

EXAMINING ACCESS TO OIL AND GAS DEVELOPMENT ON FEDERAL LANDS

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

Thursday, June 29, 2017

Serial No. 115-13

Printed for the use of the Committee on Natural Resources



Available via the World Wide Web: <http://www.fdsys.gov>

or

Committee address: <http://naturalresources.house.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

26-167 PDF

WASHINGTON : 2017

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON NATURAL RESOURCES

ROB BISHOP, UT, *Chairman*

RAÚL M. GRIJALVA, AZ, *Ranking Democratic Member*

Don Young, AK <i>Chairman Emeritus</i>	Grace F. Napolitano, CA
Louie Gohmert, TX <i>Vice Chairman</i>	Madeleine Z. Bordallo, GU
Doug Lamborn, CO	Jim Costa, CA
Robert J. Wittman, VA	Gregorio Kilili Camacho Sablan, CNMI
Tom McClintock, CA	Niki Tsongas, MA
Stevan Pearce, NM	Jared Huffman, CA
Glenn Thompson, PA	<i>Vice Ranking Member</i>
Paul A. Gosar, AZ	Alan S. Lowenthal, CA
Raúl R. Labrador, ID	Donald S. Beyer, Jr., VA
Scott R. Tipton, CO	Norma J. Torres, CA
Doug LaMalfa, CA	Ruben Gallego, AZ
Jeff Denham, CA	Colleen Hanabusa, HI
Paul Cook, CA	Nanette Diaz Barragán, CA
Bruce Westerman, AR	Darren Soto, FL
Garret Graves, LA	Jimmy Panetta, CA
Jody B. Hice, GA	A. Donald McEachin, VA
Aumua Amata Coleman Radewagen, AS	Anthony G. Brown, MD
Darin LaHood, IL	Wm. Lacy Clay, MO
Daniel Webster, FL	
Jack Bergman, MI	
Liz Cheney, WY	
Mike Johnson, LA	
Jennifer González-Colón, PR	
Greg Gianforte, MT	

Todd Ungerecht, *Acting Chief of Staff*
Lisa Pittman, *Chief Counsel*
David Watkins, *Democratic Staff Director*

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

PAUL A. GOSAR, AZ, *Chairman*

ALAN S. LOWENTHAL, CA, *Ranking Democratic Member*

Louie Gohmert, TX	Anthony G. Brown, MD
Doug Lamborn, CO	Jim Costa, CA
Robert J. Wittman, VA	Niki Tsongas, MA
Stevan Pearce, NM	Jared Huffman, CA
Glenn Thompson, PA	Donald S. Beyer, Jr., VA
Scott R. Tipton, CO	Darren Soto, FL
Paul Cook, CA	Nanette Diaz Barragán, CA
<i>Vice Chairman</i>	<i>Vacancy</i>
Garret Graves, LA	<i>Vacancy</i>
Jody B. Hice, GA	Raúl M. Grijalva, AZ, <i>ex officio</i>
Darin LaHood, IL	
Jack Bergman, MI	
Liz Cheney, WY	
Rob Bishop, UT, <i>ex officio</i>	

CONTENTS

	Page
Hearing held on Thursday, June 29, 2017	1
Statement of Members:	
Gosar, Hon. Paul A., a Representative in Congress from the State of Arizona	1
Prepared statement of	2
Lowenthal, Hon. Alan S., a Representative in Congress from the State of California	3
Prepared statement of	5
Statement of Witnesses:	
Flynn, Ryan, Executive Director, New Mexico Oil and Gas Association, Santa Fe, New Mexico	13
Prepared statement of	14
MacGregor, Katharine, Acting Assistant Secretary, Land and Minerals Management, Department of the Interior, Washington, DC	7
Prepared statement of	8
Questions submitted for the record	12
Nelson, Laura, Governor's Energy Advisor, Utah Governor's Office of Energy Development, Salt Lake City, Utah	27
Prepared statement of	28
Questions submitted for the record	31
Squillace, Mark, Professor of Law, Natural Resource Law, University of Colorado, Boulder, Colorado Law School, Boulder, Colorado	17
Prepared statement of	19

OVERSIGHT HEARING ON EXAMINING ACCESS TO OIL AND GAS DEVELOPMENT ON FEDERAL LANDS

Thursday, June 29, 2017
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, DC

The Subcommittee met, pursuant to notice, at 10:04 a.m., in room 1324, Longworth House Office Building, Hon. Paul Gosar [Chairman of the Subcommittee] presiding.

Present: Representatives Gosar, Lamborn, Wittman, Pearce, Tipton, Westerman, Graves, Cheney, Bishop; Lowenthal, Brown, Tsongas, Beyer, Soto, and Barragán.

Dr. GOSAR. The Subcommittee on Energy and Mineral Resources will come to order. The Subcommittee is meeting today to hear testimony on examining access to oil and gas development on Federal lands.

I ask unanimous consent that the gentleman from Arkansas, Mr. Westerman, be allowed to sit with the Subcommittee and participate in the hearing.

Without objection, so ordered.

Under Committee Rule 4(f), any oral opening statements at the hearings are limited to the Chairman, the Ranking Minority Member, and the Vice Chair. This will allow us to hear from our witnesses sooner, and help Members keep to their schedules. Therefore, I ask unanimous consent that all other Members' opening statements be made part of the hearing record, if they are submitted to the Subcommittee Clerk by 5:00 p.m. today.

Without objection, so ordered.

I ask that there not be any type of disruption regarding the testimony given here today. It is important that we respect the decorum and the rules of the Committee of the House, and to allow the Members and the public to hear our proceedings.

Today, the Subcommittee will examine access to oil and gas development on onshore Federal lands. Our Subcommittee is holding a hearing in several weeks to discuss offshore Federal oil and gas development, and we ask the Members to reserve all offshore questions for the next hearing.

STATEMENT OF HON. PAUL A. GOSAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Dr. GOSAR. Federal mineral estates are owned by all Americans, and the Bureau of Land Management is obligated to responsibly manage and develop these valuable resources. Onshore Federal oil and gas accounts for roughly 20 percent of America's production, and is integral to our Nation's energy independence and security.

However, non-Federal production far outpaces Federal production figures, due in large part to the overwhelming administrative burdens of the Federal mineral development process. Not only has the new Administration inherited a backlog of 3,000 drill permit applications, but an incredibly burdensome regulatory scheme that discourages investment and development. It is critical that we evaluate these obstacles to access, to ensure a fair return to the American people.

There are many factors that influence an operator's decision to lease and develop hydrocarbons, including oil price, geology, and transmission infrastructure. While some may point to a low commodity price as a reason to withhold leasing and production, market conditions are no excuse for poor policies, or for the Federal Government failing to uphold its statutory obligations. In fact, many operators avoid Federal lands due to unquantifiable risk and level of uncertainty associated with the leasing and permitting schematic.

The current Federal oil and gas leasing and permitting processes are fraught with uncertainty, duplication, and delay. Designating lands for development can take years, and parcels nominated for lease were often explicitly retracted from the auction. Although the Mineral Leasing Act requires the BLM to hold quarterly lease sales of eligible lands, this requirement has not been enforced for years.

Furthermore, once an operator has successfully navigated the Federal leasing scheme, the lessee must still proceed through the Application for a Permit to Drill, or "APD," review process, which could set drilling back over a year. The uncertainty, delay, and risks presented throughout the process make operational and financial planning nearly impossible, and is a detriment to the locality, state, and the American people.

Despite the complications and inefficiencies of leasing and permitting under the previous administration, we are confident that the new Administration will take the time to carefully examine and optimize the BLM's processes. Secretary Zinke, a friend and former member of this Committee, testified before us last week and shared some of the steps he is taking to recommit the BLM to upholding its mission.

In addition to increasing program funding, Secretary Zinke is committed to improving field office performance. We are grateful for the Department of the Interior's initial steps in the right direction, and look forward to finding practical solutions that optimize the responsible developmental process.

[The prepared statement of Dr. Gosar follows:]

PREPARED STATEMENT OF THE HON. PAUL A. GOSAR, CHAIRMAN, SUBCOMMITTEE ON
ENERGY AND MINERAL RESOURCES

Today, the Subcommittee will examine access to oil and gas development on onshore Federal lands. Our Subcommittee is holding a hearing in several weeks to discuss offshore Federal oil and gas development, and we ask that Members reserve all offshore questions for the next hearing.

Federal mineral estates are owned by all Americans, and the Bureau of Land Management is obligated to responsibly manage and develop these valuable resources. Onshore Federal oil and gas accounts for roughly 20 percent of American production, and is integral to our Nation's energy independence and security. However, non-Federal production far outpaces Federal production figures, due, in large

part, to the overwhelming administrative burdens of the Federal mineral development process. Not only has the new Administration inherited a backlog of 3,000 drill permit applications, but an incredibly burdensome regulatory scheme that discourages investment and development. It is critical that we evaluate these obstacles to access to ensure a fair return to the American people.

There are many factors that influence an operator's decision to lease and develop hydrocarbons, including oil price, geology, and transmission infrastructure. And while some may point to low commodity prices as a reason to withhold leasing and production, market conditions are no excuse for poor policies, or for the Federal Government failing to uphold its statutory obligations. In fact, many operators avoid Federal lands due to the unquantifiable risk and level of uncertainty associated with the leasing and permitting scheme.

