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U.S. DEPARTMENT OF THE INTERIOR**

**SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
FIELD HEARING; BLOOMFIELD, NEW MEXICO
"INSPECTION & ENFORCEMENT OF BUREAU OF LAND MANAGEMENT
OIL & GAS WELLS IN THE FARMINGTON AREA"
MAY 31, 2001**

Mr. Chairman and members of the Committee, thank you for the opportunity to appear here today to discuss the Bureau of Land Management's (BLM's) oil and gas inspection and enforcement (I&E) activities in the Farmington area. I am accompanied by Steve Henke, our Farmington Field Office Manager, who is responsible for the inspection and enforcement program in the Farmington area.

Background

In New Mexico, the BLM manages 13.4 million acres of surface land (an area larger than Vermont and New Hampshire combined); 36 million acres of subsurface mineral estate underlying Federal surface land; 8.4 million acres of Tribal and allotted lands where the BLM manages mineral operations as part of its trust responsibility; and 9.5 million acres of subsurface mineral estate underlying privately owned land. Federal lands in New Mexico are some of the highest in oil and gas production in the Nation. The Farmington Field Office administers 1.5 million acres of surface land in northwest New Mexico and 3 million acres of subsurface mineral estate.

In following the Federal Land Policy and Management Act, the BLM manages the public lands based on the principles of multiple use and sustained yield, and balances recreation, commercial, scientific, and cultural interests as it strives for long-term protection of renewable and nonrenewable resources. These include range, timber, minerals, oil and gas, recreation, watershed, fish and wildlife, wilderness, and natural, scenic, scientific, and cultural values.

BLM Oil & Gas Inspection & Enforcement Responsibility

The BLM is responsible for the oversight of oil and gas operations on Federal and Indian lands with the exception of Osage Tribal lands. This I&E authority derives from the Mineral Leasing Act of 1920, the Federal Oil and Gas Royalty Management Act of 1982, and the Indian Mineral Leasing Act of 1938.

The objectives of the oil and gas I&E program are to protect the environment, public health, and public safety; to ensure that the public's oil and gas resources are properly developed in a manner that maximizes recovery while minimizing waste; and to ensure the proper verification of production reported from Federal and Indian lands. This responsibility includes inspection of oil and gas operations to determine compliance with applicable statutes, regulations, onshore operating orders, notices to lessees, and lease terms and permit conditions of approval. These terms and conditions include those related to drilling, production, well plugging and abandonment, and other requirements related to lease administration.

Under current law, the Secretary of the Interior is required to inspect leases annually, based on production or operator noncompliance. Leases are also inspected at least annually if there is a potential for environmental degradation, or hazards to public health and safety. When inspectors identify noncompliance they initiate enforcement actions. The BLM is authorized to use a number of enforcement tools to ensure compliance, such as issuing notices of violations, imposing assessments or civil penalties, ordering a shut-down of operations, and possible lease cancellation.

Farmington Field Office Oil & Gas Inspection & Enforcement Review Findings, Recommendations & Resolutions

In July 2000, a Farmington Field Office I&E review was conducted to address concerns regarding I&E issues in the Farmington Field Office. The main finding identified an inadequate number of personnel available to monitor oil and gas activities in the Farmington area. The New Mexico State Office has worked to fill critical I&E positions as a result of the Fiscal Year 2000 review. A total of \$840,000 in base funding was provided in Fiscal Year 2002 for BLM New Mexico petroleum engineering technicians (PET) in the I&E program. The Farmington Field Office has filled five PET positions; the Carlsbad Field Office has filled three PETs; and the Oklahoma Field Office will be filling four more PET positions in July, 2002. The New Mexico State Office also has advertised for two regional I&E Coordinator positions, and the State I&E Coordinator, who will provide for a more consistent I&E program statewide. There will be a total of fourteen new I&E positions in BLM New Mexico before the end of Fiscal Year 2002. For Fiscal Year 2003, the BLM is proposing to further increase funding for New Mexico's I&E program, and to add thirteen I&E positions for the State.

The 2000 review also found that Surface Protection Specialists were focusing their efforts on processing Applications for Permit to Drill (APD). A recommendation of the review was to increase the number of Surface Protection Specialists to ensure that high-priority environmental inspections are performed. To address this recommendation, for Fiscal Year 2003, the BLM is proposing to add five new Environmental Specialist/Surface Protection Specialist positions to conduct environmental inspections and facilitate the APD approval process. Currently, an individual from the I&E staff is now focusing on high-priority environmental inspections.

Other Efforts to Resolve Oil & Gas Conflicts in the Farmington Area

Of course, providing and maintaining a strong oil and gas inspection and enforcement program does not resolve all of the potential conflicts related to oil and gas development. The BLM also is attempting to initiate and implement other means to address the inevitable conflicts inherent with our multiple use mission. An example of this in the Farmington area involves the conflicts arising from the fact that the BLM issues livestock grazing permits and oil and gas drilling leases for the same BLM lands. BLM grazing permit holders have claimed that oil and gas production and pipeline companies negatively impact the ranching operations of BLM grazing permit holders. Their complaints primarily center on accelerated erosion from oil and gas access roads and reclamation efforts on pipelines and well pads. In addition, ranchers believe they should have the opportunity to have more input into siting and accessing oil and gas wells within their grazing permit areas so that wells cause the least disruption to grazing operations and minimizing surface disturbance.

In order to address these concerns, the Farmington Field Office continues to stress collaboration and communication in working towards resolving these conflicts. In July 2001, the Farmington Field Office formed the BLM Grazing/Oil and Gas Committee, consisting of BLM grazing permit holders and representatives of the oil and gas industry, the New Mexico Oil Conservation Division, the U.S. Forest Service, and the New Mexico Land Office. Some accomplishments of the Committee's collaboration and cooperation include agreeing on standards for fencing of waste pits and tanks on oil and gas well sites; initiating a voluntary \$1,000-per-acre off-site mitigation fee to restore vegetation; establishing better seed mix for rehabilitation of disturbed areas; increasing communication between BLM, industry and grazing communities so that ranchers are aware of pending surface disturbance in grazing areas; and initiating a program of rancher and landowner involvement in pre-development field consultation and participation in working groups. Last week, BLM officials also met with the New Mexico Cattle Growers Association in the Farmington area to further discuss these issues and to develop collaborative methods of mitigating the impacts of oil and gas development activities.

Conclusion

Mr. Chairman, the BLM plays an important role in implementing the President's National Energy Policy and in providing for environmentally-sound energy development to respond to our Nation's growing energy needs. As you know, it is imperative that a strong oil and gas inspection and enforcement program follow any increases in energy development and production. This applies to the Farmington area, as well as all other energy development areas. The BLM is committed to addressing the issues raised in the 2000 review of the Farmington inspection and enforcement program, and looks forward to working with you and your Committee further on this issue.

Again, thank you again for the opportunity to testify. I would be pleased to answer any questions that you may have.