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# EFFECT OF THE PRESIDENT'S FY 2013 BUDGET AND LEGISLATIVE PROPOSALS FOR THE BUREAU OF LAND MANAGEMENT AND THE U.S. FOREST SERVICE'S ENERGY AND MINERALS PROGRAMS ON PRIVATE SECTOR JOB CREATION, DOMESTIC ENERGY AND MINERALS PRODUCTION AND DEFICIT REDUCTION

# OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

Tuesday, March 20, 2012

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# OVERSIGHT HEARING ON THE "EFFECT OF THE PRESIDENT'S FY 2013 BUDGET AND LEGISLATIVE PROPOSALS FOR THE BUREAU OF LAND MANAGEMENT AND THE U.S. FOREST SERVICE'S ENERGY AND MINERALS PROGRAMS ON PRIVATE SECTOR JOB CREATION, DOMESTIC ENERGY AND MINERALS PRODUCTION AND DEFICIT REDUCTION."

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**Tuesday, March 20, 2012**
**U.S. House of Representatives**
**Subcommittee on Energy and Mineral Resources**
**Committee on Natural Resources**
**Washington, D.C.**

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The Subcommittee met, pursuant to notice, at 10:06 a.m., in Room 1300, Longworth House Office Building, Hon. Doug Lamborn [Chairman of the Subcommittee] presiding.

Present: Representatives Lamborn, Gohmert, Thompson, Duncan of South Carolina, Gosar, Amodei; Holt, Tonko, and Markey.

Mr. LAMBORN. The Committee will come to order. The Chairman notes the presence of a quorum, which under Committee Rule 3(e) is two Members.

The Subcommittee on Energy and Mineral Resources is meeting today to hear testimony on an oversight hearing on the effect of the President's Fiscal Year 2013 budget and legislative proposals for the Bureau of Land Management and the U.S. Forest Service's energy and mineral programs on private sector job creation, domestic energy and minerals production, and deficit reduction.

Under Committee Rule 4(f), opening statements are limited to the Chairman and Ranking Member of the Subcommittee.

I ask unanimous consent to include any other Members' opening statements in the hearing record, if submitted to the Clerk by close of business today. Hearing no objection, so ordered.

Mr. LAMBORN. I now recognize myself for five minutes.

## STATEMENT OF HON. DOUG LAMBORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. LAMBORN. During today's hearing, we will hear the Administration's justification for their Bureau of Land Management and U.S. Forest Service budgets, and legislative proposals for the Federal onshore energy and mineral programs in Fiscal Year 2013.

The energy and minerals programs under the jurisdiction of this Subcommittee bring in the most revenue to the Federal Treasury behind the IRS.

In addition, Federal lands are a key contributor to job creation. According to the Administration's own report, more than half the jobs created by the Departments' activities are related to energy and mineral production.

This equates to more than 726,000 American jobs that are dependent on the actions of this Administration.

The opportunities for new job creation are endless. However, without policies in place that encourage energy and mineral development, these job opportunities are nonexistent.

Today we will hear weighty claims of actions that this Administration is supposedly taking to promote domestic energy and create American jobs.

Unfortunately, since the Administration took office, the Department of the Interior has taken steps to reduce access to domestic energy and mineral resources on Federal lands, including renewable resources, like wind and solar.

Today we might hear from the Administration that the agencies are working to lower gas prices for American consumers. We might also hear President Obama's claim that high gas prices are not the President's fault.

However, a careful review of President Obama's actual actions paint a very different story.

In 2009, shortly after President Obama took office, 77 leases issued in Utah were withdrawn. This cost American taxpayers millions of dollars in lost lease bids, production royalties, and the opportunity to produce American energy to offset rising imports of oil and natural gas.

According to an Uintah County Commissioner in Utah, this prevented the creation of approximately 3,000 jobs.

Who made the decision to withdraw these leases, thereby stopping energy production and job creation? President Obama.

The Administration often touts their record of encouraging oil and natural gas development on Federal lands, but since the President took office, the last three years have seen the fewest acres leased for oil and natural gas in over 30 years.

Who makes the decision to lease or not lease land for energy development? President Obama.

The last three years have seen the fewest new leases sold by BLM since 1984. Who makes the decision to sell leases? President Obama.

Since the Administration took office, a moratorium on outer continental shelf production reduced production on the OCS by 500,000 barrels per day.

In December 2009, EIA's annual energy outlook for 2010 forecast Gulf of Mexico crude oil production to average 1.76 million barrels per day.

Today, EIA's estimate for the second quarter of 2012 is 1.26 million barrels per day, half a million barrels less.

Who makes the decision to approve, delay and deny permits for energy production in the Gulf of Mexico? President Obama.

Who made the decision to entirely halt all production in the Gulf of Mexico while thousands of Americans sat unemployed for nearly a year? President Obama.

Who stood idly by as rigs left the Gulf of Mexico bound for the shores of other countries while thousands of American jobs went with them? President Obama.

A robust energy and mineral industry in this country contributes billions of dollars to our economy and provides raw materials for countless products that Americans depend on every day.

The economic security of our country is directly dependent on developing our own domestic resources that we are fortunate enough to have within our borders.

An effective energy and mineral program within the BLM and Forest Service is imperative for the creation of American jobs, increasing national security through our domestic energy and critical and strategic mineral resources, and increasing revenue into Federal, state and local treasuries.

Unfortunately, the policies of the current Administration will not create jobs or produce American energy. In fact, President Obama's solution to rising gas prices is OPEC.

Just last week, President Obama asked Saudi Arabia to increase oil production to mitigate gasoline prices.

Rather than facilitating our own energy production and creating jobs for Americans, President Obama would rather send American dollars to the Middle East and create jobs for the citizens of Saudi Arabia.

The Administration's policies instead have and will lead to American job loss, further dependence on foreign sources for our country's energy and mineral needs, and severely limit the revenue stream from the development of Federal mineral resources.

I look forward to hearing from all of our witnesses today on this important topic.

[The prepared statement of Mr. Lamborn follows:]

**Statement of The Honorable Doug Lamborn, Chairman, Subcommittee on Energy and Mineral Resources**

During today's hearing we will hear the Administration's justification for their Bureau of Land Management and U.S. Forest Service budget and legislative proposals for the federal onshore energy and minerals programs in Fiscal Year 2013. The energy and mineral programs under the jurisdiction of this subcommittee bring in the most revenue to the federal treasury behind the IRS. In addition, federal lands are a key contributor to job creation. According to the Administration's own report, more than half the jobs created by the Department's activities are related to energy and mineral production. This equates to more than 726, 000 American jobs that are dependent on the actions of this Administration. The opportunities for new job creation are endless; however, without policies in place that encourage energy and mineral development, these job opportunities are non-existent.

Today, we will hear weighty claims of actions that this Administration is supposedly taking to promote domestic energy and create American jobs. Unfortunately, since the Administration took office the Department of the Interior has taken steps to reduce access to domestic energy and mineral resources on federal lands including renewable resources like wind and solar.

Today we will likely hear from the Administration that the Agencies are working to lower gas prices for American consumers. We might also hear President Obama's claim that high gas prices are not the President's fault. However, a careful review of the President Obama's actual actions paint a very different story.

**PRESIDENT'S ACTIONS**

In 2009, shortly after President Obama took office, 77 leases issued in Utah were withdrawn. This cost American taxpayers millions of dollars in lost lease bids, production royalties, and the opportunity to produce American energy to offset rising imports of oil and natural gas. According to a Uintah County commissioner, this prevented the creation of approximately 3,000 jobs. Who made the decision to with-

draw these leases—thereby stopping energy production and job creation? President Obama.

The Administration often touts their record of encouraging oil and natural gas development on federal lands. But since the President took office, the last 3 years have seen the fewest acres leased for oil and natural gas in over 30 years. Who makes the decision to lease, or not lease, land for energy development? President Obama.

The last three years have seen the fewest new leases sold by BLM since 1984. Who makes the decision to sell leases? President Obama.

Since the Administration took office, a moratorium on Outer Continental Shelf (OCS) production reduced production on the OCS by 500,000 barrels per day. In December 2009, EIA's Annual Energy Outlook for 2010 (AEO2010), forecast Gulf of Mexico crude oil production to average 1.76 million barrels per day. Today EIA's estimate for the 2nd quarter of 2012 is 1.26 million barrels per day. Who makes the decision to approve, delay and deny permits for energy production in the Gulf of Mexico? President Obama.

Who made the decision to entirely halt all production in the Gulf of Mexico while thousands of Americans sat, unemployed, for nearly a year? President Obama.

And who stood idly by as rigs left the Gulf of Mexico, bound for the shores of other countries while thousands of American jobs went with them? President Obama.

A robust energy and mineral industry in this country contributes billions of dollars to our economy and provides raw materials for countless products that Americans depend on every day. The economic security of our nation is directly dependent on developing our own domestic resources that we are lucky enough to have within our borders.

An effective energy and mineral program within the BLM and Forest Service is imperative for the creation of American jobs, increasing national security through our domestic energy and critical and strategic mineral resources, and increasing revenue into federal, state and local treasuries.

Unfortunately, the policies of the current Administration will not create jobs or produce American energy. In fact, President Obama's solution to rising gas prices is OPEC. Just last week President Obama asked Saudi Arabia to increase oil production to mitigate gasoline prices. Rather than facilitating our own energy production and creating jobs for Americans, President Obama would rather send American dollars to the Middle East and create jobs for the citizens of Saudi Arabia. The Administration's policies instead have and will lead to American job loss, further dependence on foreign sources for our country's energy and mineral needs and severely limit the revenue stream from the development of federal mineral resources.

I look forward to hearing from our all of today's witnesses on this important topic.

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Mr. LAMBORN. I now recognize the Ranking Member, the gentleman from New Jersey, Mr. Holt, for his opening statement.

## STATEMENT OF HON. RUSH HOLT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. HOLT. Thank you, Mr. Chairman.

There are many good and important things that the BLM does and the Forest Service. We maybe should talk about those, but given the onslaught here trying to blame the Obama Administration for gasoline prices, I think we really need to address some of these issues with the facts.

In 2011, American crude oil production reached the highest level in nearly a decade. Natural gas production was once again at an all time high.

Some have claimed that this is in spite of actions by the Obama Administration. The Obama Administration has increased domestic oil and gas production on Federal land as well.

Over the first three years of the Obama Administration, oil production from all offshore and onshore Federal land has been 13 percent higher than during the last three years of the previous Administration.

Some have claimed that oil production on Federal lands is down because of the Obama Administration. Well, oil production in 2011 was slightly lower than 2010. Remember, this is in the aftermath of the Deepwater Horizon disaster when oil and gas companies could not demonstrate that they had the capability actually to respond to and contain blowouts.

Even with that slight dip in offshore production, overall Federal oil production in 2011 under President Obama was higher than in each of the last three years of the Bush Administration.

According to a recent Department of Energy report that examined production during the period 2003 to 2011, onshore oil production from Federal land in 2011 was higher than at any point during the Bush Administration over the first three years of the Obama Administration.

Natural gas production onshore was six percent higher than during the last three years of the Bush Administration.

The Department of the Interior has approved more permits to drill and industry has begun drilling more wells in the first three years of the Obama Administration than in the first three years of the Bush Administration.

Yet, these companies are sitting on more than 7,200 approved drilling permits, on which they have not begun drilling.

Oil and gas companies hold more than 25 million acres of public land onshore on which they are not producing oil and gas. The Obama Administration is not holding up production on these leases. The oil and gas companies who hold the permits are holding up production.

Ranking Member Markey and I have introduced legislation to establish an escalating fee on oil and gas leases, which would provide strong incentives for oil companies to either start drilling or relinquish the land.

If the Majority is interested in increasing oil production on Federal lands, they should support this legislation, get the companies to stop sitting and start drilling, if that is what they want.

Last year, there was a 50 percent increase in industry nominations to lease Federal land onshore for oil and gas drilling.

The oil and gas industry would not be expanding the areas it wanted to drill in if it thought the Obama Administration was not allowing development to go forward.

There are plenty more facts like that that we can lay out that show these claims that we have been hearing just do not hold up.

I would like to briefly, however, talk about another aspect of energy policy on public lands.

As part of the "all of the above" energy strategy, the Administration is also developing renewable energy on public lands, with the goal of permitting 11,000 megawatts, 11 gigawatts, by the end of next year. This would be more than five times the amount of renewable energy permitted by all previous Administrations combined.

Yet, the Republican Majority is threatening to raise taxes on the wind industry this year, which would jeopardize those projects and many others, and could kill 37,000 clean energy jobs.

I look forward to the testimony of the witnesses. As I say, there are many other aspects of your important work that we may want

to talk about, but I am pleased to have the opportunity to set these matters straight.

[The prepared statement of Mr. Holt follows:]

**Statement of The Honorable Rush D. Holt, Ranking Member, Subcommittee on Energy and Mineral Resources**

In 2011, American crude oil production reached the highest level in nearly a decade. Natural gas production was once again at an all-time high. Some have claimed that this is in spite of, not because of, the Obama Administration.

Yet, the Obama Administration has continued to increase domestic oil and gas production on federal land. Over the first three years of the Obama Administration, oil production from all offshore and onshore federal land has been 13 percent higher than during the last three years of the Bush administration.

Some have claimed that oil production on federal lands is down this year because of the Obama Administration. Well, oil production in 2011 was slightly lower than 2010 as a result of the aftermath of the BP Deepwater Horizon disaster when oil and gas companies were not able to demonstrate that they had the capability to actually respond to and contain a deepwater blowout. And even with that slight dip in offshore production, overall federal oil production in 2011 under President Obama was still higher than each of the last three years of the Bush Administration.

According to a recent Department of Energy report that examined energy production between 2003 and 2011, onshore, oil production from federal land in 2011 was higher than at any point under the Bush Administration.. Over the first three years of the Obama Administration, natural gas production onshore was 6 percent higher than during the last three years of the Bush Administration.

The Department of the Interior has approved more permits to drill, and industry has begun drilling more wells in the first three years of the Obama Administration than in the first three years of the Bush Administration. Yet these companies are sitting on more than 7,200 approved drilling permits on which they have not begun drilling. Oil and gas companies hold more than 25 million acres of public land onshore on which they are not producing oil and gas. The Obama administration isn't holding up production on these leases, the oil and gas companies who hold these permits are holding up production.

The Administration has once again proposed establishing a fee on these nonproducing leases. Ranking Member Markey and I have introduced legislation to establish an escalating fee on oil and gas leases, providing a strong incentive for oil companies to either start drilling in a timely fashion or relinquish this land so that another company can develop it. If the majority is interested in increasing production on federal lands they should support this legislation to get these companies to stop just sitting on the thousands of approved permits to drill and the tens of millions of acres of public lands they already hold.

And last year there was a 50 percent increase in industry nominations to lease federal land onshore for oil and gas drilling. The oil and gas industry wouldn't be expanding the areas it wanted to drill in if it thought the Obama Administration was not allowing oil and gas development to go forward.

And as part of its real "all of the above" energy strategy, the Obama Administration is also developing renewable energy on public lands, with the goal of permitting 11,000 megawatts by the end of 2013. This would be more than 5 times the amount of renewable energy permitted by all previous administrations combined. Yet the Republican Majority is threatening to raise taxes on the wind industry at the end of this year, which would jeopardize those projects and could kill 37,000 permanent and existing clean energy jobs.

I look forward to the testimony of our witnesses today and I yield back.

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Mr. LAMBORN. I now invite forward our first panel consisting of The Honorable Bob Abbey, Director of the Bureau of Land Management, and The Honorable Tom Tidwell, Chief of the U.S. Forest Service.

Your written testimony will appear in full in the hearing record, so I ask that you keep your oral statements to five minutes, as outlined in our letter and under Committee Rule 4(a).

Our microphones are not automatic, so you need to turn them on when we begin.

After four minutes, the yellow light will come on, and then after five minutes, the red light comes on.

Director Abbey, thank you for being here, and you may begin.

**STATEMENT OF ROBERT ABBEY, DIRECTOR, BUREAU OF LAND MANAGEMENT**

Mr. ABBEY. Good morning, Mr. Chairman, members of the Subcommittee. It is my pleasure to be here and talk about the President's Fiscal Year 2013 energy and minerals budget requests for the Bureau of Land Management.

The BLM is responsible for managing over 245 million acres of public lands, primarily in the 12 Western States, as well as approximately 700 million acres of onshore, subsurface mineral estate nationwide.

The BLM's unique multiple use management of public lands includes activities as varied as livestock grazing, outdoor recreation, and conservation of natural, historical, cultural and other important resources.

America's public lands also provide resources that are critical to the nation's energy security. These resources will continue to play an important role in the domestic energy production and mineral development for decades to come.

The BLM is one of a handful of Federal agencies that generate more revenue than it spends. Our management of public land resources and protection of public land values results in extraordinary economic benefits to local communities and to this nation.

It is estimated that in 2011, the BLM's management of public lands contributed more than $120 billion to the national economy and supported more than 550,000 American jobs.

BLM's total Fiscal Year 2013 budget request is $1.1 billion or about $500,000 below the 2012 enacted budget.

The budget proposal reflects the Administration's efforts to maximize public benefits while recognizing the reality of the current fiscal situation.

Our proposed budget makes strategic investments in support of important Administration and Secretarial initiatives which will reap benefits for years to come.

The New Energy Frontier initiative recognizes the value of environmentally sound and scientifically grounded development of both conventional and renewable energy resources on public lands.

Conventional energy resources on these public lands continue to play a critical role in meeting the nation's energy needs, producing 41 percent of the nation's coal, 13 percent of natural gas, and five percent of the domestically produced oil.

During 2011, the BLM held 32 onshore oil and gas lease sales covering over four million acres which generated about $256 million in revenue. Total onshore mineral revenues are estimated to be $4.4 billion in 2013 from leasing and production activities.

The Department's balanced approach to responsible conventional energy development combines oil and gas policy reforms with effective budgeting to provide appropriate support for conventional energy development.

The 2013 budget strengthens the BLM's oil and gas inspection capability through a proposed fee on oil and gas producers, similar to the fee now charged for offshore inspections.

Collections of these fees is consistent with the principle that users of the public lands pay to cover oversight activities. This will generate an estimated $48 million in funds to improve safety and production inspections for oil and gas operations.

In addition, the budget also proposes $13 million in increased funding to continue to implement leasing reform efforts.

President Obama, Secretary Salazar, and this Congress have stressed the importance of renewable energy to the nation's energy security and long term economic development, and the protection of the environment.

The development of renewable energy creates American jobs while reducing the country's reliance on fossil fuels.

To date, Secretary Salazar has approved 29 commercial scale renewable energy projects on public lands, including 16 solar, five wind, and eight geothermal projects that represent more than 6,500 megawatts and 12,500 jobs.

The BLM intends to reach its goal of permitting 11,000 megawatts in 2013. Our 2013 budget proposes a $5 million increase for these efforts.

Finally, the budget proposes legislative initiatives to reform hard rock mining, remediate abandoned mines, and encourage diligent development of nonproducing oil and gas leases.

The BLM's 2013 budget request provides funding for the Agency's highest priority energy and minerals initiatives, and reflects the Administration's commitment to encourage responsible energy development on the public lands.

Again, Mr. Chairman, thank you for the opportunity to testify.

[The prepared statement of Mr. Abbey follows:]

**Statement of Robert V. Abbey, Director,**
**Bureau of Land Management, U.S. Department of the Interior**

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2013 energy and minerals budget request for the Bureau of Land Management (BLM).

The BLM, an agency of the U.S. Department of the Interior (DOI), is responsible for managing our National System of Public Lands, which are located primarily in 12 western States, including Alaska. The BLM administers over 245 million surface acres, more than any other Federal agency. The BLM also manages approximately 700 million acres of onshore subsurface mineral estate throughout the Nation. The BLM's unique multiple-use management of public lands includes activities as varied as energy production, mineral development, livestock grazing, outdoor recreation, and the conservation of natural, historical, cultural, and other important resources. The BLM is one of a handful of Federal agencies that generates more revenue than it spends.

**Meeting Our Nation's Needs**

The BLM's management of public land resources and protection of public land values results in extraordinary economic benefits to local communities and to the Nation, helping to contribute more than $120 billion annually to the national economy and supporting more than 550,000 American full and part-time jobs according to the Department of the Interior Economic Contributions report of June 21, 2011. Energy and mineral resources generate the highest revenue values of any uses of the public lands from royalties, rents, bonuses, sales and fees.

These benefits are not only economic, but also contribute substantially to America's energy security. During calendar year 2011, the BLM held 32 onshore oil and gas lease sales—covering nearly 4.4 million acres—which generated about $256 million in revenue for American taxpayers. Onshore mineral leasing revenues are esti-

mated to be $4.4 billion in 2013. The 2011 lease sale revenues are 20 percent higher than those in calendar year 2010. There are currently over 38 million acres of Federal mineral estate under oil and gas lease, and since only about 32 percent of that acreage is currently in production, the BLM is working to provide greater incentives for lessees to make production a priority. In FY 2011, the Department of the Interior collected royalties on more than 97 million barrels of oil produced from onshore Federal minerals. Moreover, the production of nearly 3 trillion cubic feet of natural gas made it one of the most productive years on record.

Meanwhile, the coal produced from more than 300 Federal coal leases, on nearly a half million acres of federal mineral estate, generated over $780 million in royalties. This coal is used to generate electricity in at least 40 states, accounting for more than one-fifth of all electricity generated across the country. The BLM held four coal leases sales in 2011. The BLM accepted bonus bids of more than $700 million for these four lease sales, underscoring the Administration's commitment to the goals of energy security and job creation.

The BLM also is leading the Nation on the new energy frontier, actively promoting solar, wind, and geothermal energy development. Under Secretary Salazar, BLM has approved permits for 29 commercial-scale renewable energy projects on public lands or the transmission associated with them since 2009. This includes 16 solar, five wind, and eight geothermal projects. Together, these projects represent more than 6,500 megawatts (MW) and 12,500 jobs, and when built will power about 1.3 million homes. In addition, the Department has identified more than 3,000 miles of transmission lines for expedited review. Enhanced development of wind power is a key component of our Nation's energy strategy for the future. There are currently 437 MW of installed wind power capacity on BLM-managed public lands, but there are 20 million acres of public lands with wind potential. Additionally, nearly half of U.S. geothermal energy production capacity is from Federal leases. The 2013 budget reflects a goal of permitting a total of 11,000 MW of clean renewable energy by the end of 2013.

**FY 2013 Budget Overview**

The BLM's FY 2013 energy and minerals budget makes significant investments in America's economy, while making difficult choices to offset priority funding increases. Investments in this budget will promote America's energy production at home and grow America's economy. The proposed budget for the BLM makes a strategic investment in support of the New Energy Frontier, an important Secretarial Initiative. Investment in this program today will reap benefits for years to come.

The total FY 2013 BLM budget request is $1.1 billion in current authority, which is essentially the same as the 2012 enacted level. The budget proposes $952.0 million for the Management of Lands and Resources appropriation and $112.0 million for the Oregon and California Grant Lands appropriation, the BLM's two main operating accounts. The budget makes strategic funding shifts to target high-priority initiatives, scales back on lower-priority programs, and sustains and expands energy program activities. The budget also includes several important legislative proposals linked to the uses of lands and resources, including proposals to fund the remediation of abandoned hardrock mines; to provide a fair return to the taxpayer from the production of several hardrock minerals on Federal lands; to encourage diligent development of oil and gas leases; to repeal a prohibition on charging oil and gas permitting fees along with associated mandatory funds; and to reauthorize the Federal Land Transaction Facilitation Act. This testimony focuses on the BLM's energy and mineral resources programs.

**Promoting American Energy Production at Home**

The 2013 budget continues the Department's New Energy Frontier initiative to create jobs, reduce the Nation's dependence on fossil fuels and oil imports, and reduce carbon impacts. The Secretary's New Energy Frontier Initiative emphasizes the value of scientifically-based, environmentally-sound development of both renewable and conventional energy resources on the Nation's public lands. Facilitating renewable energy development is a major component of this strategy along with effective management of conventional energy programs. The BLM's proposed FY 2013 budget advances the goals of the initiative by including priority funding for both renewable and conventional energy development on public lands.

***Renewable Energy***—President Obama, Secretary Salazar, and the Congress have stressed the critical importance of renewable energy to the future of the United States. Success in attaining the Nation's goals to reduce greenhouse gas emissions, mitigate climate change, and protect the global environment relies on sustained efforts to develop renewable energy resources. Renewable energy production is vital to our Nation's long-term economic development and energy security.

The development of renewable energy creates American jobs and promotes innovation in the United States while reducing the country's reliance on fossil fuels.

The BLM continues to make significant progress in promoting renewable energy development on the public lands in 2012, including working to approve additional large-scale solar energy projects and complete a draft Solar Programmatic Environmental Impact Statement to provide for landscape-scale siting of solar energy projects on public lands. The agency is working on wind development mitigation strategies with wind energy applicants and other Federal agencies, and is currently reviewing over 45 wind energy applications. Additionally, the transmission infrastructure required to deliver renewable energy from production facilities to major markets relies on corridors across BLM-managed lands.

The 2013 budget request includes a total program increase of $7.0 million in the Renewable Energy Management program, including $5.0 million in new funding. This will support additional environmental studies to accelerate the identification of prime areas for utility-scale renewable energy project development. It will also enable the BLM to continue ongoing program management responsibilities associated with geothermal energy development by replacing mandatory funding previously provided by the Geothermal Steam Act Implementation Fund, for which new deposits have ceased. The remaining $2.0 million increase is a transfer of geothermal funds from the oil and gas management program to the BLM's renewable energy program.

***Conventional Energy***—While we work to develop renewable energy sources, domestic oil and gas production remain critical to our nation's energy supply and to reducing our dependence on foreign oil. Secretary Salazar has emphasized that conventional energy resources on BLM-managed lands continue to play a critical role in meeting the Nation's energy needs. Conventional energy development from public lands produces 41 percent of the Nation's coal, 13 percent of the natural gas, and 5 percent of the domestically-produced oil. The Department's balanced approach to responsible conventional energy development combines onshore oil and gas policy reforms with effective budgeting to provide appropriate planning and support for conventional energy development.

The FY 2013 budget proposes an increase of $2.4 million in appropriated funding to be utilized for inspection and enforcement of coal production on Federal and Indian lands. The requested increase will fund the program at roughly the 2011 enacted level. BLM will continue efforts to institute cost recovery fees within this program, but recognizes these fees may not be in place by the start of 2013.

The President's FY 2013 budget proposes $13.0 million in oil and gas program increases to provide industry with timely access to Federal oil and gas resources, backed by the certainty of defensible environmental analysis. Of that increase, a $5.0 million program increase will restore the BLM's leasing and oversight capacity to the 2011 enacted level. An additional $3.0 million will be used for large, regional-scale studies and environmental impact statements for oil and gas leasing and development issues. Finally, an additional $5.0 million programmatic increase will allow the BLM to fully implement its leasing reform strategy without sacrificing other important program goals.

The BLM is committed to ensuring oil and gas production is carried out responsibly. To accomplish this, the BLM performs inspections to ensure that lessees meet environmental, safety, and production reporting requirements. The BLM recently initiated a program using a risk-based inspection protocol for production inspections, based on production levels and histories. Success realized in this program will support expansion of this risk-based strategy to the other types of inspections the BLM performs. The risk-based strategy will maximize the use of inspection staff to better meet BLM inspection goals and requirements in the future.

The 2013 budget proposes to expand and strengthen the BLM's oil and gas inspection capability through new fee collections from industry, similar to the fees now charged for offshore inspections. Collection of these fees is consistent with the principle that users of the public lands should pay for the costs of use authorizations and the costs associated with the oversight of authorized activities. The inspection fee schedule included in the budget is estimated to generate $48.0 million in collections, which would offset a proposed reduction of $38.0 million in BLM's appropriated funds, while providing for a net increase of $10.0 million in funds available for this critical BLM management responsibility. The increased funding is aimed at correcting deficiencies identified by the Government Accountability Office in its February 2011 report, which designated Federal management of oil and gas resources including production and revenue collection as high risk. The $10.0 million increase will help BLM achieve the high priority goal of increasing the completion of inspections of Federal and Indian high risk oil and gas cases by nine percent over 2011 levels. The BLM will also complete more environmental inspections to ensure envi-

ronmental requirements are being followed in all phases of development. Fee levels will be based on the number of oil and gas wells per lease so that costs are shared equitably across the industry.

