

# Committee on Resources

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"Oil & Gas Development on Public Lands"

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Madam Chairman and members of the Subcommittee, I am pleased to appear before you this morning to discuss oil and natural gas development on public lands and the impediments to accessing those resources. As you know, the Energy Policy and Conservation Act (EPCA) Inventory, completed earlier this year, provides us with a comprehensive scientific inventory of these very issues. The Bureau of Land Management (BLM) is working to integrate the EPCA inventory's findings into its efforts to develop oil and natural gas and to protect natural resources on Federal lands. As BLM State Director in Wyoming, I will focus my remarks on BLM's oil and gas development activities on Federal lands here in Wyoming, and the EPCA inventory as it relates to Federal lands in Wyoming.

On June 24th, Rebecca Watson, Assistant Secretary for Land and Minerals Management testified before your Subcommittee about the many challenges our nation faces in meeting our energy needs. She discussed how energy is the cornerstone of the nation's economy, and the value of strengthening our nation's ability to meet these needs with domestic sources of supply. According to the Department of Energy's Energy Information Administration (EIA), we currently import about 55% of our oil from foreign sources – a percentage that is expected to increase to 68% by 2025. The natural gas picture has headed in a similar direction, as demand for clean-burning natural gas to produce electricity continues to accelerate, gas production from mature basins declines, and access to new basins fails to keep pace with demand. According to the EIA, over the next 20 years, U.S. natural gas consumption is projected to grow by more than 50 percent, while domestic production, if it grows at the rate of the last 10 years, will increase by only 14 percent.

In order to provide for our Nation's expanding energy needs, President Bush's National Energy Policy established a comprehensive, long-term energy strategy. Part of that strategy focuses on strengthening our nation's ability to produce oil and gas domestically. I am pleased to report that BLM Wyoming is actively working to implement the President's National Energy Policy and is contributing to the solution to some of these problems.

## Oil & Gas Development on Federal Lands in Wyoming

Federal lands in Wyoming play a significant role in providing energy to our Nation. Currently there are over 21,000 Federal oil and gas leases in the State, covering approximately 15 million acres of Federal land. In FY 2002, the Federal mineral estate in Wyoming contributed nearly 61% -- 33 million barrels -- of the State's total oil production and approximately 41% -- 723 billion cubic feet -- of the State's total natural gas production. In FY 2002, BLM Wyoming approved 1,764 Applications for Permit to Drill (APDs). As of May of this year, there were 13,407 producing Federal oil and gas wells in the State of Wyoming. Meanwhile, in FY 2002, royalty income produced from Federal wells in Wyoming totaled nearly \$73 million for oil and nearly \$193 million for natural gas. The State of Wyoming received half of this royalty income, as required by law.

## EPCA Inventory / Wyoming

The President's National Energy Policy recognized the important role that the Congressionally-mandated EPCA inventory plays in solving some of our energy problems. The National Energy Policy directed that the EPCA inventory be expedited and constraints to Federal oil and gas leasing be reassessed and modified "where opportunities exist (consistent with the law, good environmental practice, and balanced use of other resources)." The National Energy Policy further directed that any reassessment of constraints be conducted "with full public consultation, especially with people in the region."

The Departments of the Interior, Energy, and Agriculture released the EPCA inventory in January, 2003. The inventory identifies the technically recoverable oil and natural gas resources on Federal lands in five energy-rich basins of the western United States and analyzes the constraints from various existing lease stipulations to accessing those resources. Some 1000 lease stipulations were classified into 10 broad categories in the EPCA inventory. It is important to note, however, that the inventory only addresses the leasing stage and whether lands containing oil and natural gas resources are open or closed to leasing, and the degree of constraint on development resulting from lease stipulations on open lands.

Two of the five basins – the Powder River Basin and the Greater Green River Basin – examined in the EPCA inventory lie predominantly in the State of Wyoming. The key findings of the EPCA inventory for the Greater Green River Basin and the Powder River Basin are as follows:

**Greater Green River Basin --** In the Greater Green River Basin, an estimated 57 percent of the technically recoverable oil (1,162 million barrels) and 61 percent (43.6 trillion cubic feet) of the technically recoverable natural gas are available under standard leasing stipulations, while 13 percent of the oil (258 million barrels) and 10 percent of the natural gas (7.35 trillion cubic feet) are totally unavailable. The remaining oil and natural gas are available with varying restrictions on development. Generally, land that is completely closed to development throughout the EPCA inventory contains comparatively little oil and natural gas potential. Among the five basins examined in the EPCA inventory, the Greater Green River Basin has the greatest total volume of oil (2.1 billion barrels) and natural gas (72 trillion cubic feet).

**Powder River Basin --** In the Powder River Basin, an estimated 63 percent of the technically recoverable oil (620 million barrels) and 59 percent of the technically recoverable natural gas (4.82 trillion cubic feet) are available under standard leasing stipulations, and only four percent of the oil (35 million barrels) and nine percent of the natural gas (0.76 trillion cubic feet) are totally unavailable. The remaining oil and natural gas are available with varying restrictions on development.

### Use of EPCA Information

In accordance with the President's National Energy Policy, it is BLM's goal to provide optimal access to the resources from the public lands consistent with sound land stewardship principles and full public involvement. The information developed in the EPCA inventory will play an important role in advancing this strategy. With the EPCA inventory now completed, the BLM is taking several steps to ensure the report's integration into the land use planning process, approvals of Applications for a Permit to Drill (APDs), and other use authorizations.

