

EXAMINING BLM PUBLIC LANDS LEASING

HEARING

BEFORE THE
SUBCOMMITTEE ON
THE INTERIOR
OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

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EXAMINING BLM PUBLIC LANDS LEASING

Wednesday, March 23, 2016

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE INTERIOR,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:15 a.m., in Room 2247, Rayburn House Office Building, Hon. Cynthia M. Lummis [chairman of the subcommittee] presiding.

Present: Representatives Lummis, Gosar, Buck, Palmer, Lawrence, and Plaskett.

Mr. GOSAR. The Subcommittee on Interior will come to order. Without objection, the chair is authorized to declare a recess at any time. I'm going to introduce myself for an introductory statement.

Good morning. Today the Subcommittee on the Interior will examine the Bureau of Land Management's recent difficulties with oil and gas lease sales. The Mineral Leasing Act requires the BLM to hold quarterly lease sales for oil and natural gas in States where lands are available for leasing, but it has had several lease sales canceled either due to weather or lack of space.

Congress has already provided BLM authorization to conduct online auctions instead of in-person sales, through language included in the 2015 National Defense Authorization Act. The Secretary was given the authority to conduct on-shore lease sales through Internet-based bidding methods. BLM has already selected a vendor and conducted a pilot on lease sales auction in 2009 when it was previously given authorization to do so through the fiscal year 2008 Consolidated Appropriations Act.

We have a video clip of some of the folks who the BLM want to ensure gets a chance to bid on these leases. Can we play the video? [video shown.]

Mr. GOSAR. That is folks pretending to be hit by a car in an effort to disrupt a lease sale in Lakewood, Colorado. This is just plain crazy. To help us understand what is going on with this problem and other leasing issues at the BLM like the coal lease sale moratorium, Director Neil Kornze is here.

Director Neil Kornze, I appreciate you being here to answer our questions. I hope we can learn today when we can expect BLM to utilize its authority to conduct online lease sales. And with that, I am going to acknowledge Mrs. Lawrence for her introductory statement. Thank you Mrs. Lawrence.

Mrs. LAWRENCE. Good morning, and thank you, Chairman, for holding this important hearing. I thank our witness, Director Kornze for his time and testimony.

Our discussion today will focus on the management of oil and gas lease sales by the Bureau of Land Management.

Congress has entrusted this agency with the stewardship of millions of acres of public lands. The agency is capably managing grazing, recreation, and the development of natural resources on public land. For energy production, the agency is also managing public lands in Wyoming that produce the majority of the Nation's coal. Solar, wind, and geothermal energy, our renewable energy sources, are also responsibly managed by the agency.

During the Obama Administration, the agency has approved enough drilling permits to sustain oil and gas development on public lands for the next 4 years. Some people accuse the agency of hindering oil, gas, or coal production on public land. I think the facts speak otherwise. BLM has offered over 4 million acres of land to lease for oil and gas development. But industry has only bid on a fraction of that land.

Let us examine all of the circumstances to see how best we can use the land that is now under energy development leases. Once that assessment is complete, it will then be appropriate to revisit the question on whether more public lands should be made available for development. I am looking forward to this discussion, and I yield back.

Mr. GOSAR. Thank you, Mrs. Lawrence. I will hold the record open for 5 legislative days for any members who would like to submit a written statement.

Mr. GOSAR. We will now recognize our distinguished witness. I am pleased to welcome The Honorable Neil Kornze, the director of the Bureau of Land Management at the U.S. Department of Interior. Welcome, Mr. Kornze. Pursuant to committee rules, witnesses will be sworn in before they testify.

Will you please rise and raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth and nothing but truth?

Mr. KORNZE. Yes.

Mr. GOSAR. Thank you. Please be seated.

Let the record reflect that the witness answered in the affirmative.

In order to allow time for discussion, please limit your oral testimony to 5 minutes. Your entire written statement will be made part of the record. Mr. Kornze, you are recognized for 5 minutes.

WITNESS STATEMENT

STATEMENT OF THE HONORABLE NEIL KORNZE

Mr. KORNZE. Thank you, Chairman, Ranking Member Lawrence, and the other members of the committee. It is a pleasure to be with you today.

The Bureau of Land Management manages 250 million acres on the surface of this Nation and about 700 million acres of its subsurface minerals. We manage these lands under the dual framework of multiple use and sustained yield which is a mandate from Congress which has its 40th anniversary this year.

We at the BLM take seriously our obligation under this framework to ensure the Federal Government's on-shore energy resources, both renewable and conventional, are developed in a safe and responsible manner. Every year we face the challenge of meeting this obligation while also moving forward with some of the most advanced and largest energy projects in the world.

The BLM's oil and gas program continues to provide critical resources to our Nation's energy supply. In fact, on lands where you need a BLM permit to drill, oil production has more than doubled during this administration, which outpaces production increases seen nationwide over that same time period.

In fiscal year 2015 on-shore oil and gas royalties from Federal leases exceeded \$1.8 billion, approximately half of that money goes back to the States where the development occurred. Over the same period, tribal royalties exceeded \$850 million all of which went to tribal or individual Indian mineral owners.

In addition to overseeing this growth in production, the BLM continues to offer leasing and drilling opportunities far in excess of industry demand. For instance, last year, the BLM offered more than 4 million acres of lease sales, yet industry only bid on 15 percent of that acreage. Similarly, industry currently has 32 million acres under lease, an area roughly the size of Alabama. However, only 12 million of those acres or less than 40 percent are producing oil. And last year the BLM approved more than double the number of drilling permits than there were wells drilled on the lands where they could be used.

Furthermore, by the end of the year, there were nearly 4 years worth of permits ready to drill without any additional work or review by the Bureau of Land Management. These permits have been approved and are on the shelf in the hands of industry today.

Part of what we see in these important statistics is that as is always the case, current oil prices, market conditions, and geographic considerations drive development decisions. With respect to leasing, the BLM's actions are guided by the Mineral Leasing Act which instructs the BLM to hold quarterly lease sales in States where lands are available. In the lower 48, the leasing process starts with the public identifying parcels that they would like offered at a lease sale. The BLM decides whether to include a particular parcel in a lease sale based on allocation decisions made in applicable land use plans, our evaluation of resource conflicts, and compliance with other statutory requirements and management objectives.

Once we identify those parcels that are appropriate for potential inclusion in a sale, the BLM prepares an environmental analysis in order to give the public and the BLM an opportunity to look more closely at the management considerations surrounding an individual parcel in order to inform the ultimate leasing decision on that parcel.

Given the extraordinary demands placed on public lands and the resources they contain, the BLM works closely with stakeholders throughout the process to ensure the development is directed to the right places that have the fewest resource conflicts. After completing the necessary reviews, the BLM offers parcels at a lease sale. Normally the sale schedule is announced at the beginning of the year. However, from time to time there have to be adjustments

and occasionally postponements. This happens if there are no lands available, the applicable presale requirements have not been completed, or in isolated cases unpredictable events or safety concerns justify a postponement.

When an unpredictable event or safety concern prompts a postponement, all of the parcels that would have been offered at that postponed sale are offered at a subsequent sale, typically that same year, often just a few months later.

Recognizing that there are always opportunities to improve the BLM is making important investments in our leasing process consistent with our larger effort to modernize our oil and gas program. Notably, since receiving new permanent statutory authority, the BLM has been working to stand up an Internet-based leasing system and we intend to phase in this new process with online lease sales later this year.

Thank you for the opportunity to be here. I look forward to your questions.

