

**Statement of
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**Before the
Natural Resources Committee
Subcommittee on Energy and Mineral Resources
and the
Agriculture Committee
Subcommittee on Conservation Energy and Forestry
United States House of Representatives**

“Challenges Facing Domestic Oil and Gas Development: Review of Bureau of Land Management/U.S. Forest Service Ban on Horizontal Drilling on Federal Lands”

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Mr. Chairmen and Members of the Subcommittees, thank you for the opportunity to appear here today to discuss the Bureau of Land Management’s (BLM) role in the Administration’s efforts to facilitate the responsible development of oil and gas resources from our public lands and Federal onshore mineral estate. With respect to the title of this oversight hearing, I note for the record that the BLM has no ban on directional drilling and, as a matter of policy, the Bureau generally encourages its use where appropriate to protect sensitive surface resources. Because there is no BLM ban on directional drilling, my testimony will provide an overview of the BLM’s oil and gas program and policies.

The BLM, an agency of the U.S. Department of the Interior (Department), is responsible for protecting the resources and managing the uses of our nation’s public lands, which are located primarily in 12 western states, including Alaska. The BLM administers more land – over 245 million surface acres – than any other Federal agency. The BLM manages approximately 700 million acres of onshore subsurface mineral estate throughout the Nation, and provides Indian fiduciary services. We work closely with surface management agencies in the management of this subsurface mineral estate.

Background

Secretary Salazar has emphasized that as we move toward the new energy frontier, the development of conventional energy resources from BLM-managed public lands will continue to play a critical role in meeting the Nation’s energy needs. The BLM strives to achieve a balance between oil and gas production and protection of the environment. Facilitating the efficient, responsible development of domestic oil and gas resources is part of the Administration’s broad energy strategy that will protect consumers and help reduce our dependence on foreign oil. Well-paying jobs are often associated with oil and gas exploration and development, and provide needed revenues and economic activity to communities. In Fiscal Year (FY) 2010, onshore Federal oil and gas royalties exceeded \$2.5 billion, approximately half of which was paid directly to the states in which the development occurred.

The BLM is working diligently to fulfill its part in securing America's energy future. In addition to actively supporting the development of renewable energy resources, the BLM currently manages more than 40 million acres of onshore oil and gas leases. In FY 2010, onshore oil production from public lands increased by 5 million barrels from the previous fiscal year as more than 114 million barrels of oil were produced from the BLM-managed mineral estate—the most since FY 1997. Meanwhile, the nearly 3 trillion cubic feet of natural gas produced from public lands made 2010 the second-most productive year of natural gas production on record. In 2010, conventional energy development from public lands produced 14.1 percent of the Nation's natural gas, and 5.7 percent of its domestically-produced oil.

In achieving these production milestones, the BLM is working on a variety of fronts to ensure that development is done efficiently and responsibly—including implementing leasing reforms; carefully planning for development in the National Petroleum Reserve in Alaska (NPR-A); continuing to process drilling permits in a timely fashion; improving inspection, enforcement, and production accountability; pursuing royalty reforms; and reviewing hydraulic fracturing policies and practices.

Leasing Reforms

Current and future lease sales are benefitting from much-needed reforms that the BLM put in place in May of 2010. In the decade between 1998 and 2009, the percentage of leases protested jumped from 1 percent to 49 percent. The BLM was investing vast amounts of staff time and attention in defending time-consuming and costly lawsuits, and revisiting the leasing process after receiving direction from the courts. The result of these challenges was judicial restraints on development, job loss, and diminished access to energy resources.

In our leasing reforms, the BLM decided to take a front-loaded approach, offering an increased opportunity for public participation and a more thorough environmental review process and documentation. The reforms enhance the BLM's ability to resolve protests prior to lease sales. Using these methodologies in Wyoming, the BLM in the first quarter of FY 2011 was able to resolve many protested leases and released monies held in escrow due to the protests.

The BLM reforms established a more orderly, open, and environmentally sound process for developing oil and gas resources on public lands. They focus on making oil and gas leasing more predictable, increasing certainty for stakeholders including industry, and restoring needed balance with comprehensive up front analysis added to the development process. These reforms require adequate planning and analysis to identify potential areas where the leasing would not compromise the BLM's multiple-use land management mission, and include:

- Engaging the public in the development of Master Leasing Plans prior to leasing in certain areas where resource conflicts are known to exist and where significant new oil and gas development is anticipated. The intent is to fully consider other important natural resource values before making a decision on leasing and development in an area;

- Ensuring potential lease sales are fully coordinated both internally and externally, including public participation, and interdisciplinary review of available information, as well as on-site visits to parcels prior to leasing when necessary to supplement or validate existing data; and
- Requiring an “extraordinary circumstances” review screen before applying the categorical exclusions in the Energy Policy Act of 2005 to oil and gas drilling activities on BLM lands. This, as well as the other reforms identified above, are helping to provide increased rigor on the front end of the leasing process so that leases will be better able to withstand outside scrutiny—ultimately making the development process more efficient.