To encourage diligent development of new oil and gas leases, the Administration is proposing a per-acre fee on each nonproducing lease issued after enactment of the proposal. The $4-per-acre fee on non-producing Federal leases (onshore and offshore) would provide a financial incentive for oil and gas companies to either put their leases into production or relinquish them so that tracts can be re-leased and developed by new parties.

The Administration believes that American taxpayers should get 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 getting a better return from Federal oil and gas resources in some areas. To this end, the Administration is developing a proposed rule to address onshore royalty rates.

**Abandoned Mine Lands & Hardrock Mining Reform Proposals**

The budget includes legislative proposals to address abandoned mine land (AML) hazards on both public and private lands and to provide a fair return to the taxpayer from hardrock production on Federal lands. The first component addresses abandoned hardrock mines across the country through a new AML fee on hardrock production. Just as the coal industry is held responsible for abandoned coal sites, the Administration proposes to hold the hardrock mining industry responsible for abandoned hardrock mines. The proposal will levy an AML fee on all uranium and metallic mines on both public and private lands that will be charged on the volume of material displaced after January 1, 2013. The receipts will be distributed by BLM through a competitive grant program to restore the Nation's most hazardous hardrock AML sites on both public and private lands using an advisory council comprising of representatives of Federal agencies, States, Tribes, and non-government organizations. The advisory council will recommend objective criteria to rank AML projects to allocate funds for remediation to the sites with the most urgent environmental and safety hazards. The proposed hardrock AML fee and reclamation program would operate in parallel to the coal AML reclamation program, as two parts of a larger effort to ensure that the Nation's most dangerous coal and hardrock AML sites are addressed by the industries that created the problems.

The budget also includes a legislative proposal to institute a leasing process under the Mineral Leasing Act of 1920 for certain minerals (gold, silver, lead, zinc, copper, uranium, and molybdenum) currently covered by the General Mining Law of 1872. After enactment, mining for these metals on Federal lands would be governed by a leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds. Half of the royalty receipts would be distributed to the states in which the leases are located and the remaining half would be deposited in the Treasury. Pre-existing mining claims would be exempt from the change to a leasing system, but would be subject to increases in the annual maintenance fees under the General Mining Law of 1872. However, holders of pre-existing mining claims for these minerals could voluntarily convert their claims to leases. The Office of Natural Resources Revenue in the Department of the Interior will collect, account for, and disburse the hardrock royalty receipts.

**Reductions & Efficiencies**

The BLM's FY 2013 budget proposal reflects many difficult choices in order to support priority initiatives and needs while supporting the President's commitment to fiscal discipline and spending restraint. In 2013, the BLM is requesting a decrease of $2.0 million for its abandoned mine lands program. The BLM will continue to fund the highest priority sites, as determined through its ongoing ranking process. Red Devil Mine reclamation activities remain a high priority.

**Conclusion**

The BLM's Fiscal Year 2013 budget request for energy and minerals programs provides funding for the agency's highest priority energy and minerals initiatives, while making difficult but responsible choices for reductions to offset some of these funding priorities. Our public lands and resources play an important role in American lives, economies, and communities and include some of our Nation's greatest assets. This budget request reflects the Administration's commitment to encourage responsible energy development on the public lands, as well as to ensure the American people receive a fair return for the public's resources. Mr. Chairman, thank you for the opportunity to testify on the BLM energy and mineral budget request for Fiscal Year 2013. I will be pleased to answer any questions you may have.

**Response to questions submitted for the record by Bob Abbey, Director, Bureau of Land Management**

**Questions from Chairman Doug Lamborn:**

**1. At the House Natural Resources hearing on February 15, Secretary Salazar implied that the industry was supportive of federal hydraulic fracking regulations and has often said that in developing the regulations the Department worked closely with industry in crafting these regulations. Can you please describe to the committee the companies, Indian tribes, and state government officials you or the Department has consulted with in crafting the federal hydrofracking regulations and what feedback or statements of support were given specifically regarding federal hydrofracking regulations?**

**Response:** As stewards of the public lands and their resources, the BLM evaluated the increased use of well stimulation practices over the last decade and determined that the existing rules for well stimulation on public lands require updating. Over the past few years, in response to strong public interest, several states—including Colorado, Wyoming, Arkansas, and Texas—have substantially revised their state regulations related to hydraulic fracturing. One of the BLM's key goals in updating its regulations on hydraulic fracturing is to complement these state efforts by providing a consistent standard across all public and Indian lands. The BLM is actively working to minimize any duplication between the proposed rule and the reporting required in state regulations. The rule will create a consistent framework for fracturing across BLM lands in numerous states, consistent with BLM's statutory stewardship responsibilities, unlike the patchwork of state standards among those states.

In April 2011, the BLM hosted a series of regional public meetings in North Dakota, Arkansas, and Colorado—states that have experienced significant increases in oil and natural gas development on federal and Indian lands—to discuss the use of hydraulic fracturing on lands administered by the BLM and on Indian lands. At these meetings, many oil and gas industry representatives, as well as organizations and businesses that support this sector, supported only state regulation of hydraulic fracturing; some indicated support for disclosure of fracturing fluids to the public. The BLM explained that the rules governing drilling practices on lands that it has a responsibility to oversee included obsolete, outdated references to hydraulic fracturing and that the agency reviewed hydraulic fracturing regulations from several states and used valuable information from these state regulations in developing the proposed rule. Further, BLM stressed that the agency was committed to working with individual states on the implementation of the proposed regulation, as it does currently in implementing other drilling-related requirements on our public lands, to encourage efficiency in data collection and reporting.

The BLM's proposed hydraulic fracturing rule is consistent with the American Petroleum Institute's (API) guidelines for well construction and well integrity (*see,* API Guidance Document HF 1, Hydraulic Fracturing Operations—Well Construction and Integrity Guidelines, First Edition, October 2009).

With respect to tribal lands, the BLM has offered government-to-government consultation with tribes on this proposal and offered follow-up meetings as part of the consultation process with individual tribes. In January 2012, the BLM held four informational regional meetings as a starting point of the consultation process, to which over 175 tribal entities were invited. These initial consultations were held in Tulsa, Oklahoma; Billings, Montana; Salt Lake City, Utah; and Farmington, New Mexico. Eighty-four tribal members representing 24 tribes attended the meetings. Senior policy leaders from the Washington Office as well as local line officers who have built relationships with the tribes in the field participated in the regional meetings. The four meetings ended with a commitment to continue the dialogue using the established local relations with the BLM field office managers.

In these meetings, BLM discussed the proposed rule with tribal representatives; these discussions resulted in substantive dialogue about the hydraulic fracturing rulemaking process. A variety of issues were discussed, including applicability of tribal laws, validating water sources, inspection and enforcement, wellbore integrity, and water management. One of the outcomes of these meetings is the requirement in the proposed rule that operators certify that operations on tribal lands comply with tribal laws.

Additional individual meetings with tribal representatives have taken place since January as the consultation process continues. The BLM has met with the United South and Eastern Tribes, an organization representing 25 assembled member tribes, the Coalition of Large Tribes and the Mandan, Hidatsa and Arikara Nation.

In the near future the BLM expects to meet with tribal representatives from Montana including the Blackfeet, Chippewa Cree, Fort Belknap, and Flathead tribes. As part of the BLM's commitment to exchange information and provide opportunities for continued government-to-government consultation, the BLM held four regional meetings in June 2012, which took place in Salt Lake City, Utah; Farmington, New Mexico; Tulsa, Oklahoma; and Billings, Montana. The BLM also participated in the National Congress of American Indian summer meeting in Lincoln, Nebraska. On July 13, 2012 the BLM conducted another regional session in New Town, North Dakota which was attended by 15 tribal members representing 5 tribes including the Three Affiliated Tribes of the Mandan, Hidatsa and Arikara Nation, Standing Rock, Turtle Mountain, Fort Peck and the Alabama-Conshatta Tribes of Texas.

The BLM will incorporate information gathered from tribal consultation in developing the final hydraulic fracturing rule. Through ongoing tribal consultation, BLM will continue to seek tribal views regarding the potential impacts of hydraulic fracturing on trust assets and traditional tribal activities.

The comment period for the hydraulic fracturing rule closes on September 10, 2012. The BLM welcomes comments from any interested parties. The BLM will fully consider all comments received during the comment period.

**2. Your BLM field offices continue to struggle to meet the demands of several new requirements connected with oil and gas exploration and drilling on public lands; requirements connected to APD's, sundry notices and even on leases that have been awarded, paid for and issued but challenged by the environmental litigation industry.**

**a. The President said in the State of the Union that he wants to see more leasing. How do you propose to accomplish this goal?**

**Response:** As of November 2011, the BLM has more than 49,000 leases on more than 38 million acres. Of these, however, fewer than 23,000 leases, totaling fewer than 12.5 million acres, are in production. The BLM continues to implement the Secretary's 2010 oil and gas leasing reforms, which established a more orderly, open, consistent, and environmentally sound process for developing oil and gas resources on public lands. These reforms are helping to reduce potential conflicts that can lead to costly and time-consuming protests and litigation of leases. The BLM will continue to make appropriate public lands available for oil and gas leasing and will do so in a thoughtful and responsible manner consistent with our leasing reforms.

The BLM held 32 onshore oil and gas lease sales during calendar year 2011, offering 1,755 parcels of land covering nearly 4.4 million acres. In total, 1,296 parcels of land were leased generating approximately $256 million in revenue for American taxpayers—a nearly 20 percent increase in lease sale revenue over 2010 levels. The BLM has scheduled 31 oil and gas lease sales for calendar year 2012.

**b. As you impose new rules such as HF disclosure requirements, how will that speed up the process of producing more oil and gas domestically?**

**Response:** BLM developed its proposed hydraulic fracturing rule's disclosure requirements and other proposals based on best practices in industry, and it will be fine-tuning its final regulations based on additional input from industry. With regard to disclosure requirements, the proposal does not impact the speed of drilling, since disclosure is proposed to be made after the drilling has occurred. More generally, the BLM understands the time sensitive nature of oil and gas drilling and well completion activities, and it intends to promptly review requests to conduct well stimulation activities. It is not anticipated that a proposed requirement to submit additional well stimulation-related information with APD applications will impact the timing of the approval of drilling permits. The additional information that would be required by the proposed rule would be reviewed in conjunction with the APD and within the regular time frame for APD processing.

**c. Many of your rules (such as rules for Master Leasing Plans) frankly hurt development on public lands, hamper exploration and production on tribal lands and deny states and the federal treasury important royalty income. Have you worked with OMB to stream line your requirements to increase incomes which trickle down to schools, police departments and other state, county and municipal governments?**

**Response:** The BLM does not believe that oil and gas leasing reforms have slowed development on public lands. To the contrary, prior to the implementation of the Secretary's leasing reforms in 2010, 49 percent of lease parcels were protested resulting in a backlog of pending parcels awaiting adjudication. To respond to these protests, BLM implemented leasing reform which provided more certainty to indus-

try. Leasing reform front-loaded more analysis and improved the BLM's ability to adjudicate lease sale protests prior to the lease sale. After implementation of leasing reform, lease sale protests dropped to approximately 35% of the parcels offered in 2011.

The BLM has analyzed the costs and the benefits of the proposed hydraulic fracturing rule in a Regulatory Impact Analysis, available in the rulemaking docket. This Analysis assumed that the proposed rule would mitigate risks associated with wellbore integrity and unlined pits, and reduce costs related to surface and subsurface remediation. These estimated benefits range from $12 million to $50 million per year, and estimated costs of imposing the proposed rule range from $37 million to $44 million per year. Given the conservative assumptions made about the costs of remediating contamination and the fact that certain benefits were not quantified, the BLM believes that the quantified range could underestimate actual net benefits.

**3. States with disclosure requirements—including two with some of the more stringent requirements, Wyoming, and my home state of Colorado—provide detailed approaches to protection of trade secrets relating to the fracture stimulation fluid formulations. The states do so in a way that achieves a balance between the public interest in information about what has been discharged into subsurface strata, and the valid interest of business entities in a process or formulation that presents them with a legitimate competitive advantage. The draft BLM regulations do not seem to provide equivalent assurances to suppliers that have a commercial interest in formulations that is of the sort given protection in the Uniform Trade Secrets Act that has been ratified by 46 states. Please describe how BLM would plan to recognize the property interest in trade secrets that has been acknowledged by the states that are regulating hydraulic fracturing.**

**Response:** In addition to the water and sand that are the major constituents of fracturing fluids, chemical additives are also frequently used. These chemicals can serve many functions, including limiting the growth of bacteria and preventing corrosion of the well casing. The exact formulation of the chemicals used in fracturing fluid varies depending on the rock formations, the well, and the requirements of the operator.

In order to protect proprietary formulations, the proposed rule would require oil and gas operators using hydraulic fracturing techniques to identify the chemicals used in fracturing fluids by trade name, purpose, Chemical Abstracts Service Registry Number, and the percent mass of each ingredient used. The information would be required in a format that does not link additives to the chemical composition of fluids, which will allow operators to provide information to the public while still protecting information that may be considered proprietary. This design of the disclosure mechanism in the proposed rule will inhibit reverse-engineering of specific additives. The information is needed in order for the BLM to maintain a record of the stimulation operation as performed. The proposed rule, would allow an operator to identify specific information that it believes is protected from disclosure by federal law, and to substantiate those claims of exemption. This approach is similar to the one that the State of Colorado adopted in 2011 (Colorado Oil and Gas Conservation Commission Rule 205.A.b2.ix-xii).

**a. In looking at the BLM draft regulations—it seems that in general they go significantly above and beyond what any state has in place right now. Why did BLM make such drastic changes as opposed to what the states have been doing in regulating fracking for years?**

**Response:** The BLM recognizes that some, but not all, states have recently taken action to address hydraulic fracturing in their own regulations. The BLM's proposed rulemaking is designed to complement ongoing state efforts by providing a consistent standard across all public and tribal lands and ensuring consistent protection of the important federal and Indian resource values that may be affected by the use of hydraulic fracturing. Moreover, BLM's regulations are now 30 years old and need to be updated to keep pace with the many changes in technology and current best management practices.

The BLM is also actively working to minimize duplication between reporting required by state regulations and reporting required for this rule. The BLM has a long history of working cooperatively with state regulators and is applying the same approach to this effort.

**4. The draft BLM regulations refer to a separate proposal for well stimulation operations that an operator must submit on a separate sundry notice application form—a process entirely separate from the review and approval process for the application for permit to drill (APD). This apparent two-track permit process sets up the possibility that an operator could receive approval of its application for permit to drill, and have approval withheld on its sundry notice for well stimulation—in other words, be approved to drill, but not to compete, its well. How does BLM intend to reconcile this potential permitting dilemma?**

**Response:** Under the well stimulation rule, the operator has the option to submit a sundry notice with an APD, or submit a separate sundry notice for approval for hydraulic fracturing activity. If an operator submits a sundry notice with an APD for well stimulation on a new well, prior approval would be required as part of the APD approval process that already is in place. If an operator submits a separate sundry notice for well stimulation (in the case of a well permitted prior to the effective date of the rule), the operator would submit a well stimulation proposal for the BLM's approval before the operator begins the stimulation activity.

**5. Unlike the more stringent state disclosure requirements, the draft BLM regulations require pre-approval of fracture stimulation formulations.**

**a. What is the technical basis on which such approval will be given or withheld by the agency?**

**Response:** The proposed hydraulic fracturing rule does not call for BLM involvement in determining or approving the chemical composition of the hydraulic fracturing fluid. The proposed rule requires the operators to report the chemical composition of their fracturing fluid within 30 days after they have completed the fracturing activity. The draft rule proposes that prior approval would be required for well stimulation activities, generally in connection with the prior approval process that already is in place for general well drilling activities through the Application for Permit to Drill (APD) process.

Information collected by the BLM and used for pre-approval of well stimulation activities would be used by the BLM to determine the parameters of the well stimulation operation; verify that the operator has taken the necessary precautions to prevent migration of fluids into usable water horizons; ensure that the facilities needed to process or contain the estimated volume of fluid will be available on location; and ensure the methods used will adequately protect public health, safety and the environment.

**b. Can the Secretary describe the staff expertise that will be required to make such determinations, and whether BLM plans to consult with the state agencies that will also be enforcing regulations that pertain to well drilling or completion?**

**Response:** The BLM technical staff includes petroleum engineers, petroleum engineering technicians, geologists, and hydrologists, among others. These BLM specialists have a level of expertise commensurate to that of technical staff employed by industry and the state agencies. BLM technical specialists routinely consult with their state counterparts for operational issues and will continue to do so. One of the BLM's key goals in updating its regulations on hydraulic fracturing is to complement these state efforts by providing a consistent standard across all public and Indian lands.

**c. How will BLM archive the data it receives?**

**Response:** Federal oil and gas operations lease and well files are maintained in accordance with laws, regulations, and BLM policy that restrict release of records containing proprietary information. The BLM General Records schedule provides guidance on life cycle maintenance of all records, including a retention and disposal schedule for records that contain proprietary information or information protected by the Freedom of Information Act (FOIA). Oil and gas operations and wells files contain proprietary information that is protected from release by the FOIA and maintained in secure locations with restricted access. These files are transferred to the Federal Records Center (FRC) 10 years after the lease terminates, the bond is released and appeal rights are exhausted.

**d. How will this data be compiled, reported and analyzed?**

**Response:** The proposed rule would require that disclosure of the chemicals used in the fracturing process be provided to the BLM after the fracturing operation is completed. This information is intended to be posted on a public Web site, while protecting trade secrets and confidential business information.

BLM engineers will analyze the information and data presented. The results of the analysis would be used to ensure that appropriate protection for other subsurface resources has been achieved; human health and safety measures are considered in the design and execution of the hydraulic fracturing operation; and there is appropriate protection for surface resources. Information collected by the BLM will be used to verify that the operator has taken the necessary precautions to prevent migration of fluids in to the usable water horizons; ensure that the facilities needed to process or contain the estimated volume of fluid will be available on location; and ensure the methods used will adequately protect public health, safety, and the environment.

**6. Director Abbey, could you please describe the BLM's familiarity with the operational practice in the drilling industry of making adjustments to well stimulation fluid formulations on a relatively continuous manner during the process of drilling and completing a well—including making adjustments to such formulations while hydraulic fracturing operations are underway as a result of many factors including the pH levels of the water used and the temperature of the air during the job?**

**Response:** The proposed hydraulic fracturing rule does not call for BLM involvement in determining or approving the chemical composition of the hydraulic fracturing fluid. The proposed rule requires the operators to report the chemical composition of their fracturing fluid within 30 days after they have completed the fracturing activity.

**a. Please describe how BLM would expect to administer these regulations if adopted in light of that practice, given the 30 day pre-approval submittal requirement?**

**Response:** The BLM is not proposing regulations that require 30-day pre-approval submittal requirement for hydraulic fracturing operations. Prior approval would be required for well stimulation activities, generally in connection with the prior approval process that already is in place for general well drilling activities through the Application for Permit to Drill (APD) process.

**b. Do you agree that because of the level of detail and specificity required by BLM's regulations as drafted (e.g. "complete chemical makeup of all materials used") that an operator that changes its fluid formulation could be forced into a situation where it must stop and resubmit to the agency?**

**Response:** No, the proposed rule does not work that way. The proposed rule requires the operators to report the chemical composition of their fracturing fluid within 30 days after they have completed the hydraulic fracturing operations, not during operations.

**7. Recent numbers released by the Energy Information Administration show that since 2000, oil production on private and state lands has risen by 11 percent and natural gas production has risen by 40 percent. Fossil fuel production has dropped by 7 percent since President Obama took office and 13 percent since 2003. From 2010 to 2011, total federal onshore oil and natural gas production is down 13 percent and 10 percent, respectively. What is the reason for the sharp decline in oil and natural gas production on federal lands, when production is increasing rapidly on state and private lands?**

**Response:** The aggressive development of shale gas and shale oil resources has led to a shift to private lands in the east and south, where new technologies have made production more economically attractive and where there are far fewer public lands. Currently, nearly 37 million acres of federal mineral estate are under oil and gas lease, although less than one-third of that acreage, (about 12 million acres) is currently in production. And the BLM typically processes between 4,000 and 5,000 drilling permits per year. As of the end of FY 2011, nearly 7,100 drilling permits have been approved and yet remain undrilled by industry on federal and Indian lands. In FY 2011, the Department of the Interior collected royalties on more than 97 million barrels of oil produced from onshore Federal minerals. Also in 2011, the production of nearly 3 trillion cubic feet of natural gas made it one of the most productive years on record. Combined onshore oil production from public and Indian lands has increased every year since 2008. Conventional oil and gas development from public and Indian lands produces 14 percent of the nation's natural gas, and 6 percent of our domestically produced oil.

**Questions from Representative Paul A. Gosar, D.D.S.**

**1. Environmental groups have recently ratcheted up an effort to have their members urge the Obama Administration to designate the approximately 1,006,545 acres of public and National Forest System lands, withdrawn from location and entry under the Mining Law of 1872, 30 U.S.C. §§ 22–54 subject to valid existing rights for a period of 20 years, under Public Land Order No. 7787, as a National Monument. Does the President intend to designate the 1 million withdrawn acres in question as a National Monument in response to this pressure from the environmental groups (Sierra Club, Grand Canyon Trust, Center for Biological Diversity & others)?**

**Response:** Any new special management designations work best when they build on local efforts to better manage places that are important to nearby communities, and this Administration is committed to working closely with the public, the Congress, and local officials. We recognize and respect the importance of public and congressional input in considering protections for our natural, historic, and cultural treasures and constantly strive to take into account the interests of a wide range of stakeholders.

**2. Since Interior Secretary Salazar signed the Record of Decision in January on Public Land Order No. 7787, he has continually alluded to a study or review that he intends to conduct during the 20-year withdrawal period to determine whether uranium mining can be conducted in a way which is compatible with the protection of the Colorado River Watershed and the Grand Canyon National Park itself. Please characterize the Administration's intentions for what will occur during the 20 year withdrawal? Is there such a study underway? Will there be such a study or review conducted? Will the industry, the states and local communities have any role in it? Will Congress? Will such a review include economic impacts as well as environmental impacts? When will it be conducted, over what duration? Which agencies inside the DOI (or outside DOI) will be responsible for such a review? Will the review or study be shared with Congress?**

**Response:** The BLM is currently working with the U.S. Geological Survey (USGS), U.S. Forest Service (FS), U.S. Fish and Wildlife Service (FWS), and the National Park Service (NPS) to determine the number and scope of studies that will be conducted over the near and long term during the withdrawal to better understand potential effects of uranium mining on water and biological resources in the region. Once priorities for the studies are set, this interagency team will issue a report on its plans. These studies would add to our scientific knowledge and reduce the uncertainty of potential effects.

In addition, at the conclusion of the withdrawal process the USGS had underway several water-related studies that are expected to continue for several years. These are surface water monitoring and run-off sampling in the north and south parcels and water chemistry monitoring on the Colorado River. The agencies are working to provide funding to continue some or all of these tasks within current agency budgets.

USGS has also identified a number of new studies that could be initiated to better understand groundwater flow paths, travel times, biological toxicity pathways, and radionuclide migration. The agencies are currently working on the development of a study proposal for vetting by each agency and the Department of the Interior and the Department of Agriculture. The proposal will outline a multi-year work program, costs, and priorities for specific tasks.

Regarding economic and environmental impacts, a future decision on whether to continue or to terminate the withdrawal would be made through the withdrawal review process, including the appropriate level of environmental review and analysis.

**3. Since only one uranium mine is currently in operation within the withdrawal area and only a few others contemplated, how will the DOI determine the full scope and impacts from these mines on the Grand Canyon and Colorado River Watershed? Will it be confirmed data or hypothesis? If actual data, will DOI be in contact with those operating the Arizona mine and other proposed mines to determine how data gathering will occur? If the affected mining company is not included, how will the impacts of mining be determined? Will naturally occurring impacts to the Grand Canyon and the watershed be included in any review or study? If a study is conducted in coordination and cooperation with industry, would the Administration outline steps that industry could take to miti-**

**gate any impacts to the environment so that mining could continue to occur (after the end of the withdrawal) in an environmentally acceptable way?**

**Response:** There are four authorized uranium mines in the withdrawal area (three on the Arizona Strip and one on National Forest land south of the Grand Canyon), all owned by Denison Mines Corp. Currently, the Arizona 1 Mine is in production, but scheduled to close and go into reclamation later this year. The Pinenut Mine is being prepared to go into production later this year. Denison is in the process of closing and reclaiming the Kanab North Mine, and opening the Canyon Mine, which is on National Forest land.

Denison has also submitted a Plan of Operations (POO) for a new mine (the EZ Mine) on the Arizona Strip. This will require a validity determination and preparation of an Environmental Impact Statement (EIS) before the POO can be approved.

The presence of the existing mines and potential new mines offer additional opportunities to monitor the potential effects of mining on water and biological resources. The BLM and FS will continue working with the USGS, NPS, FWS, and Denison to design and carry out these studies in a manner that takes advantage of these opportunities.

Regarding natural vs. human-caused impacts, the USGS has proposed additional studies that would help better determine these factors, including evaluating and refining the isotopic Uranium Activity Ratio (UAR) analysis that is already in progress. This process seeks to determine the sources of elevated water or soil samples.

**4. Section 204 of FLPMA required that a 12-part justification for the withdrawal be submitted to Congress as part of the January 9, 2012, actions taken by the Secretary of the Interior. Could the relevant agencies please share those required responses which were used to justify the withdrawal with this committee?**

**Response:** The 12-part justification was delivered on January 9, 2012, to Chairman Hastings and Ranking Member Markey of the House Committee on Natural Resources, as well as to Chairman Bingaman and Ranking Member Murkowski of the Senate Committee on Energy and Natural Resources.

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Mr. LAMBORN. Thank you for your testimony.

Mr. Tidwell?

## STATEMENT OF TOM TIDWELL, CHIEF, U.S. FOREST SERVICE

Mr. TIDWELL. Mr. Chairman, members of the Subcommittee, I am pleased to be here today to discuss the President's Fiscal Year 2013 budget request for the Forest Service's energy and minerals program.

This budget request will support our goal to meet the needs and desires of the American people while reflecting our commitment to fiscal restraint and efficiency.

The Forest Service is committed to effectively managing the mineral resources to facilitate energy transformation and to sound development of both renewable and nonrenewable energy.

We play a vital role in providing job opportunities through both mineral operations and renewable energy production, including solar, wind, hydroelectric, geothermal, and bioenergy.

Over five million acres of the National Forest System lands are currently leased for oil, gas and coal.

The Forest Service administers operations on approximately 160,000 mining claims and manages approximately 2,600 mineral sale contracts.

In Fiscal Year 2010, we produced 16 million barrels of oil, one trillion cubic feet of natural gas off these lands. This does not in-

clude the production from over 15,000 wells that overlie private minerals.

In addition, 20 percent of the nation's coal was produced off the National Forest System lands, and this is some of the cleanest coal produced in America.

The value of the energy and minerals production from these operations exceeds $6.5 billion every year.

The Federal royalties from oil and gas from the National Forest lands was about $136 million in Fiscal Year 2009, with a total return to the Treasury from oil, gas, coal and minerals ranging around $650 million to $850 million each year.

In addition to the royalties and receipts, mineral and energy development support over 110,000 jobs every year.

The Fiscal Year 2013 budget request of $73.4 million for our minerals and geology management program is a $10 million decrease from the Fiscal Year 2012 enacted.

With this budget request, the Forest Service will need to focus more on our nondiscretionary activities to ensure we are processing the mining claims and surface use plans on leased areas, will focus our efforts on using the appropriated money to process energy related mineral proposals, and focus on increasing opportunities to develop and supply oil, gas, and geothermal resources from Federal lands.

We are going to do this through our continued focus on increasing our efficiency, especially where we work so close with the BLM.

We are going to continue to work on processing our drill applications in a more timely fashion through our pilot offices. We are going to proceed and pursue more opportunities through service first, and I want to thank you for granting us that authority.

We are also using one environmental analysis to cover the leasing decisions for both the BLM and the Forest Service, and we will continue to use our categorical exclusions wherever possible to facilitate the timely decisions.

We are also going to be focused on reviewing environmental analysis for leases prior to when those leases expire, so we can assure that if there has been any changed conditions, we address that before these leases expire.