[Prepared statement of Mr. Kornze follows:]

**Statement of
Neil Kornze
Director
Bureau of Land Management, U.S. Department of the Interior
House Committee on Oversight and Government Reform
Subcommittee on Interior**

***“Recent Management of Oil and Gas Lease Sales
by the Bureau of Land Management”***

March 23, 2016

Chairman Lummis, Ranking Member Lawrence, and Members of the Subcommittee, I am pleased to join you today to discuss the Bureau of Land Management’s (BLM) oil and gas program. The BLM is responsible for managing nearly 250 million surface acres and 700 million subsurface acres, located primarily in 12 western states, including Alaska. The BLM manages this large portfolio on behalf of the American people under the dual framework of multiple use and sustained yield. The BLM administers public lands for a broad range of uses, including renewable and conventional energy development, livestock grazing, timber production, hunting, fishing, recreation, and conservation.

Striking the right balance between these many competing interests and uses of the public lands means that the land management professionals of the BLM must make hard choices every day. Whereas other Federal agencies primarily support either development or conservation, at the BLM we do it all. This unique role often puts the BLM in the middle of the greatest natural resource challenges facing our country.

With respect to energy development, the BLM takes seriously its responsibility to manage the Federal government’s onshore conventional and renewable energy resources in an environmentally responsible manner. The energy projects supported by the BLM represent some of the most advanced developments in the world. They make a critical contribution to the nation’s energy supply and provide a significant non-tax source of revenue to state and Federal treasuries. Each year the BLM strives to make improvements in the way that we manage these resources, and we continue to do so this year.

Oil & Gas Program Overview

The BLM oversees oil and gas development on Federal and Indian lands. This development provides critical energy resources for our nation, and reduces our reliance on oil imports. Secretary Jewell has made it clear that as we expand and diversify the nation’s energy portfolio, the development of conventional energy resources from BLM-managed lands will continue to play a critical role in meeting our energy needs and fueling our economy.

Since 2008, oil production is up 108 percent on lands where drilling requires a BLM permit. This doubling of production is even greater than the 88 percent increase in oil production that was

seen across all lands nationwide during that same time period. This increase in production expanded the nation's energy portfolio and provided important economic benefits. For example, in FY 2015, onshore Federal oil and gas royalties exceeded \$1.8 billion, approximately half of which were paid directly to the states in which the development occurred. In the same period, tribal oil and gas royalties exceeded \$850 million, with all of those revenues paid to the tribes or individual Indian owners of the land where the development occurred.

However, in addition to overseeing this development, it is equally important to remember that the BLM bears a cradle-to-grave responsibility for the more than 100,000 active wells on public lands and has an affirmative obligation to ensure that the production from these wells is conducted in an environmentally responsible manner. To satisfy these responsibilities, the BLM works closely with its lessees and operators to implement best management practices and other required mitigation. Designed to promote safe and efficient operations, these measures minimize impacts to the environment by concentrating development in smaller areas and lessening impacts to affected resources.

In the last year, the BLM approved 4,228 drilling permits, yet industry only drilled 1,620 wells. As result of the agency's robust permitting effort in recent years, there are currently over 7,500 approved drilling permits in industry's hands that are available for use today with no additional action or review from the Bureau. In other words, at current activity levels, industry has more than four years' worth of drilling permits approved and ready to go. In FY 2015, we also made significant progress reducing the quantity of pending permits and continued to make strategic investments in technology to streamline the review process.

Oil & Gas Leasing Authority

The Mineral Leasing Act of 1920 (MLA) and the Mineral Leasing Act for Acquired Lands of 1947 give the BLM responsibility for oil and gas leasing of minerals underlying about 564 million acres of BLM-managed surface lands, National Forest System lands, other Federal lands managed by other agencies, and State and private surface lands where the mineral rights underneath were retained by the Federal government. Domestic production from Federal oil and gas wells on these lands accounts for ten percent of the Nation's natural gas supply and five percent of its oil.

The Federal Onshore Oil and Gas Leasing Reform Act of 1987 (Sec. 5102) amended the MLA (30 USC 226), and directs that "[l]ease sales shall be held for each State where eligible lands are available at least quarterly and more frequently if the Secretary of the Interior determines such sales are necessary." Leases are first offered for sale at competitive auctions and then are made available non-competitively, for two years, if a qualified bid is not received at the competitive sale.

When a lease sale is assembled, the applicable statutes, as well as the BLM's leasing regulations, policy, and land use plans, require a careful evaluation of parcels identified for potential inclusion in the sale. The decision whether to include any particular parcel in a lease sale is squarely within the BLM's discretion.

Identification of Lands Available for Leasing

On BLM-managed lands, consideration of the eligibility of a particular parcel for oil and gas leasing begins well before the lease sale process. The BLM's Resource Management Plans (RMPs) establish the foundation for its land management decisions, containing general resource allocations and other decisions that reflect the BLM's effort to balance the many resources and competing uses within a planning area. Through the RMPs, major resource conflicts are considered, such as balancing important wildlife habitat needs with energy development. For purposes of oil and gas leasing, lands within a planning area are identified as fitting in one of three categories: lands open under standard lease terms, lands open with restrictions, and lands closed to leasing. Many of the lands closed to leasing consist of areas with special designations and other unique and environmentally sensitive areas, such as habitat for special status species.

Recognizing the importance of well-considered land allocation decisions when it comes to leasing, the BLM rolled out the Master Leasing Plan (MLP) process in 2010 as part of its larger leasing reform effort. MLPs minimize conflicts and facilitate responsible development by determining, at a finer scale than RMPs, which areas are appropriate for exploration and development and which are not because of other resource values present. MLPs establish a model for how communities can work together to balance development with important environmental, cultural, and recreational resources. The BLM has completed seven MLPs over the past few years and additional MLPs, including one for lands near Moab, Utah, are slated for finalization this year.

Preparing Parcels for a Lease Sale

When it comes time to build the parcel list for a particular sale, the BLM does so primarily through nominations from industry and the public, in the form of Expressions of Interest (EOIs). Upon receipt of an EOI, the BLM reviews the nominated parcels to determine if they are eligible for leasing under the applicable RMP. The BLM must also determine whether offering specific parcels will be in compliance with various statutory requirements, including the National Environmental Policy Act, the Endangered Species Act, the National Historic Preservation Act, and other laws. In some limited circumstances the BLM nominates parcels on its own initiative, such as when it identifies instances of potential drainage.

After the nomination of lands and confirmation that they are available for leasing, the BLM prepares an Environmental Assessment (EA) to analyze specific parcels to determine what reasonably foreseeable impacts may occur from the leasing and development of those parcels. The lease sale EA gives the public and the BLM an opportunity to look more closely at individual parcels and determine if conditions have changed since the area was identified as being available for potential development. Since the EA further analyzes the decisions made in an RMP with current on-the-ground conditions, the BLM may decide to defer the leasing of some areas so that current conditions can be further evaluated. The BLM posts leasing EAs online for a 30-day public comment period. This is followed by a Notice of Competitive Sale which is posted 90 days prior to the sale. That Notice includes a list of each parcel and

associated stipulations, and initiates a 30-day protest period. Given the extraordinary demands placed on public lands for all of the varied resources they contain, the BLM works closely with stakeholders throughout the entire leasing process in an effort to ensure that development is directed to the most appropriate places with the fewest resource conflicts.

In order to improve and automate aspects of the lease sale assembly process, the BLM is developing the National Fluids Lease Sale System (NFLSS). The NFLSS is an online system that will automate and standardize the pre-sale process of gathering EOIs, assembling parcels, creating lease sale notices, and other critical actions related to leasing. The system will provide an online public portal for industry to enter its leasing nominations and track the progress of those nominations.

