

**Statement of**  
**Tony Ferguson, USDA Forest Service Director of Minerals and Geology**  
**Management**

**Before the**  
**House Committee on Natural Resources**  
**Subcommittee on Energy and Mineral Resources**

**Concerning**

**The President's Budget Request for the USDA Forest Service Energy and**  
**Minerals Programs in Fiscal Year 2012**

**April 5, 2011**

Mr. Chairman and members of the subcommittee, it is a privilege to be here today to discuss the President's Budget request for the Forest Service in fiscal year (FY) 2012 and specifically as it relates to the energy and minerals programs administered by the Forest Service. I appreciate the support this subcommittee has shown the Forest Service in the past, and I look forward to working together in the future to ensure that stewardship of our Nation's forests and grasslands continue to meet the desires and expectations of the American people. I am confident that this

budget will allow the Forest Service to support this goal, while also reflecting our commitment to fiscal restraint and efficiency.

The Forest Service Minerals and Geology Management program is a critical program in providing jobs, minerals and energy for the American people, while working to ensure that watersheds are protected and threats to human safety are minimized. In addition, the program will work to restore sites contaminated with hazardous materials on NFS lands, in particular, abandoned mine lands. Reliability of the nation's electrical grid to sustain the economic growth of America and to deliver new sources of renewable energy are prominent issues that our country faces. The Forest Service will continue to support both of these efforts.

### **Minerals and Geology Management Program**

The FY 2012 President's Budget requests \$78.8 million for the Minerals and Geology Management Program, an \$8.4 million decrease from the annualized FY 2011 continuing resolution as shown in the published FY 2012 Budget Justification. Priority will be placed on processing energy-related mineral proposals with a focus on increasing opportunities to develop and supply oil, gas, and geothermal resources from Federal lands in support of the Energy Policy Act of 2005 (EPAAct). Other priorities include inspection and monitoring of ongoing mineral operations, providing expertise to ensure watershed health and public safety, and managing significant geologic resources. In addition to leasable energy resources, we manage many small operations; e.g., over four thousand mineral material permits providing for over ten million tons of sand and gravel and other materials which are critical for maintaining roads in rural communities. We are also involved in large operations such as ensuring environmental and water quality impacts of large gold and copper mines are minimized.

As calculated by USFS and the Department of the Interior's Office of Natural Resources Revenue, the value of energy and mineral production from NFS lands typically exceeds \$5 billion per year. Over 5 million acres of NFS lands are currently leased for oil, gas, coal, and phosphate mining operations. At any given time, the Forest Service administers operations on approximately 90,000 mining claims and manages approximately 4,000 mineral material sale contracts (Forest Service Special Uses Data Base). Mineral receipts are derived from annual lease rentals, royalties on production, bonus bids for competitive leases, and mineral material sales. Of the total revenues received, between 25 and 50 percent are returned to the State and county where production occurred.

The Minerals and Geology Management program works to mitigate potential threats to the environment and human safety associated with thousands of abandoned mines and other contaminated sites located on NFS lands. The program works to preserve valuable geologic resources and minimize the impacts of pollution on NFS lands to protect and enhance our Nation's water resources. NFS lands provide the largest single source of municipal water supply in the U.S., serving over 66 million people in 33 states. Energy and mineral development can go hand in hand with conserving resources and it is the Forest Service's aim to do so.

The Bureau of Land Management and the Forest Service work closely in managing and delivering the mineral and energy program in the United States. The BLM issues leases for exploration and development of energy minerals after receiving consent from the Forest Service for those National Forest System lands. When an oil and gas drilling permit is received by BLM on NFS lands, the Forest Service processes the surface use authorization and the BLM processes the drilling portion of the application and approves the drilling permit after consolidating the

surface and sub-surface portions. The Office of Natural Resources Revenue at the Department of the Interior is responsible for the efficient, timely, and accurate collection and disbursement of all royalty payments and other revenues from the leasing and production of natural resources from federal lands.