This budget request will cover processing about 7,000 mineral and energy applications, and we expect close to between 180 to 200 permits for drilling. It will also fund the Administration of over 10,000 active mineral operations and over 19,000 operating oil and gas wells.

In addition to that, there is currently increasing interest in developing solar and wind energy on the National Forest System lands, along with hydropower, which will probably continue to be the primary source for renewable energy, but we also see a lot more interest in geothermal, and of course, with the opportunities to use woody biomass, but these are probably going to be the areas where we see the highest potential for renewable in the future.

Minerals management on the National forests and grasslands is essential for the American people, for energy, for minerals, and for the jobs that are produced.

Again, I want to thank you for the opportunity to address the Subcommittee today, and I look forward to discussing our request

for this important program, and will be pleased to answer any of your questions.

Thank you.

[The prepared statement of Mr. Tidwell follows:]

**Statement of Tom Tidwell, Chief, U.S. Forest Service, U.S. Department of Agriculture**

Mr. Chairman and members of the subcommittee, I am pleased to be here today to discuss the President's Budget request for the Forest Service in fiscal year (FY) 2013, specifically as it relates to the energy and minerals programs administered by the Forest Service. I appreciate the support this subcommittee has shown the Forest Service in the past, and I look forward to working together in the future to ensure that stewardship of our nation's forests and grasslands continues to meet the desires and expectations of the American people. This budget will allow the Forest Service to support that goal, while also reflecting our commitment to fiscal restraint and efficiency.

The Forest Service is committed to effectively managing mineral resources, to facilitating energy transmission in a responsible manner, and to the sound development of both renewable and non-renewable energy. The Forest Service oversees surface use impacts from energy and minerals activities, administers special use authorizations, and facilitates renewable energy development. We play a vital role in providing job opportunities through renewable energy production including solar, wind, hydroelectric, geothermal and bioenergy.

**Energy and Minerals Management**

The FY 2013 President's Budget requests $73.4 million for the Minerals and Geology Management Program, a $10.1 million decrease from the FY 2012 enacted appropriations bill. Given this budget decrease, the Forest Service will focus on non-discretionary activities such as processing mining plans and surface use plans on leased areas. We will continue to identify and pursue opportunities that increase our efficiency, such as enhancing an already-close working relationship with the Bureau of Land Management (BLM).

The Forest Service Minerals and Geology Management Program supports the provision of jobs, minerals, and energy for the American people, while ensuring that watersheds are protected, threats to human safety are minimized, and contaminated sites—especially abandoned mines—are restored. Our funding request emphasizes the environmental review of proposed operations. Funds will be used to process energy-related mineral proposals with a focus on increasing opportunities to develop and supply oil, gas, and geothermal resources from Federal lands in support of the Energy Policy Act of 2005 (EPAct 2005). Other priorities include inspecting and monitoring ongoing minerals operations; providing expertise to ensure watershed health and public safety; managing significant geologic resources and hazards; cleaning up contaminated sites; mitigating safety hazards at abandoned mines; and ensuring our operations are managed to standard.

In addition to leasable energy resources, we manage many other types of operations. We manage more than four thousand mineral material permits and sale contracts, for example, which provide over 3.5 million tons of sand and gravel and other materials critical for maintaining roads in rural communities. We are also involved in operations that minimize environmental and water quality impacts of mines—such as those mines producing gold and copper.

The Forest Service works closely with BLM in managing energy and mineral development on National Forest System (NFS) lands. In general, the Forest Service is responsible for managing impacts on the surface estate, while BLM manages the Federal subsurface estate. BLM issues leases for exploration and development of energy minerals after receiving consent from the Forest Service for those leases overlaying NFS lands where the sub-surface is federally held. When BLM receives an oil and gas drilling permit applications on NFS lands, the Forest Service processes the surface use authorization. BLM processes the drilling portion of the application and approves the drilling permit after consolidating the surface and sub-surface portions. The Department of the Interior's Office of Natural Resources Revenue is responsible for the efficient, timely, and accurate collection and disbursement of all royalty payments and other revenues from the leasing and production of natural resources from federal lands.

Over five million acres of NFS lands are currently leased for oil, gas, coal, and phosphate mining operations. At any given time, the Forest Service administers operations on approximately 160,000 mining claims and manages approximately 2,600

mineral material sale contracts. The value of energy and minerals production from these operations on NFS lands typically exceeds $6.5 billion per year, as calculated by the Forest Service and the Department of the Interior's Office of Natural Resources Revenue.

Mineral receipts are derived from annual lease rentals, royalties on production, bonus bids for competitive leases, and mineral material sales. Of the total revenues received, between 25 and 50 percent—depending on whether production is from acquired lands or lands reserved from the public domain—is returned to the State or county of production. Federal royalties from oil and gas leases on NFS lands were $136 million in calendar year 2009. Returns to the Treasury each year from lease rentals, royalties on production, bonus bids, and mineral material sales on NFS lands typically range from $650 million to $850 million. The Forest Service is analyzing additional lands across the country which could be made available for leasing.

The Minerals and Geology Management Program works to mitigate potential threats to the environment and human safety associated with thousands of abandoned mines and other contaminated sites located on NFS lands. The program works to preserve valuable geologic resources and minimize the impacts of pollution on NFS lands to protect and enhance our nation's water resources. Roughly 66 million Americans rely on drinking water that originates from NFS lands. Energy and mineral development can go hand-in-hand with conserving resources and it is the Forest Service's aim to do so.

*Mineral Applications Processing*

The Budget requests $19.0 million to fund the processing of an estimated 7,260 mineral and energy mineral applications in FY 2013, depending on market demand for mineral resources from NFS lands. Last year we processed approximately 200 permits for drilling or master development plans across the nation. The energy component of this applications processing activity will continue to focus on increasing opportunities to develop and offer oil and gas, coal, and geothermal resources from Federal lands. Also, approximately twenty percent of all U.S. coal is produced from NFS lands with an annual market value in excess of $3 billion.

*Mineral Operations Administration*

The Budget requests $26.8 million to fund the administration of an estimated 10,824 active mineral operations in FY 2013. The program will emphasize meeting necessary administrative demands to ensure compliance with operating plan requirements and specific environmental standards for protecting resources. This program provides for the inspection, oversight, and monitoring of approved mineral operations on NFS lands. This funding will allow the Forest Service to administer surface occupancy for a significant amount of oil, natural gas, coal and geothermal operations. In addition to receipts from lease rentals, royalties, bonus bids, and mineral material sales returned to the Treasury, States, and counties, mineral and energy development on NFS lands support on average over 110,000 jobs (Eichman 2011, IMPLAN Model), often in areas or communities where employment opportunities are limited.

This Administration believes natural gas development is an important component of the nation's energy portfolio, with potential to advance our nation's energy security, improve air quality, and create jobs. The responsibility of the Forest Service and the rest of the Administration is to safely and responsibly develop these resources in a way that ensures the well-being of surrounding communities and protects our landscapes and watersheds.

Across the country, National Forests and Grasslands currently host over 19,700 operating oil and gas wells. Approximately 4,200 of those 19,700 wells overlay Federal minerals where the subsurface is federally held, not privately owned. As mentioned, the Forest Service works closely with BLM. Coordination between the two agencies is outlined in a national memorandum of understanding (MOU) where BLM has primary responsibility for sub-surface impacts and the Forest Service has primary responsibility for surface impacts. In 2010, wells on NFS lands overlying federally owned minerals produced approximately 16 million barrels of oil and one trillion cubic feet of natural gas. The remaining oil and gas wells—about 15,500—overlie privately held minerals. Where the subsurface mineral estate is privately held, the Forest Service works closely with the operator, along with state and local governments, to coordinate appropriate protection of surface resources.

Pilot offices authorized under the EPAct of 2005 will continue to help the agency efficiently process energy leasing and permit applications, particularly with respect to processing oil and gas lease nominations and surface use plan of operations relative to applications for permits to drill. This program provides for the review and approval of plans for proposed mineral activities. These activities include the explo-

ration and development of locatable minerals under the authority of the General Mining Law of 1872; exploration for coal, oil, gas, and geothermal; production under the various mineral and geothermal leasing acts; and finally, contracts for the extraction of materials like sand and gravel by the public and local, State, and Federal agencies under the Materials Act of 1947 and other statutory authorities.

*Geologic Resources and Hazards Management*

The Budget requests $5.6 million to fund the identification and management of an estimated 790 geologic resources and hazards. Managing geologic resources encompasses the management and administrative activities for paleontologic resources and caves, both of which have statutory direction for management and conservation. It also encompasses unique landscapes and groundwater. Our management activities inform land management decisions, project design, and protect sites that have scientific or educational value and use.

We provide for the safety of the public by identifying and managing geologic hazards such as floods, landslides, avalanches, earthquakes, volcanoes, and naturally occurring hazardous minerals like asbestos and radon gas. We take action to minimize the consequences of conditions and events that would affect human health and safety, and we protect infrastructure, soil, groundwater, and other natural resources. The geologic resources and hazards program area provides assessments of geologic settings and active geomorphic processes for land management planning, environmental protection and restoration, as well as for the cost effective management of roads, recreation sites and other infrastructure.

*Abandoned Mine Lands (AML) Safety Risk Features Mitigation*

The Budget requests $6.9 million to fund the mitigation of an estimated 489 abandoned mine sites. The AML Program focuses on mitigating safety risk features and associated activities for abandoned mines in high-priority watersheds. This program provides for the inventory, assessment, and mitigation of abandoned mine safety hazards and environmental damage. This work includes closing underground mine openings and vertical shafts; re-contouring open pits, trenches and associated roads; and removing or stabilizing abandoned buildings, equipment, and hazardous materials. Wherever feasible, AML work minimizes or mitigates adverse effects on AML-dependent wildlife and AML-associated cultural and historic resources.

*Environmental Compliance Management*

The Budget requests $1.6 million to fund 21 environmental compliance audits, assuring the protection of employee and public health and safety. This program funds a national audit process which assesses Forest Service compliance with environmental statutes and trains field personnel on compliance and pollution prevention.

*Environmental Restoration Management*

The Budget requests $13.5 million to fund restoration activities on 50 known hazardous material sites on NFS lands. Cleanup of contaminated sites is critical for the long-term protection of surface and groundwater quality, and it contributes to overall ecological health. This program provides for the inventory, assessment, and cleanup of sites where there is a release—or threat of release—of a hazardous substance, pollutant, or contaminant. Restoration mainly occurs at AML sites, though non-AML sites may also be restored. Cleanup projects are typically initiated under requirements of the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, or the Clean Water Act. Restoration helps minimize or eliminate threats to human health, safety and the environment.

We will continue to utilize pilot offices, authorized under the EPAct of 2005, as they eliminate duplication between agencies. These offices help the Forest Service efficiently process energy leasing and permit applications, particularly with respect to eliminating the backlog of oil and gas lease nominations and surface use plan of operations relative to applications for permits to drill. We plan to continue to use legislated- and agency-established categorical exclusions where appropriate. We will work to update Environmental Impact Statements that are ten or more years old to ensure leasing decisions for high potential areas are more defensible and protective of the environment. This will facilitate the offering of new leases. We are working more closely than ever with BLM to improve efficiencies.

**Authorizations for Energy Facilities and Other Land Uses**

One of the priorities of the Forest Service in FY 2013 will be processing applications for land use authorizations that contribute in various ways to meeting the nation's energy needs. Special use authorizations for energy are managed by the Forest Service Lands Staff. Forest Service authorization of wind, solar, and hydro-

electric energy facilities, as well as electric transmission facilities, will contribute to reducing our dependence on fossil fuels.

The Forest Service's FY 2013 budget request includes $10.3 million for processing land use proposals and applications. This request will fund issuance of approximately 3,875 new land use authorizations and administration of approximately 14,850 land use authorizations, with a primary focus on those associated with statutory rights and energy-related uses. Priority will continue to be placed on energy and communications projects.

A priority for the Forest Service is improving America's ability to deliver electricity and transport oil, gas, and hydrogen, as well as broadband deployment. These land use projects increase the capacity of the power grid for renewable energy, improve both energy reliability and access to energy generation, and finally, advance broadband service for thousands of communities across the United States. The Forest Service will continue to work with other federal agencies, tribal governments, and states to refine the location of energy corridors and enhance energy production and transmission and broadband deployment. For example, the Forest Service is a signatory to the 2009 interagency memorandum of understanding (MOU) for expediting evaluation and authorization of high-voltage and other significant electric transmission projects that cross lands managed by more than one federal agency.

The Agency's FY 2013 budget also includes an estimated $7 million to fund the Administration of Rights-of-Way and the Other Land Uses Programs. Both of these non-discretionary programs operate with cost recovery funds. The Forest Service is seeking permanent cost recovery authority for Administration of Rights-of-Way before the current authority expires on September 30, 2012. This authority enables the Agency to improve customer service and reduce the backlog of expired authorizations. Processing applications for reauthorization of these uses facilitates the development and transmission of affordable, reliable energy, supports economic development, and promotes public health and safety.

Expediting evaluation and authorization of these projects improves reliability of the electrical grid and supports transmission of renewable energy. Twenty-seven of these projects involve NFS lands. The Forest Service has issued national directives implementing the 2009 interagency MOU to (1) ensure better cooperation and coordination with other federal agencies in evaluating and authorizing electric transmission projects; (2) optimize siting of rights-of-way for energy transmission corridors; and (3) expedite applications for electric transmission projects on NFS lands. In implementing the MOU, the agency works closely with the U.S. Department of Energy (DOE), the Western Electricity Coordinating Council, and the Council on Environmental Quality's Rapid Response Team. As directed by the Energy Policy Act of 2005, the Forest Service, working with DOE and the U.S. Department of the Interior, submitted a report to Congress on assessment of electric transmission in the eastern United States. Approximately 13,500 miles of electric transmission lines and 6,000 miles of pipelines are authorized on NFS lands under a land use authorization.

**Renewable Energy Development**

Renewable energy resources are critical for satisfying America's energy demands and will create energy-related jobs in the future. The Forest Service will continue to help increase the supply of renewable energy by promoting wind and solar energy, engaging in hydropower licensing, development and geothermal operations, and encouraging use of woody biomass from NFS lands.

*Solar and Wind*

In August 2011, the Forest Service issued final agency directives for evaluating applications and issuing authorizations for wind energy facilities on NFS lands. The directives promote consistent evaluation and authorization of proposed wind energy facilities and increase the agency's efficiency in processing proposals and applications for those facilities. Equally important, the directives foster early project collaboration among affected government agencies. The directives also address consideration of factors that are unique to wind energy development, such as visual impacts from ridge top development and potential impacts on migratory birds and bats.

The Forest Service administers nearly a dozen land use authorizations for wind energy site testing and feasibility. In addition, the agency has approved the environmental analysis for first wind energy facility on NFS lands in the Green Mountain National Forest in Vermont. The Deerfield Wind Energy Project would involve installation of 15 wind turbines and would generate 30 megawatts of electricity. Three million acres of NFS lands have been identified as a possible location for utility-scale solar development. The Forest Service has issued one study authorization and

has received several inquiries regarding construction of a solar facility on NFS lands.

*Hydropower*

Because most of the viable utility-scale hydropower sites in the United States have already been developed, new production likely will come from increasing the efficiency of existing dams and smaller in-stream facilities that do not interfere with fish passage. Proposals for small-scale hydropower facilities are anticipated to increase. Streams on NFS lands are most likely to support low-flow hydroelectric operations with a potential production capacity of approximately 5 megawatts, which is enough to power approximately 3,750 homes. The agency also participates in hydropower licensing proceedings administered by the Federal Energy Regulatory Commission (FERC) by developing terms and conditions for inclusion in FERC licenses to ensure adequate protection and use of NFS lands. The Forest Service is striving to reduce the time and resources needed to establish appropriate terms and conditions for FERC hydropower licenses.

*Geothermal*

Two geothermal power plants are located on NFS lands at present, providing the equivalent of a 60 megawatt power plant with capacity to meet the electricity demand for 60,000 homes. There is significant potential for increased geothermal production from NFS lands. In 2008, the Forest Service and BLM completed a joint programmatic environmental impact statement (PEIS) evaluating geothermal development on federal lands in the western United States to enhance efficiency in processing applications for geothermal leasing on NFS lands.

Leasing of NFS lands for geothermal development is similar to the leasing of NFS lands for oil and gas development. In both cases, the Secretary of the Interior issues leases for NFS lands, subject to conditions imposed by the Secretary of Agriculture to protect NFS lands. In 2011, BLM issued ten geothermal leases encompassing 16,550 acres of NFS lands. An additional 700,000 acres of NFS lands are under NEPA analysis for geothermal leasing.

*Woody Biomass and Bioenergy*

Forest Service biomass and bioenergy activities provide numerous benefits, including improved forest health and productivity, and reduced fire risk to communities. In FY 2013, the Forest Service proposes $38.2 million for woody biomass and bioenergy programs, including $13 million for bioenergy and biobased products research. The FY 2013 request also includes $5 million for Woody Biomass Utilization. This grant program has created or maintained approximately 1,700 jobs over the past seven years.

Right now, national forests supply 1.4 million dry tons of biomass per year, equivalent to the output of a 159 megawatt power plant or enough to supply the electricity for 159,000 homes. Through additional targeted small-diameter thinning, but without increasing the annual timber harvest, national forests could provide 5.4 million dry tons per year or enough to supply electricity for 616,000 homes. The Forest Service is working closely with other mission areas in the U.S. Department of Agriculture to pursue additional wood-to-energy opportunities. Similarly, we are working with DOE in converting Forest Service facilities to the use of wood energy.

Using national forest biomass byproducts from ecological restoration activities as a source of renewable energy can enhance economic opportunity and forest sustainability by providing raw material for renewable bioenergy and biobased products. The Forest Service intends to promote increased use of woody biomass by working with other agencies to encourage market development for the product. The Forest Service's woody biomass program is ensuring a sustainable and reliable supply of raw materials and fostering effective business models to promote growth in this emerging sector. Stewardship contracts remain an important tool in meeting this objective. Stewardship contracts provide a more dependable wood supply, thereby encouraging investment in private sector facilities.

**Conclusion**

This President's budget request for FY 2013 takes a comprehensive approach to conservation that addresses the challenges faced by federal land managers, while considering the need to reduce spending and enhance efficiency. The Forest Service's vision includes not only creating healthy ecosystems, but also thriving communities in the vicinity of national forests and grasslands and providing jobs in rural areas. Our energy and minerals programs contribute to sustainable domestic energy production and support many jobs and socioeconomic benefits to the American people, while protecting healthy ecosystems.

Thank you for the opportunity to discuss the President's budget request as it relates to the Forest Service's energy and minerals programs. I look forward to sharing more information about these programs and working with you to develop the proposals included in the FY 2013 budget. I would be happy to answer any questions you may have.

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Mr. LAMBORN. Thank you, Chief Tidwell. We will now begin questioning. Members are limited to five minutes for their questions, but we may have additional rounds. I now recognize myself for five minutes.

Director Abbey, one of the Administration's proposals is to increase the royalty rate for production on Federal lands by 50 percent more than what it is today.

Do you believe that a 50 percent increase in the royalty rate as proposed by Secretary Salazar will make production on Federal lands more or less economically feasible?

Mr. ABBEY. Mr. Chairman, we have not reached that conclusion as far as what increase, if any increase, we might impose relating to royalties.

Our budget request does assume an 18.75 percent royalty rate for onshore minerals similar to what is being charged or exactly what is being charged for offshore oil and natural gas.

We are completing our analysis and continuing to assess the options that are before us, but let me assure the members of this committee that there has been no final decision to increase royalty rates on onshore oil and gas.

Mr. LAMBORN. Would you agree with me that increasing onshore production costs, which are already on shaky ground as the IHS CERA Report said last November, that my State of Colorado and others onshore will have even less exploration and development?

Mr. ABBEY. No. There are a lot of factors that will come into play. Certainly, the market will be a factor. The cost of developing and producing from Federal lands or private lands continues to be a factor.

Just the fact that there may be an increase in royalty for oil and gas on public lands is just one of many factors that the industry would have to consider relative to where they want to develop and where they will likely have an opportunity to produce.

Mr. LAMBORN. You are right, it is one of many factors, but it seems to me it would be a cost factor that will either get passed onto the ultimate consumers, like people who are buying gasoline at the pump, or if they cannot pass it on, they will be less competitive, and they will do less of it as a result.

Either way, it sounds kind of negative to me.

Mr. ABBEY. Well, certainly the industry has been very good about passing on those costs to the American consumer. Having said that, as we go forward, we take all these factors into account as we conduct our analysis.

The one thing that we want to assure is that the American taxpayers get a fair return from the assets that are being produced from their lands and minerals.

Mr. LAMBORN. I would certainly agree with that. We want a fair return. I am concerned about the price at the pump.

Also, Director Abbey, the BLM has announced its intention to release a rule regulating hydrofracking on Federal lands. Can you tell me what kind of feedback you are getting just in general?

Mr. ABBEY. Well, we have spent the last several months consulting with states who have passed their own fracking disclosure rules.

We also have met with the members of the conservation community. We have met with members of the industry.

We have circulated a rough draft, a working draft, with Native American Tribes that we consulted with. That information has been shared. We have received quite a bit of feedback relative to what the industry, the conservation groups, and even the states would like to see us adjust from the working draft.

We have taken those comments to heart. We are continuing to finalize our proposed rule. We anticipate to be able to release a draft rule as early as April.

Mr. LAMBORN. Thank you. I do have here a packet of letters from the Governor of North Dakota, a letter from several Indian Tribes, and from industry. At this point, I would ask unanimous consent to introduce this into the record. Seeing no objection, so ordered.

The documents listed below were submitted for the record and have been retained in the Committee's official files.

### Submitted by The Honorable Doug Lamborn:

- Letter from Governor Jack Dalrymple, State of North Dakota, Letter to Secretary of the Interior Ken Salazar, dated February 8, 2012, submitted for the record
- Letter from The Honorable Don Young, Chairman, and The Honorable Dan Boren, Ranking Member, Subcommittee on Indian and Alaska Native Affairs, to Secretary of the Interior Ken Salazar, dated February 8, 2012, submitted for the record
- Letter from Irene C. Cuch, Chairwoman, Ute Tribal Business Committee, Ute Indian Tribe, to Secretary of the Interior Ken Salazar, dated February 9, 2012, submitted for the record
- Letter from Tex "Red Tipped Arrow" Hall, Chairman, TAT-MHA Nation, to Secretary of the Interior Ken Salazar, dated March 9, 2012, submitted for the record
- Letter from Jimmy R. Newton, Chairman, Southern Ute Indian Tribal Council, to Jim Stockbridge, Trust Liaison Officer, Bureau of Land Management, dated January 18, 2012, submitted for the record
- Letter from IPAA, API, AXPC, USOGA and ANGA to Chairman Doc Hastings, dated February 15, 2012, submitted for the record

### Submitted by Erik Milito:

- Environmental Protection for Onshore Oil and Gas Production Operations and Leases, API RECOMMENDED PRACTICE 51R, FIRST EDITION, JULY 2009
- Hydraulic Fracturing Operations—Well Construction and Integrity Guidelines, API GUIDANCE DOCUMENT HF1, FIRST EDITION, OCTOBER 2009
- EMPLOYMENT, GOVERNMENT REVENUE, AND ENERGY SECURITY IMPACTS OF CURRENT FEDERAL LANDS POLICY IN THE WESTERN U.S., Prepared by API January 2012
- Energy Security Handout, January 2012• API
- Letter from Governor Dalrymple (ND) to Sec. Salazar (DOI)
- Letter from Governor Herbert (UT) to Sec. Salazar (DOI)
- Water Management Associated with Hydraulic Fracturing, API GUIDANCE DOCUMENT HF2, FIRST EDITION, JUNE 2010
- Practices for Mitigating Surface Impacts Associated with Hydraulic Fracturing, API GUIDANCE DOCUMENT HF3, FIRST EDITION, JANUARY 2011
- Assessment of the Impacts of Increased Access versus Higher Taxes on U.S. Oil and Natural Gas Production, Government Revenue, and Employment, Released January 4, 2011, Revised June 24, 2011, Prepared by Wood Mackenzie Energy Consulting

- Isolating Potential Flow Zones During Well Construction, API STANDARD 65, PART 2, SECOND EDITION, DECEMBER 2010
- Economic Impacts of Oil and Gas Development on BLM Lands in Wyoming, May 2011, Prepared by SWCA Environmental Consultants
- White Paper on Oil and Gas in Obama Administration
- U.S. Supply Forecast and Potential Jobs and Economic Impacts (2012–2030) Released September 7, 2011, Prepared by Wood Mackenzie Energy Consultants

**Submitted by Laura Skaer:**

- 2012 RANKING OF COUNTRIES FOR MINING INVESTMENT: "WHERE NOT TO INVEST," Prepared by Behre Dolbear Group Inc.
- World Exploration Trends 2012: A Special Report from Metals Economics Group for the PDAC International Convention

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Mr. LAMBORN. I am concerned because as the letter from the Ute Tribe, for instance, concludes "For these reasons, the Ute Indian Tribe requests that BLM not move forward at this time with development of regulations for hydraulic fracking on public lands, and more specifically, reservation lands."

Why is BLM moving forward with something that the stakeholders I am hearing from are very opposed to?

Mr. ABBEY. The Ute Tribe, they are one of just many stakeholders that have a say relative to how these public lands and mineral resources should be managed.

Let me say that our proposed rule on fracking takes into account also the information that has been shared with us from the Department of Energy's Task Force on Fracturing Technology, where they said it makes a lot of sense to move forward, requiring disclosure of chemicals, to ensure integrity of the well bores, and also to——

Mr. LAMBORN. Mr. Abbey, are not states already doing all of these things through their regulation, and do they not know their own territory better than we know it here from Washington?

Mr. ABBEY. Our rules will be applied on the ground by field people who are working in those offices in these Western States and where we have responsibility for the Federal mineral estate.

As it relates to the states, some states have disclosure rules, not all states do. In fact, most states do not have disclosure rules at this point in time.

Again, the rules that we will be proposing will require disclosure of chemicals, unless there is proprietary reasons not to.

We will be sharing that information publicly, along with the requirements to ensure integrity of the well bores and also for wastewater management.

Mr. LAMBORN. I am extremely troubled by what you are proposing there.

I would now like to recognize the gentleman from New Jersey for five minutes.

Mr. HOLT. Thank you, Mr. Chairman.

Director Abbey, the BLM has proposed collecting $48 million in new inspection fees for oil and gas operations, similar to the fees charged for offshore inspections.

Is that correct?

Mr. ABBEY. That is correct.

Mr. HOLT. This revenue would be used to fund increased inspections?

Mr. ABBEY. Yes.

Mr. HOLT. If you are not able to collect these fees, would it be likely that the oil and gas operations would be less safe, or at least you would be able to do less to ensure they are safe? Is that correct?

Mr. ABBEY. It is correct. If we were not able to collect the fees that we are proposing, then it would have to come out of the appropriated funds, and we did not request inspection and enforcement funds in our budget request.

Just to comment, I would think the taxpayers would want to get a proper return on the oil and gas resources.

Mr. HOLT. Director Abbey, you note in your testimony that only slightly less than a third of the 38 million acres of public lands that oil companies currently hold onshore are under production. Is that correct? Less than a third are currently under production?

Mr. ABBEY. About a third, yes.

Mr. HOLT. The industry has more than 7,000, as I understand it, approved permits to drill that they are not using. Is that correct?

Mr. ABBEY. That is correct.

Mr. HOLT. What is the BLM doing to encourage the industry to begin developing these millions of acres, and would it be appropriate to add incentives of one sort or another for them to either use or abandon their permits?

Mr. ABBEY. I do think there should be some encouragement and incentives for the industry to move forward and produce some on the lands they have already leased, and also to use the permits that have been approved.

Those incentives can be positive types of incentives or negative types of incentives. For example, in our budget request for 2013, we have proposed applying a $4 per acre fee for lands that have been leased to the oil and gas industry but are not being explored, produced or developed.

At the same time, as we go forward, this past year, we approved a little over 4,200 applications for permits to drill. That was about 100 plus more than the number of applications that we had received from the industry.

We are staying abreast of the applications that are coming in relative to reviewing the applications and then making decisions relative to the appropriateness of those applications, and then issuing decisions.

