

STATEMENT OF NINA ROSE HATFIELD
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HOUSE RESOURCES COMMITTEE
SUBCOMMITTEE ON ENERGY AND MINERALS
FY2000 BUDGET OVERSIGHT

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Madam Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the Fiscal Year 2000 Budget Request for energy and minerals programs administered by the Bureau of Land Management (BLM).

Budget Overview

The President's Fiscal Year 2000 Budget proposes \$1,268,700,000 for the BLM -- including funds for operation of the Bureau, Payments in Lieu of Taxes, construction and facilities maintenance, land acquisition, as well as hazardous materials and firefighting activities across the Department of the Interior. Of the \$641,100,000 requested in the Management of Lands and Resources Appropriation, the request for energy and minerals activities is \$72,230,000. This is an increase of \$2,286,000 or 3.3% above the FY 1999 enacted level of funding. The programmatic increase amounts to \$450,000 or .6% over the 1999 enacted funding level after allowing for costs resulting from principally employee pay raises. The President's Budget also requests \$33,529,000 for the administration of mining claims under the Mining Law of 1872. These costs are offset by the collection of mining claim maintenance fees. There is also a request for \$2,147,000 for the assessment of mineral resources on Federal lands in Alaska.

Funding for the major program activities within energy and minerals management are as follows:

\$55,326,000 for oil and gas management, which provides for the competitive and non-competitive leasing of oil and gas resources and for inspection and enforcement of active leases;

\$ 7,527,000 for leasing and management of coal leases; and

\$ 9,377,000 for other minerals management activities, which include leasing and management of potash, phosphate, sodium, geothermal and other mineral resources, including mineral materials.

The energy and mineral resources of the public lands contribute enormously to the Nation's economic and social development. The public lands produce about 47% of the Nation's geothermal resources, 33% of its coal, 11% of its natural gas, and 5% of its oil. Today, BLM manages the resources on about 264 million acres of public land, and more than 500 million acres of Federally-owned subsurface mineral estate. The BLM also provides technical assistance

for management of minerals on Tribal and allotted lands. The scope and importance of BLM's management of energy and mineral resources is reflected by these statistics:

At the end of FY 1998, there were over 46,000 oil and gas leases in effect on 33 million acres, with 20,000 of those leases in producing status, and 3,900 producing leases managed by the BLM on Tribal lands;

- In 2000, BLM expects to issue about 3,150 oil and gas leases covering about 3.9 million acres;
- At the end of 1998, there were 128 producing coal leases, producing 348 million tons; there were also about 289,000 mining claim of record;

Also, at the end of 1998, there were a total of 768 leases of other mineral resources (such as phosphate, potash, sodium, geothermal and trona);

- And last year, the BLM managed the disposal of over 15 million cubic yards of sand, gravel and other mineral materials.

From these activities, the states received revenues totaling \$550,000,000 in 1998. With the increased filing of applications for permits to drill for oil, natural gas and coalbed methane, revenues from activities on Federal lands are projected to increase in 2000 with Federal royalties from these mineral activities totaling almost \$1,200,000,000. Resulting payments to the states will total \$611,000,000. A prime example of the vast amount of revenues generated from mineral activity on public land is the competitive coal lease sale held in Wyoming in October 1998. That sale brought a bonus bid of \$158,000,000, of which \$79,000,000 goes to the State of Wyoming. Royalties generated by the tract will be used for a variety of public benefits including highway construction, public schools, the University of Wyoming and local governments.

Within the minerals division, we have continued to focus on programs and activities that best serve the public interest while maintaining a balanced approach to the management of public lands. Allow me to highlight several of those areas:

Revitalization of Indian Country

The "Revitalization of Indian Country" budget proposal will be used to work with tribes to increase the effectiveness of their mineral development programs and to ensure a fair economic return to Indian mineral owners. Funding for this initiative totals \$450,000 (\$150,000 each for the oil and gas management, coal management and other minerals management subactivities) which would be used to initiate new contracts with additional tribes under the Indian Self-Determination Act (P.L. 93-638) and new agreements under Federal Oil and Gas Resource Management Act. The Indian Self-Determination Act allows tribes to assume responsibility over their respective portions of the BLM's minerals programs. By law, the Secretary's trust responsibility is not diminished by contracting these functions out to the Tribes and, under the Indian Self-Determination Act, the BLM must continue to provide oversight of the contracted

function. While the BLM believes these contracts and agreements will further its effort to meet its trust responsibility, budgetary concerns remain. The law provides that the Federal government fund not only the direct costs associated with the contracted program, but also indirect and support costs, as well as startup costs. Contracting under the Act will allow BLM to assist tribes with their move towards self-sufficiency and management of their mineral resources with the potential to generate significant revenue increases for certain tribes through more diligent inspections and enforcement.

Comprehensive Oil and Gas Regulations

In December 1998, the BLM published its proposed comprehensive oil and gas regulations aimed at consolidating and streamlining current BLM oil and gas regulations, giving operators greater flexibility in meeting certain agency requirements, ensuring appropriate bond amounts cover costs such as reclamation, and simplifying the classification of regulatory violations. Originally, the proposed regulations carried a 120 day comment period, however, in response to public input and to allow optimum time to analyze and comment on the proposed regulations, that comment period was recently extended for an additional 60 days with a closing date of June 4, 1999. The BLM will hold a series of public hearings in areas convenient to the public.

3809 Regulations

On February 9, 1999, the BLM published its proposed hardrock mining surface management or "3809" regulations. The proposed rule is intended to prevent "unnecessary or undue degradation" of public land resources by mining operations and improve the clarity and organization of the BLM's existing 3809 surface mining regulations. To gather comments on the proposed rule, a series of public hearings is planned throughout the West and in Washington, DC. The Bureau is awaiting the congressionally directed National Academy of Sciences study, due on July 31, 1999, which will determine the adequacy of existing regulations and, in accordance with Congressional mandates, no final regulations will be published before October 1, 1999.

Coalbed Methane

Exploration for coalbed methane is expected to increase greatly over the next few years, especially in Wyoming and other Rocky Mountain States. In the most recent court decision in the matter of Southern Ute v. Amoco. Tenth Circuit Court of Appeals, the appeals court decided ownership of the coalbed methane gas adheres to the ownership of the coal, rather than the ownership of the oil and gas. In order to provide an interim solution, Congress passed a measure (P. L. 105-277) which grandfathers in existing leases with respect to ownership of coalbed methane.

Suspension of Operations and Production Policy

With oil prices as low as they have been since 1975, operators are threatened with not being able to continue production on properties with low production. The BLM has implemented a two-year policy of granting a suspension on leases with stripper oil properties which are qualified to receive or have already qualified for a stripper royalty rate reduction. Such properties are defined

as those averaging 15 barrels or less of production per day. Allowing a suspension will enable operators to hold the lease and avoid premature abandonment of producible wells. Further, for those leases without properties that qualify for a stripper royalty rate reduction, we will determine on a case-by-case basis qualification for a suspension as authorized by existing regulations.

Other Initiatives

Ensuring environmentally sound mineral exploration and production and reducing environmental effects of past mining practices will continue to be of primary concern to the BLM. Abandoned hardrock mine sites may impact public health and the environment due to releases of hazardous substances from waste materials and acid drainage. In accordance with the Department's Clean Water and Watershed Restoration initiative, BLM will continue to address abandoned mine land (AML) sites which are adversely affecting water quality. BLM coordinates its AML program with State reclamation agencies, the US Forest Service (USFS) and the Environmental Protection Agency through an interagency agreement. During FY 1997, BLM and USFS commenced two pilot AML cleanup programs in Colorado and Montana. A third pilot was launched in Utah in FY 1998. In 1999, with additional funds appropriated by Congress, BLM will build on the success of the pilots by addressing water quality at AML sites in 12 states and 26 watersheds. BLM plans to continue its water quality based AML site cleanup activities during FY2000.

As we continue to pursue measures which increase efficiencies as well as promote environmentally sound recovery of mineral resources, we will continue to work with members of this subcommittee, the public, states and industry to improve the BLM's programs. This concludes my statement. I will be pleased to answer questions.