Holding the Lease Sale

Following applicable laws and regulations, the BLM holds competitive lease sales quarterly in each of its state offices where lands are available. In order for lands to be available, identified parcels must be open for leasing under the applicable RMP and the BLM must have satisfied applicable legal requirements. From time to time, the BLM has had to postpone previously scheduled sales if there are no lands available – e.g., the BLM has not received any EOIs or the applicable pre-sale legal requirements have not been satisfied. Additionally, in some isolated cases, there may be unpredictable events or safety concerns that trigger postponement of a lease sale. In those instances, all of the parcels that would have been offered at that sale are offered at a subsequent sale. For the sake of efficiency, rather than scheduling an entirely new sale, the BLM simply combines the parcels from a postponed sale with those proposed for inclusion in an already scheduled future sale. For example, although the February 2, 2016, lease sale in Wyoming had to be postponed because of a severe winter storm, all of the parcels that would have been offered on that day will be offered at Wyoming's May sale in addition to the parcels originally proposed for the May sale.

Through its leasing program, the BLM offered over 4 million acres for sale in Fiscal Year (FY) 2015. Of those, industry bid on just over 600,000 acres, or roughly 15 percent of the total acres offered. Those sales generated \$142.9 million in bonus bids and rental fees for the U.S. Treasury and the states where the leases are located. This contributed to the more than \$3 billion the BLM has generated in lease sale bonus bids between 1988 and today.

Last year's sales also continued a longstanding trend, whereby the BLM offers more lands for oil and gas leasing than industry actually bids on. Since 1988, industry has only acquired 34 percent of the acreage offered by the BLM, even though much of the acreage offered is based on industry EOIs. Moreover, while industry has 32 million acres currently under lease – an area roughly the size of the state of Alabama – only 12 million of those acres (40 percent) are producing.

Modernization of Lease Sale Process

Recognizing that there is always room for progress, and consistent with BLM's larger effort to modernize its oil and gas program, the BLM is seeking to improve its program generally through

the deployment of new, more efficient online systems, including online leasing and permitting systems. These improvements should reduce overhead costs and processing times.

Specifically, since receiving new, permanent statutory authority in the FY 2015 National Defense Authorization Act, the BLM has been working to set up internet-based leasing for onshore oil and gas lease sales. The BLM's intent is to begin phasing in an internet-based leasing system in the summer of 2016 with the goal of having the option to use internet-based bidding or in-person auctions for all 2017 lease sales. The BLM is currently evaluating targeted regulatory changes to support this effort.

Conclusion

The BLM and the Administration remain committed to promoting environmentally responsible domestic oil and gas production in a manner that will protect consumers, human health, the environment, and sensitive resources on the public lands. The BLM's oil and gas leasing program is a critical component of this process, and we are continuing our efforts to update and improve our operations and systems.

Thank you for the opportunity to present this testimony. I will be glad to answer any questions.

Mrs. LUMMIS. [Presiding.] I thank the gentleman, and we will, because Mrs. Lawrence has a markup, we will give her 5 minutes to ask questions first.

So thank you very much for your testimony, Mr. Kornze, and now Mrs. Lawrence, you are recognized for 5 minutes.

Mrs. LAWRENCE. Thank you, Madam Chair. Good morning, Director. The management of our energy resources is of critical importance to our national and economic security. Those resources are not replaceable once they are gone, so it makes sense that we use them in the right way and at the right time.

Could you please respond to this? Do you have an estimate of the share of oil and gas produced on Federal lands as compared to non-Federal lands? Can you respond to that? What is our level of production?

Mr. KORNZE. So in terms of production on lands where you need a BLM permit to drill, it is about 7 percent of the Nation's oil and about 11 percent of the Nation's gas.

Mrs. LAWRENCE. And it seems reasonable to me that in deciding how to best manage our non-renewing resources, we need to have clarity on the current performance. How do gas and oil prices influence bids on the oil leases and later production levels?

Mr. KORNZE. We see a strong correlation between prices and interest in leasing. So, for instance, and there has been, of course, a steep decline in oil prices recently. And we have seen a very strong drop off in drilling, and in APD applications, drilling permit applications, particularly this year. It didn't go over the cliff last year, but right now we are seeing half or a third of what we were seeing just a year ago.

Mrs. LAWRENCE. So with the active current lease lands, are they producing at a high capacity and are they contributing to our energy security?

Mr. KORNZE. So somewhere around 36, 37 percent of the lands that are leased are actually being used for production. When they are producing, they are producing important revenues for the country, and we are proud to be part of that.

Mrs. LAWRENCE. Okay. We have heard recent reports about a proposed cancellation in the Thompson Divide region. The concern is about inconsistent environmental standards associated with the 25 leases. Did NEPA apply at the time of the approval on the sale of these leases, and if not, why not?

Mr. KORNZE. So we had some procedural errors in our leasing effort there. So the short story is that the Forest Service put forward a plan for approving potential leases in that area in the 1990s when we went forward with leases in the Aughts. We did not correctly link our analysis to the environmental analysis of the Forest Service. So they were issued with error, and the Interior Board of Land Appeals, IBLA immediately threw out three of them that were challenged and the rest of them continue to have difficulties.

So we are going back, doing NEPA, evaluating the situation and we are working through that process right now.

Mrs. LAWRENCE. Thank you, Madam Chair. I yield back.

Mrs. LUMMIS. I thank the gentlelady. The gentleman from Arizona, Mr. Gosar is recognized for 5 minutes.

Mr. GOSAR. Thanks, Madam Chair. Mr. Kornze—I will scoot down here. That one has got a buzz.

Thank you, Mr. Kornze, and thank you very much for getting back to me with regards for lands scheduled for disposal on the BLM. We look forward to the next month to seeing that up on the Web site.

Mr. Kornze, I'm strongly opposed to the practice used by this administration which utilizes the Antiquities Act to unilaterally designate national monuments and to lap up millions of acres of land, BLM, or otherwise, from resource development. I find it especially egregious when the administration plays fast and loose with this authority at the behest of the extremist environmentalists and special interests that do not have American people's best interest as their motives.

Mr. Kornze, Arizona already has 18 national monuments, more than any other State. Is the administration currently working on designating a new national monument in Arizona on BLM lands?

Mr. KORNZE. So I am going to have to refer you to the White House, the Antiquities Act is a Presidential power, and you know, any decisions that relate to that are under the auspices of —

Mr. GOSAR. Well, I understand, but have they reached out and talked to you about any types of parcels particularly in western Arizona? No conversation whatsoever with the White House at all?

Mr. KORNZE. I am going to direct you to CEQ in the White House for information on what they are working on or what they are not working on.

Mr. GOSAR. So the White House hasn't reached out to you one iota with regard to any lands located in Arizona?

Mr. KORNZE. I would say we receive requests and interests from a lot of people from all types of stakeholders on these issues.

Mr. GOSAR. No, but this is a specific ask. I mean, you are under oath and I am asking you, did the White House or the administration talk with you or anybody underneath—the BLM in regards to any withdrawal potentials utilizing the antiquities in Arizona?

Mr. KORNZE. I have heard discussion related to multiple possibilities.

Mr. GOSAR. Multiple possibilities. Can you elaborate rate on those multiple possibilities?

Mr. KORNZE. I am talking about looking at the country and figuring out where would this be appropriate, where would it not?

Mr. GOSAR. So there is some conversation going on between the White House and BLM and agencies in regards to antiquities withdrawal?

Mr. KORNZE. Yes.

Mr. GOSAR. That is kind of—you misled me. I mean, you know, at the very, very beginning of that conversation, you said you will have to talk to the White House. So there is some coordination going on. Is there a Member of Congress that actually is involved in those conversations?

Mr. KORNZE. Well—

Mr. GOSAR. Remember, you are under oath.

Mr. KORNZE. I mean, it depends on what we are talking about, sir.

Mr. GOSAR. Is there a Member of Congress from Arizona regarding those discussions with BLM and the White House?