#### *Mineral Applications Processing*

The Budget requests \$20.4 million to fund the processing of an estimated 7,975 mineral applications in FY 2012, depending on market demand for mineral resources from NFS lands. The energy component of this activity will continue to focus on increasing opportunities to develop and offer oil and gas, coal, and geothermal resources from Federal lands. Pilot offices authorized under the Energy Policy Act of 2005 (EPAAct) will continue to help the agency efficiently process energy leasing and permit applications, particularly with respect to processing of oil and gas lease nominations and surface use plan of operations relative to applications for permits to drill. This program provides for the review and approval of plans for proposed mineral activities, including exploration and development of locatable minerals under the authority of the Mining Law of 1872; coal, oil, gas, and geothermal exploration and production under the various mineral and geothermal leasing acts; and contracts for the extraction of mineral materials such as sand and gravel by the public and local, State, and Federal agencies under the Materials Act of 1947 and other statutory authorities.

#### *Mineral Operations Administration*

The Budget requests \$28.6 million to fund the administration of an estimated 9,560 active mineral operations in FY 2012. The program will emphasize meeting necessary administration levels to ensure compliance with operating plan requirements and specific environmental

standards for protecting resources. This program provides for the inspection, oversight, and monitoring of approved mineral operations on NFS lands.

Some of these active mineral operations are providing energy producing minerals. This funding will allow the US Forest Service to administer surface occupancy for a significant amount of oil, natural gas, coal and geothermal operations. The current production on NFS lands of oil (16.7 million barrels) and natural gas (194 million MCF of natural gas) is estimated to generate \$361 million in bonus and royalty payments to the US Treasury in FY 2010, of which 25% (for Acquired Lands) and 50% (for Public Domain Lands) will be returned to the states and counties for schools and roads, in addition to the Secure Rural Schools payments. Also, nineteen percent of all U.S. coal is produced from NFS lands and the annual market value is in excess of \$3 billion. (DOI Office of Natural Resources Revenue)

#### *Geologic Resources and Hazards Management*

The Budget requests \$5.8 million to fund the identification and management of an estimated 355 geologic resources and hazards. Managing geologic resources provides information on geologic and paleontologic conditions that inform land management decisions and project design and protects sites that have scientific or educational use. Identifying and managing geologic hazards provides for the safety of the public by protecting infrastructure, soil, and groundwater. This program provides assessments of geologic settings and active geomorphic processes for land management planning, environmental protection and restoration, and cost effective management of roads, recreation sites and other infrastructure.

#### *Abandoned Mine Lands (AML) Safety Risk Features Mitigation*

The Budget requests \$7.3 million to fund the mitigation of an estimated 560 abandoned mine sites. The AML program focuses on mitigating safety risk features and associated activities for abandoned mines in high-priority watersheds. This program provides for the inventory, assessment, and mitigation of abandoned mine safety hazards and environmental damage. This work includes closing underground mine openings and vertical shafts; re-contouring open pits, trenches, and associated roads; and removing or stabilizing abandoned buildings, equipment, and hazardous materials. Wherever feasible, AML work minimizes or mitigates adverse effects on AML-dependent wildlife and AML-associated cultural and historic resources.

#### *Environmental Compliance Management*

The Budget requests \$1.6 million to fund 22 environmental compliance audits, assuring that employee and public health and safety are protected. This program funds a national audit program which assesses Forest Service compliance with environmental statutes and trains field personnel on compliance and pollution prevention.

#### *Environmental Restoration Management*

The Budget requests \$15 million to fund restoration activities on 50 known hazardous material sites on NFS lands. Cleanup of contaminated sites is critical for the long-term protection of surface and groundwater quality and contributes to overall ecological health. This program provides for the inventory, assessment, and cleanup of sites where there is a release, or threat of release, of a hazardous substance, pollutant, or contaminant. Restoration mainly occurs at AML sites, but also non-AML sites. Cleanup projects are typically initiated under requirements of the Comprehensive Environmental Response Compensation and Liability Act, Resource Conservation and Recovery Act, or Clean Water Act. This restoration helps minimize or eliminate threats to human health and the environment.