At the end of last fiscal year, there were around 7,200 applications that we have approved, that would allow the industry to move forward and develop on those permits.

Mr. HOLT. Thank you. I would like to turn to renewables. The amount of wind, solar, geothermal capacity permitted for development on public lands has increased by more than tripling, more than 350 percent.

As I am sure you are aware, taxes would increase at the end of this year if the Republicans continue to block the extension of the production tax credit.

If the tax credit for the wind industry, looking at wind specifically here, is allowed to expire, what would that mean for the wind energy projects that you have permitted?

Do you have any estimate?

Mr. ABBEY. I do not think it would have much of an effect on the projects that we have already permitted, because they can go forward and construct those projects.

It certainly would diminish the interest in using public lands or any lands for that matter to develop alternative energy sources like wind, if such subsidies are to be lost.

Mr. HOLT. I began my statement earlier to try to correct some of the misinformation about energy production on public lands in general.

As I said in my opening statement, the Department of Energy report shows that production on public lands between 2003 and 2011, onshore oil production on Federal lands in 2011 was higher than at any point under the Bush Administration.

Did I characterize that correctly in my opening statement?

Mr. ABBEY. You did. As you pointed out, the facts are clear. The oil production overall is the highest it has been in eight years. Natural gas production is at an all time high. There is no disputing those facts. I do not think any member of this committee would dispute that.

Also, as you pointed out, despite a slight dip in 2010, oil production and gas production from public lands and waters are still higher in the first three years of the Obama Administration than they were in the last three years of the previous Administration.

Mr. HOLT. Thank you, Director Abbey. Thank you, Mr. Chairman.

Mr. LAMBORN. All right. Representative Gohmert?

Mr. GOHMERT. Thank you, Mr. Chairman. Appreciate you both being here.

I am curious, Director Abbey, as you take credit for the highest production in the last eight years, has it ever crossed your mind to send a thank you note to President George W. Bush for getting all those leases done that allows you to take credit for the highest production in the last eight years?

Mr. ABBEY. No, it never has, but we would also be sending thank you notes to President Clinton as well.

Mr. GOHMERT. That is right. This is a long process. When did you become Director?

Mr. ABBEY. 2009.

Mr. GOHMERT. Thank you. Was that in January?

Mr. ABBEY. It was in July, I believe.

Mr. GOHMERT. You were not on board in January of 2009. Because of your history, you are probably aware that one of the first acts of Secretary Salazar was to send back the checks for the leases in Utah. I believe there were 77 of them. Secretary Salazar announced, you may recall, that he was not going to allow these leases to go forward that were let at the midnight hour.

Do you recall that?

Mr. ABBEY. I do.

Mr. GOHMERT. I was always curious how in the world checks that were issued and given to the Federal Government in November and December of 2008 were sat on for that length of time, so that a new Secretary could come in and send them back.

I was gratified to Secretary Salazar at one of our prior hearings, he did accurately admit that he knew that there had been a seven-year process to let those leases go.

As you are well aware, an oil company cannot come in at the midnight hour and just throw out a bid for a lease. There has to be a lot of homework that goes in, there has to be all kinds of environmental analyses to determine whether a lease can be let.

After a seven-year process, that was thwarted. I was just curious, since we hear so much about jobs and trying to achieve lower gas prices, do you have any estimate as to how many jobs were created when those lease checks, after that seven-year process, were returned to the bidders?

Any idea how many jobs were created when the Interior Department refused to allow that seven-year process to go further at all?

Mr. ABBEY. You know, I do not have specific numbers of jobs. Let me share with you as I did with the members of the Senate that I appeared before last week, when we came into our roles in 2009, we had inherited an oil and gas program that was on the verge of collapse.

Congressman, it was not serving anyone well.

Mr. GOHMERT. OK. Thank you, sir. My time is so limited, I cannot let you go on with a speech like that, and I appreciate it, and glad to hear anything you have to submit in writing from here.

Do you have any estimate as to how much gas prices were reduced after that seven-year process when those checks were returned and people were not allowed to drill on that Federal land? Any idea? Any estimate?

Mr. ABBEY. I do not.

Mr. GOHMERT. All right. Now, I have had different groups come and talk to me. We have information through the Committee that there is this hard rock shale in Utah, and maybe in Northwestern Colorado.

There is a company that is producing oil from that very type of shale in Estonia, and they have some private leases. They say they can make money at $60 a barrel, and yet we have kept so much of that land off limits.

We have heard estimates from one trillion to three trillion barrels of oil could be produced from that hard rock shale. It does require heat out of the presence of oxygen.

Have you seen or heard any estimates just as to how much oil could be produced and money made at under $100 a barrel in that area of Utah?

Mr. ABBEY. I have read a lot of statements regarding what potential exists, but let me share with you that there is no proven technology to do what some members of that——

Mr. GOHMERT. Thank you. Obviously, you are ignorant of what they are doing in Estonia, Director, and I would encourage you to take a look at that.

Mr. ABBEY. Congressman, we have looked at what they are doing in Estonia. They are burning the shale, just like coal.

Mr. GOHMERT. You are aware they are producing oil and doing so, making money at $60 a barrel?

You are going to continue to refuse to allow those leases in that area of Utah, is that correct?

Mr. ABBEY. No.

Mr. GOHMERT. You are reopening those for bid?

Mr. ABBEY. We have issued six RD&D leases for oil shale development.

Mr. GOHMERT. Are those part of the 77 that you canceled?

Mr. ABBEY. Seventy-seven leases for oil and gas, not oil shale.

Mr. GOHMERT. All right. My time has expired. I look forward to hearing anything else you may wish to submit to us in writing.

Mr. LAMBORN. Thank you. Representative Tonko?

Mr. TONKO. Thank you, Mr. Chair. Gentlemen, thank you for appearing before the Subcommittee today. I appreciate the thoughtfulness that you are attempting to address questions by.

If I could hear a little more about the collapse that you were going to address with the oil and gas situation, and I would hope we could learn from some information here as we exchange thoughtful dialogue.

Mr. ABBEY. I really appreciate that opportunity. The truth of the matter is our program managed by the Bureau of Land Management was on the verge of collapse. Over 50 percent or almost 50 percent of all the parcels that we were offering for leases were being protested or litigated.

We had issued literally hundreds of leases that had been sold, but we could not actually issue those leases to the companies for potential development because of protests and litigation.

Until that litigation was resolved, the monies that we had already collected from the industry were placed in suspense accounts, not doing anyone any good.

We had rules in place to govern oil and gas leasing and operations on public lands that were over 20 years old. Technology had changed significantly in that 20-year period, yet our rules governing operations on public lands had not been adjusted or modified.

We had several Office of Inspector General reports and GAO audits that had identified significant deficiencies in the oil and gas program that were not being addressed in a timely manner, if addressed at all.

We had EPA and other Federal agencies that were routinely and publicly criticizing the BLM's NEPA documents and our analysis, primarily as it related to air quality.

We had sportsmen and other public land stakeholders that were voicing concerns about the way we were operating, leasing anywhere and everywhere, without any regard at all to the environmental consequences of these actions.

Rather than ignore the issues and challenges that we faced when we came into these roles, we decided to take them head on.

We decided to do something about them, so we could give assurance to the industry, if they were going to be leasing parcels of land, that they were assured of getting the parcels that had the greatest chance of being developed, instead of tied up in court for 10 to 15 years.

We initiated leasing reforms, again, for the goal of meeting the goal of making sure the parcels that were going to be offered for leasing were the right ones and had the greatest chance for success of being developed in a timely manner.

Again, in 2009, the oil and gas industry had absolutely no assurance or certainty that the parcels they had done a lot of work on and research, and that they were willing to apply a lot of money in securing leases, were ever going to be developed.

The program that we have in place right now is intended to address those challenges and make sure again the parcels that we are offering up are the right ones and have the greatest chance of being developed.

Today, the protests have dropped from almost 50 percent to around 36 percent in the first year of implementing our leasing reforms. We are making significant progress along those lines.

Mr. TONKO. Thank you very much for finishing that answer. You mentioned that the Agency has instituted a new risk based inspection protocol for oil and gas production activities.

Can you elaborate on that, please?

Mr. ABBEY. Again, we have had to prioritize where we are going to do inspections. We completed over 33,000 inspections on oil and gas operations last year on Federal minerals.

In order to prioritize where those inspections were to occur and where we are going to give the highest priority, we did develop a risk based program, and it was based upon the number of violations that had occurred on a particular production operation. It also had to do with the volumes of natural gas or oil that was being produced from those areas.

Mr. TONKO. Is this underway currently or when will it be implemented?

Mr. ABBEY. No. We implemented it two years ago. We are continuing to fine tune the criteria that we are using to identify the highest risk, and then again, devoting our energies toward making sure those drilling operations are being inspected routinely.

Mr. TONKO. According to a report issued by our Ranking Member Markey and Representative Holt, there were over 2,000 violations issued between 1998 and 2011, involving some 300 companies, that resulted in over $270,000 worth of penalties.

Given the value of the resources being extracted and the potential cost to the taxpayer for remediation, do the fines appear to provide a deterrence at all?

Mr. ABBEY. They certainly provide some deterrence. Again, our hope is that when we inspect these drilling operations and production operations, if we do find deficiencies and we highlight what those deficiencies are, that the industries themselves will take it upon themselves to correct those deficiencies based upon the notice that we give them.

If they do not, then the assessments come into play. If they fail to take the actions that we are requiring them to take as part of our inspections, then there will be an assessment imposed against that company.

Mr. TONKO. Thank you very much. Thank you, Mr. Chairman.

Mr. LAMBORN. Thank you. Representative Thompson?

Mr. THOMPSON. Thank you, Chairman.

Director and Chief, thank you for your testimony today and your leadership.

Chief Tidwell, I want to start with you. In terms of the President's budget, do you believe there is adequate funding in the

President's budget request for the Forest Service to perform environmental studies, particularly in NEPA?

Mr. TIDWELL. Yes. I believe our request does provide adequate resources, as long as we focus on dealing with the applications for both minerals and energy production, and realize that we will have to deemphasize some of the other parts of our minerals and geology program.

The other key thing that I mentioned is, by having both the BLM and the Forest Service work together to do one environmental analysis to cover both of our decisions, this, too, will greatly help facilitate our efficiency.

Mr. THOMPSON. Essentially, it sounds like in terms of addressing NEPA, there is maybe not enough money there, but there are other monies. You said deemphasizing other programs.

Where is that decision made? Does it lie with the Forest Supervisor who may decide, "Well, we are going to deemphasize moving ahead with NEPA analysis to move ahead with energy leases, oil and natural gas minerals," and in favor of supporting whatever you were alluding to, this other pot of money? I'm confident in your grasp of it, but where does that decision making fall? What are the guidelines?

Mr. TIDWELL. It will start with once we receive our budget for the next year. We will send out direction when we send the money out to the regions that provides where we are going to focus and emphasize on, and then also there is some discretion at the local level.

There are parts of the program, there is just no discretion, that we have to address. That will always be the first priority.

Some of the other parts dealing with some of the environmental concerns, dealing with abandoned mine reclamation, those are some areas we have some flexibility to be able to shift resources.

It is a combination of the national direction plus the discretion that our local managers need to have.

Mr. THOMPSON. If the President's budget comes up short in terms of clearing these hurdles to energy production and mineral production, I guess I have concerns.

I have a question later regarding some specific National forests, where we have had forest supervisors, it seems like they have had their own agenda in shutting down energy production.

I guess I just would go on record that I am concerned about how much discretion, and I know that is a fine line. We want to empower our forest supervisors to do a good job.

But if they are anti-energy, it seems like there would be a potential if the President has underfunded clearing the environmental hurdles for energy production, we may run into some problems locally.

In my District, a lot of local operators in the Allegheny National Forest are regularly frustrated by the often lengthy permitting process and delays.

It is especially so in my area since the vast majority of the mineral rights and forests are privately owned. Allegheny is somewhat unique, 93 percent of the subsurface rights are privately held.

Generally, the wells in the Allegheny are shallow, which means these companies need to have a steady flow of permits, as opposed to deep well drilling.

Chief, what steps might we be able to take to help expedite permitting and the necessary reviews for energy production in the National forests?

Mr. TIDWELL. Well, specifically, there in the Allegheny, our process now is to meet with the proponents and quickly negotiate for some reasonable mitigating measures and then to issue a notice to proceed.

In other areas outside of the Allegheny, our use of categorical exclusions has proven to be very effective. For instance, out in North Dakota, which is by far the most active area on the National Forest System right now, being able to work closely with the BLM to issue those permits in a very timely fashion, too.

Those are the things we are really focused on. The other thing I wanted to also mention is this need for us to look to see if the analysis that was done eight, nine, sometimes ten years ago is still current, if there is any new information, and actually address those concerns before the leases expire.

This is another area we want to focus some of our limited resources on, to ensure that those leases can continue, if they need to be extended, or be available to be re-leased.

Mr. THOMPSON. Thank you for that. Any insight on how the pending forest planning rule is going to impact energy production in National forests?

Mr. TIDWELL. I believe our preferred alternative for the new planning rule will help facilitate everything we do on the National forests by reducing the time we spend on planning by at least 50 percent, cut down the costs, and also will allow the local communities to have much more of an engagement in that entire process.

I believe it will facilitate not only minerals and energy production but also the need for us to restore our National forests.

Mr. THOMPSON. I would just publicly thank you for as a part of that planning rule establishing that advisory committee, which gives that local voice. That was a nice addition.

Mr. LAMBORN. Thank you. Representative Gosar?

Dr. GOSAR. Thank you very much.

Director Abbey, has Congress appropriated too much money to the Bureau of Land Management?

Mr. ABBEY. No.

Dr. GOSAR. Do you believe the BLM has been appropriated enough money to do its job sufficiently?

Mr. ABBEY. I think we have sufficient funds to meet the highest priority needs.

Dr. GOSAR. We could process all the new permits, eliminating the current backlog?

Mr. ABBEY. We have requested sufficient funds to move forward to address the backlog, yes.

Dr. GOSAR. That is a stretch, we are right at that edge, right?

Mr. ABBEY. We are right at that edge.

Dr. GOSAR. On February 16, Secretary Salazar advanced his blueprint for renewable energy development in Arizona.

The Department then announced it will be examining all lands in Arizona, not just lands that fall within the purview of the Department or solely just the Federal Government.

I am all for the increased development of renewable energy in our state's vast public lands. In fact, I encourage it.

My District alone is 70 percent public lands. Multiple use of these lands is good and critical to rural Arizona as well as our educational system.

Is analyzing private lands a good use of scant Agency resources when you just stated you have just enough money to do your day to day duties you are currently authorized to do?

Mr. ABBEY. Congressman, the Bureau of Land Management was a partner in that statewide planning effort. Other partners included the State of Arizona, county governments, and other stakeholders.

I think it was prudent. I think it was a responsible action for everybody working together to identify the best lands for such development to occur, whether they were on private lands or state lands or even Federally managed lands.

Again, as it relates to private lands, it is up to the private land owner what they want to do with their lands.

Dr. GOSAR. It seems to me like when we start looking at that private versus public, most of the solar programs do not really worry about private lands because it is easily done. If they can be put to a test and economically viable, it will get done.

It seems to me like we need to concentrate on the Federal jurisdiction because most of them do not even approach using the Federal lands because of the bureaucracy and the red tape.

Mr. ABBEY. I think we are making significant progress in moving forward and analyzing the project proposals that are before us. As I mentioned in my opening remarks, we have already approved 6,500 megawatts of renewable energy on public lands that are managed by the Bureau of Land Management.

We anticipate approving upwards of 11,000 megawatts in 2013. That is two years ahead of the congressional time line that was provided to us in previous legislation, where they identified 2015 as being the time line for approving in the neighborhood of 10,000 megawatts from public lands.

Dr. GOSAR. Looking at this blueprint, the Agency claims it is analyzing items like transmission, but many of the solar zones currently identified are not on a grid.

Is the Administration planning on using some of the excess funds that it has been using to analyze private lands to invest in transmission infrastructure?

Mr. ABBEY. We are working very closely with the states and Western Governors. We are also working very closely with the Department of Energy, with the Department of Agriculture, with the Department of Transportation to move forward, to align transmission corridors, to where the developments are likely to occur.

Dr. GOSAR. OK. Finally, I would like to talk about the actual analysis of BLM land. The Agency is taking into account environmental conflicts while examining these zones.

I would simply like to ask in making the determination that a parcel of land has too much environmental conflicts for the develop-

ment, is the Agency developing a proposal for additional wilderness designation in my state?

Mr. ABBEY. None that I am aware of.

Dr. GOSAR. In my district, we have lots of problems with the government bureaucrats administering land like the wilderness. After analysis like this, regardless of the actual land designation, will the Agency promise us they will ensure local bureaucrats administer lands appropriately for the actual land designation?

Mr. ABBEY. These lands will be managed consistent with the land use plans that are in place governing that type of use.

Dr. GOSAR. Last, Chief Tidwell, I know we talked earlier. We have a big deadline coming up. We would sure like to keep those time lines appropriately. We have fire season coming up on us. I know there is a lot riding on it, but we have a lot of itchy people back there.

I would like to also thank you very, very much for your cooperation and help in mitigating issues with Tony Ferguson over at the Stone Quarry, where we had a rogue geologist by the name of Jessica Lopez-Pierce, who decided to take issues into her own hands, and I think the mitigation with Mike Williams showed us we can actually solve a problem and get to the bottom of it cooperatively. Thank you.

Mr. TIDWELL. Thank you, Congressman.

Mr. LAMBORN. Thank you. Representative Duncan?

Mr. DUNCAN OF SOUTH CAROLINA. Thank you, Mr. Chairman. I thank the gentlemen for being here today.

Just a quick comment. I cannot think of a single example where an increase in a tax or a fee ever reduces the price for the consumer. It generally has the adverse effect. Taxes or fees go up, the manufacturer or the producer passes that on to the consumer or as a direct fee or tax that is assessed at the pump or on a product directly, and we see a price increase.

You propose in your budget an increase of onshore royalties from 12.5 percent to 18.75 percent, an increase on the cost that the consumer will pay, because that will be passed on.

You also propose a $4 per acre fee for nonproducing Federal leases. I heard your comments earlier, but there is no way you can guarantee that every square inch of every leased acre is going to be a producing area.

The oil and natural gas companies, they invest their own dollars in these leases. This is not a gift from the Government. They are investing their dollars in the opportunity to go out, whether it is offshore or onshore, on Federal lands, to take the risk of exploring for and hopefully producing oil and natural gas resources that will yield them a profit at the end of the day. Total recovery of their investment costs and ultimately yield them a profit.

I just want us to chew on that going forward.

Director Abbey, I have some questions for you. The Administration frequently touts an impressive record of increasing energy development on Federal lands. What type of energy development are they touting, primarily?

Mr. ABBEY. All of the above. As renewable increases, renewable development, as well as conventional energy.

Mr. DUNCAN OF SOUTH CAROLINA. All of the above. Let's use the President's words from the White House statement on the Keystone Pipeline.

The President said this, he wants to "Increase American energy production while lessening our dependence on oil." Period. Not foreign oil, not Middle Eastern oil. The White House statements says "lessening our dependence on oil."

That tells me he wants to increase American energy production, wind, solar, hydro, and other things on Federal lands, and not necessarily pursue oil and natural gas, because he wants to lessen our dependence on oil.

Let me just go to the question. These are Yes or No questions for you, so if you will limit it to that—in 2009, when the Administration withdrew 77 leases issued in Utah from development, do you believe this created American jobs and increased domestic energy development? Yes or no?

Mr. ABBEY. I do not believe it increased jobs, no.

Mr. DUNCAN OF SOUTH CAROLINA. Since the Administration has been in office, the last three years have seen the fewest acres leased for oil and gas development in the last 30 years, according to the BLM 2009, 2010, and 2011 acreage leased for oil and gas development, was the lowest recorded since 1984.

Do you believe this helps create American jobs and increases oil and natural gas development? Yes or no.

Mr. ABBEY. Congressman, there are no yes or no answers to the questions that you are raising. I will say this, the leases we are now issuing have the greatest chance of being developed. That was not the case in 2009 when we came into our positions.

Mr. DUNCAN OF SOUTH CAROLINA. The last three years, we have seen the fewest new leases sold by BLM since 1994.

I will agree with you to some degree that we are focusing on targeted leases that are producing in geological productive areas. I get that.

When I look at North Dakota, wildcat energy driven economy, unemployment less than three percent. It is the Bakken Oil Reserve there, Bakken formation. It is going gangbusters.

I look over in Montana, and Elm Creek was an original Bakken production, I get that, but I see a lot of Federal land that has the Bakken formation under it, and I do not see the oil and natural gas production happening there that I see in North Dakota.

I ask myself why because, in North Dakota, the oil and natural gas production is happening on state land and private land. It is not on Federal land.

If we were to open up these areas, and these are the questions I get from my constituents back home, America is blessed with the abundance of oil and natural gas resources, why in the world, in this economic climate that we have, when prices have gone up 108 percent since the day of inauguration of President Obama until today, 108 percent, I did the math this morning, why in the world are we not harvesting our natural resources? Why are we not expediting lease sales?

I was on the MMS Five Year Planning Subcommittee. I know the convoluted long process for offshore lease sale in the Gulf of Mexico. It takes a while.

We should have started this process a while back. I understand that as well. My constituents are asking me, and I am asking you today, why in the world we are not expediting oil and natural gas leases on Federal lands to meet our energy needs?

Oil and natural gas is what drives this economy right now. Why are we not expediting those lease sales?

Mr. ABBEY. Congressman, let me just say that the most successful lease sale we have ever had in the Bureau of Land Management was in Eastern Montana last year. We are leasing lands where there is an interest in development those leases.

We are doing so in a responsible manner. We are making sure we are looking at these lands and doing the analysis prior to committing those lands through the leasing process.

That way, it provides greater certainty to the industry that the lands they will be leasing will have the greatest chance of being developed and in a more timely manner, and not be tied up in protests and litigation for years.

What good is that doing to the American public? We already have over 24 million acres that have already been leased that are not even being explored or developed.

Why do we want to continue to add to that inventory, if we have 24 million acres already leased that is not being developed?

We are doing 32 lease sales this year alone. Last year, we offered 4.4 million acres.

Mr. DUNCAN OF SOUTH CAROLINA. Based on some of the comments that Mr. Gohmert from Texas made earlier, that kind of contradicts some of the things you are saying.

I am out of time. Mr. Chairman, I will yield back.

Mr. LAMBORN. Thank you. I would like to now yield five minutes to the Ranking Member of the Full Committee for either questions or an opening statement.

Mr. MARKEY. Thank you, Mr. Chairman, very much.

Director Abbey, last month Representative Holt and I sent you a report prepared by the Committee staff that analyzed drilling, safety and environmental regulations that occurred on Federal lands over the last decade.

There were a total of 2,025 violations that occurred over a 13-year period in 17 states. Of these, 20 percent had to do with problems with the blowout preventer and other well control equipment.

In at least a dozen cases, operators were found to be drilling without any blowout preventer installed at all. There was one case where a well experienced a blowout and the operator did not even notify the BLM, and another case, where an operator was found to be dumping drilling fluids directly into a river in Oklahoma.

Furthermore, there were more than 50 instances where an operator began drilling on Federal lands without an approved permit from BLM.

Yet, for the 2,025 violations we examined over that 13-year period, oil and gas companies were only fined a total of $273,000. That is an average of $135 per violation for an industry where the top five companies made $137 billion last year.

That is not a real deterrent for these companies. The fines that BLM can levy on oil and gas companies who violate regulations are set by a 30-year-old law that has not been updated.

Do you think Congress should raise the fines that BLM can issue so that there are meaningful financial deterrents for these companies?

Mr. ABBEY. Congressman, I think fines and assessments certainly are a tool that we need and if we are going to have such a tool, then they need to be sufficient to meet the goals of such assessments.

Having said that, of the drilling inspections that we have done over the past ten years, we found fewer than ten percent of those operations actually committing any kind of violation, and most of these violations were corrected after the first notice.

Mr. MARKEY. Do you think that an average of $135 per incident is adequate to serve as a deterrent or do you believe the fines should be higher and that the statute should reflect that?

Mr. ABBEY. I do believe the statute should reflect a higher assessment, yes.

Mr. MARKEY. For example, currently, the maximum fine that BLM can issue for a major violation, for something like drilling without a blowout preventer or drilling without a permit is only $5,000.

Do you think that a maximum penalty of $5,000 is an adequate deterrent to keep a company from drilling without a blowout preventer? Is $5,000 enough to deter that?

Mr. ABBEY. No.

Mr. MARKEY. It is not? Thank you.

Last year after the Deepwater Horizon oil spill, Director Bromwich testified in front of this committee that the current civil penalties of $40,000 per incident per day that can be issued for offshore drilling violations are not even close to being a sufficient deterrent and needed to be increased substantially.

BOEM Director Beaudreau recently agreed that the civil penalties offshore are inadequate.

If a fine of $40,000 per day is not a sufficient financial deterrent, it is clear, and I agree with you, that a fine of $5,000 for a serious violation like not having a blowout preventer would not be a sufficient deterrent.

In the Department's budget request, BLM expresses plans to implement an expanded oil and gas onshore inspection program to increase safety and environmental protection.

Our report found that there were 13 companies that were chronic violators, meaning that they had more than 30 violations. Of these, four of the companies were not fined anything.

Will BLM's new inspection strategy focus on the high risk operators such as these repeat offenders and ensure that enforcement actions are more consistently applied, and that BLM inspectors are more consistently exercising their enforcement authority by issuing even the minimum allowable fines?

Mr. ABBEY. Congressman, our inspection program that is in place today is intended to serve that same purpose. If we have repeat offenders, we are going to be out there on the ground more often.

Again, our desire is to make sure that people comply with any deficiencies that we find upon our inspections. If they fail to comply with those deficiencies, we will take the necessary actions to ensure compliance.

Mr. MARKEY. I just think the fine structure, the monetary penalties are woefully out of date. BLM's current policy for enforcement, unfortunately, allows even the most egregious violators to keep taking the test over and over again until they pass.

I just think we need to look at this area in the same way that we should have in retrospect looked at what the safety precautions were against the blowout in the Gulf. We should just take this as an opportunity to do so.

I thank you, Mr. Chairman.

Mr. LAMBORN. Thank you. Representative Amodei?

Mr. AMODEI. Thank you, Mr. Chairman.

Chief Tidwell, I had the opportunity last week to have a field hearing under Mr. Bishop's Subcommittee of this Full Committee in Elko to talk about the Humboldt-Toiyabe and also meet with your regional forester, Harv Forsgren.

I want to first of all say through you to them, thank you. It was a good meeting. We had a good exchange, met with your regional forester afterwards to discuss some issues.

Appreciate the participation and the attitude to which your folks came, and I would also represent to you that the people of Elko treated them with respect and dignity, which sometimes people were concerned about. I was proud of the people who attended the meeting, too.

As you know, in Nevada, we are dealing with as well as some other Western States some issues about potential listing of what I refer to as the "sage hen," because I say "Nevada" and not "Nehvah-da." The Nevada people refer to it as the "sage grouse." Anyhow, same thing either way for purposes of this.

In speaking with Director Abbey next to you, there were some specific provisions put in the BLM budget to deal with sage hen issues. Are there any specific issues with respect to Forest Service lands in those Western States?

Obviously specifically I am talking about the Humboldt-Toiyabe National Forest to deal with sage hen issues in your coming budget.

Mr. TIDWELL. We provided funds in our current budget to work together with the BLM and the states to address the need for sage grouse habitat, sage hen habitat.

I feel very optimistic with what I have seen come out of the State of Wyoming and the efforts that are starting in Idaho, Utah, and I think now in Nevada, to be able to find those local solutions, to be able to address that issue, but at the same time, be able to allow us to go forward with our multiple use activities.

Mr. AMODEI. I appreciate that. The only thing I would draw to your attention, because I am going to turn to the gentleman to your right who owns the larger portion of Federal lands in Nevada shortly, but in talking with the Fish and Wildlife Service, the state Department of Wildlife folks, your fire folks nationally and in the Humboldt-Toiyabe, as well as other agencies, I have a concern that a lot of those efforts are focused on after the fire starts.

I have gone to fire now because there appears to be no dispute amongst those folks in my state that the number one predator for sage hen habitat is wildland fire.

That is not a blame thing. That is just a fact that is on the ground.