National Petroleum Reserve in Alaska (NPR-A)

Through a careful public planning process, the BLM has in place an active leasing program in the National Petroleum Reserve in Alaska (NPR-A)—a nearly 23 million-acre area on the north slope of Alaska. In 2010, the U.S. Geological Survey estimated that 896 million barrels of conventional, undiscovered oil and 53 trillion cubic feet of conventional, undiscovered gas were within NPR-A and adjacent State waters. The BLM has offered lease sales in the NPR-A in 1999, 2002, 2004, 2006, 2008, and 2010, and over 1.6 million acres are currently under lease in the area. In December 2011, the BLM plans to conduct a lease sale of additional tracts, and expects to hold a lease sale in 2012 and each year thereafter. The BLM’s leasing program in the NPR-A ensures that safe and responsible exploration and development of domestic oil and natural gas resources can be done in a manner that also protects wildlife and habitat, and honors the subsistence values of Alaska Natives and rural residents. Further, the Bureau is engaged in a planning process for the entire NPR-A that should help identify long-term leasing and infrastructure goals (to support both onshore and offshore oil and gas development) as well as resource conservation goals.

Permitting

Prior to the drilling of a well, BLM is required to process applications for permit to drill (APDs). The BLM processed over 5,200 such permits in Fiscal Year 2010. As of June 1, 2011, the BLM has received 2,688 APDs (Federal and Indian lands), and has processed 2,885 APDs (Federal and Indian lands). About 7,080 APDs on BLM and Indian lands have been approved by BLM, but not yet drilled by industry. Historically, BLM’s experience has been that that demand for drilling permits is a function of market conditions and national energy consumption, and we expect the numbers of APDs received to increase as the economy continues to improve.

Inspection, Enforcement, & Production Accountability

Of paramount importance, the BLM is committed to ensuring oil and gas production is carried out in a responsible manner. We continue to work to strengthen our oil and gas inspection, enforcement, and production accountability program. As part of this effort, the BLM has developed a strong technical certification program for all of our oil and gas field inspectors, who completed over 31,000 inspections in FY 2010. These inspections ensure that lessees meet important environmental and safety requirements, and that the reported oil and gas volumes match the actual production on-the-ground. The BLM also has begun using a risk-based

inspection strategy for production inspections, inspecting first those leases that present the highest risk according to the strategy. The BLM plans to expand this risk-based strategy to the other types of inspections it performs with the goal of maximizing the efficient use of inspection staff to meet inspection goals and requirements.

Royalty Reform

The Administration believes that American taxpayers should receive a fair return on the development of energy resources on their public lands. A 2008 Government Accountability Office (GAO) report suggests that taxpayers could be receiving a better return from Federal oil and gas resources in some areas. Subsequent GAO reports have reiterated this conclusion. The BLM and the Bureau of Ocean Energy Management, Regulation, and Enforcement are cooperating to pursue an international study of approaches to oil and gas revenue collection. The study should be completed and published later this year.

Hydraulic Fracturing

The use of hydraulic fracturing techniques to stimulate natural gas production on Federal lands has been the subject of increasing interest in the past few years. The Department has been monitoring the developments around hydraulic fracturing and proactively engaging the public, states, and industry on this important topic.

As part of the Department's proactive efforts to ensure that oil and gas development is taking place on public lands in a responsible and environmentally sustainable manner, the BLM held a series of regional public forums in April 2011 to discuss the use of hydraulic fracturing. The sessions were held in North Dakota, Colorado, and Arkansas—states that have experienced significant increases in natural gas development on Federal lands or on leases issued by the BLM.

The forums provided attendees with an introduction to the hydraulic fracturing process and the relevant BLM regulatory authorities. Attendees also heard presentations from state oil and gas regulators, state water regulators, oil and gas industry representatives, environmental organizations, sportsmen's groups, landowner groups, tribal representatives, and academics. Over 600 members of the public attended and participated in the forums. Issues raised by members of the public and panel members included best management practices, disclosure of the chemicals used in hydraulic fracturing fluids, well construction and integrity, production wastewater management, and other techniques for protecting drinking water resources.

As you may know, other agencies are also actively engaged on this issue. Earlier this year, the Environmental Protection Agency (EPA) commenced a four-year Congressionally-mandated study of hydraulic fracturing. In addition, the Secretary of Energy's Advisory Board Subcommittee on Hydraulic Fracturing is currently developing initial recommendations on hydraulic fracturing, and the BLM looks forward to reviewing its recommendations.

Conclusion

Consistent with the framework presented by the President's *Blueprint for a Secure Energy Future*, the BLM is working to secure our energy future by ensuring the potential oil and natural gas development on our public lands is realized. We are pursuing the safe, responsible, and efficient development of these energy resources here at home.

The BLM is committed to encouraging responsible energy development on the public lands and to ensuring that the American people receive a fair return for the public's resources. We are mindful of our responsibility for stewardship of natural resources and public assets that generate substantial revenue from Federal onshore oil and gas royalties directed to the U.S. Treasury and to the states. Mr. Chairmen, thank you for the opportunity to testify on the BLM's oil and gas program policies and activities. I will be pleased to answer any questions you may have.