The current Federal oil and gas leasing and permitting processes are fraught with uncertainty, duplication, and delay. Designating lands for development can take years, and parcels nominated for lease were often inexplicably retracted from auction. Although the Minerals Leasing Act requires the BLM to hold quarterly lease sales of eligible lands, this requirement has not been enforced for years. Furthermore, once an operator has successfully navigated the Federal leasing scheme, the lessee must still proceed through the Application for a Permit to Drill, or "APD," review process which could set drilling back over a year. The uncertainty, delay, and risks presented throughout the process make operational and financial planning nearly impossible, and is a detriment to the locality, state, and American people.

Despite the complications and inefficiencies of leasing and permitting under the previous administration, we are confident that the new administration will take the time to carefully examine and optimize the BLM's processes. Secretary Zinke, a friend and former member of this Committee, testified before us last week and shared some of the steps he is taking to recommit the BLM to upholding its mission. In addition to increasing program funding, Secretary Zinke is committed to improving field office performance. We are grateful for the Department of the Interior's initial steps in the right direction, and look forward to finding practical solutions that optimize the responsible development process.

Dr. GOSAR. With that, I now recognize the Ranking Member for his statement.

Thank you.

STATEMENT OF HON. ALAN S. LOWENTHAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Dr. LOWENTHAL. Thank you, Mr. Chairman. First, I want to compliment you, and I want to compliment all the Members on both sides of the aisle of this Committee, as we have been doing so well in our last few meetings. They have been bipartisan, they have been cooperative, and they have been constructive. I think today is going to be a little bit more contentious, and I hope that that doesn't end that spirit.

Mr. Chairman, I do not oppose oil and gas development on public lands. But I do oppose letting the oil and gas industry call all the shots on how to manage those lands that are owned by all Americans.

An all-of-the-above policy does not mean that we do not set priorities, and I am concerned about our priorities.

It has only taken 5 months, and nearly every move on energy that this Administration has made could have come right out of the executive boardrooms of the American Petroleum Institute or the National Mining Association. And that may actually be the case, given the number of oil, gas, and coal lobbyists that now occupy high-ranking positions at the Interior Department, at the Energy Department, at the Environmental Protection Agency, and in the White House.

Rules to protect public health? Gone. Rules to protect our land, air, and water, and cut down on pollution? Gone. Rules to protect fish and wildlife? Gone. Rules to make sure that companies are paying their fair share? Gone. The standard seems to be: did the Obama administration put it in place, and did one oil, gas, or coal company complain about it? If so, it is gone.

In no place is it more important to balance multiple uses, environmental protection, as well as economic development, than on America's public lands. But this idea of balance, this idea that some areas should be protected while others can be developed, is at least endangered now. And soon that could be gone, too.

To quote the statement of the Acting Assistant Secretary, "America's free markets will help determine where and when energy development on public lands is feasible." That means that the idea that these lands, which belong to all Americans, should be managed in a way that will ensure that they are here for our children and our grandchildren, that idea is now gone.

Instead, the Administration is operating under the idea that the Department of the Interior should become a service station for the oil and gas industry. Which lands would you like to lease? Where and how fast do you want to drill? What regulations do you want us to repeal? Are these national monuments getting in your way? Just let us know. The Department of the Interior is apparently here to keep you happy.

Secretary Zinke paid lip service to the idea of supporting all forms of energy, to be in favor of the "all-of-the-above" policy. But if we look at his budget, it increases oil, gas, and coal programs by \$34 million, while renewables suffer a \$15.3 million cut. In fact, the fossil fuel program increase seems to be the only one in the entire Interior budget that has an increase.

We have seen this movie before, we have seen an administration where energy policy was literally written by big oil. During the 8 years of the Bush administration, the only measure of success for the Bureau of Land Management was how many drilling permits it could issue.

But what did we get? Interior Department officials thrown in jail, regulators doing drugs and literally getting into bed with the people they were supposed to be regulating, and a thirst for mineral revenues that put safety standards on the back burner, and helped to contribute to the Deepwater Horizon, according to the Presidential Oil Spill Commission.

When it comes to giving the keys to our public lands to the oil and gas industry, President Trump has made the Bush administration look bush league.

The fact is that oil and gas companies are doing just fine on our public lands and in our oceans, despite the misleading statistics that they are going to throw around today.

Oil statistics really show that oil production on public lands is up 59 percent since 2008. Offshore production is at a record high. Companies have more than 7,500 approved drilling permits that they are not using, and 26 million acres of public land under lease to be developed. It shows you from 2008, right through 2015, the Federal onshore oil production has increased every single year up

to 2015. And 2016 was slightly below 2015, but above all the other years.

So, kind of in closing, I just want to say our new quest for energy dominance, whatever that means, is not going to be enough. Nothing is ever going to be enough. We must do more. Hunting, fishing, camping, hiking, boating, off-roading, grazing, and all other uses of our public lands, are now second-class. Oil and gas are dominant.

Mr. Chairman, we have an opportunity on this Subcommittee to ensure that energy policies reflect the multiple uses of our public lands, for the benefit of all of our constituents, not just for the special interests of a few billionaires. Let's not squander that opportunity.

Mr. Chairman, I just want to say in closing that I understand your desire—and you sent out a few days ago—that the title of this hearing would be focusing on onshore, and I will try to abide by that. However, the title to the hearing was really, “Examining Access to Oil and Gas Development on Federal Lands.” And, as you know, our Outer Continental Shelf is really defined as submerged lands lying seaward of the coast line.

Ms. MacGregor is responsible for overseeing both offshore and onshore development, so there may be some questions that come up because people did not know. I am just letting you know that, even though we understand.

[The prepared statement of Dr. Lowenthal follows:]

PREPARED STATEMENT OF THE HON. ALAN S. LOWENTHAL, RANKING MEMBER,
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

Thank you, Mr. Chairman.

You know, we have been doing so well in our last few EMR hearings—they have been bipartisan, cooperative, and constructive. I hope that it is not coming to an end today.

Mr. Chairman, I don't oppose oil and gas development on public lands. But I do oppose letting the oil and gas industry call all the shots as to how to manage these lands owned by all Americans. It's only taken 5 months, and nearly every move on energy that this Administration has made could have come right out of the executive boardrooms of the American Petroleum Institute or the National Mining Association. And that might actually be the case, given the number of oil, gas, and coal lobbyists that now occupy high-ranking positions at the Interior Department, at the Energy Department, at the Environmental Protection Agency, and in the White House.

Rules to protect people's health? Gone.

Rules to protect our land, air, and water, and cut down on pollution? Gone.

Rules to protect fish and wildlife? Gone.

Rules to make sure companies are paying their fair share? Gone.

The standard seems to be: did the Obama administration put it in place, and did one oil, gas, or coal company complain about it? If so, it has to go.

In no place is it more important to balance multiple uses—environmental protection as well as economic development—than on America's public lands. But this idea of balance—the idea that some areas should be protected while others can be developed—is gone.

To quote the statement of the Acting Assistant Secretary, “America's free markets will help determine where and when energy development on public lands is feasible.” That means the idea that these lands, which belong to all Americans, should be managed in a way that will ensure they are still here for our children and our grandchildren—that idea is gone.

Instead, the Administration is operating under the idea that the Department of the Interior should become a service station for the oil and gas industry.

Which lands would you like to lease? Where and how fast do you want to drill? What regulations do you want us to repeal? Are these national monuments getting in your way? Just let us know. The Department of the Interior is apparently here to keep you happy.

Secretary Zinke pays lip service to the idea of supporting all forms of energy, to being in favor of "All of the Above." But his budget increases oil, gas, and coal programs by \$34 million while renewables suffer a \$15.3 million cut. In fact, the fossil fuel program increase seems to be the only one in the entire Interior Department budget.

We've seen this movie before. We've seen an administration where energy policy was literally written by Big Oil. During the 8 years of the Bush administration, the only measure of success for the Bureau of Land Management was how many drilling permits it could issue.

What did we get? Interior Department officials thrown in jail. Regulators doing drugs and literally getting into bed with the people they were supposed to be regulating. And a thirst for mineral revenues that put safety standards on the backburner and helped contribute to the Deepwater Horizon, according to the Presidential Oil Spill Commission.

When it comes to giving the keys to our public lands to the oil and gas industry, President Trump has made the Bush administration look bush league.

Look, the fact is that oil and gas companies are doing just fine on our public lands and in our oceans, despite the misleading statistics that are going to be thrown around today. Here are some statistics: Oil production on public lands is up 59 percent since 2008. Offshore production is at a record high. Companies have more than 7,500 approved drilling permits they're not using, and 26 million acres of public land under lease waiting to be developed.

But in our new quest for "energy dominance," whatever that means, this is not going to be enough. Nothing is ever going to be enough. Hunting, fishing, camping, hiking, biking, boating, off-roading, grazing, and all other uses of our public lands are now second-class. Oil and gas are dominant. The oil barons want everything, and this Administration is trying to serve it to them on a silver platter.

Mr. Chairman, we have an opportunity on this Subcommittee to ensure that energy policies reflect the multi-use nature of our public lands, for the benefit of all our constituents, not just the special interests of a few billionaires. Let's not squander that opportunity.

I yield back the balance of my time.

Dr. GOSAR. I thank the gentleman for that clarification.

I am going to now introduce our witnesses.

The first one we see is a familiar face, Ms. Katharine MacGregor, who is the Acting Assistant Secretary, Land and Minerals Management, U.S. Department of the Interior.

And now I am going to yield time to the gentleman from New Mexico to introduce the next witness.

Mr. PEARCE. Thank you, Mr. Chairman. I would like to introduce Ryan Flynn, who is the Executive Director of the New Mexico Oil and Gas Association. As the director of that, he has watched the permitting times on our wells increase from around 200 man days to get to a permit to something over 400, and he was formerly the Secretary of New Mexico Environmental Department, where he has a strong reputation for balancing energy development with responsible environmental stewardship.