## **Special Use Authorizations for Alternative Energy Facilities**

One of the priorities of the Forest Service's program in FY 2012 will be processing applications for land use authorizations that contribute to the Nation's energy needs. Special use authorizations for energy are managed by the Forest Service Lands and Realty Staff. The Forest Service's authorization of wind, solar, and hydroelectric energy producing facilities as well as transmission facilities will contribute to our energy independence as well as mitigate the effects of climate change.

The Agency's FY 2012 budget request includes \$11.2 million for processing land use proposals and applications under the National Forest System's Landownership Management Program, which will fund the issuance of approximately 3,700 new special use authorizations, with a primary focus on those associated with statutory rights and energy-related uses. Priority will continue to be placed on energy and communications projects.

The FY 2012 budget includes an allocation of \$7.2 million for the Administration of Rights-of-Way and Other Land Uses, a non-discretionary program that will continue to implement the cost recovery pilot program to improve customer service to applicants and holders of special land use authorizations and reduce the agency's backlog of expired authorizations. In FY 2010, the backlog of expired authorizations fell from 5,062 to 4,700. The agency will maintain and look to improve this trajectory. Processing applications for reauthorization of these uses, facilitates the development and transmission of affordable, reliable energy; supports economic development; and promotes public health and safety of populations in or near national forests and grasslands.

A priority for the Forest Service is striving to improve the Nation's ability to deliver electricity, as well as transport oil, gas, and hydrogen. As directed by the Energy Policy Act of 2005 (EPAct), the Forest Service, Bureau of Land Management and U.S. Department of Energy (DOE) have identified 6,000 miles of energy corridors where transmission is well suited, 1,000 miles of which are on NFS lands, across 11 western states. The Forest Service will continue to work with other federal agencies, tribal governments, and states to refine corridor locations and enhance and facilitate energy production and transmission.

The Forest Service is a participant in the 2009 inter-agency memorandum of understanding (MOU) for expediting the evaluation and authorization of high voltage and other significant electric transmission projects that cross lands managed by more than one federal agency. Expediting evaluation and authorization of these projects improves reliability of the electrical grid and supports transmission of renewable energy. The Forest Service is processing 26 applications that meet the MOU's goals of improving the country's electric transmission capabilities. The agency continues to enhance the process for siting electric transmission infrastructure on NFS lands by working closely with DOE and the Western Electricity Coordinating Council. As directed by the Energy Policy Act of 2005 (EPAct), the Forest Service is also working with DOE and the U.S. Department of the Interior on an assessment of electric transmission in the eastern United States and plans to submit a report to Congress on the assessment within the next few months. Currently, 14,400 miles of electric transmission lines and 6,600 miles (Forest Service Special Uses Data Base) of pipelines are under special use permit on NFS lands. The Forest Service is issuing directives implementing the MOU to: 1) ensure better cooperation and coordination with other federal agencies in evaluating and authorizing electric transmission projects; 2) clarify private vs. public land siting, 3) optimize

siting of rights-of-way for energy transmission corridors; and 4) expedite applications for electric transmission projects on NFS lands.

## **Renewable Energy Development**

Renewable energy resources are critical to satisfying the Nation's energy demands and will create energy-related jobs in the future. The Forest Service will continue to help increase the Nation's supply of renewable energy through the Woody Biomass Utilization Strategy and engaging in hydropower licensing, wind and solar energy development, and geothermal operations on NFS lands.

### *Biomass and Bio-energy*

Using forest biomass byproducts from ecological restoration activities as a source of renewable energy can help enhance economic opportunity and forest sustainability by providing raw material for the renewable bio-energy and bio-based products sector. In FY 2012 the Forest Service proposes \$44 million for biomass and bio-energy programs. . This sector is a growing source of green jobs in the U.S. and provides numerous benefits including improved forest health and productivity, reduced fire risk to communities, and economic opportunities. The Forest Service is working closely with other mission areas in USDA to pursue additional wood to energy options. In addition the Forest Service is working with DOE in converting Forest Service facilities to utilize wood energy.