Mr. KORNZE. Is there a Member of Congress involved? Not that I am aware of, but I am going to refer you to the White House for more information on what they are working on.

Mr. GOSAR. My office currently has a FOIA request at the Department of Interior regarding the proposals, and the coordination between land agencies and environmental groups. Will that request collaborate the information that you shared here today?

Mr. KORNZE. I don't know what—I don't know the request you are referring to, so—

Mr. GOSAR. The request we sent was by multiple Members of Congress, was submitted on 12-3-2015, and we have received nothing of substance to date, absolutely shameful. So much for being the most transparent administration in history. Any idea when your administration will respond to that request?

Mr. KORNZE. I am not familiar with that request so I couldn't tell you.

Mr. GOSAR. We will make sure that it is reissued then. And we will look for an expedited conversation.

In July of last year the House of Representatives passed an amendment to block pending national monuments throughout the country where there is significant local opposition. Do you support pursuing the designation of a monument that blatantly ignores the will of local governments and overrides every clear opposition from local communities who will be negatively be targeted by such action?

Mr. KORNZE. So it has been a consistent position of this administration to make sure that any use of the Antiquities Act is done through community conversation, that it is responding to local interests.

Mr. GOSAR. So we would have a scheduled public hearing in regards to those withdrawals?

Mr. KORNZE. There have been public hearings before other designations. So—

Mr. GOSAR. I am going to be more specific about Arizona. When have those conversations occurred? Would you enlighten me?

Mr. KORNZE. Which?

Mr. GOSAR. Well, I mean, you made the comment today that there has been some conversations between the White House and your office in regards to potential liquidity of some lands, so when are we expecting to have these conversations with the public out in Arizona?

Mr. KORNZE. I presume if a decision is made to pursue with interest that sort of concept, that there would be a public process involved.

Mr. GOSAR. So you would tell me that that is actually going to happen prior to, not afterwards?

Mr. KORNZE. That has been the practice of this administration to make sure that there is a public process.

Mr. GOSAR. Can you provide for the record those that have applied prior to for the record so that we can actually have a record of that?

Mr. KORNZE. Yeah, you sure can.

Mr. GOSAR. I would appreciate it. Madam Chair, I thank you very, very much for the questions.

Mrs. LUMMIS. I thank the gentleman and I will now take my 5 minutes. Thank you, Mr. Kornze, for joining us today.

I want to start by visiting about the coal lease sale moratorium. Even with the leasing moratorium in place, you and Secretary Jewell have suggested that some leases might continue and that some leasing could take place under certain circumstances.

Can you provide some more assurances that some lease sales will be completed, and when?

Mr. KORNZE. So a lot of it depends on industry interests. All right, so we have, I believe, five different projects in Wyoming alone that have received records of decision, or near that point in the process and are able to move forward. A very large portion of what we have on the list to continue to move forward are projects that have essentially been approved but are sitting on the shelf because industry has asked us to pause. So there is a considerable amount of leasing that is available to move in Wyoming in addition to other States.

Mrs. LUMMIS. Now I want to shift to oil and gas. We had given you authority to do online leasing. Hopefully, that would alleviate some of the concerns that you have expressed that you have to cancel meetings because the rooms are too small or the weather is too bad. You mentioned that you are moving forward this summer, but now I heard you say earlier later this year.

Mr. KORNZE. Yeah.

Mrs. LUMMIS. So what does that mean? At one point I had heard, I thought I had heard it would happen this summer. Now I am hearing later this year.

Mr. KORNZE. So I will clarify. We intend to have one lease sale online this summer, hope to have two or three this fall. And then if those are a success, we should be using it broadly next year.

Mrs. LUMMIS. And what is taking so long?

Mr. KORNZE. So I think part of it is, you know, looking at a regulatory scheme and seeing if the authority that was given to us matches with our regulations and how we thread that needle. Because there is an odd requirement for us that it be oral bidding, so we are trying to figure out how do you meld oral bidding with an online system.

And then other than that, you know, finding a contractor, getting the contract in place, putting together our rules of the road and our guidance for our team, so I can understand the desire to move faster and we are almost there.

Mrs. LUMMIS. You have yet to make the fiscal year 2015 leasing data for oil and gas public. When do you plan on releasing that data?

Mr. KORNZE. Let me consult with my staff. It should be very soon. Okay. It should be within the next few weeks.

Mrs. LUMMIS. As in several months.

Mr. KORNZE. No, next 2 weeks, let's say.

Mrs. LUMMIS. Very good. Thank you. Some State offices cover multiple States. There were only three lease sales in New Mexico which has some very high interest areas in the Permian Basin because the Oklahoma field office had a sale. Do you have plans to

ensure four quarterly sales occur in New Mexico, Montana, North Dakota, and the other States with Federal oil and gas lands?

Mr. KORNZE. We, just to make sure I—correct me if I don't get to the point of your question here, we are intending to move ahead with everything that is on our schedule to the degree that we have lands that are available and the situations are, you know, we can provide for the safety and, you know, reasonable disposition of those sales.

A lot of the difficulty we have had is, you know, adjusting to the level of public interest that has been brought to these lease sales. Historically, these have been quiet affairs, 15, 20 people sitting together conducting these sales. And now we often times have hundreds of people attending so we had an adjustment period through December, January, but I think Utah is a great example where we had a lease sale that was postponed in December and we have successfully orchestrated and had that lease sale since then.

Mrs. LUMMIS. And it was postponed for what reason?

Mr. KORNZE. We were surprised by the level of interest and so we were under the impression there were going to be hundreds of people attending.

Mrs. LUMMIS. Was it interest by bidders, or was it interest by opposition demonstrations?

Mr. KORNZE. Generally demonstrators, yes.

Mrs. LUMMIS. So are you required to make those bidding sessions public?

Mr. KORNZE. Well, it is part of the ethos of the agency to make sure that we have as much of a public process as we can. So if folks want to attend in a reasonable way, express opinion, yeah, that is something that we welcome.

Mrs. LUMMIS. Was the information made available to you earlier that there may be protests, hence, that was not held, that lease sale?

Mr. KORNZE. Earlier as in—

Mrs. LUMMIS. Well, you mentioned that it was postponed because you had a larger turnout. You anticipated a larger turnout, more interest, so to speak. So in other words, were you tipped off that some protesters were going to come?

Mr. KORNZE. We saw press releases a day, day-and-a-half in advance, and we had in Utah, traditionally held these in our State office and so, you know, having this kind of—having a 15-person, you know, fairly docile meeting in the midst of our employee space was something we were very used to, a day-and-a-half in advance being able to find a place appropriate for a few hundred people, that, you know, with different levels of excitement, took us some time.

So that was the reason that we postponed that sale and sought a different venue.

Mrs. LUMMIS. I just find it interesting that a traditional practice conducted in a traditional place would be changed because of a press release a couple of days in advance that protesters intend to come. And protesters would have an opportunity to protest from a sidewalk, not disrupting the specific lease sale.

Mr. KORNZE. Uh-huh.

Mrs. LUMMIS. And that sounds to me like an over-accommodation of a traditional, normal process in order to accommodate a protesting group. That sounds abnormal to me.

Mr. KORNZE. Well, we also we have had an abnormal security situation related to some public agencies, including ours. All right, we have had a situation where we have had militias. We have had people raising arms at different times and we are on heightened alert. Right.

We are concerned about safety and so a situation which we are not used to separating out, who's a bidder and who's not in a routine way, you know, gives us some pause and led us to take a half step back and say, how do we do this in the very near future and do it in a reasonable way that ensures the safety of everyone involved?

Mrs. LUMMIS. So the leases that were non-NEPA compliant that were Forest Service issued in the 1990s and then subsequently you had to walk them back because of FBLA requirements, non-NEPA compliant issuances, where were those leases? Do you remember what State they were in?