Ryan, we appreciate you being here to testify today. I yield back.

Dr. GOSAR. I thank the gentleman. Our next witness is Mr. Mark Squillace, Professor of Law, the University of Colorado, Boulder, Colorado Law School.

And Dr. Laura Nelson, Governor's Energy Advisor, Utah's Governor's Office of Energy Development.

Let me remind the witnesses that under our Committee Rules, they must limit their oral statements to 5 minutes, but their entire statement will appear in the hearing record.

Our microphones are not automatic, so you will have to press that little button. And if you will kind of watch up front, when it

goes to the first 4 minutes it is green, then it will turn yellow. And when you see red, please summarize.

I will let the entire panel testify before we ask questions.

And now I will recognize Ms. MacGregor for her testimony.

Welcome back.

STATEMENT OF KATHARINE MACGREGOR, ACTING ASSISTANT SECRETARY, LAND AND MINERALS MANAGEMENT, DEPARTMENT OF THE INTERIOR, WASHINGTON, DC

Ms. MACGREGOR. Thank you, Chairman Bishop, Chairman Gosar, Ranking Member Lowenthal, and members of the Subcommittee. I have to say it is very good to be back here today. I absolutely loved working here, with both Majority and Minority staff.

My name is Kate MacGregor, and I am currently serving as the Acting Assistant Secretary for Land and Minerals Management at the Department of the Interior, where our responsibility is the management of four bureaus: the Office of Surface Mining Reclamation and Enforcement; the Bureau of Ocean Energy Management; the Bureau of Safety and Environmental Enforcement; and the Bureau of Land Management. I appreciate the opportunity to testify on the BLM's onshore oil and gas program, which plays a critical role in our Nation's energy economy.

The BLM manages 245 million surface acres and 700 million subsurface acres, most of which are located in 12 western states, including Alaska. Production on BLM-managed lands accounts for 7 percent of our Nation's onshore oil, 10 percent of our natural gas, and 41 percent of coal-produced domestically, as well as approximately 18,000 megawatts of renewable energy.

Last year, the BLM oil and gas program generated over \$1.56 billion in royalties, rental payments, and bonus bids, all of which were shared with states. States and counties, in turn, use these funds for roads, schools, and other important municipal needs. Public lands are integral to the Administration's America First energy agenda, and Secretary Zinke's priority to maintain U.S. energy dominance by growing domestic energy production, generating revenue, and creating and sustaining jobs throughout our country.

Access to responsible energy development on these lands begins with the planning and leasing process. Ten years ago, the BLM had nearly 45 million acres under oil and gas lease. Today, we are at 27 million acres. This is nearly identical to the total area currently designated as areas of critical environmental concern, also known as ACECs, which stand at over 24 million acres. This is nearly 10 percent of all BLM-managed lands in the United States.

In 2016, the BLM designated 8.2 million acres, the most ACEC acreage since 1980. This is one example of designations that limit how public lands may be used. Responsible energy production and conservation need not be mutually exclusive. That is why it is vitally important to Secretary Zinke to restore our multiple-use mission and strike the appropriate balance in onshore leasing that allows for job creation in rural America. This is about restoring balance.

Under Secretary Zinke's leadership, the Department and the BLM have been proactive in prioritizing responsible energy production on public lands, including by Secretarial Order. Order 3349 aims to remove duplicative burdens on energy production while promoting job growth for hard-working American families. Order 3352 will jump-start Alaskan energy production in the National Petroleum Reserve Alaska, helping to unleash Alaska's energy potential and increase throughput in the Trans-Alaska Pipeline.

These efforts have already shown to be effective. Under Secretary Zinke's leadership, the BLM has had more lease sales, offered more acreage, and generated more revenue in the first 6 months of 2017 than the same time last year. And we are only just getting started. The BLM plans to hold 14 additional lease sales this year.

Still, promoting access to public lands does not come without its challenges. I am sure that all members of this Committee are in close contact with their state and local leaders who do not hesitate to communicate their frustrations. It is the Secretary's goal to restore trust and improve relationships with our state and local partners, many of whom rely upon the economic activity and revenues that come from responsible oil and gas production on public lands in the West.

For example, the U.S. Census Bureau has found that rural New Mexico has one of the highest poverty rates in the country. Yet, rural New Mexico is also home to some of the most promising oil and natural gas deposits in the entire world. These resources are a tremendous source of jobs, economic growth, and revenue for these rural communities. This is why the Administration remains committed to promoting responsible oil and gas production that create jobs, promote a robust economy, and contribute to America's energy security.

There are a multitude of factors that affect access to Federal oil and gas resources, and the Department and the BLM are reviewing all of these and taking action where possible to encourage development opportunities and improve efficiencies without cutting corners on our duties to ensure that these activities are done in a smart and environmentally responsible way.

Thank you for the opportunity to testify today, and I will be happy to answer any questions.

[The prepared statement of Ms. MacGregor follows:]

PREPARED STATEMENT OF KATHARINE S. MACGREGOR, ACTING ASSISTANT SECRETARY, LAND AND MINERALS MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR

Chairman Gosar, Ranking Member Lowenthal, and members of the Subcommittee, I am pleased to join you today to discuss the Bureau of Land Management's (BLM's) onshore oil and gas program and our efforts to advance the program to help secure American energy independence, create jobs, and build a strong economy.

BACKGROUND

The BLM manages about 245 million surface acres and 700 million subsurface acres, located primarily in 12 western states, including Alaska. This diverse portfolio of lands is administered by the BLM on behalf of the American people as part of the agency's multiple-use mission—including energy and mineral development, livestock grazing, timber production, recreation, and conservation, among others. The BLM manages approximately 30 percent of the Nation's minerals. In Fiscal Year (FY) 2016, onshore energy production on Federal lands accounted for 7 percent of oil, 10 percent of natural gas, and 41 percent of coal produced domestically, and

another 17,963 megawatts of renewable energy projects are approved. Public lands support the Administration's America First Energy Agenda and Secretary Zinke's priority to maintain our Nation's energy dominance by advancing domestic energy production, generating revenue, and creating and sustaining jobs throughout our country.

America First Energy Plan is an "all-of-the-above" plan that includes oil and gas, coal, and renewable resources. Public lands are integral to the development of these important energy resources. Through this plan, America's free markets will help determine where and when energy development on public lands is feasible. In order to respond to our Nation's energy needs, the BLM is engaged in a variety of efforts to support domestic production. These efforts include predictable leasing; reducing barriers to accessing energy resources on BLM public lands; reviewing and streamlining the BLM's leasing and permitting processes to serve its customers and the public more efficiently and effectively; and improving coordination among key stakeholders, including state and local governments, other Federal agencies, and the public. The BLM is also committed to supporting improved electricity transmission and pipeline development—key areas of our Nation's energy infrastructure that stabilize the U.S. electric grid and keep energy prices low for American families.

The BLM oversees onshore oil and gas development on Federal lands and lands held in trust for the benefit of various tribes. Collectively, these lands contain world-class deposits of energy and mineral resources which power millions of homes and businesses. BLM-managed public lands provide a diverse marketplace for industry and play a significant role in creating jobs for hardworking Americans. Last year, the BLM economic study estimated the Federal onshore oil and natural gas program alone provided approximately \$50 billion in economic output and supported approximately 188,000 jobs nationwide. The BLM is also a key revenue producer for the Federal Government by providing a significant non-tax source of funding to state and Federal treasuries and is an important economic driver for local communities across the country. For example, while Congress appropriated about \$135 million to the BLM's oil and gas program in FY 2016, the program generated more than \$1.56 billion in royalties, rental payments, and bonus bids—all of which were split between the U.S. Treasury and the states where the development occurred. States and counties in turn use these funds to support roads, schools, and other important community needs.

The BLM is providing access to our diverse energy resources across our public lands while also adhering to key environmental laws and regulations. We remain committed to the safe and responsible development of these resources alongside our state and local neighbors.

PUBLIC LANDS' CONTRIBUTION TO ENERGY INDEPENDENCE

Onshore oil and gas production on BLM-managed public lands is a significant part of this strategy and makes an essential contribution to the Nation's energy supply. The BLM has 27 million surface acres specifically under lease for oil and gas development, including approximately 94,000 active wells and 40,000 leases. Under Secretary Zinke's leadership, the BLM has scheduled a quarterly lease sale in nearly every office. To date, the BLM has held 13 lease sales, including the February 2017 Wyoming lease sale, which garnered nearly \$129 million—the second largest amount generated from an onshore lease sale in the last 30 years.

While we are proud of the BLM's contribution to domestic energy production, we also recognize that there is a significant amount of work to be done. At the Secretary's direction, the BLM established ambitious 90-day targets to approve oil and gas Applications for Permit to Drill (APDs), shifting resources to the more active offices of Carlsbad, New Mexico; Casper, Wyoming; and Dickinson, North Dakota. While the first 90-day goal BLM set was to process 711 APDs, the BLM approved an impressive 758 APDs. The BLM remains committed to completing reviews on all pending APDs and to work with operators to match their rig schedules.

ACCESS TO ENERGY RESOURCES AND MULTIPLE-USE CONSIDERATIONS

There are a number of factors that may open, limit, or close Federal lands to oil and gas development, including land use planning, statutory and regulatory requirements, consideration of potential impacts to public land resources, and whether the resources in question are located on lands that have been withdrawn from mineral leasing. The Department and the BLM are reviewing all of these factors, and we are taking action, where possible, to encourage development opportunities and improve efficiencies.