We aim to strengthen biomass utilization efforts through our work with other agencies outside of USDA that encourage market development for woody biomass. The Forest Service's woody

biomass program is ensuring a sustainable and reliable supply of raw materials and fostering effective business models that assist growth in this emerging sector. Stewardship contracts remain an important tool in meeting this objective. This restoration tool ensures a more dependable wood supply encouraging investment in private sector facilities.

### *Solar and Wind*

In FY 2012, the Forest Service proposes \$1.6 million as part of the Lands and Realty Program for solar energy development that is expected to fund authorization of several solar energy facilities. A future solar energy programmatic environmental impact statement (PEIS) will identify where solar energy facilities could be sited without significant environmental impacts on 3 million acres of NFS land that has been identified as potentially suitable for that purpose. Interest in solar energy development on National Forest System lands has been limited considering that large commercial solar energy production generally requires large, flat landscapes that are more prevalent on lands administered by BLM.

The Forest Service proposes \$2 million as part of the Lands and Realty Program to fund processing and administration of special use authorizations for wind energy facilities on NFS lands. The Forest Service will issue wind energy directives this year that will be used to evaluate proposals and applications for wind energy facilities on NFS lands. The directives will clarify the Forest Service's role and policies in connection with wind energy development; promote consistent evaluation and authorization of proposed wind energy facilities; increase efficiency in processing proposals and applications for those facilities; and foster early project collaboration among affected governmental agencies and the public. NFS lands have significant potential for wind energy generation though there are often public and environmental concerns that need to be taken into consideration, such as visual impacts from ridge top development and the potential

impacts on migratory birds and bats. The Forest Service is administering nearly a dozen land use authorizations for wind energy site testing and feasibility.

### *Hydropower*

The agency proposes \$5 million as part of the Lands and Realty Program for hydropower in FY 2012, funding the processing and administration of 220 special use authorizations. Because most of the viable utility scale hydropower sites in the U.S. have already been developed, new production will likely come from increased efficiency of existing dams or smaller in-stream facilities that do not interfere with fish passage. Proposals for small scale hydropower facilities are anticipated to increase and could provide additional power generation capacity of 10 percent above the existing 16,200 megawatts generated on NFS lands. The agency is also active in hydropower licensing proceedings administered by the Federal Energy Regulatory Commission (FERC) by developing conditions to ensure adequate protection and use of NFS lands. The Forest Service is currently reviewing ongoing procedures seeking to reduce the time and resources needed to establish appropriate terms and conditions for FERC hydropower licenses.

### *Geothermal*

In 2008, the Forest Service and BLM completed a joint Programmatic Environmental Impact Statement (PEIS) evaluating geothermal development on Federal lands in the western U.S. to provide efficiencies in processing geothermal lease applications on NFS lands. Currently, there are 137 geothermal leases covering approximately 155,000 acres of NFS lands. Leasing of NFS lands for geothermal development is similar to leasing of NFS lands for oil and gas development in that the Secretary of the Interior issues leases for NFS lands once there is agreement by the Secretary of Agriculture. The Forest Service stipulates conditions for disturbance of the surface

for geothermal development on NFS lands. There is significant potential for increased geothermal production from National Forest System lands.

## **Conclusion**

This President's Budget request for FY 2012 takes a comprehensive, all-lands approach to conservation that addresses the challenges that our forests and grassland currently face, while also taking into consideration the need to reduce spending and to find the most efficient way to do our work. Our vision in creating healthy landscapes not only includes creating healthy ecosystems, but also creating healthy, thriving communities around our Nation's forests and grasslands and providing jobs in rural areas. Our minerals and energy programs will contribute to supporting sustainable domestic energy production and providing jobs and socioeconomic benefits to the American people, while protecting healthy ecosystems.

Thank you for the opportunity to discuss the President's Budget request as it relates to our agency's energy and minerals programs. I look forward to sharing more with you about these programs and working with you in shaping the proposals laid out in the FY 2012 budget. I look forward to answering any questions you may have.