Mr. KORNZE. So the ones that Congresswoman Lawrence referred to, that was in Colorado.

Mrs. LUMMIS. And what is their current status?

Mr. KORNZE. So——

Mrs. LUMMIS. And let me ask first before I ask about their status. Had drilling begun in any of them, or were they dormant in pursuit of permitting?

Mr. KORNZE. So there's a range, there's about 65 different leases in Colorado that are being reviewed through this process. Some have active oil and gas production. And some have nothing. So there's the entire spectrum.

Mrs. LUMMIS. Okay. And for those where production had begun, is production continuing?

Mr. KORNZE. Yes.

Mrs. LUMMIS. In those where it had not begun, what is the process of reissuing them in a compliant manner?

Mr. KORNZE. So what is on the table right now in terms of a proposal is the Forest Service has redone their oil and gas land use plan for the White River National Forest so they have taken a fresh look based on recent information and said, here are the areas we think are appropriate for oil and gas. Here are the ones that we don't going forward. We have during our NEPA process incorporated that most recent information that they've provided and that they used and followed very similar lines. So places where they say we don't think oil and gas makes sense, we've followed a similar proposal or we have put forward a similar proposal and in places where they have said, you know, we think oil and gas is a good use of this land, we're proposing to leave those in place. But anyplace where there is existing production, that production will continue.

Mrs. LUMMIS. With regard to the pilot office program, we were expecting a report on how that is going with regard to streamlining permitting approvals. That report we expected by February 1. Do you have that report?

Mr. KORNZE. We are working on that. I will be frank that we had some confusion as to which fiscal year it was desired in. And so we are doing a double quick effort to get that done and get that up to you.

Mrs. LUMMIS. I am going to—now, I am going to switch topic as little bit and ask you some questions about the wild horse program.

Mr. KORNZE. Okay.

Mrs. LUMMIS. A little bit off the oil and gas topic. Both your State and mine have overpopulations of wild horses. This is a program that continues to vex those who are administering the wild horse program and the States that are trying to protect the quality of the range.

Can you give me an update on what the status is of the program, what options you are considering that would make this program function better for especially for Wyoming and Nevada.

Mr. KORNZE. Yeah, well, I appreciate the question. Those two States do have the largest numbers of horses and are a serious concern. So for those that are less oriented on wild horses and burros just as an entry level discussion, there are about 50,000 horses on the range—excuse me 60,000 horses on the range in the West. About 50,000 that we have removed and are now in long-term holding pastures, usually in Midwestern States. Our own internal recommendation as to how many horses should be on the range is somewhere just south of 30,000. So we are nearly double what it should be range wide. In some places, some individual spaces it is many fold over where it should be. So we have two difficulties here. One is that the reproductive rate is 15, 20 percent per year. These populations can double in 3-and-a-half years, and on the back end of the program, adoptions which is the outlet of the program have declined precipitously. We used to adopt out nearly 10,000 horses a year and now we are lucky if we get 2,000 adopted.

So a couple of things that we are doing, one, we are trying to be more vocal about this. And so I appreciate you asking the question. I think more public dialogue is needed. But we are very focused on birth control methods and looking at, you know, both drugs that can provide a 2-, 3-, 4-, 5-year window of birth control because right now we have PZP, but PZP will only, you know, reduce fertility for a year. And so we need a longer-term tool because we can't get out and touch every horse every year. It is just simply not possible with the budgets we have. So we have invested nearly \$11 million in roughly 20 different projects, 15, 20 different projects. So we are working with USGS. We are working with big universities trying to pull together a research program that if we have success, it can be verified, it can be duplicated. A lot of what we have seen in the past has been smaller teams, smaller researchers, some of which couldn't be replicated. So we are taking a big science approach in hopes that we can truly find a solution on that side.

We are also looking at issues of spaying and neutering. We have to be creative about what's possible. I think in the medium term, spaying and neutering horses as we spay and neuter our dogs and cats may be something that we need to do. And so we are researching that as well and the best tools and the best ways. So that's part of our program.

We are also trying to talk vocally about the actual cost of the program. One of the questions that I asked my team when I joined the agency was, how much are we spending? Because, you know, the team sat with me one day and said, here are three scenarios for potential gathers next year. How many should we do? And I said, well, what's the long-term cost that comes with each one of those choices? And we didn't have an answer. It took as you while to figure out lifetime costs, but that lifetime cost is approximately \$50,000, or up to \$50,000 per horse over the course of its life. So that is a lot of money that could be invested into a lot of very important public programs. So it is important for us that we find more adopters, that we have fewer horses coming into the system, that we find some broad—some broad ways to move forward. So if you have other ideas, we are very open and I appreciate you asking the question.

Mrs. LUMMIS. Well, thank you. It was pretty open-ended because I don't have any better ideas, so I appreciate that. And I want to thank the gentleman for indulging this lengthy discussion. The gentleman, Mr. Palmer, is recognized for 5 minutes.

Mr. PALMER. Thank you, Madam Chairman. On the horse issue, I have one constituent that this is a big deal with her and she will be delighted that I asked about this. But does the Bureau of Land Management engage in the sale of wild horses, for instance, to Asian markets?

Mr. KORNZE. We do not sell outside of the country that I am aware of.

Mr. PALMER. Is there a sale for meat products, dog food, things like that?

Mr. KORNZE. No.

Mr. PALMER. So there's no sale conducted by the Bureau of Land Management, just a management of the herd issue?

Mr. KORNZE. Yeah, our focus is on making sure that there's a humane situation for the horses; that they end up with good homes.

Mr. PALMER. Okay, thank you. I want to get to some of the other questions here. The Bureau of Land Management is considering implementing a rule on methane emissions. The EPA is already doing this. Seems to me that this is an unnecessary overlap and I bring this up because prior to 2008, and I've raised this point in hearing after hearing, there were 100,000 new businesses started up each year, more than businesses that closed; 100,000 more businesses open than closed. Since 2008, it is now 70,000 more businesses closing than opening up. We now rank 12th in the world among the industrialized nations in entrepreneurship. And one of the things that we consistently hear about, particularly the small business, is being overregulated and the complexity of the regulations and the uncertainty that it creates in trying to make a decision whether to open a business, expand a business, invest capital.

It just seems to me that if the EPA is already regulating methane emissions at the wellhead, natural gas wells, it seems to be just adding to the regulatory burden. Can you respond to that?

Mr. KORNZE. So we'll say that we are, EPA does have a proposal that relates to venting. I don't believe it looks at flaring. Our regulatory approach looks at both. We have been working closely with EPA to make sure that we are not providing duplication. In fact,

we have a portion of our rule that speaks to the fact that if you are meeting EPA requirements, that you can step back from requirements that we have. So, and part of what traditionally the EPA does is they look forward and say new or modified operations, we'll follow their regulation, whereas we already have 100,000 different oil and gas wells open on public lands. So we have a regulatory responsibility there. And the bigger issue is that there are—sort of brings this all together for us and brings us the urgency is that there's roughly \$400 million worth of American energy going up in the air. It is either being flared, or it's just being vented so it's really a conversation about is there a way to more productively in a reasonable fashion get more of the energy in the pipelines and used in American homes because, you know, I believe the statistic is something, it is enough energy to power 5 million homes. So that is a loss that I am not sure we are prepared to take, so we're taking a look at that and that's why we are having a public comment on our rule.

Mr. PALMER. Are you applying this just on Federal lands or is this across the board?

Mr. KORNZE. Ours is just public lands. Yeah.