Identifying Lands Available for Oil and Gas Leasing/Land Use Planning

The BLM's land use planning process provides—among many other resource considerations—a standardized procedure for analyzing the opportunities for oil and gas development on public lands, while also ensuring that such development is done in a way that minimizes environmental impacts and considers the public interest. Resource Management Plans (RMPs) contain general resource allocations and other decisions that reflect the BLM's efforts to weigh the many resources and competing uses within a planning area, and they often include reasonably foreseeable development (RFDs) scenarios that analyze the known and potential oil and gas resources of the planning area. For purposes of oil and gas leasing, lands within a planning area are identified as fitting into one of three categories—lands open under standard lease terms, lands open with restrictions, and lands closed to leasing.

While the RMPs identify appropriate uses of public lands, generally it is industry and the public who will nominate lands for leasing in the form of expressions of interest (EOIs). Upon receipt of an EOI, the BLM determines where lands are eligible for leasing under the RMP. Following applicable laws and regulations, with limited exceptions the BLM holds competitive lease sales quarterly in each of the state offices where lands are nominated and available. After the lease sale is held, any protests are resolved, and leases are issued, a lessee may then submit an APD for a specific area within their lease. The BLM then works with the lessees on final surface use and downhole drilling plans. Often, however, operators will assess drilling targets based on ongoing data analysis of resource potential and determine where and when to develop based on a variety of business model decisions.

Regulatory Limitations

When industry is considering whether to develop Federal onshore oil and natural gas resources, current regulations can serve as a significant barrier. The Department is committed to the Administration's priority of eliminating unnecessary or duplicative regulations, thereby reducing burdens that may unnecessarily encumber responsible energy production. As directed by Secretary Zinke's March 29, 2017, Secretarial Order 3349, *American Energy Independence*, the BLM is currently reviewing all regulations related to domestic oil and natural gas development on public lands. The BLM has proposed a rule to rescind the final rule titled *Oil and Gas; Hydraulic Fracturing on Federal and Indian Lands* and has reviewed the *Waste Prevention, Production Subject to Royalties, and Resource Conservation Rule*, postponing the implementation of any rule provisions that have not yet gone into effect. Finally, the BLM is working with industry to identify areas to adjust the technical requirements for the new regulation updates on-site security, metering, and measurement standards. This effort is designed to ensure that production accountability is maintained, but does not deter the successful development of oil and gas resources or lead to premature abandonment of marginal wells.

Stipulations on Oil and Gas Leasing

During the land use planning process, the BLM determines if lease stipulations are needed to ensure that development is done in an environmentally sound manner. Lease stipulations may include no surface occupancy (NSO), controlled surface use (CSU), and timing limitations (TL). Areas identified as NSO open to fluid mineral leasing, but surface-disturbing activities cannot be conducted on the lease; however, the lease may potentially be developed by directionally or horizontally drilling from nearby lands that do not have NSO limitations. CSU areas are also open to fluid mineral leasing but, in contrast, allow surface-disturbing activities, subject to special operational constraints to protect the specified resource or value. Finally, areas identified for TL are closed to fluid mineral exploration and development, surface-disturbing activities, and intensive human activity during identified time frames.

Mineral Withdrawals

Public land withdrawals are formal land actions that reserve or withhold public land by statute or proclamation, or in more limited cases by administrative order, from operation of public land, mining, mineral leasing, and geothermal leasing laws. Withdrawals are established for a broad array of public purposes, including for military reservations which account for approximately 16 million acres of currently withdrawn BLM-managed public lands. In addition, on lands where the Federal estate is split with other Federal agencies, the Federal surface management agency may require withdrawal of the Federal mineral estate.

Wilderness, Wilderness Study Areas and Areas of Critical Environmental Concern

Many conservation designations lead to withdrawals from the mineral leasing laws through legislation, presidential proclamation or administrative determina-

tions. Each of these special designations is subject to valid existing rights, and some include exceptions for specific types of mineral leasing. The BLM currently manages nearly 8.8 million acres of wilderness and 517 WSAs comprising approximately 12.6 million acres across the West. In addition to these designations, the BLM also manages approximately 1,100 Areas of Critical Environmental Concern (ACECs) spanning over 24 million acres. An ACEC designation by itself does not automatically prohibit or restrict other uses in the area; rather, the BLM determines as part of the land use planning process which activities or uses are consistent with the resources and values for which the area was designated.

PUTTING AMERICA FIRST BY BUILDING A STRONG ENERGY ECONOMY

Under Secretary Zinke's leadership, the Department and the BLM have taken many proactive measures to reduce the burdens associated with developing onshore oil and gas resources on public lands. Following is a discussion of some of these efforts.

Secretarial Orders

Improving access to oil and gas resources is an important component for ensuring energy independence. As discussed earlier, Secretarial Order 3349 provides guidance for removing unnecessary impediments to oil and gas leasing while fostering the creation of good jobs for hard-working American families. Secretarial Order 3348 overturned the Federal coal leasing moratorium enacted by the last administration. On May 31, 2017, Secretary Zinke signed Secretarial Order No. 3352 to jump-start Alaskan energy production in the National Petroleum Reserve—Alaska (NPR-A) and update resource assessments for areas of the North Slope, helping to unleash Alaska's energy potential. The Order calls for the review and development of a revised Integrated Activity Plan for the NPR-A that strikes an appropriate balance of promoting energy development while protecting surface resources. The order also aims to maximize the tracts offered for sale during the next NPR-A lease sale.

Online Leasing and Other Technological Process Improvements

The BLM is proactively streamlining its business processes to better serve its customers and the public. In addition to the 13 lease sales conducted to date, the BLM plans to hold 14 additional sales throughout 2017 using the new authority to conduct onshore oil and gas lease sales via Internet-based bidding. The BLM is also committed to continuing the National Fluids Lease Sale System (NFLSS) automation effort, which standardizes many leasing functions while providing additional EOI transparency to the nominator and the public. Finally, the BLM is adding features to enhance the new electronic APD processing system, the Automated Fluid Minerals Support System II (AFMSS II), and plans to decommission parts of the prior APD processing systems—established nearly 20 years ago—to improve the automation capacity and better match the BLM resources to permit activities. These improvements increase transparency and reduce overhead costs and processing times, leading to increased competition and revenue for states and the Treasury.

Building Stakeholder Relationships and Being a Better Neighbor

The BLM has also sought to improve interagency coordination during the oil and gas permitting process, which is instrumental in removing communication barriers, providing an efficient means for dispute resolution, and eliminating delays during the NEPA process. In order to achieve results, the BLM has focused on restoring full collaboration and coordination with state and local governments, tribes, individuals, and other stakeholders to resolve issues, develop productive relationships, and build consensus.

Establishing BLM's Energy and Minerals Task Force

The BLM is also looking at establishing an Energy and Minerals Task Force to assist BLM state and field offices with expediting the leasing and permitting process. In order to decrease backlogs, the BLM intends to expedite the completion of planning efforts, collaborate with other bureaus within the Department as well as external surface management agencies, and coordinate resource needs among BLM offices. The Task Force will monitor significant actions and resource needs in the field, identify trouble spots, and resolve resource challenges.

Prioritization and Capacity Building

To address the high-priority energy demands of our Nation, the President's FY 2018 Budget Request includes an additional \$16 million for the BLM's oil and gas program. This includes an increase of about 82 full-time-equivalent employees to enhance the core capacity for processing APDs, EOIs, and rights-of-way. In the past, funding increases provided by Congress, along with substantial improvements in the

BLM's approval process, have enhanced the BLM's capacity to process and issue leases and permits.

CONCLUSION

The BLM and the Administration remain committed to promoting responsible oil and gas production that helps create jobs, promotes a robust economy, and contributes to America's energy independence, while also protecting consumers, public health, and sensitive public land resources and uses. The BLM's oil and gas leasing program is a critical component of the Nation's energy infrastructure and is an important Federal revenue generator. Thank you for the opportunity to present this testimony. I will be glad to answer any questions.

QUESTIONS SUBMITTED FOR THE RECORD BY REP. LOWENTHAL TO KATHARINE MACGREGOR, ACTING ASSISTANT SECRETARY, LAND AND MINERALS MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR

Ms. MacGregor did not submit responses to the Committee by the appropriate deadline for inclusion in the printed record.

Question 1. Ms. MacGregor, please provide the following information to the Committee:

- a. The number of onshore oil and gas drilling permits approved but unused as of September 30, 2016, broken down by BLM State Office and Field Office, indicating how many are on Federal land and how many are on Indian land.
- b. For the APDs pending as of September 30, 2016, a breakdown of the length of time that those APDs had been pending (i.e. the number that have been pending for less than 30 days, the number pending between 31 and 60 days, and so on), broken down by BLM State Office and Field Office.
- c. The number of APDs received and approved for each month in Fiscal Year 2017 for which data is available, as well as the number of pending APDs at the end of each month, broken down by BLM State Office and Field Office.
- d. The number of wells on public land that have been drilled but uncompleted (or drilled but have not reported first production to the BLM), broken down by BLM State Office and Field Office, as well as by the number of months since those wells have been spud.

Question 2. Certain witnesses supported the idea of granting states the primary responsibility for managing Federal oil and gas operations within their borders? Under such a system, how would the Federal Government assure compliance with the myriad Federal laws and other requirements that apply to public lands including, for example:

- The Mineral Leasing Act and its regulations, which charge the Secretary of the Interior and BLM with managing Federal minerals leasing and permitting. See 30 U.S.C. § 226(a); 43 CFR § 3162.3–1(c).
- The National Environmental Policy Act and its requirements for environmental impact analysis;
- The Endangered Species Act including its requirements for consultation with the FWS;
- The National Historic Preservation Act including its requirement for consultation with State Historic Preservation Officer and the Advisory Council on Historic Preservation;
- The Secretary's trust responsibility to Native American tribes;
- The Federal Land Policy & Management Act and its requirements for land use planning, for management of the public lands to "protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archaeological values," and for the prevention of unnecessary and undue degradation of public lands.

