

Committee on Resources,

Subcommittee on Energy & Mineral Resources

[energy](#) - - Rep. Barbara Cubin, Chairman

U.S. House of Representatives, Washington, D.C. 20515-6208 - - (202) 225-9297

Witness Statement

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House Resources Subcommittee on Energy & Minerals Resources
"BLM & Forest Service Oil & Gas Permitting"
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Madame Chairman and members of the Committee, I appreciate the opportunity to appear here today to discuss the Bureau of Land Management's (BLM) oil and gas permitting program. I am accompanied by Larry Gadt, Director of Mineral and Geology Management for the U.S. Forest Service.

Energy Production on BLM Lands

The BLM is a multiple-use agency whose mission includes promoting the development of the natural resources on the Federal lands under its jurisdiction, as well as protecting the environmental conditions on those lands. As such, the BLM administers oil and gas leasing on about 570 million acres of onshore mineral estate - including BLM, national forest, and other Federally-managed lands, as well as private lands where mineral rights have been retained by the Federal Government. These Federal lands are the source of about 11 percent of the natural gas and 5 percent of the oil produced domestically. In Fiscal Year 2000, revenues from onshore production neared \$700 million. A significant portion of these revenues are shared with the individual states in which the production occurs.

BLM-managed lands contain some world-class deposits of energy and mineral resources. Places such as the Powder River Basin in Wyoming and Montana, and the San Juan Basin in New Mexico and Colorado contain impressive and accessible supplies of oil, natural gas, and coal. In order to respond to our Nation's expanding energy needs and to decrease our dependency on foreign energy sources, the Administration has placed a priority on the environmentally-responsible production of energy and mineral resources from these Federal lands. Thus, BLM's workload of oil and gas leasing and permitting is expected to increase significantly in the future. For example, in Fiscal Year 2001 BLM expects to process about 2,600 Application for Permits to Drill (APDs), representing about the average number of APDs annually for the prior 6 years. In FY 2002, we expect to process about 4,100 APDs. To manage this workload increase, BLM is engaged in a variety of efforts, including analyzing the impediments to accessing available energy resources on Federal lands, streamlining the Bureau's leasing and permitting processes, and improving coordination among affected parties.

Madame Chairman, before discussing some of our Bureau's efforts to address an increasing domestic energy demand and to streamline its work, I will first review BLM's oil and gas leasing and permitting processes.

BLM Oil and Gas Leasing and Permitting Processes

A "staged" decision-making process currently exists for BLM-managed oil and gas leasing and permitting. The process was designed to accommodate the tentative nature of oil and gas exploration and development, which can be speculative and costly. The stages generally include: 1) determination of lands available for leasing; 2) decision to authorize leasing on specific lands; 3) Application for Permit to Drill (APD) and 4) analysis of field development if oil and gas are discovered. Decisions made at each stage are based on environmental analysis in accordance with the National Environmental Policy Act (NEPA).

Public lands are made available for leasing only after they have been evaluated through BLM's multiple-use planning process, which involves procedures outlined by NEPA and the Federal Land Policy and Management Act (FLPMA). Special stipulations to protect other resources through mitigation or restrictions on surface use may be placed on leases. These stipulations may include no surface occupancy, controlled surface use, and timing limitations. The BLM also manages leasing of oil and gas on Federal lands administered by the Forest Service and other Federal land managing agencies, with their consent.

Industry may nominate (through an expression of interest) specific lands for leasing or may request a lease offering of all available lands within a geographic area. Current law requires that all public lands available for leasing first be offered through a competitive leasing process. Competitive lease size is at least 2,560 acres in the lower 48 states and 5,760 acres in Alaska. Non-competitive leases may be issued only after being offered competitively at an oral auction and not receiving a bid. Such leases represent a small portion of our leases. The maximum non-competitive lease size in all States is 10,240 acres. Both lease types are issued for 10 years and can continue as long as oil and gas is being produced.

Competitive lease sales are offered no less than quarterly when parcels are available. A sale notice, which lists the lands and specific use stipulations for each parcel, is published at least 45 days prior to the auction. On the day of the auction, the successful bidder must submit a properly executed lease bid form, pay a share of the sale cost (\$75 per lease), first year's advance rental (\$1.50 per acre), and not less than the minimum bonus bid of \$2.00 per acre.

Applications for Permit to Drill (APDs) must be submitted and approved before commencement of operations. Certain nonpropriety information must be posted for public inspection during this period. The BLM is required to consult with the appropriate Federal surface management agency no later than 5 days after the 30-day posting period, or within 30 days for Indian lands. The BLM is required to process the APD within the 35- or 30-day period or advise the applicant of the reasons for disapproval or delay. If there is a delay in meeting the time-frame, the BLM must provide the applicant with the reasons for the delay and when final action can be expected. For operations on National Forest System lands, BLM cannot approve APDs without consent of the U.S. Forest Service.