One of our Bureau's first tasks has been to conduct a review of possible conflicting management practices for similar resources in similar settings. Sound science has to be the critical factor in the design of operating restrictions. Operators should have a consistent requirement for resources, regardless of how many state or management unit boundaries they cross. Requirements should not change at invisible boundaries. As a result of the EPCA inventory, BLM is asking field managers to look beyond the boundaries of their units to ensure that the restrictions they impose on oil and gas operators for a specific resource are similar, if not identical, to those imposed in neighboring units with the same setting.

It is important to note that any reassessment of these restrictions on oil and gas activities will occur in the public land-use planning or regulatory processes, both of which are fully open to public participation and debate over the appropriate balance between resource protection and resource development.

On April 3, 2003, BLM Director Kathleen Clarke issued guidance to BLM State Directors and field offices regarding the Bureau's principles for integrating the EPCA inventory results into land use planning and energy development authorizations. Those principles are:

1. Environmental protection and energy production are both desirable and necessary objectives of sound land management practices and are not to be considered mutually exclusive priorities;
2. The BLM must ensure appropriate accessibility to the energy resources necessary for the nation's security and quality of life while recognizing that special and unique non-energy resources can be preserved;
3. Consistent with the BLM's multiple-use mandate, sound planning will weigh relative resource values in accordance with the Federal Land Policy and Management Act;
4. All resource impacts, including those associated with energy development and transmission, will be mitigated to prevent unnecessary or undue degradation of the environment.

The BLM established two national teams led by State Directors to develop strategies to integrate the EPCA inventory into the land use planning and use authorizations processes. The Land Use Planning Team is responsible for developing guidance that will guide the BLM in integrating EPCA into land use plans (especially those designated as time-sensitive). In the long term, the team will be responsible for recommending ways to improve the planning process and allow for flexibility in making decisions that take into account current land conditions and scientific knowledge. Additionally, the process developed by the team will ensure Bureau-wide consistency in the application of stipulations.

The other team, the Resource Use Authorization Team, is responsible for developing guidance that will address (1) how the EPCA results can provide flexibility and consistency in the use of stipulation waivers and exceptions to facilitate oil and gas development, where appropriate, and (2) use of the EPCA results to improve communications with operators, particularly with respect to APD processing. The teams are proposing to incorporate adaptive management principles using the most current science and information available. This means that the desired results would be stated and various approaches could be utilized to accomplish resource protection. Stipulations would be more outcome-based instead of prescriptive. We anticipate guidance developed by both teams will be approved in the near future.

#### Coalbed Natural Gas Development in Wyoming

BLM Wyoming also is looking to new mineral sources to provide for additional energy supplies. A relatively new area of significant interest has been the development of natural gas from coalbeds in the Powder River Basin in Wyoming and Montana. On April 30, 2003, I signed a Record of Decision (ROD) and Resource Management Plan (RMP) Amendments for the Powder River Basin Oil and Gas Project that analyzed the effects of drilling up to 51,000 coalbed natural gas wells (both federal and non-federal) over a 10-year period, along with the continued drilling of an estimated 3,200 "conventional" oil or gas wells in the Wyoming portion of the Powder River Basin.

This analysis represented the culmination of a comprehensive three-year planning process. The alternative selected includes an emphasis on water infiltration to handle the water produced from coalbed natural gas wells, and it describes the management goals, objectives, and conditions of use that will guide future management of Federal oil and gas operations in the Powder River Basin. The Record of Decision itself does not authorize the drilling of wells, but it provides a framework for coalbed natural gas and conventional resource development. Before any specific drilling proposals are approved, the BLM will conduct an additional round of environmental review to identify site-specific environmental impacts and appropriate mitigation measures. In addition, other permits, such as those issued by the State's Department of Environmental Quality, will be necessary for most actions.

#### Improving Drilling Permit Processing

BLM Wyoming also is continuing to work to make our drilling permit processes more efficient. BLM Wyoming processes more APDs on Federal lands than any other State. As noted earlier, we processed 1,764 APDs in 2002. The BLM is working hard to shorten processing times by examining the causes of delays.

While we are working to improve our APD processes, our efforts are not designed to take shortcuts. They are designed to make improvements and find efficiencies within the requirements of existing laws and regulations. In that spirit, Director Clarke has issued new policy memoranda that examine ways to expedite permitting. These include, for example, encouraging block cultural surveys where appropriate, to cover entire project areas at once. Also, the BLM has a policy to encourage multiple APD submittals by operators for

projects whenever it makes sense, enhancing our ability to look at projects as a whole under NEPA and to improve efficiency. For instance, BLM Wyoming's Buffalo Field Office has had great success in working with operators to group APDs into Plans of Development (PODs) of 30 or more proposed wells.

We are also working to improve the way we handle cultural clearances required under the National Historic Preservation Act. To that end, in partnership with BLM, the Wyoming State Historic Preservation Office has recently posted on its website a template cultural clearance report format to expedite State and Federal review of such reports. In another partnership with the State, BLM Wyoming is working with the Wyoming Oil and Gas Conservation Commission to provide for electronic permit submittals by operators which satisfy both State and Federal requirements. Electronic permitting can greatly enhance our ability to process APDs more expeditiously.

#### Conclusion

Madam Chairman, as we continue to work to improve our oil and gas development processes and implement the President's National Energy Policy in order to contribute to solving some of our Nation's energy problems, we are working within the framework of the BLM's multiple-use mandate. We also are committed to continuing to work within the guiding principles of Secretary Norton's 4 C's – Communication, Consultation, and Cooperation, all in the service of Conservation – as we pursue our mission to be good stewards of all of the resources of our Nation's public lands.

Thank you for the opportunity to testify before you today. I welcome any questions the Subcommittee may have.