Question 3. Several witnesses testified about the need to "streamline" oil and gas permitting on public lands? How would you streamline the process in light of the myriad legal requirements that apply to activities on public lands as noted in Question 2 above.

Question 4. The Energy Policy Act of 2005 sets out five categories of categorical exclusions from NEPA for certain limited types of oil and gas activities. In 2011, the GAO found that the BLM was abusing these exclusions by using them for activities that were outside their scope. How has the BLM responded to this report and what more, if anything, should be done to avoid the abuses of these categorical exclusions as found by the GAO?

Dr. GOSAR. Thank you, Ms. MacGregor.
I now recognize Mr. Flynn for his 5 minutes. Thank you.

STATEMENT OF RYAN FLYNN, EXECUTIVE DIRECTOR, NEW MEXICO OIL AND GAS ASSOCIATION, SANTA FE, NEW MEXICO

Mr. FLYNN. Thank you, Chairman Gosar, Chairman Bishop, Ranking Member Lowenthal, members of the Subcommittee, and staff. My name is Ryan Flynn, I am the Executive Director for the New Mexico Oil and Gas Association. Prior to taking over NMOGA, I was the Secretary of Environment and Natural Resource Trustee in the state of New Mexico, and worked in state government for approximately 6 years prior to taking this role.

I want to thank Representative Pearce for recognizing me. I want to recognize Representative Pearce, as well, who just had to step out of the room. But he has been a tremendous leader, and his district is home to one of the most resilient and productive oil and gas plays in the world, the great Permian Basin.

I want to talk to you a little bit about New Mexico's oil and gas industry, and talk to you about some challenges to oil and gas development on Federal lands in New Mexico, and suggest some opportunities for improving BLM's operations in New Mexico.

I want to be very clear that my goal here today is not in any way, shape, or form to criticize BLM individually. We have had a tremendous working relationship with BLM staff and leadership, and we look forward to continuing that working relationship, moving forward. But like any large agency, there are several opportunities for improvement. I believe Secretary Zinke has inherited a difficult situation, but he is more than capable and up to the task of turning things around in a positive direction.

New Mexico's oil and gas industry is the most important economic industry to the state of New Mexico. Last year, in 2016, New Mexico's oil and gas industry contributed \$1.6 billion to the state's general fund, our budget. That equaled roughly 25.8 percent of the budget last year, in 2016. The total budget was about \$6.2 billion. In the last 10 years, oil and gas typically contributes about a third directly to the state's general fund. This money goes directly to roads, hospitals, schools—that infrastructure in the state would simply not be possible without the oil and gas industry's contributions.

Our industry also employs over 100,000 people in the state of New Mexico, a state with about 1.8 million people. New Mexico also has one of the highest poverty rates in the country, with almost a quarter of our population living below the Federal poverty line. So, oil and gas jobs are extremely attractive in our state, given that the average wage on an oil and gas rig is about \$75,000 a year.

Nationally, New Mexico is one of the top energy-producing states in the country, ranking fifth in crude oil production and eighth in natural gas production. Even during a prolonged period of low prices, New Mexico's oil and gas industry has remained resilient. In the last 8 months, we have seen major acquisitions and purchases in New Mexico, totaling over \$13 billion. The New Mexico portion of the Northern Delaware Basin has recently been the focal point of some of the most expensive acreage-basis oil and gas acquisitions in the world.

In calendar year 2016, New Mexico was the largest producer of oil and gas from Federal lands, accounting for over 78 million barrels of oil, and over 770,000 cubic feet of natural gas.

The biggest challenge to oil and gas development on Federal lands in New Mexico remains regulatory uncertainty at BLM. And I think the best illustration of this issue is to look at the Permian Basin and to look at the development in west Texas, compared to the development in New Mexico.

As of June 16, 2017, there were 59 rigs running in the New Mexico Permian, versus 309 in the Texas Permian. The main difference is the Bureau of Land Management. BLM's Farmington field office takes approximately 1 year to process a drilling permit, an APD. BLM's Carlsbad field office also takes approximately 250 days to process a drilling permit. Right-of-ways take approximately a year or more, depending on the field office.

Overall, BLM suffers from a lack of staffing, a poorly designed and cumbersome new system, the AFMSS 2 program, and systematic irregularities in the permit processing protocols. These delays translate directly into lost revenue for Federal and state stakeholders alike.

Our estimates are that approximately \$1.4 million in Federal royalty and \$831,000 in state severance tax is deferred each day, based on the current backlog at BLM's offices in New Mexico. This financial impact is huge in a state like New Mexico, where we face prolonged budget issues in light of the low market pricing for oil and gas.

I will conclude by just noting that there are many opportunities to improve BLM's operations in New Mexico, such as simple edits to the AFMSS 2 program; agreements with state regulatory authorities to transfer some of the tedious work of processing permits from BLM to state offices like our oil conservation division; and BLM making use of existing laws, such as categorical exclusions, to allow for expedited review and approval of permits.

Thank you very much, Mr. Chair.

[The prepared statement of Mr. Flynn follows:]

PREPARED STATEMENT OF RYAN FLYNN, EXECUTIVE DIRECTOR, NEW MEXICO
OIL AND GAS ASSOCIATION

INTRODUCTION

Chairman Gosar, Ranking Member Lowenthal, members of the Subcommittee, thank you for the opportunity to provide testimony today about oil and gas development on Federal lands in New Mexico. My name is Ryan Flynn and I am the Executive Director of the New Mexico Oil and Gas Association ("NMOGA"). Founded in 1929, NMOGA represents over 1,000 members who account for 95 percent of the oil and gas activity in New Mexico.

Before leading NMOGA, I worked in New Mexico Governor Susana Martinez's administration for almost 6 years, where I served as Secretary of Environment and the Natural Resource Trustee. My experience in state government gave me first-hand experience dealing with the sort of problems inherited by Secretary Zinke and his staff at the Department of the Interior's Bureau of Land Management. For example, when Governor Martinez took office in 2011, inconsistencies and delays plagued New Mexico's environmental permitting and enforcement programs. In one extreme case, a permit application was pending for over 18 years. Permit applications typically took years to review and permit conditions varied wildly depending on the individual permit writer. Enforcement decisions were at times driven by political agendas with supplemental environmental projects occasionally being used to fund pet political projects. These permitting and enforcement issues gave the state a reputation for being a difficult place to conduct business, which in turn hindered investment in New Mexico. Beginning in 2011, under the leadership of Governor Martinez and with bipartisan support, we successfully implemented a series of regulatory reform efforts focused on various energy and environmental issues, including revisions to environmental permitting and enforcement programs. Permitting times decreased dramatically. For example, New Mexico air quality permits are issued in 45 days or less, and applications for permits to drill ("APD") are issued in 10 days or less. While permitting programs became more efficient, the state's enforcement programs remained strong. During my tenure, we collected approximately \$250 million in fines for violations of environmental regulations, the overwhelming majority of which were collected from Federal agencies operating in New Mexico, such as the U.S. Department of Energy.

While Secretary Zinke and his staff inherited some major challenges at the BLM, I believe he is the perfect fit for leading the Department of the Interior and I have no doubt he will turn this situation around. His success in this regard will have a profound impact on the state of New Mexico. In the past year, major acquisitions and purchases in New Mexico have totaled over \$13 billion and oil production has dramatically increased on non-Federal lands. While the rest of New Mexico's economy struggles to gain a foothold, the state's oil and gas industry remains a bright spot. Strong leadership at the state level has helped New Mexico's oil and natural gas industry remain strong over the past few years, yet the state has not fully realized its resource development potential due to problems at the BLM. Specifically, delays for approving permits and rights-of-way is costing New Mexico and the Federal revenue millions of dollars each day. NMOGA estimates \$1,473,000 in Federal royalty and \$831,325 in state severance is *deferred each day* due to BLM's administrative problems. With early projections showing the state facing a potential deficit of \$200 to \$250 million for the Fiscal Year 2018, the lost revenue associated with administrative issues plaguing development on Federal lands in New Mexico is a critical issue that must be addressed immediately.

NEW MEXICO'S OIL AND GAS INDUSTRY

The oil and gas industry is New Mexico's most important industry. In 2016, the oil and gas sector contributed more than \$1.6 billion to the state's general fund for schools, hospitals, and roads, and employed over 100,000 people. For context, New Mexico's total budget for 2016 was \$6.2 billion, making the oil and gas industry's contribution approximately 25.8 percent of the total budget in 2016. Nationally, New Mexico is one of the top energy producing states in the entire country, ranking fifth in crude oil production and eighth in natural gas production. New Mexico is also a leader in other forms of energy production, such as renewables.

New Mexico's oil and gas industry remains resilient even through a prolonged period of low prices. In the last 8 months, major acquisitions and purchases in New Mexico have totaled over \$13 billion, and the New Mexico portion of the Northern Delaware Basin has recently been the focal point of the some of the most expensive acreage-basis oil and gas acquisitions in the world.

The Oil Conservation Division and the State Land Office are primarily responsible for regulating the oil and gas industry at the state level while BLM is charged with leasing, selling, and generally managing oil and natural gas reserves on Federal land. BLM's field offices in New Mexico are among the busiest in the Nation. In calendar year 2016, New Mexico was the largest producer of oil and gas from Federal lands, accounting for 78,646,829 bbls of oil (53 percent of NM oil production) and 771,601,140 mcf of natural gas (65 percent of NM gas production).