Mr. PALMER. Okay. Well, the interesting thing is, there's a University of Texas study that they did in collaboration with the Environmental Defense Fund that shows that the majority of the hydraulically fractured well completions which were sampled during the study had equipment in place that reduced methane emissions by 99 percent. So I just, it appears that the technology is ahead of the curve, so to speak, and I do agree with you, one of my concerns was—about the flaring is that we are basically burning resources.

I wanted to ask you also about this 20-year moratorium on coal leases that Secretary Jewell announced. Will that—do you know or have any idea if there is an intention to apply that to oil and natural gas leases as well?

Mr. KORNZE. So it's a 3-year pause and then a programmatic review which mimics what was done in the Nixon administration and during the Reagan administration. I have not heard any discussion of doing something similar with oil and gas.

Mr. PALMER. How about timber?

Mr. KORNZE. No.

Mr. PALMER. All right. One of the things that I have pointed out is that the United States is literally an energy super power.

Mr. KORNZE. Yeah.

Mr. PALMER. I mean, I think we have only explored 15 percent of our offshore resources. We've got—and from what I have gotten from the Bureau of Land Management in my own research, enormous reserves of oil and natural gas. Just stunning amounts. What I would like, if you don't mind and my time is—has run out here, you could respond in writing to this. I would like for, if you could, to send to my office your estimated reserves on Federal lands for oil, natural gas, coal and timber, you know, your latest estimates on Federal lands.

Mr. KORNZE. You bet. We would be happy to do that.

Mr. PALMER. Thank you, Madam Chairman. I yield back.

Mrs. LUMMIS. I was extremely indulgent with my own time, and Mr. Palmer, I appreciate your being more timely than I was. Do you have any further questions?

Mr. PALMER. No, I think I am fine.

Mrs. LUMMIS. Okay, I appreciate it very much. I have a couple of followup questions, Mr. Kornze, before we let you go. And thank you for appearing this morning in this abbreviated week in Congress.

With regard to the BLM Permit Processing Improvement Act of 2014, how many employees has BLM hired since this became law?

Mr. KORNZE. I am going to have to track that down for you.

Mrs. LUMMIS. Okay, I'd appreciate it. We'd love to have those numbers so we understand specifically the exact field offices where hiring of inspectors and other positions have taken place.

Mr. KORNZE. You bet.

Mrs. LUMMIS. So if we could have it at that level of detail, I think that would be very instructive to us as to the direction that is being taken as this law is implemented.

We also are interested in the allocation of funds to each field office for the previous fiscal year and the accomplishments of each field office relating to the coordination and processing of oil and gas use authorizations. So the question being, and this is a report that I believe the agency is required to have completed. It would be helpful to us to have it completed as soon as possible, or get us even some information as we go into this appropriation cycle so we can better understand the approach that you are taking with regard to human resource allocations—

Mr. KORNZE. Yeah.

Mrs. LUMMIS. —and how this law is being implemented. Has that information been given to interior environment approps? Am I asking for redundant information, or—

Mr. KORNZE. I don't believe we have. I mean, if this mimics the information that would come from the report that we referred to earlier, if you can provide, you know, specific data requests, you know, we might be able to get that to you, you know, in a fairly efficient manner.

Mrs. LUMMIS. Okay, well, we will do that and we'll ask the staff of this subcommittee to follow up with you in hopes that we can better understand as we prepare our request to the interior environment approps committee that we understand the allocation of human resources in these various offices. And understand the manpower needs and what we hear from our constituents about whether they are being met or not. We would appreciate that very much.

Thank you very much for appearing before this subcommittee today. It is an abbreviated week in Congress, and lots is going on. We're trying to cram 4 days of business into 3, and consequently, everyone is running hither, thither and yon, but your time and attention this morning is deeply appreciated by this committee, and I should probably go to whatever—see if—I guess there's no further business.

The announcements were made about how members have extra time. We've asked you the questions we need to, so there is no further business. We thank you, again. Without objection, the subcommittee stands adjourned.

Mr. KORNZE. Okay. Thank you very much.
[Whereupon, at 9:59 a.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

House Natural Resources
 Subcommittee on Interior
 Hearing Examining BLM Public Lands Leasing
 March 23, 2016

Questions from Chairman Lummis

1. **Recently, there has been an increase in protests against oil and gas leasing from environmental groups, such as the 'Keep-it-in-the-Ground' movement. What is the policy of BLM on making federal land available for energy development? Does BLM policy support slowing or eliminating leasing land for oil and gas development?**

Response: The BLM continues to support the development of conventional energy resources from BLM-managed lands while also working to expand and diversify the nation's energy portfolio. In terms of making lands available for such development, the BLM follows its well established leasing process, which starts with a land use planning decision.

The BLM's Resource Management Plans (RMPs) establish the foundation for the BLM's land management decisions. They contain general resource allocations and other decisions that reflect the BLM's effort to balance the many resources and competing uses within a given planning area. The RMPs consider and address major resource conflicts, such as balancing important wildlife habitat needs with energy development.

For purposes of oil and gas leasing, lands within a planning area are identified as fitting in one of three categories: lands open under standard lease terms, lands open with restrictions, and lands closed to leasing. Many of the lands closed to leasing consist of areas with special designations and other unique and environmentally sensitive areas, such as habitat for special status species. Once allocation decisions have been made, the public may then nominate, through an Expression of Interest (EOI), a particular parcel for consideration at a subsequent oil and gas lease.

When assembling a lease sale, the BLM looks primarily at the EOIs received in order to determine which parcels might be offered at a sale. When a lease sale is assembled, applicable statutes, such as the National Environmental Policy Act, the Endangered Species Act, and the National Historic Preservation Act, as well as the BLM's leasing regulations, policies, and land use plans, require a careful evaluation of parcels identified for potential inclusion in the sale. The decision whether to include any particular parcel in a lease sale is within the BLM's discretion.

In Fiscal Year (FY) 2015, the BLM offered over 4 million acres for sale. Of those, industry bid on just over 600,000 acres, or roughly 15 percent of the total acres offered, even though much of the acreage offered was based on industry-submitted EOIs.

2. **The increase in protests and BLM's desire to accommodate protestors has caused great delays in holding lease sale auctions. How does BLM decide when to cancel or postpone a lease sale auction? When does BLM plan to hold its next lease sale auction?**

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Response: The BLM develops the Lease Sale Schedule for a given year as a planning tool, usually over a year in advance of when the identified sales will actually be held. The sale dates are tentative and are used primarily for initial scheduling purposes. The BLM may postpone a specific lease sale for several reasons, including but not limited to: (1) lack of parcel nominations (EOIs) by industry; (2) lack of available parcels (e.g., the necessary environmental analyses has not been completed, or the required consent from a surface management agency is pending); and (3) other unforeseen and unpredictable circumstances, such as the severe blizzard that forced BLM Wyoming to delay a February 2016 sale. It should be noted that the parcels that BLM Wyoming would have offered in February 2016 were ultimately offered at its May 2016 sale.

After a BLM State Office tentatively schedules a lease sale, further steps occur before the sale can be held. If no EOIs are received, the BLM postpones the lease sale. If EOIs are submitted, a Draft Environmental Assessment (EA) is posted for a 30-day public comment period. Based on information in the Draft EA, the BLM may proceed or postpone the lease sale, depending on whether significant environmental impacts are identified. Per BLM Leasing Reform Policy, the applicable BLM State Office posts the Notice of Competitive Lease Sale on the applicable State Office website at least 90 days before the lease sale is held. The 30-day formal public protest period starts with the posting of the Notice of Competitive Lease Sale. After the public protest period ends, the BLM can move ahead with those parcels deemed available for the lease sale, even if some protests remain unresolved on the day of the sale, the BLM can nevertheless proceed with sale.