I am looking forward to continuing those discussions with your national fire folks which have made themselves very available at your level as well, thank you for that, to talk about what we can do before the fire starts, about addressing this issue in terms of the current budget process.

Obviously, that involves things like fuels management, identification of where those critical habitat areas are, starting there, those sorts of things.

My concern is that we will manage all those man based activities, energy exploration, minerals exploration, ATVs, all the stuff we can get our hands around, but to a factor of probably 80 percent or more, that habitat has disappeared to wildland fire. But as I look at all this, and this is not a blame thing, we Federally are doing very little to talk about what happens before the fire starts in terms of veg management, Pinyon juniper creep, all that sort of thing.

I will look forward to meeting with your fire folks nationally and locally, if that is OK, if I can have your support in that, to make sure that we are looking at that as well as those other manmade activities that we have talked about before.

Mr. TIDWELL. Yes, and I agree with your understanding that we need to address the situation before the fires start. Of course, you will have my full support.

It is one of the things we want to continue to work on. When we talk about restoring our national forests and grasslands, it is to make sure that we are addressing the fuels issue especially, and we are finding that because of the kind of fire we are having, in many cases, it is having more impact on wildlife than any other activity.

Mr. AMODEI. I appreciate that. My problem is while we are doing all this, if we ultimately, as the land owners, do nothing to address—"nothing" is probably too strong a word—but if our priorities are against activities to manage activities that account for the vast minority of the impact to the habitat, then we have failed in our policies.

I appreciate that.

Mr. TIDWELL. It is going to take a combination of looking at everything we can do and working together across these large landscapes.

Once again, I do believe especially after what we have seen come out of the State of Wyoming that there is a very workable solution if we can continue to work together.

Mr. AMODEI. I appreciate that. Mr. Chairman, I see my time has expired so I will yield back in hopes there will be another round.

Mr. LAMBORN. There will be. We will start that right now, in fact.

Director Abbey, you mentioned several times before this committee and last week before the Senate that the oil and natural gas industry has 7,000 applications for permits to drill or APDs, and that these are not being drilled.

Since you have used this number many times, is it possible to get the data behind how this number was calculated, the states in

which these APDs are said to exist, and whether they are actually shovel ready or actually waiting on further environmental or wildlife clearances?

Mr. ABBEY. We would be happy to provide those materials to you, not only where those applications for permits to drill have been approved by state, but also by company, if you would like that information.

Mr. LAMBORN. Do you have that right now? Can I have that right now?

Mr. ABBEY. I do not have it with me right now, no.

Mr. LAMBORN. Is it possible to get it by the close of business today?

Mr. ABBEY. We can get you the states where the permits have been issued, but probably not by company by the end of today.

Mr. LAMBORN. You are using this number all the time. I thought you would have it at your fingertips.

Mr. ABBEY. We have the number. We can give that to you.

Mr. LAMBORN. Not the number. Anyone can throw out a number. I want the facts to evaluate the number.

Mr. ABBEY. Yes, we can get that to you.

Mr. LAMBORN. By close of business today? I appreciate that. Thank you so much.

Mr. ABBEY. You bet.

Mr. LAMBORN. We will count on that.

Second, you stated that the previous Administration was leasing everywhere for oil and gas. What percentage of the entire Federal estate would you suppose is being leased for oil and gas right now?

Mr. ABBEY. Leasing for a number of years has been driven by where the interest of the industry is. They are the ones that nominate parcels they would like to see interest in, and they work with us to move forward with the necessary analysis and put those parcels up for lease.

I mentioned we have 700 million acres that we manage relative to Federal mineral estate. We have over 38 million acres under lease as of the end of Fiscal Year 2011. We have a little under 16 million acres that are either being explored or being produced today.

I do not have the number of acres——

Mr. LAMBORN. Out of 700, 38 plus 16, that is 54, that would be about eight percent or something like that. When I look at the entire Federal estate, because you only have jurisdiction over obviously part of the onshore areas, the actual number, I understand, is even lower, two to three percent.

I just do not think it is an accurate characterization to say the previous Administration was leasing everywhere for oil and gas when what we are looking at is two to three percent.

Mr. ABBEY. There were certainly areas that were being leased that were inappropriate for leasing; yes.

Mr. LAMBORN. How can you say it is everywhere when it is actually two to three percent? I just do not understand that.

My last question in my limited time, in the past, Director Abbey, you have praised the use of FracFocus, a voluntary program that states participate in, for disclosure of chemicals.

Can you tell the Committee why the Administration would want to duplicate something that you have praised the states for doing successfully?

To me, this is a new layer of bureaucracy and burdensome paperwork and possible other regulatory hurdles that are going to cripple energy production in this country.

Mr. ABBEY. We do not see it being duplicative in nature. In fact, our proposed rule identifies FracFocus as the likely system we would be using for disclosure of chemicals.

Mr. LAMBORN. That begs the question, why do something the states are already doing?

Mr. ABBEY. Not all states are doing it, Congressman.

Mr. LAMBORN. The states that are doing it, can they be exempt?

Mr. ABBEY. We would work with them based upon any comments they provided to us as part of the review of our draft rules and see what makes sense.

Mr. LAMBORN. Colorado, for instance, has an excellent program. Some people call it the best in the country.

Mr. ABBEY. We are benchmarking against Colorado, and we, too, are very complimentary of their program.

Mr. LAMBORN. Can Colorado be exempted?

Mr. ABBEY. We will look into that situation.

Mr. LAMBORN. OK. Along that line, when can we expect the regulations and what will be the time line period for comments and implementation of these regulations?

Mr. ABBEY. We would hope to be able to issue the draft regulations in April of this year. Then there will be a public comment period, we will determine what is the appropriate length of time for those comments, but the public will have an opportunity to comment on our proposal.

Mr. LAMBORN. OK. Thank you so much for being here today and for answering questions.

Representative Holt?

Mr. HOLT. Thanks. I would like to continue the discussion of hydraulic fracturing. Director Abbey, it has been said the regulations that the Department is developing with respect to hydraulic fracturing would shut down natural gas development.

Is that your intention? Do you think that would be the effect? Really, two questions there.

Mr. ABBEY. We do not believe it will be the effect. Over 90 percent of the oil wells that are being drilled today that are on Federal lands and Federal minerals are using the fracking technology.

Mr. HOLT. Do you think that would be curtailed or shut down if these regulations go forward?

Mr. ABBEY. It will not.

Mr. HOLT. The draft regulations are likely to say that a company should have a basic plan of what they will do with the wastewater.

A lot of the fluid, water and other ingredients, that are injected in the well, much of that comes back out after the high pressure fracturing, and it comes mixed with both what was put down there in the first place and what is mixed down in the depths.

There have been reports of companies that have dumped the fluids into rivers or sent them to treatment plants that could not handle them.

Is it important that the regulations include careful plans for what is done with the wastewater?

Mr. ABBEY. We certainly believe it is. There are two issues with water as it relates to fracking. One is the quantity of water. It is a very intensive use of water technology. The industry itself is doing a much better job of re-using water that they had in the past been disposing of.

Certainly, I compliment the industry for taking actions to apply best management practices and re-use as much water as possible.

The second issue is the disposal of wastewater. Again, our proposed rule will require that the wastewater will be subject to local and state law. When they apply for their permits to drill, we will ensure they provide us an operation plan of how they intend to dispose of any wastewater that would come from their drilling operations, and that they have certificates in hand

Mr. HOLT. As this water goes down and back out of the wells, the cementing procedures are critically important. It would be through faulty cement joints that maybe would be most likely for these fluids to get into the groundwater.

Now that we are drilling at really enormous depths and subjecting the wells to enormous pressure, will the regulations include really comprehensive and strict requirements about the cementing process, the cementing testing, the cementing composition?

This is a somewhat leading question. Do you agree this is a critical and maybe the most critical part of the regulatory process?

Mr. ABBEY. We certainly believe it is the most critical part of the drilling operations, even though the public is very, very concerned about the chemicals that are being used in fracking and they are demanding that such chemicals be disclosed, we certainly are well cognizant that the most critical stage of drilling is to ensure the integrity of the well bore.

Our proposed rules will adopt API standards for the cementing, and again, that the actual operations are consistent with the engineering drawings that are presented to us as part of the applications for permits to drill.

Again, we will be using the industry's own standards, best management practices, that we will be incorporating in our proposed rules.

Mr. HOLT. Thank you very much, Director.

Mr. LAMBORN. Thank you. Representative Thompson?

Mr. THOMPSON. Thanks, Chairman.

Chief, my last question when we were talking about the proposed alternative with the new forest planning rule, and specifically, some of the delays regarding permitting, I want to really zero in on something important in my state, and obviously present in the Allegheny National Forest, but also important nationally, the permitting related to natural gas production on our national forests.

Do you see the proposed forest rule as assisting in having it done more efficiently, the permitting process? Will the new forest rule make that a better process? Not just in the Allegheny but nationally.

Mr. TIDWELL. Congressman, I do believe it will once again be a much more efficient process, especially during our forest planning process.

That is when we make the determinations often of which areas should be available for leasing, areas that we consent for the BLM to go ahead and lease. That is our first decision.

As far as the drilling permits, those decisions are not part of the national forest plan specifically, but by doing a good job to establish the standards and guides that are followed, it really facilitates being able to use our categorical exclusions for the drill site, and which really will expedite that. It does have a direct benefit.

The other key thing is that by leaving up to the local unit the discretion for which standards and guides they need to address drilling operations, that allows them to basically customize to address the local issues instead of having something that we use nationally.

Mr. THOMPSON. I want to follow up on that. The local discretion, I think it has positive's but I think it has some potential threats as well.

As you both probably know, in the past year, the George Washington National Forest in Virginia proposed to ban horizontal drilling. Similarly, the Wayne National Forest in Ohio canceled a mineral lease auction citing potential shale gas drilling and hydraulic fracturing.

Both techniques, of course, are critical in order to assess previously unconventional sources of shale gas, and obviously, for the record, they are not new. We have hydrofracked over a million wells in this country over a period of more than 60 years.

What are the Forest Service and the BLM doing to stop these unilateral decisions and allow for shale production to move forward on Federal lands, or in other words, what are you doing about this?

Mr. TIDWELL. Congressman, your point of finding that right balance between allowing the local managers some discretion, some decision making, but at the same time, to have consistent approaches where we need to.

That is the role of my office here, to make sure we have that consistent approach.

We, of course, believe fracking is proven to be a very safe technical approach without any question, as long as it is done correctly.

Those two situations that you referenced, on the Wayne, we believed we needed to, because of some questions that were raised about a decision that was made in 2006, we had to stop and reevaluate to make sure that there is not any new information that we had not factored into that decision, to make sure that lease can go forward after we made our decision, to ensure we just do not end up in court.

On the George Washington, it is a forest plan revision process.

In both cases, the concerns were raised by the public, local government officials, that questioned if we had done adequate analysis, so that is the reason we have had to take a step back and do some additional analysis, to address their concerns.

One of the things with this hydraulic fracking, we have been using it for many, many decades in this country, and when it is done correctly, there are no problems with it.

But the public has some concerns, especially in some parts of the country where the horizontal part of it is somewhat new.

I think by reassuring the public about what chemicals are actually being used, to reassure that without any question, it is going to be done correctly, to make sure the well bore is properly sealed, and there is a plan to dispose of wastewater that is pulled out of these wells.

I believe that will go a long way to resolve a lot of concerns that the public has, and by having that in place, I think it will also help our decisions.

We will be relying on the BLM, their rulemaking, nor do we have the authority to deal with subsurface estate. That is the BLM's responsibility. It will come out of their rulemaking and we will use it.

But I really do think it will help alleviate a lot of the public's concerns about this, so that we can actually move forward with more efficiency with our decision making.

Mr. THOMPSON. With the patience of the Chairman, just one clarification. I think that is important for people to understand, where the American taxpayers own the subsurface rights, the BLM has jurisdiction.

Am I correct in saying, for example, in the Allegheny National Forest, it really is private individuals and entities that own the subsurface rights, in terms of subsurface, the jurisdiction really falls with the state, and specifically in Pennsylvania, the Department of Environmental Protection.

Mr. TIDWELL. That is correct.

Mr. THOMPSON. Thank you.

Mr. LAMBORN. Thank you. Representative Markey?

Mr. MARKEY. Thank you, Mr. Chairman, very, very much.

I know Mr. Holt already congratulated you on your great work, and I just wanted to join in the chorus, and to talk about the great work that is going on.

Because of your great work, because of the Department of the Interior's great work, because of the work in the private sector, we are now down to importing only 45 percent of the oil which we consume in the United States, and we were importing 57 percent of the oil that we consumed in the United States in George Bush's last year as President.

Knocking it down from 57 percent down to 45 percent, what a great achievement for you, Mr. Abbey, and for the Obama Administration.

Moreover, we are producing more now than we have in eight years in the United States, and very importantly, we are at a 12-year low in our imports.

All of this has occurred just in the last three and a half years. Tremendous work, really want to congratulate you.

I know you are proposing to open up 70-75 percent of the OCS for more drilling, and that is very, very important.

I would just like to give you a chance, if you would like, just to kind of lay out your vision going forward for how you see this story line unfolding. We all know it is in conjunction with the dramatic increase in the fuel economy standards.

Finally, we got the auto industry to get out of their denial. We used to have an oil-auto axis that said they could not improve the fuel efficiency standards, and from 1975 all the way until we

passed a bill in 2007, which I was proud to be the author of in the House, the fuel economy standards, they said they could not improve it.

Now, there could be upwards of 25 new models, electric vehicles coming on the market next year. Something they all said was impossible.

We have had a seven percent reduction in oil consumption just over the last year, and prices continue to spike, and you are out there reducing, no longer incrementally, but really substantially the amount of oil that we actually import.

Could you just lay out for us where you think it could all go?

Mr. ABBEY. First, let me thank you for your kind words. It is rare I ever hear kind words from members of this Congress.

Mr. MARKEY. It is St. Patrick's Day. I am feeling generous. By the way, St. Patrick's Day lasts one month in Boston. I am in the spirit for an extended period of time. Is "Abbey" an Irish name?

Mr. ABBEY. It is Scottish.

Mr. MARKEY. Well, first cousins, if you will have us.

Mr. ABBEY. I think, as a nation, we should all take time to acknowledge the good work that is going on. This is not about who is to blame or who to praise. It is about what are we going to do as a nation to become less dependent upon foreign energy sources.

I think we are making significant headway today by diversifying our energy portfolio.

We understand the frustrations with high gasoline prices in this nation. We, too, pay for gasoline in our own vehicles, and we know what we are paying.

We are doing everything that we can to be smart from the start, to make sure as I mentioned before, that the lands we are offering for leasing are the appropriate ones for leasing and that will have the greatest chance of being developed in a more timely manner, so that we can continue to increase domestic oil as well as natural gas from these Federal assets.

At the same time, you know, as a nation, we do have oil and gas resources not only on the Federal mineral estate but also on private and state lands.

The industry is going to move forward and develop based upon many factors, including the market conditions at the time. For example, that is why there is a lot of production at this point in time in North Dakota. There are a lot of drill rigs operating in North Dakota right now. There are a lot of subcontractors already in that part of the Nation that are in place.

Therefore, if you are going to develop those resources up there, it does not take you weeks or months to find a drilling rig or subcontractor to do the work on the leases that you have.

Decisions are being made every day by members of the oil and gas industry.

Mr. MARKEY. I apologize. There is a long litany of saintly activities that you are taking on. I also wanted to compliment you on the 11,000 new megawatts of wind that you are going to permit on public lands.

That is the beautiful combination, that 11,000 megawatts of electricity, wind, on public lands, then being plugged in with electric

vehicles that then says to the OPEC sorry, we just do not need your oil at all.

That is just going to continue to lead to a drop in the amount of oil that we have to import, and this combination of wind and solar with electric vehicles is the real threat that keeps oil sheiks sleepless at night, because they can see it all coming their way.

I want to thank you because you are at the center of this incredible revolution. Thank you so much.

Mr. LAMBORN. Thank you. Representative Amodei?

Mr. AMODEI. Thanks, Mr. Chairman. Bob, in keeping with the sainthood of the Bureau of Land Management, I will be crisp. As someone who is of Irish ancestry, too, I guess I am a first cousin also.

I have looked at the $15 million that is in your budget for sage grouse. I appreciate that. But as I looked through that, I see a lot of planning.

I see a lot of stuff which I know is important in terms of the process, but I see very little in terms of Pinyon juniper encroachment, I see very little in terms of cheatgrass, I see very little in terms of fuels management, on the ground, in that budget for addressing things that are going to happen within 24 months, potentially. I am talking about the greater population, not the bi-States stuff.

We have spoken with and interacted with your folks in Nevada as well as the Chief's folks in Nevada, and talked about that issue.

I will tell you frankly what they said is "Please do not try to redirect the planning money, but if you want to go after something, go after the WUI money," the urban, rural, whatever, to start doing stuff on the ground.

What is your reaction to that statement? I understand you support the President's budget.

Mr. ABBEY. That would be good advice, the Wildland Urban Interface, WUI.

As it relates to your earlier comments, Congressman, it is important that we acknowledge that the number one threat to sage grouse, at least in the Great Basin States, is from wildland fire.

To that degree, I think there is a good story that we can tell about the actions that we are taking to prepare to protect those core sage grouse areas.

For example, we are moving forward as expeditiously as we can with a fuels management agenda and pre-suppression activities out there to protect those core areas.

Mr. AMODEI. Let me stop you there. I know you are pre-positioning fire equipment, too. I want to focus on before the fire starts.

When you say you are moving forward as quickly as possible, I know the Department of Wildlife has identified where those critical areas are.

Are there any present plans to go in and effect fuels management activities around those areas, in those areas, that you are aware of? I am asking you as the land owner.

Mr. ABBEY. Not in all those areas but certainly in priority areas. We are working in partnerships with many, many others to effect actions on the ground that will have the greatest good for sage grouse habitat.

We have not only the $15 million that we requested but not all $15 million that we are requesting in 2013 is for planning. About $2.5 million is actually being dedicated to on the ground type management actions that would protect those core areas.

Mr. AMODEI. That is $2.5 million nationwide.

Mr. ABBEY. Nationwide. That is true.

The one thing we are keeping in mind is what the Fish and Wildlife Service needs in order to be able to make a decision, and if that decision is to not list the sage grouse as an endangered species, they need regulatory assurance that we have actions in place consistent with our land use plans that will lead them to determine that there is appropriate mitigation in place based upon best management practices to not necessarily list the species.

Mr. AMODEI. I appreciate that. What I would like to avoid is the situation where you get two years down the road and we really have not done much on the ground, and we have suffered, and nobody's crystal ball is better than the other's.

We have suffered another season or two of catastrophic wildland fire and we have burned up more habitat, so we are going after the stuff we can control, which represents a small footprint.

For the rest of my time, I want to ask just a couple of questions, to ask both of you folks to respond off line to, if you could.

Chief, there were a couple of issues that came up in the Elko hearing that dealt with Code of Federal Regulations, the appeal procedure for your travel management plans and also the Intermountain Region's position on water rights.

I would like you to make your Solicitor available to meet with me on those issues because your water rights' position, I would represent, is much different than the guy sitting next to you for his water rights' position, in terms of the need for ownership in the Federal Government or not.

Also, I would like you both if you could to supply as a percentage what is the amount of land that you administer in Nevada, how much of it is covered by surface mining permits, and how much is covered by agricultural permits, compared with what the wildland fire history is for the last few years, just so I have solid numbers on that.

The final one is I would like you both to let me know what kind of success in planning your respective agencies have in place for replacing retiring personnel in the energy and minerals program sector, since I know you have some folks in there that are getting a little long in the tooth. Good for them. I am jealous. Anyhow, to see how that succession stuff goes.

I want to thank you both. Mr. Chairman, I yield back.

Mr. LAMBORN. Thank you. I want to thank you both for being here. We have asked some probing questions but only because these are such important issues.

Mr. Abbey, if I could make a parting statement, I would just urge you as you are looking at possible fracking rules for the country, I personally do not think we need another layer of regulation at the Federal level when states are already to my knowledge doing an excellent job.

If you go forward, I would hope that for states that are doing a similar or identical or substantially similar job of regulating, that

you would give them a safe harbor from Federal regulation, so that we do not impose a second layer on top of something that is already being done well, for states like Colorado.

Mr. ABBEY. OK.

Mr. LAMBORN. Would you please consider that?

Mr. ABBEY. We will. Congressman, I will say this, I think it is important that we get our proposed rule out so that we can benefit from the comments that we will receive during that draft comment period.

Mr. LAMBORN. Thank you so much for being here, appreciate it.

We will now go to our second panel, and I would like to invite forward Mr. Mike McKee, County Commissioner, Uintah County, Utah.

Mr. Erik Milito, Group Director, Upstream & Industry Operations, the American Petroleum Institute.

Ms. Laura Skaer, Executive Director, Northwest Mining Association.

Mr. Whit Fosburgh, President and CEO, Theodore Roosevelt Conservation Partnership.

Your written testimony will appear in full in the hearing record. I ask that you keep your oral statements to five minutes as outlined in our invitation letter to you.

Our microphones are not automatic so you have to press the button to get them started. You have five minutes to speak. The yellow light comes on after four minutes and the red light after five minutes.

I am going to temporarily hand the gavel over to my colleague, Representative Thompson. I will be back momentarily.

Commissioner McKee, you may begin. Thank you for being here.

**STATEMENT OF MICHAEL McKEE, COUNTY COMMISSIONER, UINTAH COUNTY, UTAH**

Mr. MCKEE. Thank you, Mr. Chairman, members of the Committee.

Just real quickly, I would just like to mention out in Northeastern Utah, the area of the country where I am from holds significant resources of our natural resources with tremendous reserves of natural gas, oil, oil shale, Gilsonite, et cetera.

There are 111 trillion cubic feet of natural gas that is found in this area. Also, the world's largest known oil shale reserves are found in the Green River formation, one of the few places in the world where Gilsonite is found.

Next slide, please.

Mr. MCKEE. When companies choose to drill in this area, there are many zones where this resource is found. It is not just in one zone, as that slide will show.

Next slide, please.

Mr. MCKEE. I would like to get right to the heart of what I would like to talk about here for a moment.

Under the Bush Administration, you will see on the graph there the number of rigs out in the Uintah Basin. Of course, to get oil and gas out of the ground, you have to have drilling rigs. You can see when the new Administration came into office, also there was

a recession, but between the two, the rig numbers dropped significantly.

Next slide, please.

Mr. MCKEE. I would like to demonstrate the difference between out in our area compared to—by the way, we are only 15 percent privately held property, most of this being Federal land.

And so compare this to private lands in other areas, again, the Uintah Basin is the upper left. If you go to the upper right, that is the Williston Basin up in North Dakota.

Not only did they recover but now are doing about quadruple the number of rigs held before. You will see in the Uintah Basin, that has never recovered.

If you look at the Permian Basin in Texas, again, not only have they recovered but many more rigs than what was before, the same thing in Colorado on the lower right.

Let's look at oil and gas production on the next slide real quickly.

Again, production follows what happens with your rigs. Up in North Dakota, you will see on private lands a tremendous amount of additional production. If you look at Federal lands compared to 2000, it has dropped by about 40 percent. This is onshore.

Next slide, please.

Mr. MCKEE. That is also showing the trend. If you look at the red line on state and private lands, the trend is moving up. If you look at oil production, the trend is going down.

Next slide, please.

Mr. MCKEE. This is sourced by the Department of the Interior. This is onshore. You will see the MCF of natural gas has been declining on the Federal lands.

I would like to next go to the leasing. This is in Utah. You will see that since this Administration has come into office, if you look on the far right, there has been very few leases that have been issued by this Administration.

I did hear the Director say protests have dropped by 50 percent. Why have they dropped by 50 percent? It is amazing there is any protests with the number of leases that have been issued. It shows that something has not been very effective.

Also, let's look on the next slide the value of canceled leases. Just a minute, back to this other slide. There is not going to be a lot of APDs coming out without leasing occurring.

The value of the canceled leases. In 2009, it is referenced there were 77 canceled leases. That is really the pimple because they just have not allowed hardly any leasing to occur since that time.

Six of those leases were recently reinstated. Those six parcels of about 6,000 acres, the value is $48.6 million just for the prospect to be able to lease.

I'm going to have to move right along because my time is short. Let's go to the map, the next map. In this map, the area in color are areas found in the Resource Management Plan approved in October of 2008 as areas open for drilling.

The areas outlined in red have been areas that this Administration is saying let's take another look at this again before we allow drilling to happen there.

Finally, the last thing that I am going to be able to talk about because I am running out of time has to do with a huge issue that is moving forward as we are talking about it right now.

That has to do with oil shale. There are two to three trillion barrels of oil shale in the region and where I live out there. There is an EIS out right now that would reduce by 75 percent lands available for this oil shale.

We deeply are concerned about that. In fact, when we look at the nation's energy security, it is vastly important that we not allow this to happen.

I personally went to Estonia this Summer. There is a slide that I would have shown here. The seam there is only about three feet thick. Even with the two million acres they were looking at earlier, there was two million acres there.

It is just amazing the amount of resource potential we have, and I apologize that I am out of time. Thank you.

[The prepared statement of Mr. McKee follows:]

**Statement of Michael J. McKee, Uintah County Commissioner, Uintah County, Utah**

Uintah County in Eastern Utah holds vast reserves of natural resources. According to the Colorado School of Mines there are approximately 111 trillion cubic feet (TCF) of natural gas, in the Uintah Basin. This includes 50.8 (TCF) of conventional gas and 60.2 (TCF) of shale gas making the Uintah Basin #1 in the Rockies in both categories.

Over 50% of the oil sands in the United States are found in Eastern Utah. There is also a staggering amount of oil shale in the Uintah Basin with approximately 300 billion barrels of oil. Uintah County is one of the few places in the world where Gilsonite is found. Uintah County also has strong reserves of conventional oil.

According to a University of Utah economic report, 60% of the economy and 50% of the jobs in the Uintah Basin come from the extraction industry. Obviously, the extraction industry is extremely important to our area.

Only 15% of Uintah County is privately owned property. The majority of our county land is managed by the Federal Government. The management decisions made by the Federal Government deeply effect the economy of Uintah County and Eastern Utah.

The BLM signed a new Resource Management Plan (RMP) in October of 2008. The plan evaluated all components of land use including oil and gas activity, grazing, recreation, air quality, wilderness, wild and scenic rivers, visual resource, endangered species, etc. This planning effort took 7 ½ years to complete. Uintah County has Cooperating Agency Status with the BLM and as such contributed significantly to the process.

The Obama administration came into office in January of 2009. Within several weeks they had cancelled 77 previously approved oil and gas leases. The Mineral Leasing Act requires the BLM to conduct lease sales quarterly. Over the last 3+ years, this administration has approved very few leases in Utah. They have also implemented guidelines making it much more difficult to conduct business on the public lands.

The Uintah County Commission is very concerned when we see years of work and hundreds and thousands of County dollars wasted as this administration systematically dismantles the RMP. The BLM itself spent millions of dollars in developing RMPs in the state of Utah.

Even more disturbing, is the fact that we anticipated and were led to believe that the RMPs would be a planning guide for decisions to be made over the next 15 to 20 years. Approximately 600,000 acres of land in Uintah County have been shelved for oil and gas leasing under the guise of Master Leasing. Almost all of these acres were open for leasing in the RMP. The BLM now manages nearly three million acres under Master Leasing Areas in Eastern Utah which closes these lands for leasing, at least for now. This seems to us to be a blatant attempt to circumvent the RMPs. We also object to BLM managing to the Red Rock Proposal rather than the RMPs.

Cumbersome processes have made it difficult and slow for the industry to get permits on Federal Lands. This has driven investment to other areas.

Congress directed the BLM to develop a commercial oil shale leasing program. This has not happened. Rather, the BLM simply evaluated which lands it would make available. In 2008 the BLM signed a Record of Decision on oil shale and oil sands. This decision allocated over two million acres for these important resources. According to the Rand Report, the largest known oil shale reserves in the world are found in this formation. It is estimated that there are between 1.5 and 1.8 trillion barrels of oil found here. It is estimated that 300 billion barrels are found in Eastern Utah. The BLM has just released a new planning document with their preferred alternative that would reduce by 75% the lands available for oil shale leasing.