CHALLENGES TO OIL AND GAS DEVELOPMENT ON FEDERAL LANDS IN NEW MEXICO

While New Mexico's oil and gas industry has been resilient during this difficult period of low prices, challenges to the industry's ability to capitalize on the recent

investments remain. The greatest challenge today is regulatory uncertainty at BLM. Although there is a distinct advantage to operating on the New Mexico side of the border in terms of royalty rates (12.5 percent for New Mexico Federal vs. 25 percent for Texas fee land), the fact remains that operators are willing to pay a premium to develop in areas where regulatory certainty can be relied upon as a matter of course. For example, the Baker Hughes rig count from the week of June 16, 2017, indicates the discount economic factor associated with the Federal royalty rate for New Mexico production is not much of an incentive, with only 59 rigs running in the New Mexico Permian versus 309 in the Texas Permian. While some of this may be due to the majority of surface acreage defined as the Permian Basin being on the Texas side of the line, it cannot account for the fact that New Mexico has some of the most sought-after geology and development potential, yet consistently trails Texas where development is concerned. The oil and gas industry invests millions of capital budget dollars in development projects when presented with a level playing field, and a lack of regulatory certainty is driving more investment to Texas than New Mexico.

Operators working through BLM's Farmington Field Office ("FFO"), which regulates all production in New Mexico's San Juan Basin, have seen drilling permit wait times approach the 500-day mark, with an average wait time of nearly 1 year for a standard application for a permit to drill ("APD") without revisions. By contrast, New Mexico's Oil Conservation Division, the state agency handling drilling permit, approves APDs in 10 days or less. Better management practices are required to remedy a lack of procedural uniformity, which often leads to multiple, differing interpretations of policies and protocols for document review. While industry appreciates the efforts of some individual staff members to create workarounds in this cumbersome system, there is no regulatory certainty in APD processing from the FFO. Additionally, the FFO does not use tools already at its disposal, such as categorical exclusions and pre-established protocols for NEPA review, that would go a long way toward getting projects initiated and revenue flowing to the Federal Government and the state of New Mexico.

The rights-of-way ("ROW") process at the FFO is likewise inefficient, with operators waiting up to a year for approvals. By contrast, the state approves ROWs in 45 days or less. Recent internal changes to the determination of the ROW starting point have hindered infrastructure projects, and constitute a drastic departure from the FFO's previous interpretation of lease rights and product transport guidelines. Additionally, poor coordination between BLM, the Bureau of Indian Affairs and various other tribal authorities has resulted in severe delays for ROW approvals. In addition to these difficulties in the ROW process, new interpretations of threatened and endangered species requirements have curtailed development on Federal lands in the San Juan Basin due to a lack of regulatory flexibility and a seeming unwillingness to work with industry in this regard.

The Carlsbad Field Office ("CFO") is responsible for processing applications for development in New Mexico's portion of the Permian Basin, a region witnessing a drastic uptick in development from the low point of severely depressed commodity pricing in early 2016. While it might seem that one of the most prolific oil and gas plays in the world should merit additional resources to alleviate a permitting bottleneck, this was not the case at the CFO until recently. Fortunately, Secretary Zinke and his staff have recently begun giving the Permian Basin the attention it deserves. Currently in the Permian Basin, operators wait an average of 250 days for an APD, and over a year for a ROW. Companies that diligently follow up on applications with CFO staff can achieve shorter wait times, but this is not an optimal solution for either industry or the CFO staff, especially as the area sees a resurgence in activity associated with major recent merger and acquisition activity.

The biggest challenges facing the CFO include a lack of personnel in key positions, and a cumbersome and relatively unworkable permit processing system, referred to as the Automated Fluid Minerals Support System 2 ("AFMSS 2"). AFMSS 2 was designed to expedite and automate permit processing, but has so far failed to deliver on either of these promises. Concurrent processing of different portions of APDs and ROWs by specialists responsible for independent sections of the permitting process was replaced by a completely linear system that does not allow for even simple edits by the CFO staff. The rigidity of the system has resulted in 70 percent of submissions being rejected for deficiencies, when historically there were very few deficiencies reported at the CFO. In short, AFMSS 2 has failed to deliver on its promise of greater efficiency and the system needs to be fixed or replaced.

Overall, BLM suffers from a lack of staffing, a poorly designed and cumbersome new system in the AFMSS 2 program and systematic irregularities in permit processing protocols. The APDs and ROWs processed by both the FFO and CFO are generated in spite of the organizational structure, rather than as the natural output

of the organizational structure. While APDs and ROWs are the most significant instruments in terms of volume, BLM is also responsible for other important permits—such as unitizations, communitizations and commingling agreements—that also experience similar delays while moving through the current maze of the BLM approval process. These delays translate directly into lost revenue for Federal and state stakeholders alike. NMOGA estimates \$1,473,000 in Federal royalty and \$831,325 in state severance is *deferred each day* based on an April, 2017, count of 491 APD backlog (assuming wells were drilled and producing at conservative rates). In a state like New Mexico, where oil and gas revenue typically constitutes roughly one-third of the state's budget, fixing BLM's permitting issues will provide immediate economic benefits.

OPPORTUNITIES TO IMPROVE BLM'S OPERATIONS IN NEW MEXICO

While there are many challenges to overcome on the path to a more efficient regulatory process at BLM, several identifiable opportunities for improvement exist. Simple edits to the AFMSS 2 program to allow BLM staff to edit permits moving through the application corridor will greatly enhance the workability of the system. Additional staff dedicated to permit processing (at the CFO in particular) will essentially guarantee a good return on investment for both state and Federal entities, as expediting drilling permits and ROWs translates directly into severance tax and royalty dollars that can be put to good use for the taxpayers. Agreements with state regulatory authorities could transfer some of the more tedious work of processing permits from the BLM to local authorities. For example, even a small, focused pilot program aimed at allowing the New Mexico Oil Conservation Division to process the downhole engineering portions of APDs would free up much-needed time for BLM staff to focus on multi-use land management on the surface and expedite the entire application process. Last, BLM should make use of existing laws, such as categorical exclusions that allow for expedited review and approval of permits.

CONCLUSION

New leaders at the Federal Government, including President Trump and Secretary Zinke, are enacting good policies and regulations that are breathing fresh air into American energy production, and helping ensure the United States leads the way in safe and responsible energy production. Addressing the administrative issues at BLM, which are currently restricting access to Federal lands, is critical issue that must be addressed immediately if the United States is going to fully realize the development potential of our oil and gas resources.

Dr. GOSAR. Thank you, Mr. Flynn.

The Chair now recognizes Mr. Squillace for his 5 minutes.

STATEMENT OF MARK SQUILLACE, PROFESSOR OF LAW, NATURAL RESOURCE LAW, UNIVERSITY OF COLORADO, BOULDER, COLORADO LAW SCHOOL, BOULDER, COLORADO

Mr. SQUILLACE. Thank you, Chairman Gosar and Ranking Member Lowenthal, for this opportunity to testify today. My name is Mark Squillace, I am a professor of law at the University of Colorado Law School. I want to first note that I began my written testimony by asking that we each commit to each other that we will engage in a meaningful way on the important issues that are the subject of this hearing, and I am offering this testimony today in the hope that we can have a constructive dialogue.

I want to make three points regarding oil and gas programs on Federal lands.

First, oil and gas production on Federal lands remains strong, despite a weak market and lackluster interest in new leases and development.

Second, efforts to accelerate leasing and development under current market conditions are misguided, because what they could do is lock up Federal oil and gas resources, even as they deny the

public a fair return on these valuable assets. In this regard, by the way, the Committee's focus really should be on improving and reforming our royalty and revenue policies at the Federal level, which are much in need of reform.

Finally, if we are going to have oil and gas development on our public lands, it has to be preceded by appropriate environmental analysis and planning. In my judgment, it is entirely inappropriate to use our Federal lands for industrial-scale oil and gas development.

Let me turn to the first question about oil and gas production. As I acknowledged in my written testimony, the number of Federal leases, the amount of acreage under lease, and the number of new leases issued have all declined in recent years. But here is the thing: Federal onshore oil production more than doubled between Fiscal Year 2008 and 2015. The number of Federal producing leases has never been higher. And if you look just at the year 2016, the amount of Federal land producing oil and gas was higher in only 1 year out of the last 10.

What is remarkable about these statistics is that it is all happening at a time of weakening demand. Just a few figures here to support that claim. First of all, Federal land under production amounts to less than 47 percent of the Federal land that is under lease. And in 2016, the industry did not even bid on two-thirds of the leases that were offered by the BLM. I should note, by the way, that in 2015 they bid on only 15 percent of the leases that were offered.

Right now, we have 7,500 APDs that have been approved and that are not being drilled upon, and that is the most that we have ever had at the BLM. If you just look at 2016, the BLM issued 2,184 drilling permits, but industry drilled on fewer than 39 percent of these permits. By the way, that contrasts with most other years, when the number of drilling permits that were drilled upon was in the 70 and 80 percent range.

So, what is going on here? Well, that takes me to my second point, which regards market conditions. And here I just want to make two observations. One, when I last looked at the market price for oil on Monday, the price was at a very low level. On Monday, West Texas Intermediate was at \$42.46 a barrel. That, obviously, has an impact on the interest of the oil and gas industry.

But there is another important point here which the Committee needs to recognize. The major plays for oil and gas, which have really driven development in recent years, happen not to be found on Federal land. There are exceptions; the Permian Basin, which Mr. Flynn talked about is one of them. But, for the most part, these plays are on private lands and in other areas.