In Calendar Year 2016, the BLM has held competitive oil and gas lease sales in the following states:

- Utah, February 16
- Nevada, March 8
- Eastern States, March 17
- New Mexico, April 20
- Wyoming, May 3 (included parcels from postponed February 2016 sale)
- Montana, May 4
- Colorado, May 12
- Utah, May 17
- Nevada, June 14
- Montana, July 12
- Idaho, July 27
- Wyoming, August 2
- New Mexico, September 1
- Eastern States, September 20
- Wyoming, November 1

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The next lease sale is scheduled for December 8, 2016, to be held by the Colorado and Montana State Offices. That sale will be online following the success of the BLM Eastern States online lease sale earlier this fall.

- 3. In addition to delays in purchasing a lease, there is still great uncertainty for companies in whether they will actually be able to develop on the leased land because of BLM's delay in approving projects. There is a backlog of projects that have been waiting for NEPA approvals. What plans do you have to reduce the backlog of projects waiting for NEPA analysis, and to reduce permitting times from the current average of 227 days to the 30 days required by law?**

Response: To help reduce the review time for Applications for Permit to Drill (APDs), the BLM is updating its well database management system. That update is called the Automated Fluids Minerals Support System 2 (AFMSS2). This system, which comprehensively follows Onshore Oil and Gas Order No. 1 for drilling permit information, enables operators to electronically submit their application. The rollout of the new system was completed in phases, starting in October 2015. By the end of 2016, the BLM intends to shift to 100 percent electronic filing (or "e-filing") of oil and gas drilling permit applications. The new e-filing system automatically flags missing or incomplete information in an application, reducing one of the primary sources of delay in the current process. It also allows operators to track their permits through the entire review process, and by standardizing workflows, it will enable the BLM to shift work among offices in response to demands.

The new drilling permit application module was developed as part of the BLM's broader update to its Automated Fluid Minerals Support System, and was the first component to be deployed. Once fully functional, the BLM anticipates that 90 percent of permit decisions will occur within 115 days of submission, in cases where the BLM is the sole surface management agency. The new system is already in use in all BLM Field Offices and the current average permit processing time is 94 days for the 135 applications that have been processed using the new system. The 2015 average number of days for the BLM to process a permit was 220 days. The experience with these applications suggests that the new system will achieve the anticipated processing time reductions.

The review and approval of an APD package is a complex and challenging process requiring an interdisciplinary team effort, often working across agency lines. Some of the more complex analysis or field development may trigger the need for an Environmental Impact Statement, which lengthens the review time for APDs. The BLM uses the new AFMSS2 system to help manage the permit complexity and provide stronger analysis to withstand protests, appeals and litigation.

To address the demand in the more active permitting offices, the BLM has shifted staffing and resources toward these offices to process the influx of APDs. The Bakken play is an example of this shift in resources. By adding staff and periodically using strike teams, the

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BLM North Dakota Field Office was able increase its permit approvals by 250 percent from FY 11 to FY 15. The new AFMSS2 system adds additional program flexibility to address the needs of the BLM's most active offices in that it enables staff from other BLM offices to remotely review APDs, rather than physically relocating to that office.

- 4. Lately, there have been many cases where protestors have caused disruptions at lease sale auctions. What is the policy of BLM in dealing with protestors at these auctions when they become disruptive? How does BLM ensure that it can still carry out its responsibilities to hold these auctions when these situations occur?**

Response: On August 30, 2016, the BLM issued a direct final procedural rule that amends its oil and gas leasing regulations to give it the flexibility to conduct online lease sales. These regulatory changes were made consistent with the authority provided by Congress as part of the National Defense Authorization Act (NDAA) for Fiscal Year 2015, which amended the Mineral Leasing Act to allow the BLM to conduct online lease sales. Prior to that amendment, the Mineral Leasing Act authorized Federal onshore oil and gas lease sales only by oral auctions. This rule and the legislative changes that preceded it were based on the results of a successful online auction pilot conducted by the BLM in Colorado in 2009. Based on the results of that pilot, the BLM estimates that internet-based auctions could increase participation and increase aggregate lease sale revenues by about \$2 million a year. The BLM's Eastern States Office held the first auction under this new authority on Sept. 20, 2016. It was a success as all 14 parcels were sold. BLM expects to conduct additional online sales throughout 2016 and hopes ultimately to conduct all lease sales on line.

- 5. Recently, an activist won the lease for more than 1,500 acres of land in Utah with no intention of using the land for energy development, yet she paid the \$1,600 fee to obtain the lease. What action does BLM intend to take in this situation and in other cases where activists win leases with no intention of using the land for royalty-producing development? Does BLM anticipate revenue loss from oil and gas royalties that otherwise would have been produced on the leased land?**

Response: The BLM sent a letter on April 15, 2016, to this particular individual who expressed interest in two non-competitive leases from the Utah February 2016 lease sale. The BLM's letter explained the obligations a lessee undertakes when committing to a lease, including the reasonable diligence requirements in developing and producing leased resources. In addition, the letter requested that the individual clarify her intentions with respect to the leases and public statements she made about not developing the resources. The BLM reviewed the additional information provided by the individual to determine whether or not she was eligible for issuance of an oil and gas lease under the MLA. Based on that review, on October 19 the BLM denied the two non-competitive oil and gas lease offers submitted by the individual. The basis for the denial was the MLA's diligent development requirement and the fact that on several occasions the individual who had bid on the leases indicated that her company has no intention of developing the two leases in

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question. The individual has appealed the BLM's denial to the Interior Board of Land Appeals.

6. **Some say that BLM has offered adequate acreage to meet market demand, but there is an estimated 10 million acre backlog. Clearly, BLM is not meeting market demand. Does BLM have any plans to address this large backlog of acreage that industry is interested in leasing?**

Response: As noted above, in FY 2015 the BLM offered 4,017,062 acres for leasing but industry bid on only 624,976 acres or 15.56% of the land the BLM offered. Those sales generated \$142.9 million in bonus bids and rental fees for the U.S. Treasury and the states where the leases are located. This contributed to the more than \$3 billion the BLM has generated in lease sale bonus bids between 1988 and today. Last year's sales also continued a longstanding trend of the BLM offering more lands for oil and gas leasing than industry actually bids on. Since 1988, industry has only acquired 34 percent of the acreage offered by the BLM, even though much of the acreage offered is based on industry EOIs. Moreover, while industry has 32 million acres currently under lease – an area roughly the size of the state of Alabama – industry has only developed 12 million of those acres (40 percent) for production.

- a. **If you do not have data on this backlog or dispute this number, will you please provide us information on acreage offered, sold, protested, deferred and issued by state?**

Response: This data is available on the BLM's website (see link below). Please note that the 10 million acres represents the EOIs that BLM received in 2015 but does not represent a "backlog" because not all of these acres are appropriate for leasing. Oftentimes, the BLM receives EOIs for areas that are not open to leasing based on current land use plans or areas that are not Federal mineral estate, and the BLM does not hold title. In addition, some states have speculators that nominate lands that rarely get purchased at the relevant lease sale. The BLM is working with industry to understand which EOIs are of real interest and therefore are a high priority for industry.

http://www.blm.gov/style/medialib/blm/wo/MINERALS_REALTY_AND_RESOURCE_PROTECTION/energy/oil_gas_statistics/data_sets.Par.40656.File.dat/EOI%20Acres%202006-2013.pdf

7. **The text of the BLM Permit Processing Improvement Act of 2014 has been law for almost two years now. The Committee has heard concerns that BLM has proportionately reduced the funding for some project offices by this amount. Is this true?**

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Response: The BLM Permit Processing Improvement Act of 2014 was incorporated into PL 113-291, the 2015 National Defense Authorization Act (2015 NDAA), and was enacted on December 19, 2014. From a funding perspective this Act did two things. First, it extended the rental revenue funding, which was set to expire at the end of the 10-year pilot period. While this funding source has been declining in recent years, its authorized uses allow the BLM to co-locate and fund partner agency personnel (Fish and Wildlife Service, Environmental Protection Agency, and Forest Service) to support the permit review and approval process in the Project Offices, which results in faster permitting and streamlining of the associated environmental reviews. Second, the 2015 NDAA increased to \$9,500 the APD fee (to be indexed for inflation) to fund BLM APD processing costs beginning in FY 2016. This fee increase was also accompanied by a change in the way these funds are allocated.