In summary given the importance of energy to our national security we do not believe it wise to lock up our lands. The economy is struggling nationally. We have the opportunity to create thousands of high paying jobs and at the same time strengthen our national security with a strong domestic energy supply.

Please review policies and procedures that will streamline the permitting process. Projects are now taking many years for approval. We also see access to the public lands as a important issue.

Thanks you for time and consideration.

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Mr. THOMPSON [presiding]. Thank you, Commissioner.

Mr. Milito, you may begin.

**STATEMENT OF ERIK MILITO, GROUP DIRECTOR, UPSTREAM AND INDUSTRY OPERATIONS, AMERICAN PETROLEUM INSTITUTE**

Mr. MILITO. Thank you. Good morning, Congressman Thompson, Congressman Markey. Happy St. Patrick's Day. With a name like "Milito," I may not be Irish but I did graduate from Notre Dame, so go Irish.

Mr. MARKEY. And go Boston College.

[Laughter.]

Mr. MILITO. The rivalry will continue.

My name is Erik Milito and I am the Upstream Director at the American Petroleum Institute. API has more than 500 member companies which represent all sectors of America's oil and natural gas industry.

Our industry supports 9.2 million American jobs and 7.7 percent of the U.S. economy, and is among America's leaders in job creation today.

We also provide most of the energy for our economy and way of life, and deliver more than $86 million a day in revenue to the Federal Government.

We are here to discuss the President's budget for Fiscal Year 2013, and one of the key and repeated elements of the President's budget proposal is to increase taxes on the oil and gas industry.

I would first like to make it clear, these proposals would raise taxes on energy producers by eliminating tax deductions. These are not subsidies. These are tax deductions that are similar to or the same as those that many taxpayers, including companies like Apple Computer, the New York Times, and General Electric, avail themselves of.

We do not suggest increasing taxes on any particular company or sector. We simply believe these proposals amount to discriminatory tax policies against the oil and gas industry, and would significantly hurt rather than help the U.S. economy.

In fact, two recent studies by Wood Mackenzie conclude that it is through increased access to domestic oil and natural gas rather

than increased taxes on the industry that provides the best strategy for increasing Government revenue, jobs, and energy production.

These same studies concluded that raising taxes on the industry could reduce domestic production by 700,000 barrels of oil a day equivalent, sacrifice as many as 48,000 jobs, and reduce revenue to the Government by billions of dollars annually.

Furthermore, the Congressional Research Service concluded in a March 2 report that the Administration's tax proposals would make oil and natural gas more expensive for U.S. consumers and likely increase foreign dependence.

We have a proposal before us that will potentially destroy jobs, destroy domestic production, destroy Government revenues, and make oil and natural gas more expensive for U.S. consumers.

The public understands this. API is releasing new polling results today that show that 76 percent of Americans agree that increasing energy taxes could increase consumer costs on a wide variety of products and services, including higher gasoline prices, and 81 percent agree that expanding access to U.S. oil and gas resources could help reduce the cost to consumers for items such as gasoline, home heating oil, and natural gas.

The Administration should encourage a sensible energy strategy that promotes the safe and responsible development of U.S. oil and natural gas resources, but we have seen a status quo approach to Federal resource development characterized more by delay and restriction than by rising numbers of project approvals.

Policy leadership for creating and overseeing a more robust program of safe and responsible development has been absent.

We continue to hear about an "all of the above" energy approach. An "all of the above" approach certainly makes sense, but an "all of the above" approach necessarily includes oil and natural gas.

The Administration's projections show that oil and natural gas will supply most of the nation's energy for decades to come, yet while the Administration claims to support an "all of the above" approach, we continue to see decisions that reduce opportunities for leasing and resource development, processes that string out permitting, and continued regulatory uncertainty.

This has been particularly true for BLM managed lands where leasing and permitting are way down and where we have seen decision after decision that obstructs development or adds additional uncertainty into the process.

Among other things, Interior has introduced a slew of new bureaucratic requirements to an already burdensome onshore leasing process.

These policies add at least three additional layers to the existing five layers of regulation and analysis. Interior has also created a new category of wilderness called "Wildlands." This runs counter to the Wilderness Act, which specifically provides Congress with the authority to designate wilderness areas, not Interior.

Congress has effectively designated more than 100 million acres for protection of wilderness areas. However, the new wildlands policy has a potential to remove lands from multiple use to one use, contrary to the directive of the Federal Land Policy Management Act. There are many other decisions similar to this.

U.S. oil and natural gas companies are a major force in our economy, and with the right policies in place, could drive even greater economic benefits.

We need a change of course to ensure a strategy is truly in place to take advantage of this tremendous potential for the benefit of the American people.

Thank you. This concludes my statement.

[The prepared statement of Mr. Milito follows:]

**Statement of Erik Milito, Group Director, Upstream and Industry Operations, American Petroleum Institute**

Good morning Chairman Lamborn, Ranking Member Holt, and members of the committee.

I am Erik Milito, upstream director at the American Petroleum Institute. API has more than 500 member companies, which represent all sectors of America's oil and natural gas industry. Our industry supports 9.2 million American jobs and 7.7 percent of the U.S. economy. In fact, a recent report from the World Energy Forum concludes that from 2010 to 2011, oil and gas industry employment grew by 4 percent, adding approximately 150,000 total jobs to the economy, representing 9 percent of all jobs created in the U.S. in 2011. The industry also provides most of the energy we need to power our economy and way of life and delivers more than $86 million a day in revenue to the federal government.

Our nation can and should be producing here at home more of the oil and natural gas Americans need. At a time when the United States still must import half the oil it consumes, we should be adding to our supplies from our own ample domestic resources. This would strengthen our energy security and help put downward pressure on prices while also providing many thousands of new jobs for Americans and billions of dollars in additional revenue for our government.

The administration should encourage this, but we've seen a status quo approach to federal lands oil and natural development characterized more by delay and restriction than by rising project approvals. Policy leadership for creating and overseeing a more robust program of safe and responsible development has been absent. We continue to hear about an "all-of-the above" energy approach. An "all-of-the-above" approach makes sense, but all-of-the-above necessarily includes oil and natural gas. The administration's projections show that oil and natural gas will supply most of the nation's energy for decades to come. Yet while the Administration claims to support an "all-of-the-above" approach, we continue to see proposals to increase taxes on the industry, decisions that reduce opportunities for leasing and resource development, processes that string out permitting, and continued regulatory uncertainty. We have provided a three-page summary for the subcommittee's consideration that outlines more than 20 key decisions that propose new taxes or otherwise prevent, delay or obstruct oil and natural gas development.

This makes no sense. The United States has some of the largest reserves of oil and natural gas on the planet and we need a comprehensive energy policy that supports increased development—something most of the public supports. The industry has the capital, technology, and commitment to safe and responsible development to make it happen the right way.

The Administration continues to propose tax increases to the industry, which is completely contrary to its recent statements that suggest it supports U.S. oil and natural gas development. And we must be clear, these proposals would raise taxes on production by eliminating tax deductions—not subsidies—that are similar to or the same as those that many taxpayers—including companies like Apple Computer, the New York Times, and General Electric—avail themselves. We do not suggest increasing taxes on any particular company or sector; we simply believe these proposals amount to discriminatory tax policies against the oil and gas industry and would significantly hurt rather than help the U.S. economy. In fact, two recent studies by Wood Mackenzie conclude that it is through increased access to domestic oil and natural gas—rather than increased taxes on the U.S. oil and natural gas industry—that provides the best strategy for increasing government revenue, jobs and energy production.

U.S. oil and natural gas companies are a major force in our economy and, with the right policies in place, could drive even greater economic benefits. These companies produce most of the nation's energy, put millions of people to work and deliver billions in taxes and royalties to our state and federal governments. The studies show increased access to areas currently off-limits would create jobs, grow the econ-

omy and dramatically increase revenues to the Treasury, at a time when the U.S. deficit is of national concern, while increased taxes would take us backwards.

Increased access to American and Canadian supplies could (by 2020) create 1,100,000 jobs, deliver $127 billion more in revenue to the government, and boost domestic production by four million barrels of oil equivalent a day, according to the Wood Mackenzie study, "U.S. Supply Forecast and Potential Jobs and Economic Impacts (2012–2030)." A copy of this study is provided for consideration by the subcommittee. In an earlier Wood Mackenzie study, "Energy Policy at a Crossroads: An Assessment of the Impacts of Increased Access versus Higher Taxes on U.S. Oil and Natural Gas Production, Government Revenue and Employment," they found that raising taxes on the industry with no increase in access could reduce domestic production by 700,000 barrels of oil equivalent a day (in 2020), sacrifice as many as 48,000 jobs, and reduce revenue to the government by billions of dollars annually. An additional 1.7 million barrels of oil equivalent a day in potential production that is currently of marginal economic feasibility would be at greater risk of not being developed under the modeled tax increase. A copy of this study is provided as well.

Furthermore, the Congressional Research Service (CRS) recently concluded in a March 2, 2012 report entitled "Oil and Natural Gas Industry Tax Issues in the FY2013 Budget Proposal" that the Administration's tax proposals would "make oil and natural gas more expensive for U.S. consumers and likely increase foreign dependence." On Saturday, the President stated that a vote for his tax proposal would show that you "stand up for the American people." Yet it is this same tax proposal that would destroy domestic production, destroy jobs, destroy government revenue and, according to CRS, make oil and natural gas more expensive and make us more dependent on foreign energy. The American people get it, as poll after poll shows that the American public opposes increased taxes on America's oil and natural gas industry, with most Americans agreeing that increasing taxes would destroy jobs.

In addition to maintaining an effective tax structure and improving access to U.S. resources, we must also ensure that we have streamlined permitting and regulatory certainty to ensure continued job creation and a regulatory climate that encourages investment in U.S. projects.

However, the federal government has taken step after step to decrease leasing, decrease permitting, and introduce uncertainty into the regulatory process to effectively place a drag on both short-term and long-term energy production, in both onshore and offshore areas. With respect to BLM-managed lands in particular, the picture is not promising.

Lease sales in the West, which has been a very important region for U.S. oil and gas development, are down 70 percent in 2011 as compared to 2008. Some of the state-level examples are striking, with Interior offering a mere four parcels in Colorado in 2011 as compared to 241 in 2008, a mere 17 in Utah in 2011 as compared to 124 in 2008, and only 213 in Wyoming in 2011 as compared to 1,186 in 2008. Interior has not consistently met its statutory requirement of issuing leases within sixty days of the lease sale. On top of that, Interior has canceled or suspended numerous leases in Utah and Montana.

Permitting is also delayed and down on BLM-managed lands. Companies simply do not get permits to drill in a timely fashion. Permitting times have averaged more than 200 days in recent years, and depending on the field office, it can actually take more than two years to obtain a permit. The Energy Policy Act of 2005 mandated a thirty day deadline for processing applications for permits to drill and this deadline is largely ignored. The number of permits being issued by Interior dropped by 39 percent when comparing the total permits issued in 2009 and 2010 to the total permits issued in 2007 and 2008. The Administration is quick to point out that there are about 7,000 outstanding approved permits, but it conveniently neglects to explain that there are stipulation periods, lands that are now subjected to new planning requirements where development is prevented, lawsuits and other reasons that may prevent companies to utilize many permits. In addition, the uncertainty about when permits are approved means that companies may need to submit multiple applications in the hopes that some permits may actually get approved in a timely fashion. A copy of a January 2012 report by Grand Junction based EIS Solutions on the impact of current federal lands policies lays out the declining leasing and permitting trends on BLM-managed lands and is provided for the subcommittee.

Interior is also holding operations at bay through extremely long delays in completing the environmental analysis to support a project approval. This environmental analysis must occur before companies can apply for drilling permits. The Council on Environmental Quality's NEPA guidance states that Environmental Assessments (EA) should take three months to complete and Environmental Impact Statements (EIS) should take 12 months to complete. However, Interior routinely takes years to complete both EAs and EISs. A May 2011 report by SWCA Environ-

mental Consultants, entitled "Economic Impacts of Oil and Gas Development on BLM Lands in Wyoming", demonstrated that six EISs were delayed in a range of one to five years. The impact of these delays is quite astonishing, with an estimated 17,000 total wells delayed due to the snail's pace of NEPA review by Interior. The estimated employment impacts from the delays in these 6 projects equate to 30,666 average job equivalents and $2.6 billion in earnings that would not be realized annually within the state of Wyoming. A copy of this report has been provided to the subcommittee for consideration.

Interior has taken various other specific steps that effectively add uncertainty to the BLM-regulatory process. In January 2010, Interior introduced a slew of new administrative requirements and processes to an already burdensome onshore leasing process. According the Western Energy Alliance, these policies add three additional layers to the existing five levels of regulation and analysis. In February 2011, Interior created a new category of wilderness called "wild lands." This runs counter to the Wilderness Act, which specifically provides Congress with the authority to designate Wilderness Areas—not Interior. Congress has effectively designated more than 100,000,000 acres as wilderness. However, the new "wild lands" policy has the potential to remove lands from multiple-use to one use, contrary to the directive of the Federal Land Policy Management Act. Interior also has chosen to severely limit the use of categorical exclusions as directed by Congress in Energy Policy Act 2005. Congress developed these five exclusions to address situations where the environmental impact is minimal or where additional review would be redundant, but Interior continues to ignore this Congressional mandate.

The Rockies have steadfastly delivered oil and natural gas to the nation through strong state-level regulation of drilling and production operations on both state and federal lands. The records of Colorado, Montana, New Mexico, North Dakota, Utah and Wyoming are strong when it comes to developing and implementing oil and gas regulations. Yet despite all of this, Interior is moving forward with its own regulations for drilling operations. The Governors of the States of North Dakota and Utah recently sent letters to the Secretary of the Interior objecting to this regulatory effort. Copies of these letters are provided to the subcommittee. As stated by Governor Dalrymple of North Dakota, "I believe additional regulations regarding these issues are unnecessary and redundant in an area that is already effectively regulated by the states." We simply have not seen a demonstration of inadequacy in the states' regulatory systems. In fact, EPA Administrator Lisa Jackson has spoken on multiple occasions in acknowledgment of the effective job states are doing.

And we have seen the start of a similar pattern of obstruction with the U.S. Forest Service, which released a draft forest management plan that proposes a ban on horizontal drilling in the George Washington National Forest and which canceled a planned auction of public lands in the Wayne National Forest.

The industry stands committed to safe and environmentally responsible development. We're working very hard, for example, to ensure that shale oil and natural gas development occurs with as little impact on the environment and with as much transparency as possible. API has more than 200 industry standards related to exploration and production activities, including a series of hydraulic fracturing documents that assist operators in well construction and integrity, water management, surface impact mitigation and environmental protection. A copy of the hydraulic fracturing series of documents has been provided to the subcommittee for consideration.

We are aggressively promoting safe and responsible operations by holding a series of workshops across the country on the API hydraulic fracturing documents. Targeted to local audiences from industry, elected officials and other stakeholders, these workshops offer a high-level explanation of the API standards and our ANSI-accredited standards process, and demonstrate industry's commitment to working with communities, local elected leaders and state regulators. To date, API has completed seven of these half day workshops in Arkansas, North Carolina, Maryland, New Jersey, West Virginia, Ohio and New York. Each event has also given the audience of approximately 100 participants the opportunity to hear from state regulators, local officials and business people about the latest developments of shale energy in their region. Additional workshops are scheduled in Bismarck, ND, Cheyenne, WY, Denver, CO, Baton Rouge, LA, Traverse City, MI and Washington, DC. And we've also been working closely with state regulators as they've reviewed and updated their rules to ensure regulations are shaped to promote safe and responsible industry operations. We understand the need to do it right, and are working every day to make it happen.

And yet what we've seen on the federal level is a pulling back on new development on public lands. The administration has been restricting where oil and natural gas development may occur, leasing less often, shortening lease terms, going slow

on permit approvals, and increasing or threatening to increase industry's development costs through higher taxes, higher royalty rates, higher minimum lease bids, and overlays of new regulations.

The administration likes to point out that oil production is up nationwide, but it is claiming credit for production gains taking place on private and state lands within which the federal government does not have control over leasing, permitting and regulation of operations. In the areas where the federal government is in control, oil production is down 7.9 percent when comparing 2011 to 2009 and natural gas production is down 14.7 percent over the same period. It is important to keep in mind that BLM-managed lands in the Rockies have historically been a strong producer of natural gas for the nation, yet we are a seeing a lag in production. And over the same period, natural gas production increased by 21 percent on nonfederal lands.

In his recently released book "The Quest", the Pulitzer-prize winning historian Daniel Yergin points out that "[p]olicies related to access to energy and its production can have major impact on the timeliness of investment and the availability of supply—and thus on energy security." With the right policies and right leadership, we could be doing far better in developing our own energy and bolstering America's economic and energy security. The results could be astounding. Within 15 years, American and Canadian energy supplies could provide 100 percent of U.S. liquid fuel needs with increased biofuels development and the implementation of four straightforward policies:

- Providing access to U.S. oil and natural gas reserves that are currently off-limits;
- Returning the Gulf of Mexico permitting rates to premoratorium levels, at a minimum;
- Resisting calls for imposition of unnecessary new regulatory requirements on oil and natural gas development; and
- Partnering with Canada to develop new pipeline capacity to export Canadian crude to the United States, including approval of the Keystone XL pipeline.

A document is provided that demonstrates how this level of energy security is achievable.

We urge the Congress and the administration to promote energy policies that consistent with this strategy to aid our economic recovery and reduce our debt.

Thank you. That concludes my statement.

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Mr. LAMBORN [presiding]. Thank you.

Ms. Skaer?

**STATEMENT OF LAURA SKAER, EXECUTIVE DIRECTOR, NORTHWEST MINING ASSOCIATION**

Ms. SKAER. Thank you, Mr. Chairman and members of the Committee.

For 40 years, America has been painfully aware of the need to lessen its dependence on foreign oil. Until recently, our growing dependence on foreign sources of minerals always took a back seat to energy with the public and our policy makers.

There is evidence this is changing and that Congress understands the seriousness of our mineral vulnerability.

Unfortunately, the Administration's budget priorities not only fail to address this issue, they actually compound the problem, resulting in serious national defense and economic consequences while impeding private sector job creation.

The Administration talks the talk but its Fiscal Year 2013 budget does not walk the walk.

Instead of advancing policies that increase access to mineral deposits, reduce unconscionable permitting delays, and encourage domestic mineral exploration and development, the Administration prioritizes land use restrictions, wilderness, sage grouse conservation, and vague concepts like ecological sustainability, over multiple use and resource production, and proposes job killing taxes

and fees that will lead to fewer private sector jobs, less mineral production, and an increased reliance on foreign sources of minerals.

Specifically, the President's budget and legislative proposals will increase the cost to explore and produce seven hard rock minerals critical to infrastructure development, manufacturing, national defense and energy, by imposing a gross royalty of not less than five percent coupled with new and increased fees on all hard rock mines, demonstrating a lack of understanding of the differences both in terms of geology and capital investment between finding and producing hard rock minerals and finding and producing oil and natural gas and coal by proposing a leasing system for seven critical and strategic metals do not address the most significant risk to mining projects in the U.S.

Permitting delays that have caused the U.S. to tie for last with Papua New Guinea among 25 mineral producing countries, and attract only eight percent of worldwide exploration spending.

If this is not a call to action, I do not know what is.

The proposals threaten to lock up access to rare and hard to find mineral deposits through regulatory initiatives like sage grouse conservation and mineral withdrawals like what took place in Northern Arizona.

The proposals do not address critical workforce, retirement and training issues in the BLM and Forest Service locatable mineral programs, and they do not include Good Samaritan legislation to encourage AML clean up.

We are entering an era of resource nationalism, where many countries led by China are using control over resources to attract long term manufacturing jobs.

In today's highly competitive global minerals industry, geologic, economic, and political risk factors determine where a company invests and where high paying jobs are created. Not only mining jobs but manufacturing jobs and many indirect jobs.

To attract new wealth-creating, job-creating mining investments, they pay an average wage of $75,000, with an indirect job multiplier of twice the national average, the U.S. must adopt policies that will encourage investment and production of America's vast mineral resources to supply the metals and materials necessary to create and sustain U.S. manufacturing jobs and sustain a robust economy and our standard of living.

Unfortunately, the President's budget and legislative proposals do not move us in that direction.

We urge the Committee and Congress to reject the President's budget and its legislative and regulatory proposals and instead enact policies that will guarantee access to mineral potential lands, guarantee the certainty and security of tenure required to invest hundreds of millions to more than $1 billion to find and develop a mine, all before any return on investment.

Balance sage grouse conservation with multiple use as mandated by FLPMA. Much like they did with wildlands, the Agency is elevating sage grouse conservation ahead of all other multiple uses in violation of FLPMA.

They need to guarantee timely permits, the number one risk to mineral investment in the U.S., and they need to address workforce

retirement and training issues in the BLM and the Forest Service locatable mineral programs where 60 percent of the trained expertise is eligible for retirement by 2015.

Mr. Chairman, members of the Committee, we look forward to working with you to find solutions to these issues, and I will be happy to answer any questions you might have.

Thank you.

[The prepared statement of Ms. Skaer follows:]

**Statement of Laura Skaer, Executive Director, Northwest Mining Association**

**Executive Summary**

Chairman Lamborn, Ranking Member Holt and Members of the Committee, the Northwest Mining Association (NWMA) appreciates this opportunity to provide testimony on the *Effect of the President's FY–2013 Budget and Legislative Proposals for the Bureau of Land Management and the U.S. Forest Service's Energy and Minerals Programs on Private Sector Job Creation, Domestic Energy and Minerals Production and Deficit Reduction.*

At a time when Members of Congress, the Administration, the media and the public are acknowledging that the United States has become increasingly vulnerable and dependant on foreign sources of strategic and critical minerals, the Administration's budget and legislative priorities not only fail to address this serious issue, they actually compound the problem. As you know, this vulnerability has serious national defense and economic consequences. This increased vulnerability and reliance on foreign sources of minerals is not new to NWMA or the mining industry, as we have been delivering that message for the past ten years.

While Members on both sides of the aisle are introducing legislation to address these mineral vulnerability issues, e.g., Mr. Lamborn's Strategic and Critical Minerals Policy Act of 2011 (H.R. 2011),the Administration's budget ignores this reality by proposing increased fees and royalties; advocating policies that make access to mineral lands and permits more and more difficult; fails to address serious workforce issues in both the Bureau of Land Management (BLM) and the U.S. Forest Service (USFS); and basically ignores Congressional mandates to manage public and National Forest Lands for multiple-use, sustained yield and the production of fiber, food, minerals and energy the Nation requires. Just one example of the latter is the BLM and USFS Notice of Intent to incorporate Greater Sage-Grouse conservation measures into Land Use and Land Management Plans. The conservation measures proposed by the Sage-Grouse National Technical Team (NTT) are draconian, prohibit or restrict use of public lands for mineral and energy development and place conservation of sage-grouse habitat above all other multiple-uses in violation of FLPMA.

The *Federal Land Policy and Management Act* of 1966 (FLPMA) 43 U.S.C. 17.01 *et seq* lists twelve policies with respect to the public lands of the United States. Section 102(a)(12) states that it is the policy of the United States that:

> the public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber and fiber from the public lands including implementation of the *Mining and Minerals Policy Act* of 1970 (30 U.S.C. 21a) as it pertains to the public lands;

The *Mining and Minerals Policy Act* of 1970 declares, in part:

> [t]hat it is the continuing policy of the Federal Government in the national interest to foster and encourage private enterprise in (1) the development of economically sound and stable domestic mining, minerals, metal and mineral reclamation industries,. . ..

The *Multiple-Use and Sustained Yield Act* of 1960 (16 U.S.C. 528) *and the National Forest Management Act* of 1976 contain similar policy declarations for the USFS.

It is within the context of these statutes and congressional declaration of policy that NWMA finds the Administration's budget proposals relating to private sector job creation, domestic minerals and energy production, and deficit reduction woefully lacking. Instead of allocating budgetary resources to wealth and job creating mineral and energy resource programs, and providing incentives and required certainty to attract mineral investment, the Administration's budget and legislative proposals focus on protection, removing lands from productive use, increasing royalties, fees, and taxes, increasing uncertainty and regulatory burdens and implementing controversial and job killing policies revolving around climate change and

sage-grouse conservation. While the Administration talks the job creation talk, their proposals clearly do not walk the job creation walk.

The Administration's job killing budget and legislative proposals include increased fees and a gross royalty/leasing system for seven hardrock minerals that will discourage exploration, development and production of those metals on public lands and increase our Nation's dangerous reliance on foreign sources of minerals as well as energy. The President's FY–2013 budget also fails to address project delays caused by bureaucratic red tape, a broken NEPA process and a failure to address workforce issues.

Finally, if the Administration was truly interested in reducing the environmental impact of abandoned hardrock mines, it would have included Good Samaritan legislation similar to H.R. 3203 introduced by Chairman Lamborn in the 111th Congress.

**Northwest Mining Association: Who We Are**

NWMA is a 117 year old, 2,300 member, non-profit, non-partisan trade association based in Spokane, Washington. NWMA members reside in 44 states and are actively involved in exploration and mining operations on public and private lands, especially in the West. Our diverse membership includes every facet of the mining industry including geology, exploration, mining, engineering, equipment manufacturing, technical services, and sales of equipment and supplies. NWMA's broad membership represents a true cross-section of the American mining community from small miners and exploration geologists to both junior and large mining companies. More than 90% of our members are small businesses or work for small businesses. Most of our members are individual citizens.

**Bureau of Land Management Budget and Legislative Proposals**

Our testimony focuses on the budget and legislative proposals impacting the hardrock mining industry, namely the proposed gross royalty and leasing system for seven locatable minerals, the abandoned mine land fee for hardrock minerals, regulatory proposals, such as the draconian sage-grouse conservation measures proposed by the NTT and the Northern Arizona mineral withdrawal (Public Land Order 7787), the failure to address delays in the NEPA/permitting process and replacing and training new professionals to replace an aging workforce. Instead of focusing on enhancing the programs that create jobs, lessen America's reliance on foreign sources of minerals and promote the production of the minerals, food, timber and fiber Americans require, the Department has elevated protection as its budgetary and legislative priority.

*A. Proposed Leasing/Gross Royalty System for Seven Hardrock Minerals*

The President's FY–2013 budget includes a legislative proposal to institute a leasing process under the *Minerals Leasing Act* of 1920 for seven hardrock minerals—gold, silver, lead, zinc, copper, uranium and molybdenum. These seven minerals currently are subject to location under the General Mining Laws of the United States. The President's proposal would include a new leasing process and subject these seven minerals to annual rental payments and a royalty of not less than 5% of gross proceeds. One half of the royalty proceeds would be distributed to the states and the other half would be deposited in the General Treasury. Existing mining claims would be exempt from the leasing system but would be subject to increases in annual claim maintenance fees.

This proposal would have the effect of killing private sector job creation and discouraging private investment in the exploration, development and production of domestic mineral resources. It would increase our nation's reliance on foreign sources of minerals and lower the United States' standing among the twenty-five largest mineral producing countries in the world.

The leasing proposal will increase uncertainty by failing to recognize that unlike coal and oil and natural gas, which are typically located in vast sedimentary basins, economically viable deposits of the seven minerals mentioned in the President's proposal are rare and hard to find. Discovery, delineation and development of metallic ore bodies require years of fact-finding, including ground, aerial and satellite reconnaissance, exploration drilling, environmental baseline gathering, workforce hiring and training, mine and mill planning, design and construction and closure and reclamation.

In a 1999 report, the National Research Council of the National Academy of Sciences recognized just how rare economically viable mineral deposits are: "Only a very small portion of Earth's continental crust (less than 0.01%) contains economically viable mineral deposits. Thus, mines can only be located in those few places where economically viable deposits were formed and discovered." *Hardrock Mining*

*on Federal Lands,* National Research Council, National Academy Press, 1999, p. 2–3.