Responding to an Increase in National Energy Needs

Budget Request

To address the high-priority energy demands of our Nation, an additional \$15 million has been requested by the Administration in Fiscal Year 2002 for the BLM's energy and mineral programs. This includes \$2 million to increase oil and gas leasing by 15 percent and APD processing by 1,000 to 2,000 wells. The Administration also requested \$7 million to help ensure that land use plans are updated in a timely manner.

Inventory of Oil and Gas Reserves and Resources (EPCA)

Of paramount importance in responding to our Nation's increasing energy needs is the BLM's involvement in a multi-agency effort to inventory oil and gas reserves and resources on onshore public lands, and to identify the impediments and restrictions to accessing and developing those resources. This project was mandated by Congress at the end of last year through Section 604 of the Energy Policy and Conservation Act (EPCA), and it involves the combined efforts of the BLM, U.S. Geological Survey, U.S. Forest Service, and the Energy Information Agency. These agencies have had numerous meetings already this year to organize and scope the project, and have already identified the priority resource areas. The law requires a report to Congress by the end of 2002. However, recognizing the value of the report during this period of increased focus on energy issues, the group is hoping to produce interim reports prior to that final deadline. The Administration's 2002 budget includes a funding request of \$3 million as part of the BLM budget for the agencies to address the EPCA requirements in 2002.

Making BLM Processes More Efficient

The BLM must comply with the requirements of existing law regarding oil and gas leasing and permitting processes. In so doing, the Bureau is constantly striving to make these procedures more efficient and is currently involved in several initiatives to achieve such results.

Planning Efforts

Recognizing that out-dated land use plans can result in delays in leasing and approval of permits, the Bureau has undertaken efforts to update those plans. Plans including areas with high potential for oil and gas have been given top priority for updating. We also intend to utilize the information from the EPCA report in these planning efforts.

Coordination Among Affected Parties

One such initiative in which the BLM is involved is the Federal Leadership Forum - an interagency cooperative effort to address issues relating to oil and gas and geothermal development on public lands. The group is comprised of the principal managers of the Federal land management and regulatory agencies of the Rocky Mountains, and it is responding to issues associated with increasing levels of oil and gas development and their potential effects on air quality in the region. The Forum is currently developing unified guidance regarding specific aspects of the NEPA process used for making decisions on oil and gas activities. This type of interagency coordination can assist in removing communication barriers, provide an efficient means for dispute resolution, and eliminate delays during the NEPA process. Such coordination also could be extremely helpful in complying with the requirements of the Endangered Species Act.

Use of Electronic Commerce

The BLM has been utilizing - and is looking to expand the use of - new technologies to streamline some of its processes and procedures. For example, in Wyoming - where the BLM manages leases that produce over 43 million barrels of oil and nearly 500 million cubic feet of natural gas per year - the Bureau has been working with the oil and gas industry to improve its business processes through the use of electronic commerce technologies. Starting last year, operators could electronically submit well permits and reports using BLM's web-based electronic commerce capability. This effort is intended to meet customer requirements for quicker, less expensive and faster permitting and reporting.

During Fiscal Year 2000, BLM Wyoming processed over 1,600 electronic well permits and reports from 23 oil and gas operators. This technology supports the large scale coal bed methane well permitting activity in Wyoming's portion of the Powder River Basin, as well as Pinedale Anticline and Jonah natural gas development activity in the Green River Basin of southwest Wyoming. These new electronic commerce technologies also have been utilized by the BLM in Colorado, Montana, New Mexico, and Utah.

The BLM also is continuing to encourage state regulatory agencies to join with us in APD processing using the Automated Fluid Minerals Support System. This system will greatly streamline the APD process because operators would only be required to submit one APD to the Federal and State agencies having approval authority. Implementation of this effort is ongoing.

Plans of Development ("PODs")

Another example of BLM's streamlining efforts is the so-called Plan of Development (or "POD") permitting approach that increases BLM's processing efficiency by grouping a large number of APDs together in a certain geographic area. Again using Wyoming as an example, the BLM has used the POD approach in support of the significant coal bed methane activities in the Powder River Basin. The BLM processes a POD - comprising up to 32 APDs - as a group instead of evaluating each APD individually. This enables a larger number of applications to be processed at once, but still requires the operator to submit complete applications on all APDs proposed in the group for this to be effective.

Closing

Madame Chairman, I hope this gives the Committee a better understanding of the BLM's current oil and gas leasing and permitting work. I would be pleased to answer any questions that you or the other members of the Committee may have.

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