So, what happens is if the government tries to sell these leases under these current market conditions, we are going to get low-ball kinds of prices. Essentially, we are going to be giving away these valuable Federal resources, and that just doesn't make sense. What we ought to be doing is looking at leases and improving the APD, rather than approving more APDs.

We need to reform our policies. We now charge just \$2 an acre for leases that do not otherwise receive a bid, \$1.50 an acre in rental. That does not generate much revenue, but it encourages

speculation, and that needs to be reformed. We have not reformed our royalty rates since 1920, when the Mineral Leasing Act was passed. We need to increase those royalty rates to reflect market conditions.

The state of Texas, by the way, charges 25 percent in royalties on oil, twice what the Federal Government charges. In my home state of Colorado it is 20 percent. And, as most of you know, on off-shore lands it is 18.75 percent.

Finally, if we are going to use our public lands for oil and gas development, we really need to be smart about it. I do not oppose oil and gas development on our public lands. But for now, at least, all of us rely, to some extent, on oil production, on gas production for power generation, but we need to recognize that we could accommodate these interests without doing damage to our public lands.

If we could, show the slides that I think are on the scheme.

[Slide]

Mr. SQUILLACE. Mr. Flynn talked about the Permian Basin, and this is a picture of the Permian Basin in Texas. And for those of you who have not been there, I would urge you to go. This kind of development goes on for miles and miles in every direction, and it is not the kind of thing that I think we want for our public lands.

This is private land. But on our public lands we ought to be doing things like doing appropriate planning, doing appropriate environmental analysis. And if it takes more time, well, we owe that to the American people, to make sure that if we are going to have development, we do it right. I do not oppose development of our public lands for some oil and gas development, but it is different from our private lands. These are our multiple-use lands, and we need to make sure that we do better than we have often done on our public lands.

And, by the way, we cannot do this if we are denying the BLM adequate resources in funding and in personnel. Good management requires proper funding.

Thanks very much. I look forward to your questions and to the discussion of these issues.

[The prepared statement of Mr. Squillace follows:]

PREPARED STATEMENT OF PROFESSOR MARK SQUILLACE, UNIVERSITY OF
COLORADO LAW SCHOOL

Chairman Gosar, thank you for the opportunity to appear before the House Subcommittee on Energy and Mineral Resources to offer my views on oil and gas development on our public lands. I am a professor of law at the University of Colorado Law School. I teach and work primarily in the fields of environmental, natural resources, and water law and I have written extensively on all of these subjects. My professional experience with public lands issues also runs deep. As a law student at the University of Utah, I worked in the Utah State Office of the BLM as a land law examiner—a position that allowed me to review all manner of public lands activities and gain firsthand knowledge about the operation of our public land laws. Following law school, and before entering law teaching, I was hired into the Solicitor's Honor's Program at the U.S. Department of the Interior where I gained significant additional experience on public lands and mineral law issues. I took a leave from teaching and returned to the Solicitor's Office in the year 2000 as a Special Assistant to the Solicitor where I worked on a wide range of special projects involving public lands. All of this experience both inside and outside of government has helped to inform my understanding about how best to manage oil and gas development on our public lands.

Before sharing my views on this subject, I wish to make an observation about congressional testimony. Over the last decade, I have had the distinct honor and privilege of appearing before House and Senate Committees to lend my expertise on many occasions and on a wide range of issues. Increasingly, however, the hearings at which I have appeared have seemed largely unproductive. They often devolve into efforts to score political points at the expense of learning about and trying to solve the complex but important problems that are the subject of the hearings. Members often choose to engage only with those with whom they agree or think they agree, and a process that is supposed to shed light on a problem, often serves instead to harden ideological positions in a way that is unlikely to lead to the creative policy solutions that are often available if we allow ourselves to see them.

I appear today with an open mind and a willingness to learn from you and from the other witnesses. But we cannot learn if we do not engage with each other in a meaningful way. In addressing the hard questions before this Committee, we must begin with the facts as best we can know them. Information will always be imperfect, both because of scientific uncertainty and the time lag between the collection of information and the decision point. But we must accept the findings of those who by training and expertise provide us with the information essential to good government decision making. Once we assemble the best information, policy will still play an important role. But good policy is stymied if we cannot even agree on the basic facts that inform it.

My substantive remarks begin with a review of basic data about the Federal onshore oil and gas leasing program. This is followed by a detailed look at other factors that help to explain this data including the economics of public land oil and gas development.

FEDERAL OIL AND GAS DEVELOPMENT AND CURRENT BLM DATA

Federal onshore oil and gas development on our public lands involves a multi-stage process. It begins with land use planning whereby the BLM determines, among many other things, which lands should be made available for possible oil and gas leasing.¹ This is followed by a process for nominating tracts for leasing. Industry, the public, and the BLM itself may nominate lands that are then made available through an open, competitive auction process. Auctions are typically held by individual BLM state offices on a quarterly basis. Leases are generally awarded to the highest bidder but if no bids are received the BLM makes these lease tracts available for purchase for 2 years at \$2.00/acre.² Lessees usually have 10 years to develop the lease before it expires but leases are automatically extended beyond the 10-year primary term so long as oil and gas is being produced in paying quantities.³ Leases may also be extended for 2 additional years beyond the primary term where actual drilling is occurring on the site,⁴ and they may be suspended for an unlimited period of time “in the interest of conservation.”⁵ Lessees may drill on a lease site for either exploration or development purposes but they must first file and receive BLM approval for an application for a permit to drill (APD). Environmental analysis in accordance with the National Environmental Policy Act is required at most stages of this process and is particularly important at the APD approval stage because it is at that stage where the government is able to assess site specific impacts of development.

¹ Under current land use plans, more than 90% of BLM-managed minerals are open to new oil and gas leasing. <http://wilderness.org/open-business-and-not-much-else-analysis-shows-oil-and-gas-leasing-out-whack-blm-lands>.

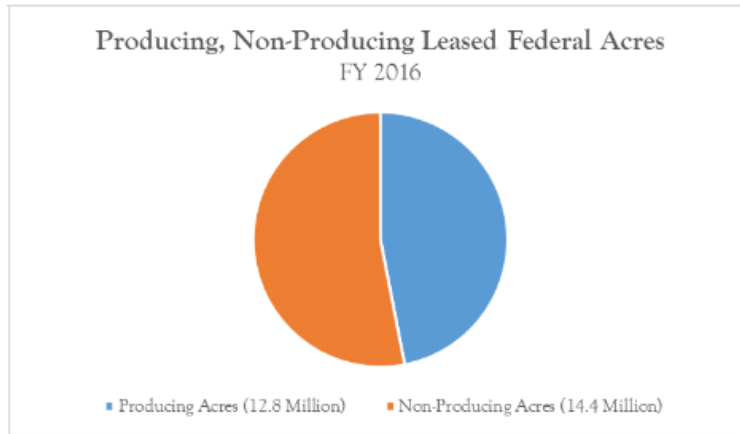
² 30 U.S.C. § 226(b)(1)(A).

³ *Id.* at § 226(e).

⁴ *Id.*

⁵ *Id.* at § 209. During the period of suspension, the lessee does not pay rentals. See also *Copper Valley Machine Works, Inc. v. Andrus*, 653 F.2d 595 (D.C. Cir. 1981) where the court held that “conservation” was not limited to conservation of the oil and gas resources but included measures deemed necessary to protect the environment.

Those who support increased oil and gas leasing activities on our public lands will likely point to the fact that the total number of extant Federal leases, the total number of acres leased, and the total number of new leases issued during the year have all declined in recent years.⁶ What they may not tell you, however, is that a similar trend exists for leasing of state-owned minerals in the West.⁷ Additionally, the number of producing leases on Federal land has never been higher and, when compared to 2016 fiscal year, the amount of Federal land producing oil and gas was higher in only 1 year out of the last 10, and only three times in the last 20 years.⁸ According to the Congressional Research Service, Federal onshore oil production increased by more than 70 percent between Fiscal Year 2006 and 2015.⁹



Moreover, even as production has increased a large surplus of unused oil and gas leases and permits on Federal lands remains. Current Federal land under production is less than half (46.9 percent) of the leased land.¹⁰ Put another way, more than 14 million acres of Federal land currently under lease are not producing any oil or gas.¹¹ Furthermore, during the 2016 fiscal year, the industry bid on less than one-third of Federal acreage offered for lease at auction.¹² As a result, the BLM leased only 577,000 acres for oil and gas development during that year, which is substantially less than in prior years.¹³ In light of slack demand this reduction in leased acreage is not at all surprising and it is actually remarkable that during this period the number of producing leases on Federal lands has grown to 23,926—its highest level ever.¹⁴

⁶ BLM Oil and Gas Statistics, Table 1, *available at* <https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/oil-and-gas-statistics>. State lands leasing, like federal lands leasing, has also declined significantly over the past several years. ECONorthwest, *Oil and Gas Leasing and Permitting on State Lands: Recent Trends in the Rocky Mountain West* (Aug. 2016) *available at* <http://westernvaluesproject.org/wp-content/uploads/2016/09/Final-WVP-State-Lands-Report.pdf>.

⁷ See ECONorthwest, *supra* note 6.

⁸ See BLM Oil and Gas Statistics, Table 1, *supra* note 6.

⁹ Congressional Research Service, “U.S. Crude Oil and Natural Gas Production in Federal and NonFederal Areas” (June 22, 2016) at p. 3, Table I *available at* <https://fas.org/sgp/crs/misc/R42432.pdf>.

¹⁰ See BLM Oil and Gas Statistics, Table 1, *supra* note 6.

¹¹ *Id.*

¹² Data available upon request.

¹³ See BLM Oil and Gas Statistics, Table 1, *supra* note 6.