On page 24 of the same report, the National Research Council Committee included a sidebar on "How Hard is it to Find a Mineral Deposit?" This is what the NRC Committee had to say:

> The art and science of finding new mineral deposits is much better than pure luck, but it is still far from perfect. Moreover, the search for new mineral deposits is costly, time consuming, and without guarantee of success. For example, Roscoe (1971) showed that the number of mineral indications in Canada that had to be investigated to discover a significant mineral deposit was about 100 in 1951 and rose to about 1,000 in 1969. There is no reason to expect that this trend has changed. Similarly, in a probabilistic analysis of exploration experience in the United States by Homestake Mining Company, Anderson (1982) concluded that from an initial sample of 1,000 reconnaissance examinations (more or less equivalent to casual use activities), 100 drillable exploration targets (roughly equivalent to notice-level activities) would emerge in which there would be a 75% chance of finding one deposit with 3 million ounces of gold. The statistics may not be quite as grim as they first appear, because there are many cases of someone with a better concept, more persistence, or luck finding an economic deposit in a prospect or worked-out mine that several companies have deemed worthless. Successful projects can be spectacularly profitable, but overall, mining has one of the lowest returns on investment of major industries (Dobra, 1977).

It is not uncommon for mining companies to spend millions of dollars just to identify 100 drillable exploration targets. Sometimes more than $100 million can be expended before a decision is made to build a mine. At a recent mining conference in Denver, the chief financial officer of a large gold company told the audience that his company was initially surprised when it spent $2 billion dollars to explore for, develop and build a mine but they now consider that to be a common figure. Bear in mind that all of this investment occurs up front *before* production and the beginning of cash flow. Furthermore, the combination of cyclical price volatility and the variations in the concentration and geologic characteristics of these seven metals within a single ore body can turn ore with economic value into waste rock at a sudden downturn in the market.

These are among many reasons that these metals were not removed from the operation of the Mining Law when the *Mineral Leasing Ac*t was passed in 1920. Congress recognized then, as it should today, that in order to encourage private enterprise in the development of hardrock minerals, there must be an incentive for those who take substantial risk to explore for, find and develop a mineral deposit. The Mining Law has served this Nation well for 140 years by providing a self-executing process to enter upon federal lands open to mineral entry to explore for, find, use and occupy those lands for all uses reasonably incident to prospecting, exploration, processing and mining. The Mining Law has provided the necessary framework and security of tenure or certainty required to attract mineral investment and take the risk to find that true needle-in-a-haystack, one-in-ten thousand economically viable mineral deposit.

Removing these seven minerals from the operation of the Mining Law and placing them in a leasing system will result in less mineral investment in the U.S. and exacerbate our dangerous reliance on foreign sources of critical and necessary minerals.

The President's proposal came as a surprise because it is inconsistent with Secretary Salazar's testimony before the Senate Energy and Natural Resources Committee on July 14, 2009. While supporting a need to amend the *Mining Law of 1872,* including patent reform and providing a fair return to the taxpayers for the extraction of valuable resources and the creation of an AML Fund that included a Good Samaritan provision, the Secretary never suggested a leasing program. In fact, neither Congressman Rahall's Mining Law Reform bill introduced in the 110th (H.R. 2262) and 111th (H.R. 699) Congress nor Senator Bingaman's bill (S. 796) introduced in the 111th Congress contained a leasing system for hardrock minerals. Both Representative Rahall and Senator Bingaman's legislation recognized the importance of the self-initiation rights under the Mining Law to encourage the search for and production of hardrock minerals.

*B. A Gross Royalty Not Less Than 5% Will Adversely Impact Investment in Domestic Mining.*

A royalty assessed on gross proceeds increases the economic risk of a given mining project investment and acts as a disincentive to investment. This disincentive

becomes pronounced when one considers the cyclical nature of commodity prices. In other words, as commodity prices decrease, the rate of return required to justify a mining investment increases. A gross royalty becomes a fixed cost that, in times of low commodity prices, can mean the difference between a mine closing prematurely, resulting in lost jobs, and a mine continuing to operate because it can cover its fixed costs thereby keeping people employed during times of low prices. In other words, a gross royalty raises the "cut off grade" between recoverable ore and waste rock. The life of a mine is shortened by causing what otherwise would be valuable minerals below the cut off point to be lost. A gross royalty prevents conservation of the resource and is not an environmentally sustainable policy. Early mine closures waste public minerals by leaving minerals in the ground. Premature closures of mines means more mineral deposits have to be discovered, more mines built, impacting more land.

Unlike oil, natural gas and coal which are generally marketable as found in place in the ground, hardrock minerals require extensive and costly processing and beneficiation to produce a marketable product. A gross royalty does not consider these costs. A gross royalty is punitive in periods of low commodity prices. During periods of low commodity prices, a mining company would continue to have to pay the gross royalty even if it meant operating at a loss. Since no mine can be operated at a loss for any significant amount of time, the result is that some mines will shut down prematurely creating loss of jobs; loss of federal, state and local taxes; and indirectly adversely impacting suppliers of goods and services to the mine and the mine employees. The economic devastation from a gross royalty would be significant, especially in the rural West where most hardrock mines are located and mining provides some of the best jobs available, jobs that average more than $75,000 per year.

On the other hand, a net royalty does not cause a mining company to operate at a loss. With a net royalty, operators pay higher royalties when their net is high during periods of robust mineral prices and/or operating costs are lower. When mineral prices are depressed, and/or operating costs are higher, operators pay lower royalties, so the royalty does not cause premature mine closures resulting in job losses. Because mineral prices are cyclical in nature, there have been and always will be periods of lower commodity prices. A net royalty provides the best incentive to explore for minerals on federal lands, regardless of the economic cycle. A net royalty promotes conservation of the resource, ensures a longer royalty stream from operating mines, and promotes job retention.

The Metals Economics Group produces an annual report "World Exploration Trends" which tracks global exploration and industry trends. The 2012 report estimates that nonferrous exploration budgets for 2011 will total $18.2 billion, a 50% increase over 2010. Despite significant mineral resources, the United States attracts only 8% of total world-wide exploration dollars, while Latin America attracts 25%, Canada 18%, Africa 15%, and Australia 13%. The following report provides insight into why the U.S. lags in attracting job creating exploration dollars.

An internationally respected minerals industry advisory firm, Behre Dolbear, prepares an annual report ranking the twenty-five largest mineral producing countries in the world. The latest report is entitled 2012 Ranking of Countries for Mining Investment—Where *"Not to Invest"* and is attached and incorporated by reference. Behre Dolbear considers seven criteria in ranking countries:

- The country's economic system
- The country's political system
- The degree of social issues affecting mining in the country
- Delays in receiving permits due to bureaucratic and other delays
- The degree of corruption prevalent in the country
- The stability of the country's currency
- The country's tax regime

While the United States ranks high (eight or above on a one to ten scale) for its economic and political system, the United States received a ranking of three with respect to social issues affecting mining; ranked last with Papua New Guinea in permitting delays (scoring 2 on a one to ten scale) and a rating of four with respect to its tax regime. Behre Dolbear considers the total taxes applicable to a mining project, including income taxes, severance and excise taxes, duties and imposts, and royalties. The United States corporate tax rate is 35% plus, which, when combined with state levies effectively makes it the highest corporate tax rate in the world. This high corporate tax rate provides a significant disincentive for mineral investment in the United States. A gross royalty would only exacerbate this disincentive, and any net royalty must take into consideration the overall government take." According to the study, when the "government take" from combined taxes and royalty

reaches 50%, a mining project's economic viability, during periods of normal commodity pricing, is threatened.

In addition, the Administration doesn't seem to understand that our lifestyle and standard of living is made possible by mining. Furthermore, it doesn't understand that the production of solar, wind and geothermal electricity capacity requires minerals. The Administration proposes key funding increases for renewable energy development while proposing new fees and taxes on mineral production, proposing a new leasing system and enacting policies that will adversely impact the security of tenure necessary to attract mineral investment, and failing to address significant workforce issues in the Mining Law program. The bottom line is that all energy production, including renewable energy requires minerals, and lots of them. And they need American minerals—unless, of course, we are willing to trade our unhealthy dependence on foreign oil for a dangerous dependence on foreign sources of critical minerals.

In 1995, the United States Geological Survey reported that the United States was import reliant on 43 nonfuel minerals with a $51 billion value. In 2011, the U.S. had become import reliant on 67 minerals (an increase of 4 over 2010), and 100% reliant on 19 minerals with a value of $90.4 billion. The U.S. is more import-dependent on 43 non-fuel minerals than it is on crude oil. Unfortunately, the President's budget and legislative proposals will discourage mineral production in the United States and further increase our Nation's reliance on foreign sources of minerals.

*C. Abandoned Mine Land Fee*

The President's FY–2013 budget proposes a new "dirt tax" on hardrock mining to be used for reclaiming abandoned mines. While framed as a fee on the production of hardrock minerals beginning January 1, 2013, the "dirt tax' is based on the volume of material removed or displaced (overburden and waste rock as well as ore), with the receipts distributed through a competitive grant program. The President's AML proposal of a "dirt tax" of approximately 7.8 cents per ton of the material displaced would apply to hardrock mining operations on private and public lands and is significantly different than any AML fee proposed in the past either through Mining Law Reform bills introduced in the last two Congresses or the Secretary's testimony in July, 2009. What is noticeably absent from the President's proposal is a Good Samaritan provision.

A Good Samaritan law, similar to the one introduced by Chairman Lamborn in the last Congress (H.R. 3203), will do more to bring about the cleanup and reclamation of abandoned hardrock mines than any fee imposed on production or material moved.

It appears the President's proposal is based on the coal AML program administered by the Office of Surface Mining (OSM). As was discussed in more detail earlier in this testimony, increasing fees on hardrock production is counterproductive to private sector job creation, domestic energy and minerals production and deficit reduction. Because most currently producing mines are located in the same mining districts as most abandoned hardrock mines, a Good Samaritan provision would enable mining companies to utilize current permitted processing and tailings facilities, equipment and mine personnel to reclaim nearby abandoned mines without the legal risk of incurring cradle to grave liability under the *Clean Water Act* (CWA) and the *Comprehensive Environmental Response, Compensation and Liability Act (*CERCLA).

On October 2, 2007 at a legislative hearing on H.R. 2262 entitled *Royalties and Abandoned Mine Reclamation,* and last year at a hearing this committee held on *Abandoned Mined Lands: Innovative Solutions for Restoring the Environment, Improving Safety and Creating Jobs,* I provided testimony on hardrock AML issues including the need for Good Samaritan legislation. As I stated at that time, the mining industry supports the creation of a new federal AML fund to be financed from royalties owing under any Mining Law legislation enacted by the Congress to augment the monies available to state AML Funds to address safety and, where needed, environmental hazards at AML sites. Our industry also strongly supports the enactment of comprehensive Good Samaritan legislation like H.R. 3203, which would allow mining companies with no previous involvement at an AML site to voluntarily remediate and reclaim that site in whole or in part without the threat of potential enormous liability under the CWA, CERCLA and other federal and state environmental laws. I have attached a copy of that testimony for the record of this hearing and incorporate it by reference.

Rather than imposing a job-killing "dirt tax" on the volume of material displaced at hardrock mines for reclaiming abandoned mine sites, Congress should pass Good Samaritan legislation and use, in addition to state AML funds, monies collected

from existing claims maintenance and location fees that are not used to administer the General Mining Laws or provide for mineral program workforce hiring and training as discussed below. Over the past five years, the amount of claim maintenance and location fees collected has exceeded the amount allocated by the Secretary of the Interior for administration of the General Mining Laws by more than $16 million per year. We submit that this would be a much better use of those excess funds than depositing them into the General Treasury.

*D. Proposed Sage-grouse Conservation Measures will restrict access to mineral deposits, prevent renewable energy development and exacerbate our reliance on foreign sources of minerals and energy*

BLM proposes an increase of $15 million to "implement broad-scale sage-grouse planning and conservation activities." Ten million dollars would be used to amend or revise 98 land use plans to designate priority greater sage-grouse habitat where BLM will set draconian disturbance thresholds for energy and mineral development. Only $2.5 million is designated for on-the-ground habitat restoration and fuel management. Another $2.5 million would be used for mapping, assessment and monitoring.

NWMA submits that BLM has it backwards. This budgetary increase should be used on-the-ground and to better implement Manual 6840 *Special Status Species Management.* On page IV—6 of BLM's 2013 Budget Justifications, BLM states "[I]n its finding, the FWS said the BLM was not 'fully implementing the regulatory mechanisms available' to ensure species conservation." Instead of fully implementing the regulatory mechanisms available in Manual 6840, BLM has chosen to initiate a planning process around recommendations that include mineral withdrawals and validity examinations in priority habitat areas.

**Neither BLM's Notice of Intent to incorporate greater sage-grouse conservation measures in land use plans nor IM 2012–043 and IM 2012–044 mention Manual 6840** (emphasis added). For three years, the current administration has attempted to implement land use restrictions that limit or prohibit domestic mineral and energy production and thwart job creation. We saw it with Secretarial Order 3310, the Wildlands Policy; we see it with the northern Arizona withdrawal; we see it with administrative policies that add delays to the permitting process; and now we have greater sage-grouse conservation. The two IM's mentioned above already have been used to delay the China Mountain Wind Project and reduce oil & gas lease sales in Nevada. The failure to mention Manual 6840 and focus on new regulatory mechanisms instead of better implementation of available regulatory mechanisms begs the question of what is the real purpose of BLM's sage-grouse conservation measures.

Is it to truly conserve the greater sage-grouse or is it to do what they could not do through the aborted Wild Lands Policy? Is it to conserve the greater sage-grouse or prevent mining, energy development (both conventional and renewable), and multiple-use of public lands? Given the fact the greater sage-grouse habitat covers more than 50 million acres across 10 western states, the greater sage-grouse has the potential of being the spotted owl on steroids as resource dependent communities across the west face economic devastation.

**Addressing Permit Delays and Workforce Training**

The hardrock mining location and claim fees have brought in between $51.5 and $67.3 million over the last five years. These monies are earmarked for administering the Mining Law Program, yet, over the same time period, only $32.7 to $39.7 million have been appropriated to run the program. The balance has gone to the Treasury.

During this same time period, Mining Law/Minerals Program managers and BLM/USFS field personnel responsible for the locatable minerals programs have been retiring at an unprecedented rate. Within the next five years, more than 60% of BLM and USFS employees responsible for the respective locatable minerals programs will retire or be eligible for retirement. Yet, there appears to be no effort at the departmental level to address this issue. The President's FY–2013 budget certainly doesn't address it.

The 2012 Behre Dolbear report ranking countries for mining investment ranked the United States dead last in delays in receiving permits due to bureaucratic and other delays, and near the bottom with a rating of three out of ten on the degree of social issues affecting mining in the country. With respect to permitting delays, Behre Dolbear ranked the United States tied for last among the twenty-five countries rated stating:

> Permitting delays are the most significant risks to mining projects in the United States. A few mining friendly states (Nevada, Utah, Kentucky, West Virginia, and Arizona) are an exception to this rule but are negatively im-

pacted by federal rules that they are bound to enforce resulting in a 7- to 10-year waiting period before mine development can begin.

The delays are not due to environmental regulations being stronger in the United States than in other countries because most countries have environmental regulations equal, at a minimum, to the standards established by the World Bank Group. Rather, it is abuse of the NEPA process, unnecessary bureaucratic red tape and the fact that virtually every mining project is litigated. These delays represent jobs that are not being created, jobs by an industry that, according to the President's Job Council Report, was the only industry to show a net increase in employment since 2007, pays an average wage of $75,000, and has an indirect job multiplier equal to twice the national average.

With respect to projects on BLM-managed lands, additional, substantial delays result from a BLM Instruction Memorandum issued on December 23, 2009 (IM 2010–043) requiring *all* Federal Register Notices be sent to the BLM Washington Office for review and approval prior to publication in the Federal Register. This Instruction Memorandum also implemented a 12 to 14 step review and approval process that is taking approximately four months per Notice, prior to publication. Included are three procedural notices required by NEPA: (1) Notice of Intent to prepare an EIS which starts the public scoping process; (2) Notice of Intent to publish the Draft Environmental Impact Statement; and (3) Notice of Intent to publish the Final Environmental Impact Statement and Record of Decision. Note that all three Notices are purely procedural—nothing substantive.

Contrast the BLM policy with the USFS policy which allows these purely procedural *Federal Register Notices* to be sent directly to the *Federal Register* by the local forest supervisor. This is not to say that the USFS NEPA process does not have its own problems, rather, merely to contrast the USFS' policy with the BLM's policy that is inhibiting job creation by unnecessarily adding up to a year to what is already a very broken, anti-job NEPA process. We can think of no rational reason for the BLM to require these three procedural Notices to each undergo a four month review and approval process in the Washington, D.C. office prior to publication in the Federal Register. It is no wonder the United States ranks last in terms of permitting delays.

As mentioned previously, claim maintenance and location fees are bringing in $16-$20 million a year more than is being appropriated to administer the BLM's locatable minerals program. This is not taxpayer money. This is money from the mining industry, and we believe some of this more than $16 million per year could and should be used to hire and train the necessary professionals to help break the backlog of permit delays and replace an aging workforce. We believe this should be BLM's and the USFS's number one budgetary priority for locatable minerals.

Among all of the programs administered by the BLM and USFS, hardrock mining is the most technically complex, legally complex and capital intensive. Hardrock mineral deposits result from complex geological forces, and, as discussed earlier, are rare and hard to find. The variation in geology among the different metals as well as variations within a metal require specific geologic and engineering knowledge and training.

In addition, BLM and USFS professionals responsible for managing the locatable mineral programs require an understanding of the General Mining Laws of the U.S. and their relationship with other laws and regulations, including environmental laws and regulations. The technical and legal issues are far more complex than other mineral resources like coal, oil and gas. Additionally, hardrock mine development is the most capital intensive activity taking place on federal lands. Hundreds of millions to several billions of dollars of investment is required, up front, before there is any cash flow or return on investment.

These factors demand professionals with specialized education and training in geology and mining engineering, so they understand the complex technical, legal and capital investment issues associated with hardrock mining.

**The U.S. Forest Service**

While we have focused our testimony on the BLM's budget proposals, the USFS budget contains many of the same misguided priorities as the BLM, with a focus on protection, ecological sustainability and climate change rather than congressionally-mandated multiple-use, mineral and energy production and job creation. Based on information compiled by the USFS Minerals and Geology Management staff, the nine largest locatable mineral mines producing on National Forest Lands in 2010 produced metals worth $1.3 billion, more than all other USFS programs combined. This represents wealth creation, high paying jobs and significant state and local tax revenues. It also supports U.S. manufacturing jobs by helping to ensure a domestic supply of minerals.

As mentioned above, the USFS faces similar workforce issues as the BLM. As of January 25, three-quarters of the USFS's certified mineral examiners were eligible for retirement. A December 20, 2010 workforce analysis by the USFS shows 61% of USFS employees eligible for or will be eligible for retirement by 2015. Thus, it is likely that within the next three or four years, the USFS will lose over 60% of its mineral management expertise, yet, little is being done to replace this workforce, and the Administration's proposed budget actually reduces the amount of monies budgeted to manage the mineral wealth of our National Forest System Lands. The budget shows reductions in monies to administer mineral operations, process mineral applications and manage the abandoned mine land program.

As previously noted, the mining industry is the only industry to show a net increase in employment since 2007, and provides high paying jobs with an indirect job multiplier equal to twice the national average. Given these facts, and the economic contribution of mineral production on National Forest Lands, NWMA is at a loss to understand why the USFS is proposing to cut more than $10 million from its Minerals and Geology Management program. This will only compound permitting delays and exacerbate our reliance on foreign sources of minerals. The proposed budget reduction also prevents the USFS from addressing its workforce replacement needs.

In these times of robust mineral prices, we believe the Forest Service should be increasing its budget request for Minerals and Geology Management, so it can hire and train the professionals needed to administer the program and process plans of operation in a more timely fashion.

**Conclusion**

The U.S. minerals industry operates in a highly competitive global environment. The search for new mineral deposits occurs around the globe. Major mining companies operate internationally and weigh many factors in determining whether the potential return on mineral investment is worth the geologic, economic and political risk.

There can be no question that mining creates new wealth and provides high paying jobs with an indirect job multiplier more than twice the national average. As mining companies weigh the geology/mineral potential, economic and political risk, they will invest in mineral development where they can obtain access to the land; access to regulatory approvals; access to capital; and access to the resources necessary to build and operate the mine such as people, water and energy. While the United States scores high in terms of its economic and political systems, lack of government corruption and currency stability, it ranks last or near the bottom in terms of permitting delays, social issues and tax policy. Thus, in the Behre Dolbear 2012 Ranking of Countries, the United States is sixth behind Australia, Canada, Chile, Brazil and Mexico.

We also are entering a period of resource nationalism where many countries, led by China, are asserting control over natural resources located within their country. Unlike the Arab oil embargo of the early 70's, countries like China are using resource nationalism not to control the market or the market price for a given commodity, but to attract long term manufacturing jobs. Manufacturing require minerals. Manufacturing concerns require a stable and affordable supply of metals and minerals. In a nut shell, resource nationalism says "if you want our minerals, locate your manufacturing facility in our country."

This is most evident and transparent in China with rare earth minerals. China currently controls 97% of global rare earth production. China has announced that it is cutting back on rare earth exports in favor of internal consumption. Rare earths are required not only in wind turbines and hybrid vehicles, but also in dozens of consumer products like flat screen TV's, computer monitors, and energy saving CFL light bulbs. China is telling these manufacturing concerns that they have a choice. They can hope to obtain the rare earths they need in the global market place at the global commodity price, or they can relocate their manufacturing facility in China and be guaranteed a supply of rare earths at a discount. China has been very transparent in this policy because first and foremost they want to create manufacturing jobs.

Last week, the administration joined with Japan and the European Union to file a complaint with the World Trade Organization over China's policy of restricting export of its rare earth minerals. Instead of settling for Chinese imports, the U.S. should expedite the development of our own supplies of rare earths and other critical and strategic minerals. The best way for the administration and congress to combat China's dominance of critical and strategic minerals production is to enact a National Minerals Policy based on H.R. 2011 and S. 1113 that promotes domestic production and creates high-paying jobs.

If the United States is going to compete in this global mineral environment fueled by resource nationalism, it must adopt policies that guarantee access to lands with mineral deposits, must provide a competitive tax regime, and must reduce permitting delays. We should be embarrassed that we rank last among the twenty-five largest mineral producing countries in terms of permitting delays. The fact a country with a mineral resource base as rich as the United States attracts only 8% of world-wide exploration spending should be a call to action.

Unfortunately, the President's FY–2013 budget and legislative proposals for the BLM's and USFS's energy and mineral programs do not answer this call to action. Instead of advancing policies that will encourage mineral production, job creation and deficit reduction, the Administration's proposals will result in less domestic energy and minerals production, adversely impact private sector job creation, and increase the United States' dangerous reliance on foreign sources of strategic and critical minerals. This will have a negative impact on our balance of payments and will not contribute to deficit reduction, as we watch other countries reap the benefits of mineral investment and the resulting private sector jobs, both in mineral exploration and development as well as manufacturing.

We urge this Committee and Congress to reject the President's budget and legislative proposals and, instead, enact incentives that will encourage investment and production of America's vast mineral resources to supply the strategic and base metals and materials necessary to create and sustain U.S. manufacturing jobs, a robust economy, and our standard of living.

Thank you for the opportunity to provide testimony on these important issues. I will be happy to answer any questions.

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Mr. LAMBORN. Thank you.

Mr. Fosburgh?

**STATEMENT OF WHIT FOSBURGH, PRESIDENT AND CEO, THEODORE ROOSEVELT CONSERVATION PARTNERSHIP**

Mr. FOSBURGH. Thank you, Mr. Chairman, Mr. Markey. I appreciate being here. My name is Whit Fosburgh. I am the President and CEO of the Theodore Roosevelt Conservation Partnership.

Today, I am speaking on behalf of TRCP and Sportsmen for Responsible Energy Development, which is a coalition with Trout Unlimited and National Wildlife Federation, and more than 500 other groups, businesses, and individuals who support energy development on public lands but want to see it done right.

My full testimony has been submitted for the record. That testimony cites the impacts that irresponsible development has had on fish and wildlife, and how sensible reforms put into place in 2010 have reduced conflict, expedited development, and restored some balance to public lands management, balance that was sorely lacking after the passage of the 2005 energy bill.

The testimony also notes that there is no shortage of public lands available for oil and gas development, as many Members have noted today.

More than 38 million acres of leases are held by industry and less than half that amount of land is in production, with about 7,000 permits on public lands currently being unused.

In my oral remarks, I want to highlight the jobs' issue. First, I want to reiterate that energy development is a valid and important use of our public lands, whether it be oil and gas, solar or wind.

A lot of us scratch our heads when we hear that balancing development with fish and wildlife and recreation is somehow a job killing strategy.

2010 saw more than 58 million visitors to BLM lands, with a resulting benefit of $7.4 billion to the economy. Most of those visits

were to hunt, fish, camp, mountain bike, watch wildlife, or have other outdoor recreational experiences.

During the economic downturn, the outdoor recreation industry has been growing at an average annual rate of about six percent, almost three times the rate of the national economy.

In a report commissioned by the National Fish and Wildlife Foundation last November, recreation, conservation and historic preservation contribute more than $1 trillion annually to the national economy and support 9.4 million jobs.

Another peer reviewed report which will be released later this Spring examines the relationship between economic security and varying land management strategies in the rural Rocky Mountain West.

Going back over 30 years, the report looks at rural counties where (a) commodity development dominates; (b) recreation and conserved lands dominate; or (c) where there is a combination of conserved lands and limited commodity development.

This analysis indicates that jobs, income and growth in the commodity production sectors in the rural Rocky Mountain West while still significant have not experienced the growth seen by the rest of the regional economy.

Rural counties with greater areas actively conserved for recreation and conservation plus lower impact development uses, like balanced uses of mining, timber, energy development, actually enjoy higher income, population and employment growth.

Counties dominated by conservation and recreation lands also have higher property values and higher proportions of high income workers.

Communities need the energy and materials provided by the commodities sector. Individuals, residents and tourists alike demand the quality of life provided by the region's fish, wildlife, and scenic resources.

Nearly all the Rocky Mountain communities need jobs and income generated by both sectors.

Opening all areas for energy development and relaxing or eliminating the rules that seek to balance development with conservation flies in the face of good public policy and good economic policy.

I want to point out that we have some frustrations with the BLM and the way it is doing its job as well.

While the promise of the 2000 reforms is good, figure out up front where developments should be and how it should happen, too often BLM state directors simply ignore this guidance creating a patchwork approach throughout the West.

Nowhere is this more evident than in the slow and extremely uneven application of the Master Lease Planning process. This is a process we should all embrace, as it should result in consolidated and expedited development while also keeping development from critical fish and wildlife and recreation areas.

Instead of pushing to open more areas of development with less consideration of fish and wildlife, we would urge the Committee to use its oversight powers to ask why BLM has been so slow in implementing its own plans to balance energy production with fish and wildlife conservation.

The President's proposed budget includes funding the implementation of lease reforms and increased development fees. This is promising but only if BLM follows through on the ground.

I also want to make a comment on what Laura said, that the environmental community supports the whole abandoned mine lands reclamation process, and the Good Samaritan provisions would actually encourage private parties, be it Trout Unlimited or mining companies themselves, to go back in and fix up chronic pollution sources on our Western lands.

Thank you. I am happy to answer any questions.

[The prepared statement of Mr. Fosburgh follows:]

**Statement of Whit Fosburgh, President and CEO, Theodore Roosevelt Conservation Partnership**

Mr. Chairman:

Thank you for the opportunity to testify before the House Natural Resources Committee, Subcommittee on Energy and Mineral Resources. My name is Whit Fosburgh, and I am the president and CEO of the Theodore Roosevelt Conservation Partnership, a national non-profit conservation organization (501–3c) that is dedicated to guaranteeing every American places to hunt or fish. I am also here on behalf of Sportsmen for Responsible Energy Development, a coalition of more than 500 businesses, organizations and individuals dedicated to conserving irreplaceable habitats so future generations can hunt and fish on public lands. The coalition is led by the Theodore Roosevelt Conservation Partnership, Trout Unlimited and the National Wildlife Federation.

As a lifetime hunter and angler and a long-time professional in the conservation field with experience at numerous levels of government and non-governmental organizations, I am honored to provide comments on the important issue of energy development and its potential impacts on fish, wildlife and sportsmen. The quality of life in this nation, one enjoyed by sportsmen and non-sportsmen alike, depends on a sound economy fueled in part by responsible energy production that is balanced with the needs of fish, wildlife, habitat and water.

