receive royalties for the Federal resources, we also recommend adding language to maintain the Department's authority to audit and invoke penalties for any misreported production under the Federal Oil & Gas Royalty Management Act, in order to ensure that Federal resources are properly accounted for and the interests of American taxpayer are protected.

Conclusion

The Department remains committed to promoting responsible oil and gas production that helps create and sustain jobs, promotes a robust economy, and contributes to America's energy independence, while also protecting consumers, public health, and public land resources and uses. I will be glad to answer any questions.