Prior to enactment of the 2015 NDAA, Congress appropriated \$32.5 million annually for APD processing, which was offset by APD fee collections. The \$32.5 million was based on a \$6,500 APD fee and the assumption the BLM would receive 5,000 APD submissions annually. This appropriated funding was “guaranteed” in the sense that the BLM would receive this funding amount no matter how many APDs were actually received.

Under the 2015 NDAA, by contrast, budget authority is only generated when the new APD fee is collected, and there is no appropriated funding backstop to ensure a base level of funding for the oil and gas program. Additionally, the 2015 NDAA only permanently appropriates 85 percent of the new fee amount for fiscal years 2016 through 2019, and that fee revenue is currently subject to budget sequestration.

This shift in funding approaches for APD processing in the 2015 NDAA may prove challenging going forward since the BLM has seen dramatic declines in industry APD submissions. This decline is consistent with current market conditions, as reduced prices decrease drilling interest. Based on current price projections, the BLM anticipates only receiving 1,600 APDs this year instead of 5,000, which will result in a corresponding drop in funding available to process new and existing APDs. This number of APDs would generate only about \$12 million for the processing of oil and gas use authorizations, which is \$20 million below FY 2015 appropriated levels.

Since low oil and gas commodity prices are forecasted to continue into FY 2017, this funding trend is anticipated to continue. This reduction cannot be absorbed by the BLM’s oil and gas program in FY 2016 or 2017 without significant staffing reductions. As a result, the BLM is currently evaluating various options to address this situation and would welcome the opportunity to work with Congress on this issue. If it is not addressed, this new funding model will have serious consequences for all oil and gas field offices, including the project offices.

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- a. **How many employees has BLM hired since this became law? Can you provide us with the exact field offices where the hiring of both the inspectors and other positions has taken place?**

Response: The BLM has hired 55 employees since enactment of the 2015 NDAA. Please see Attachment 1 for a detailed breakdown of this data.

8. **On February 1st of each year, you are required to report to Congress on the allocation of funds to each field office for the previous fiscal year and on the accomplishments of each field office relating to the coordination and processing of oil and gas use authorizations. Have you done this yet? If not, when do you plan to do so?**

Response: The draft report is currently under review.

9. **As the Department of the Interior has concluded that a Programmatic Environmental Impact Statement (PEIS) for the coal leasing program is necessary, does the Department plan to conduct other major modifications to the coal program while this review and analysis is being conducted, such as royalty and valuation changes? If so, what would these actions be and when would they occur?**

Response: At this time, the BLM has no plans for major modifications to the coal program during the PEIS process. Analysis of information received during the scoping period for the PEIS is currently underway, so it is premature to speculate on the outcome of that analysis.

10. **You have indicated that a number of coal project leases that have received records of decision will be grandfathered and allowed to move forward under the current PEIS. Can you confirm that the Administration is committed to allowing these lease sales to move forward as planned?**

Response: The Administration is committed to processing to completion coal lease applications that received a final record of decision or decision record prior to the Secretarial Order. As evidence of this commitment the BLM held the first such coal lease sale on April 14, 2016, for a coal tract in Alabama (81 FR 13417). The BLM is actively processing other tracts with similar final decisions.

11. **Does the Department have any data on the economic impact of the PEIS moratorium?**

Response: The Interior Department does not anticipate that the pause will significantly alter current production. Under the pause, companies may continue to mine the large reserves of undeveloped coal already under lease. Based on current production levels, coal companies now have approximately 20 years of recoverable coal reserves under lease on federal lands. This estimate may be conservative as Energy Information Administration

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analyses and other market trends show continuing declines in demand for coal. Many current lease applications with the BLM are on hold at the companies' request due to reductions in market demand for coal. Given the abundance of coal reserves under lease, the declining demand for coal, and the accommodations that will be made for emergency circumstances, the pause should have no material impact on current coal production, nor on the nation's ability to meet its power generation needs.

12. Is the Department of the Interior evaluating the regulation of methane emissions from coal leases?

Response: The Department issued an Advance Notice of Proposed Rulemaking (ANPR) on April 29, 2014, (79 FR 23923) titled Waste Mine Methane Capture, Use, Sale, or Destruction. The BLM received comments from 27 entities that represent the mining industry, government entities, other interest groups, and commercial methane development concerns. The comments cover a broad range of legal, technical and safety issues. Preliminary analysis of the comments indicates that there is a wide range of opinion. At the time of the announcement of Secretarial Order 3338, the Department also noted that BLM will issue guidance in the near term that, among other things: "[f]acilitates the capture of waste mine methane by providing that new or readjusted leases would authorize the coal lessee to capture and sell waste mine methane (if the authorization would not conflict with pre-existing oil and gas lease interests)." Work on this guidance is underway.

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Questions from Rep. Palmer

- 1. What are the estimated reserves on federal lands for oil, natural gas, coal, and timber?**

Response: The U.S. Geological Survey measures technically recoverable resources – those resources that are producible using existing technology. The most recent estimate for technically recoverable oil and gas from federal lands was completed as part of a multi-bureau effort involving the BLM, USGS, and others. Information related to that inventory can be found at http://www.blm.gov/wo/st/en/prog/energy/oil_and_gas/EPCA_III/EPCA_III_faq.print.html.

With regard to coal, USGS is currently tasked with calculating both resources and reserves in the major coal fields and basins throughout the United States, and a current emphasis is on calculating coal resource and reserve estimates under federal lands. The bureau is currently in year 2 of a second five-year phase of assessment activities concentrating on the Greater Green River Basin and the Rocky Mountains region. Although two assessment studies in the Greater Green River Basin are nearing completion, resource and reserve numbers for coal under federal lands is not available at this time. However, the first five-year phase of USGS's assessment project on the Powder River Basin can be found at <https://pubs.er.usgs.gov/publication/pp1809>. This basin is the most significant coal basin the U.S. with regard to federal reserves.

Timber resource estimates would be carried out by the U.S. Forest Service in the U.S. Department of Agriculture.

Attachment 1

Bureau of Land Management Oil & Gas Positions Hired by Location (Since December 19, 2014) <i>As of April 22, 2016</i>			
BLM State	Duty Station	Position Title	Amount
Colorado	Silt	Petroleum Engineer	2
		Land Law Examiner	2
		Geologist	1
Montana	Dickinson (North Dakota)	Natural Resources Specialist	3
		Petroleum Engineering Technician	6
		Petroleum Engineer	1
	Great Falls	Petroleum Engineer	1
	Miles City	Natural Resources Specialist	1
New Mexico	Carlsbad	Environmental Protection Specialist	4
		Natural Resources Specialist	6
		Petroleum Engineering Technician	3
		Petroleum Engineer	4
		Legal Instruments Examiner	2
		Geologist	2
	Farmington	Natural Resources Specialist	3
	Hobbs	Petroleum Engineer	2
Wyoming	Casper	Petroleum Engineering Technician	1
		Environmental Protection Specialist	1
		Natural Resources Specialist	2
		Petroleum Engineering Technician	2
	Newcastle	Geologist	1
		Natural Resources Specialist	1
	Buffalo	Land Law Examiner	1
TOTAL: 55			3