The TRCP and the sportsmen's community support responsible energy development. We understand and appreciate the need for exploration and production of our domestic energy resources but maintain it must be done responsibly and in a way that conserves and sustains other values (such as fish and wildlife, clean water, and recreation) with those of energy production. America needs the raw materials provided on western public lands and the jobs supported by these activities are important contributors to the western economy. Likewise, jobs and economic benefits dependent on fish, wildlife and the West's outstanding scenery and recreation values have provided steady growth and are also important—but often overlooked—contributors to the wealth of the region and the country. Recognizing that both energy production and fish and wildlife resources are valuable, and that they often can occur in the same locations, it is important to strike a proper and sustainable balance. We advocate true multiple use and sustained yield of public-lands resources as mandated in federal laws, including energy production, while maintaining a fish and wildlife conservation legacy for this and future generations.

The reforms to the onshore oil and gas program announced by Secretary Salazar in 2010 and beginning to be implemented now represent positive steps in restoring recognition of the fish and wildlife values on public lands. We agree with the Secretary that more can be done at the land use planning and leasing stages to address protection of fish, wildlife, water and recreation and that this will result in less conflict and better conservation of multiple-use values on public lands. It will also provide more certainty for industry during the development of our public land energy resources and for sportsmen who depend on the availability of public lands and the vital habitat these lands provide. Finally, we believe that federal land management and fish and wildlife agencies need adequate budgets to manage fish and wildlife resources and that drastic cuts are not acceptable. Federal budgets for fish and wildlife programs have been neglected for decades and remain inadequate. Further budget cuts would cause irreparable harm. We support increased funding for implementation of leasing reform and higher royalty rates. We also support commensurate increases in fish and wildlife budgets to handle the additional workload and resource needs in order to properly evaluate and process the increase in energy in-

terest in public lands. Having given an overview of our position l will discuss some of these issues in detail.

Public lands are held in trust for the American people and must be managed to meet the multiple needs of the citizenry—today and in the future. Access to public lands for private energy development is a privilege not a right. The American public expects federal land managers to require that energy development is conducted in a responsible manner that ensures the long-term conservation of fish and wildlife. Polls consistently show that public-lands users want the federal government to do more to protect fish and wildlife during energy development, not less. These polling results have been constant regardless of energy prices and the fiscal recession our country has experienced. In 2007, the TRCP commissioned a poll of public-lands users: 85 percent wanted more protection for fish and wildlife during energy development. Polls executed after the recession and high gasoline prices in 2008 showed similar results. A poll commissioned by Trout Unlimited and Sportsmen for Responsible Energy Development showed that 75 percent of respondents wanted more protections for fish and wildlife on public lands during energy development and 85 percent opposed limiting or eliminating the ability for the public to be involved during energy development planning and permitting. A poll done last year by Public Opinion Strategies and FM3 (a Republican and a Democratic polling company) showed that 77 percent of respondents wanted stronger laws and enforcement for fish and wildlife protection rather than lessening restrictions (this is up from 74 percent in 2009). Clearly the American public and public-lands users and sportsmen want more to be done for fish and wildlife, even after experiencing serious pain at the gas pump and through the hardest financial times since the Great Depression.

During the energy boom that began in the late 1990s, energy development practices and policies on public lands diverged with the principles of multiple use and sustained yield and the expressed values of sportsmen and other public-lands users. In order to meet industry demands for leases and permits, fish and wildlife often were treated by federal land managers as an impediment to development rather than a valuable resource to be managed in tandem with development. The 2005 Energy Policy Act (EPAct) further prioritized energy development over other resources and concerns through the establishment of pilot offices in seven BLM offices for the purpose of expediting permits for drilling, and the establishment of "statement of adverse impacts to energy development" for actions that were perceived to delay or deny immediate approval. These legislative directives helped foster an "oil and gas trump everything else" attitude within the agency. This resulted in practices that crippled the agency's ability to manage other resources like fish and wildlife, including redirecting appropriated funding intended for fish and wildlife management to energy planning and permitting and instructing biologists and other specialists to prioritize energy above their fundamental tasks of managing fish and wildlife habitats. Consequently, given full implementation of the provisions of the 2005 EPAct, industry is still complaining that they cannot get permits fast enough—a proof that more access and permitting will not solve our energy problems.

The consequences of this "energy takes all" approach to public lands management were predictable. Sportsmen and other public lands users would not stand idly by and watch as fish and wildlife values were sacrificed across the West. For sportsmen and others concerned about the impact of this imbalance on fish and wildlife, the only clear avenue of relief was to formally protest lease sales. Between fiscal year 1998 and fiscal year 2009, the percentage of oil and gas leases protested jumped from one percent to nearly 50 percent. In some states, nearly all lease sales were protested. This is more proof that the model for unfettered access to public lands was not acceptable to the public who owns these lands.

Unlike other activities on public lands, oil and gas leasing historically included little opportunity for public involvement. Lease parcels were secretly nominated by industry six to nine months ahead of a sale. Then just 45 days before sale, the locations of the parcels were made available for public review. The only opportunity for the public to express concerns was to file a formal protest to the BLM 15 days before the sale date. The stakes riding on a decision to protest a lease sale were high. Once public lands were leased, BLM often acquiesced to industry claims that the agency had little or no authority to address impacts on fish and wildlife. Yet, the agency continued to issue leases based upon environmental analyses that were decades old, grossly underestimated the number of wells that could be drilled and relied on fish and wildlife mitigation measures that no longer reflected the existing wildlife science and were ineffective. Leased lands became lost lands in the sense that the BLM can no longer properly manage them for current and future multiple uses.

The current administration inherited an onshore oil and gas program that was broken. Because protests and lawsuits were clogging the system and preventing the

issuance of leases, it did not function for the agency or for industry. It certainly was not working for sportsmen and other public-lands users.

Leasing and permitting have slowed in recent years due primarily to market forces, not regulation, reflected by fewer nominations from industry. For example, the largest reduction in the number of wells drilled on public lands occurred between 2008 (5044) and 2009 (3267) before any restrictions could have been implemented by a new administration. Since 2009, the number of wells drilled remained at about 3200. The largest reduction in permits issued occurred between 2007 (7000) and 2008 (5500). Annual leased acreage dropped from over 4.6 million in 2007 to 2.6 million in 2008 to a low of 1.4 million in 2010. Industry itself nominates lands to be leased. Industry nominations declined from 3000 in 2007 to 1300 in 2010. Figures for 2011, however, show an increase in nominations as well as acreage leased (2 million) and revenues. Any reductions in leases sold or permits issued have had little or no impact on industry access to public lands. More than 38 million acres of leases are held by industry. Less than half of that land is in production. Industry currently holds more than 7,000 unused permits to drill for oil and gas public lands.

After taking office, the administration did take some common sense steps to repair a dysfunctional approach to developing oil and gas on our public lands. The administration rightly recognized that these policies posed a significant threat to fish and wildlife and were leading to more and more conflict over every lease. In an effort to reduce the conflict in the leasing process and balance out resource considerations, the Department of the Interior provided a number of reforms through Instruction Memoranda (IMs). Reforms from these IMs require the Bureau of Land Management to develop local "Master Leasing Plans" to facilitate thorough environmental review of potential drilling impacts BEFORE offering leases in areas with high energy potential and high risk of environmental conflicts. BLM also revised its lease sale procedures to create room for concerns about particular parcels to be raised and resolved before the sale date.

A halt to these reforms now would be a mistake. Master Leasing Plans (MLPs), for example, could provide a new and powerful opportunity to avoid and minimize wildlife and other environmental conflicts that could result from poorly planned oil and gas leasing before a project is sited and investments are made. This type of "smart from the start" planning results in a win-win because it has the potential both to conserve fish and wildlife habitat and to resolve conflicts prior to the siting and development of oil and natural gas wells, thus avoiding costly delays and litigation. This approach also would follow the time tested progression of mitigation actions in which avoidance is the best and least costly way to deal with impacts.

The immediate benefit of these reforms for BLM and industry is demonstrated by the fact that the percentage of leases for which protests were filed in 2011 is down to 35 percent while lease sale revenues increased 20 percent over 2010. Unfortunately, industry is costing the BLM precious time with irrelevant lawsuits aimed at stopping the reforms and costing the taxpayers precious funding, which could be used to properly manage leases and development. The full value of these reforms for sportsmen and other public-land users will not be proven, however, until sportsmen see on-the-ground benefits for fish and wildlife. Maintaining huntable, fishable populations of game species on public lands are critical to sportsmen.

It is well-documented that oil and gas development can have devastating and long-lasting impacts on fish and wildlife habitat. A typical production field includes a complex network of roads, well pads, pipelines, compressor stations, waste pits, staging areas, and other structures that will remain in place for 30 to 50 years. This cumulative industrial framework fragments fish and wildlife habitats. Habitat fragmentation affects the feeding, courtship, migration, and other wildlife behaviors, as their patterns of habitat use across the landscape are disrupted. It also negatively impacts the overall health of habitats, assisting the spread of invasive species and diseases, causing sediment to wash into streams, and changing the makeup of local vegetation. Sportsmen across the West have been eyewitnesses to the impacts of this development on the game they have hunted and fished for generations.

The Greater Sage-grouse is an important game bird that inhabits the sagebrush steppe habitat of the Rocky Mountain West. The species has disappeared from nearly half of its historic range due to habitat fragmentation and other disturbances. The Department of the Interior has determined the species is warranted, but precluded for for protection under the Endangered Species Act (this means there is enough evidence to protect the bird right now, but because of other reasons it is deferring any action). Oil and gas development is cited by the U.S. Fish and Wildlife Service as a primary threat to sage-grouse populations in the Rocky Mountain West. However, sage-grouse is just one example of the many species dependent on sagebrush steppe habitat that are threatened by oil and gas development.

Another example of the need for better planning and management of oil and gas development is the impact on vital mule deer habitats. Mule deer are a western deer species related to white-tailed deer but with very different requirements. They respond to human-caused disturbance much differently. Where white-tailed deer are generalists and highly adaptable, mule deer mostly inhabit larger western landscapes and require different seasonal habitats and annual migrations from summer to winter range. Mule deer populations have been declining across much of the West. Mule deer experts agree that one of the limiting factors for mule deer is available winter habitat. These winter habitats often are deemed "crucial" for survival by state game and fish agencies and have been afforded protection from disturbance for more than 40 years in many states.

A recent evaluation and report of how mule deer have been addressed in federal land use planning and major energy projects of the greater Green River Basin of southwestern Wyoming, northwestern Colorado and northeastern Utah showed that of the 10.2 million acres of mule deer crucial winter range on BLM and National Forest lands, 2.4 million acres already have been leased for development. More than 15,000 wells have been drilled in this winter habitat. However, current mitigation plans for energy development in crucial winter range have not been successful. At the Pinedale Anticline in western Wyoming, the wintering population of the segment of the deer herd that winters within the project area has dropped by over 60 percent from levels that were documented before development began (approximately 6,000 deer used to winter on the mesa area of the project before development, now approximately 2,000 deer do so). Many state wildlife officials fear that a full recovery may not be possible without substantial changes in how energy development and other human disturbance is permitted and conducted in mule deer habitats.

The problems with mule deer and sage grouse are important to this testimony because they offer examples of how BLM policy for energy development has affected fish and wildlife resources and therefore sportsmen. Significant new information and science are available regarding these two species to better balance wildlife with energy development during project planning, but unfortunately this science has not been embraced by the BLM and often is ignored or discounted because energy development is prioritized.

Until now I have discussed problems with previous policies and budgets, but now I want to focus on some of the benefits of responsible fish and wildlife management of our public lands. The American system of public lands is unique, found nowhere else in the world. A fundamental American value, it was left to us by our predecessors and held in trust for future generations. FY 2010 saw more than 58 million visitors to BLM lands with a resulting benefit of $7.4 billion dollars to the economy. Most of these visits were to enjoy scenery, hunt, fish, camp, watch wildlife or have other great outdoor experiences. Americans and people from all over the world come year after year to experience our public lands, and they bring the economic benefits with them. This sustainable economic engine is dependent on healthy environments, clean air, clean water and abundant fish and wildlife. In 2010 in Wyoming, Colorado and Utah, more than 2.2 million hunters and anglers bought licenses, providing license revenues of more than $1.2 billion dollars back to those states. This figure does not include the federal match generated through the Pittman-Robertson and Dingell-Johnson acts or revenue from expenditures on food, hotels, equipment, or other purchases made by these hunters and anglers. Nationwide it is estimated that 1.2 million jobs are provided annually by the outdoor industry, many hunting and fishing related.

A new report prepared for Sportsmen for Responsible Energy Development by Southwick Associates investigated the economic benefits of public lands adjacent to communities in the Rocky Mountain West. The report looked at the relationship between land use and economic growth in seven states in the Rocky Mountain West—Idaho, Montana, Wyoming, Utah, Colorado, New Mexico and Arizona. The study found that public lands in the Rocky Mountain West provide energy that has helped drive the economy and cast the region as one dominated by extractive industries. However, commodity-based employment has been cyclical and suffered more severe downturns than other industries. Commodity-based jobs have become a smaller part of the overall economy while the service industry, which includes high-paying, skilled positions, has increased and become the biggest segment of the market. The region's public lands managed for conservation and recreation are a magnet for tourists, people looking for a certain lifestyle, retirees and businesses hoping to draw workers. These jobs and economic benefits are sustainable, provide growth in hard times, and allow people to reconnect with nature. Federal policies and budgets significantly affect our ability to continue these benefits.

Some places in this country are valuable or special and should not be developed. These "special places" have values that could not be replaced or mitigated if devel-

opment took place. Places like the Rocky Mountain Front in Montana, Valle Vidal in New Mexico and Wyoming Range in Wyoming provide unique experiences for hunters and anglers and vital habitats for fish and wildlife. In the past decade, these areas have been threatened through lease nominations and sales and other development proposals. Previous policy prevented the BLM from identifying all but congressionally designated lands or previous administrative withdrawn areas during land use planning development. Local campaigns or legislation have been required to deal with threats to these areas, many of which have very little energy development potential or would be very difficult to develop because of their landscapes. We promote the identification and protection of these places to balance fish and wildlife values with areas that have been and will be developed for energy development. Not all lands are suitable for development; nor is development compatible with other uses in all areas.

We also promote responsible development when energy development takes place. Acknowledging that some places will be developed more than others and some may become industrial zones, most lands can be developed while concerns about fish, wildlife and recreation are addressed. As stated previously, sportsmen want to see energy development balanced with fish and wildlife resources. The TRCP and our conservation-sportsmen partner organizations have developed a set of recommendations, revised in 2011, that can help achieve balance during energy development. The "FACTS for Fish and Wildlife" comprise 25 specific recommendations in five targeted areas—Funding, Accountability, Coordination, Transparency and Science. The FACTS recommendations may be found at http://www.trcp.org/assets/pdf/FACTSfor_web. If the FACTS are employed, conflicts with sportsmen-conservation groups can be reduced, and we can expand development of our domestic energy resources. In addition, the TRCP joined SFRED is drafting a "Sportsmen's Bill of Rights" regarding energy development and a set of joint recommendations that compliment the TRCP's FACTS.

Finally, I deliver this testimony to ensure a bright future for fish and wildlife, voice concerns about past policies and budget allocations, and express interest in working with Congress to address these important issues as we determine future energy policy. Sportsmen want some certainty that Western fish and wildlife resources can be sustained at levels that provide quality hunting and fishing opportunities—ones of which we can be proud. We want a system of public lands that provides energy AND fish and wildlife, not one that provides energy OR fish and wildlife. We believe recent policy changes by the Obama administration take a positive step toward that goal, but we still have concerns about successful implementation and benefits on the ground. We also are concerned that future cuts to fish and wildlife budgets in our federal natural resources agencies could have drastic consequences for hunting and fishing, along with other important uses of our public lands.

In closing, the American public supports and promotes the use of our public lands for many purposes, including energy development but not at the expense of the fish, wildlife, and recreation these lands provide. The economic and employment gains from outdoor recreation and fish and wildlife management cannot be discounted because they are significant to local communities, state job outlook, and national interest. The proposed BLM budget does not limit nor hinder energy development but provides a means for BLM to balance multiple-uses on the public lands and provide opportunities for responsible energy development. Our country's energy production is thriving and public lands are part of that prosperity. Cutting or eliminating funding for fish and wildlife management, not charging industry proper fees nor collecting market based royalty rates, and removing protections for clean air, clean water, and healthy environment will not fix our energy problems. It will only make them worse.

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Mr. LAMBORN. All right. Thank you. I now recognize myself for five minutes. Thank you all for being here.

Mr. McKee, in your testimony, you say that approximately 600,000 acres in Uintah County have been shelved for oil and gas leasing.

Can you tell the Committee the potential that this land holds for American energy production and jobs in your community?

Mr. MCKEE. Yes, thank you, Mr. Chairman. As I noted earlier, there was 77 leases that were canceled, six of those were reinstated. There were 6,000 acres reinstated. Just the royalty—the

winning award was $48.6 million for those 6,000 acres. This is a vast resource of oil shale and natural gas and all the different commodities that are there.

To really be able to know exactly how much that is worth, it is hard to say, and there is more than just the 600,000 acres. That was just under Master Leasing, take a plan amendment with the BLM's new plan now to be able to get to those resources.

There are hundreds of thousands of other acres that are being not utilized just in my county, let alone the entire State of Utah and across the West.

Mr. LAMBORN. Jobs, any idea on jobs?

Mr. MCKEE. Well, I know this. I have visited with companies. There are billions of dollars in investment that these companies would like to put into our area, but they have to have something that is predictable, something that is stable.

What we are seeing is this investment going into other areas. When the 77 leases were canceled, most of these jobs were oil and gas jobs. We lost about 3,000 jobs in our county. It is a small county, about 32,000 people. We lost about 3,000 jobs right at that time.

Mr. LAMBORN. Just with the stroke of a pen. Thank you.

Mr. Milito, in your experience in the oil and gas industry, do you support the Department of the Interior's proposal to increase royalty rates for production on Federal lands and why or why not?

Mr. MILITO. No. The reason why is simple economics of running an oil and gas business, particularly onshore where you have really hundreds if not thousands of operators.

By making those increases, you are essentially taking a lot of production off the table. You will have less people coming to the lease sales and purchasing the leases, and then you have less acreage leased and when we have less acreage leased, you get less production.

You are disincentivizing the investment in these types of resources, and you ultimately would be losing production and jobs to go along with it.

Mr. LAMBORN. Maybe you heard my comments earlier, but if there is the ability to pass on to the consumers, like any other business, then that leads to higher prices. If that ability does not exist, then it discourages investment.

In any case, it will not lower prices at the pump, would it?

Mr. MILITO. Well, we do not like to speculate on what will happen ultimately with the prices at the pump given our role as a trade association, but any time you are increasing costs on the industry, you are discouraging the industry from investing in U.S. projects, and you are discouraging the industry from investing in U.S. job creation.

Given that it is a global market, we end up often times losing that investment to other areas of the world, and instead of securing our own energy future with our own resources, we end up losing it to other parts of the world, and we have significant ability to increase our production over the course of the next five to ten years, and we really have to look at it in the long term.

I do not want to speculate on prices, but at the same time, we have to understand Economics 101 shows that by increasing supplies, you do assert downward pressure on prices.

Mr. LAMBORN. Whatever happens on prices, we know there is absolutely a jobs' impact.

Mr. MILITO. Absolutely. Every study that we have seen shows increasing access, increasing the permitting, streamlining the permitting, and eliminating regulatory uncertainty, any one of those will provide additional incentive to invest and increase job creation.

Mr. LAMBORN. OK. Thank you. Finally, Ms. Skaer, the Administration recently joined with Japan and the European Union to file a complaint with the WTO over China's policy of restricting export of its rare earth minerals.

Do you believe this is the best way for this Administration to ensure an adequate supply of critical and strategic minerals for our manufacturing base and our national security?

Ms. SKAER. We do not. Instead of relying on China and other countries to provide the rare earth's and the critical and strategic minerals that our nation needs that we require as a society, we believe it would be better to become self reliant, to produce those minerals here.

We are today import reliant, more than 50 percent import reliant on 43 minerals, and you compare that to where we are with crude oil, that to me is a pretty disturbing statistic.

We have the third richest mineral endowment in the world within the borders of the United States, and we could very easily meet our needs, but we cannot do it with the regulatory burdens that we have, with the long permitting times, and with the uncertainty that we have in this country right now.

Mr. LAMBORN. Thank you very much. Mr. Markey?

Mr. MARKEY. Thank you, Mr. Chairman, very much.

Mr. Milito, I hope you heard the earlier conversation I had with Mr. Abbey about the fines for violations on public lands, where there were more than 2,000 violations over a 13-year period by oil and gas companies on public lands for things as egregious as drilling without a blowout preventer or drilling without an approved BLM permit.

Yet, the average fine for these violations was only $135. We know how much money the oil industry made last year, $137 billion.

It is like paying a parking ticket for parking in the middle of the day on Connecticut Avenue that was $1. You pay the $1 every day because it costs you $30 to park in a garage. It is cheaper to pay the fine.

It does not really provide a disincentive.

Do you agree that the current penalties are too low and they have not been updated in 30 years, and they should be increased for the bad actors?

Obviously, the American petroleum industry has many, many good companies. There are bad actors in every industry. You really do not have to discourage good companies from doing bad things. You have to discourage bad actors from doing bad things.

Do you think the fines should be increased in order to discourage that kind of activity?

Mr. MILITO. I think that is a fair point, especially considering Director Abbey's statement that fewer than ten percent of companies have any infractions at all, and most are corrected immediately.

I think what we support in terms of the fine system is really looking at reforming the whole process, including making sure that we have strong enforcement in place and making sure that the mechanism is there to deter bad actors.

I would not look at it in a vacuum because you may have a $5,000 fine there, but I think the BLM has the discretion to issue $5,000 to $10,000 per day in civil penalties.

I think you have to look at what is the overall framework that BLM is operating under to make sure it is effective both in regulating and enforcing.

Mr. MARKEY. You do agree that a $5,000 fine for not having a blowout preventer is——

Mr. MILITO. That sounds low. I do not know the facts around that. If it is an egregious violation and the total fine is $5,000, that could be a very bad example.

Mr. MARKEY. I appreciate it. Thank you.

Mr. Fosburgh, oil companies currently hold 38 million acres of public land, onshore, but are not producing on 68 percent of that land, 25 million acres. That is the size of Indiana.

In other words, the public lands of the American people, the size of Indiana, are out there now and leased for oil and gas drilling to the private sector, but they are not drilling on 25 million of those acres.

The oil and gas industry is saying give us more, and they already have an area the size of Indiana and they are not drilling for oil and gas, even though they bid for the leases to drill for oil and gas on public lands.

What is going on there, Mr. Fosburgh? Why do they keep asking for more when they have not even eaten what they have already purchased in terms of the oil and gas leases?

What in your mind is going on here? Why do they not do the work where they already have it rather than keep asking for more before they finish the job on the 25 million acres?

Mr. FOSBURGH. I can only speculate. I do not own an oil company or gas company. Certainly, in the old days, during the Bush Administration, it seems they pretty much got anything they wanted.

I think they got used to asking for a lot, even if they were not going to use it, because they could lock it up from a competitive or speculatory basis, and have it down the road, plus it prevents other people from getting in there and getting it, too.

All I can say is there are a lot of places that were leased that were pretty critical to fish and wildlife areas that have suffered from the development that has occurred, and we just want to see a process moving forward.

Mr. MARKEY. I appreciate that. Before they expand out into other areas, they have 7,000 approved permits to drill, and they are not drilling. They are saying give us another 7,000. That does not really make any economic sense, if you are not already doing the job where you already have the right to do so.

A lot of us, I am included, think there should be kind of a time limit on how long you get a lease. You should not be able to lock it up indefinitely when other companies might want to go in and drill.

I just do not like the idea where it has been decided it is OK to keep that oil and natural gas out of the hands of the American people. I just do not think that is right. Then to come in and ask for more to lock up that as well. What is the point of that.

I just think credibility of the people who are asking for it is kind of questionable, given the fact that two-thirds of the leases they have already they are not drilling.

That is kind of my point. I thank all of you for testifying here today. Thank you, Mr. Chairman.

Mr. LAMBORN. Thank you. We will finish up with Representative Thompson.

Mr. THOMPSON. Thank you, Chairman. Thanks to the panelists for attending this hearing today.

Ms. Skaer, in your testimony, you suggested the BLM would do better to use their requested budgetary increase for their Land Management Plan revisions to accommodate sage grouse should be used on the ground and to better implement Manual 6840, the Special Status Species Management.

Can you provide more detail regarding Manual 6840 and how would that be a better use of resources?

Ms. SKAER. Manual 6840 is entitled "Special Status Species Management." When you go through that manual, BLM has regulatory mechanisms and they have policies in place to deal with threatened species, endangered species, and candidates like the sage grouse which are warranted but precluded.

Yet, when the National Technical Team Report was issued, BLM issued two instruction memoranda to implement that report while they are taking scoping comments, not one single mention is made of this manual that they already have.

The Fish and Wildlife Service did not tell BLM to go adopt new regulatory mechanisms. They said you need to better implement the regulatory mechanisms that you have.

Our view is rather than spending two-thirds of their budget request on the NEPA process, they would be much better off spending two-thirds of that on the ground implementing the tools they already have rather than creating new ones.

If you look at the Western Governors' recent report, of the voluntary and state efforts to conserve sage grouse, they are working. They are having phenomenal success.

Instead, we really believe that this is an effort to raise sage grouse conservation above multiple use, much like the wildlands project, and being from the Northwest and having seen the impact of the spotted owl on timber communities when the underlying science was not valid to support the Northwest Forest Plan, the sage grouse could be the spotted owl on steroids for the Interior West.

Mr. THOMPSON. Thank you. Commissioner McKee, frankly, as an elected official in your county, it must be frightening that the BLM's preferred alternative is to reduce 75 percent of the land available for oil shale leasing.

I think when it comes to energy, there are different types of pains. Obviously, the American citizens are experiencing a pain at the pump now when demand exceeds supply.

In your community, what happens to your county's economy, local municipalities, and school districts, if greater burdens and barriers to energy development are continued by this Administration?

Mr. MCKEE. Well, it affects us immensely. After the 77 leases were canceled, we had a lot of our community that had to leave. Fifty percent of our jobs, 60 percent of our economy is tied to the extractive industry. It does affect us immensely, these different policies.

We just had a resource management plan that was supposed to be a 15- to 20-year planning guide to direct what happens on the public lands.

Essentially, this Administration threw it out and are kind of just doing really their own thing with this.

It is unfortunate that we have yo-yo politics rather than consistent management, with good management goals.

Mr. THOMPSON. Have you noticed any trends in your county? I do not know how much of the county is public lands. Have you observed any energy production trends on Government owned versus privately owned lands?

I know your chart made some reference to the difference between Government owned and privately owned.

Mr. MCKEE. What we are seeing out in our area right now, because it is so difficult and it is so timely on the public lands, and I noted that very few leases have been issued, only 15 percent of our county is privately held. There is a lot of push for those privately held properties.

It does make it difficult. It makes it extremely difficult. It just seems with the amount of energy we have in that area, it is a crying shame that we are not utilizing that potential.

Mr. THOMPSON. Mr. Milito, you suggested that the President routinely likes to take credit for the fact that the overall domestic energy production in the U.S. is up.

While he is correct that production has increased in recent years, it kind of speaks to the line of questioning and response from Commissioner McKee.

I would agree with you that he has nothing to do with it. Production is up because of actions taken during previous Congress' and Administrations and the fact that gas production on private lands, which is outside the Federal permitting and leasing process, has increased significantly.

Starting with Mr. Milito but I will open it up to all panelists, would you agree with this?

Mr. MILITO. Yes, I certainly would agree with that. In fact, we think the Administration's decisions and policies have been a drag on production, particularly if you look at offshore.

We were projected to be at about 1.7 million barrels a day in 2011, and we are going to be at 1.3 million barrels a day. That is a 400,00 barrel a day impact in the negative direction.

That is the type of supply increase we need to put downward pressure on gasoline prices.

Things are good on private and state lands, but going down and the trend is continuing to go down on the Federal lands they control.

Mr. LAMBORN. We are going to have to wrap up with that. Thank you all for being here. Thank you for your testimony.

I would ask that if any Members of the Committee have additional questions for the record, that when they submit those to you, you respond to those in writing.

If there is no further business, without objection, the Committee stands adjourned.

[Whereupon, at 12:26 p.m., the Subcommittee was adjourned.]

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