¹⁴ *Id.*



As for approved drilling permits, at last count in September of 2015, the BLM had approved more than 7,500 APDs that were not being used.¹⁵ This is an all-time record.¹⁶ As the number of unused APDs grew it should surprise no one then that in 2016 only 2,184 new drilling permits were issued by the BLM. This is certainly well below the record numbers of approvals from 2007 and 2008 when the BLM approved 7,124 and 6,617 permit respectively, but that was a time when the industry was applying for far more permits.¹⁷ But these numbers are consistent with the growth in unused drilling permits because industry commenced drilling or “spud” only 847 new wells in 2016, which is less than 39 percent of the number the BLM approved.¹⁸ By contrast in 2007 and 2008, industry spud 75 percent and 76 percent of the approved drilling permits respectively.¹⁹ Ramping up the issuance of drilling permit during a time when so many approved permits are not being used would thus seem to be irresponsible.

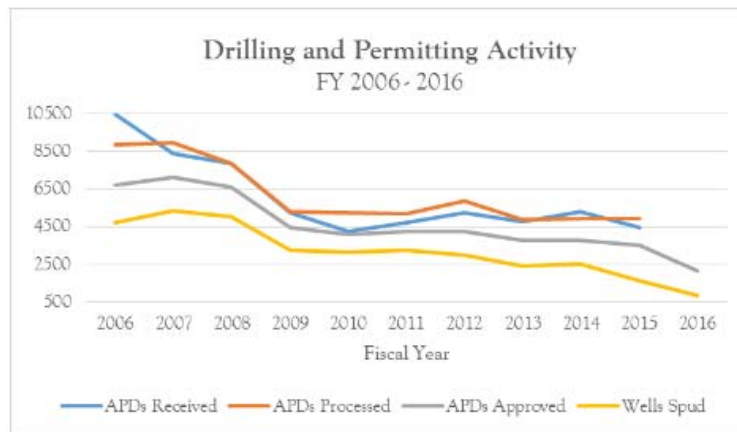
¹⁵ BLM Oil and Gas Statistics, Table 13 “Approved Applications for Permit to Drill—Not Drilled” (Sept. 30, 2015) available at <https://www.blm.gov/sites/blm.gov/files/oilandgasogstatistics/t13AAPD%20Report.pdf>.

¹⁶ BLM News Release, *BLM Releases Statistics on Oil and Gas Activity on Federal, Indian Lands*, (April 11, 2016) (“[T]he number of approved drilling permits that have not yet been put to use by industry is at a record high of 7,500.”) available at [https://www.blm.gov/or/news/files/2015 Oil-GasStats PR FINAL BLM.pdf](https://www.blm.gov/or/news/files/2015%20Oil-GasStats%20PR%20FINAL%20BLM.pdf).

¹⁷ *Id.* See also Congressional Research Service, *U.S. Crude Oil and Natural Gas Production in Federal and NonFederal Areas*, R42432 (June 22, 2016), at pp. 9–10, available at <https://fas.org/srg/crs/misc/R42432.pdf>. As this report notes, industry requested 12,200 more drilling permits between 2006 and 2008 than it requested from 2013 to 2015.

¹⁸ *Id.*

¹⁹ *Id.*



THE POLICY CHOICES FACING THE ADMINISTRATION

A key question before this Committee is whether it should support a policy to accelerate lease issuance and drilling permit approvals in the face of the existing glut. Leasing and permitting activities require the BLM to expend considerable time, money, and resources. Given the surfeit of existing leases and permits that are going unused due to low demand the prudent course, and the only responsible course, is to limit leasing and permitting until there is sufficient demand to ensure higher bonus bids and a fair return to the public on our valuable oil and gas resources. Notwithstanding these facts, the Administration's proposed Interior budget would increase funding for energy and minerals development while starving other Interior programs such as our national parks and other public recreation lands where demand is soaring.²⁰

THE ECONOMICS OF OIL AND GAS DEVELOPMENT

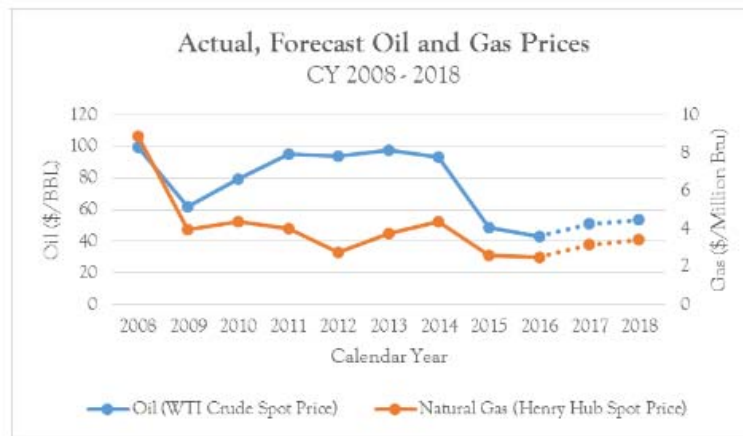
So what explains the lackluster demand for Federal oil and gas resources? Well, much of it can be traced to low market prices. The Energy Information Administration's daily report on the price of West Texas Intermediate light crude was \$42.46/barrel this past Monday, June 26, 2017.²¹ While the price dipped to below \$30/barrel in the early part of last year, it has hovered around or below the \$50/barrel mark for most of the past year.²² Natural gas prices have also remained low, ranging from \$1.81 in the Mid-Atlantic states to 3.12 in northern California.²³ At these prices, oil and gas companies can still make a decent profit, but in many cases, enhancing production at existing wells may be more attractive than developing new wells or stockpiling more leases.

²⁰ See "President's Budget FY 2018—Appendix—Detailed Budget Estimates by Agency—Department of the Interior" available at <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/int.pdf>.

²¹ U.S. EIA, *Today in Energy*, June 26, 2017, available at <https://www.eia.gov/todayinenergy/prices.php>.

²² *Id.*

²³ U.S. EIA, "Henry Hub Natural Gas Spot Price" available at <https://www.eia.gov/dnav/ng/hist/rngwhhdd.htm>.



Commodity prices for oil and gas are notoriously difficult to predict, but significant increases in price seem unlikely, and a decrease in price is perhaps just as likely as an increase. The U.S. Energy Information Administration currently forecasts that Brent crude oil prices will increase from an average of \$53/barrel to \$56/barrel during the 2017–2018 fiscal year. The Henry Hub natural gas spot price is projected to increase from an average of \$3.16/MMBtu in 2017 to \$3.41/MMBtu.²⁴ These modest increases are unlikely to have a significant impact on the demand and use of Federal oil and gas leases and permits. Devoting more money and resources to public lands oil and gas development simply cannot change the global market forces that are the primary factor behind whether companies choose to develop.

THE IMPLICATIONS OF SLACK DEMAND FOR THE FEDERAL OIL AND GAS LEASING PROGRAM

As described above, market forces suggest slack demand for Federal oil and gas. Nonetheless, the government can certainly sell some additional leases if it is prepared to accept low bids. But pushing oil and gas leases at a time when the markets are down will inevitably result in far lower revenues for both the state and Federal coffers. Oil and gas revenues are generated in three ways—through auction bids, royalty payments on production, and annual rental fees.²⁵ When oil and gas prices are low, bids on Federal leases are also low. Those that are sold are often bought by speculators who pay little up front for the lease in the hope that the market price will rise and make the lease more valuable. But if the market does turn around it is the speculator who profits rather than taxpayers. Furthermore, nearly 90 percent of government revenue from Federal oil and gas development comes from royalty payments²⁶ and the government receives no royalties when low market prices disincentivize production. And as with low bonus bids, very little revenue is generated from the modest rental payments charged under the current Federal policy.²⁷ From a strictly revenue generating perspective the government would be wise to wait for commodity prices to rise again before even thinking about increasing the level of Federal oil and gas leasing. To the extent that leasing is allowed to proceed the government should set higher minimum bonus bids and higher annual rental fees as a means to increase revenues and discourage speculation.

THE NEED TO REFORM FEDERAL ROYALTY POLICIES

Federal royalty rates, which were set in the 1920s, are currently well below market rates and the government would realize significant additional revenue if it

²⁴ U.S. EIA. “Short Term Energy Outlook” (June 6, 2017) at Table 2 (Energy Prices) available at <https://www.eia.gov/outlooks/steo/tables/pdf/2tab.pdf>.

²⁵ See Government Accountability Office, *Raising Federal Rates Could Decrease Production on Federal Lands but Increase Federal Revenue*, at pp. 10–11 (June, 2017), available at <https://www.gao.gov/products/GAO-17-540>.

²⁶ See Congressional Budget Office, *Options for Increasing Federal Income from Crude Oil and Natural Gas on Federal Lands*, at p. 2, (April, 2016).

²⁷ *Id.* at p. 11, Figure 1.

increased those rates. Earlier this month, the General Accounting Office issued a report that found that increasing royalty rates for oil and gas would increase Federal revenue with only minimal impacts on production.²⁸ The Interior Department itself had recognized this problem by issuing final rules in 2016 that were designed to bring about much needed reforms to the Federal mineral royalty program.²⁹ Unfortunately those rules were stayed by the Trump administration, which has further announced its intention to repeal these rules entirely.³⁰ That would be a serious mistake and the Administration should reconsider its position before taking final action.

While I understand that this hearing is focused on the Federal oil and gas leasing program, the Committee should not overlook the parallel need to reform Federal royalty policies for coal. For a host of reasons including the dire economic circumstances of the domestic coal industry, the arguments for reforming the entire coal leasing program including royalty policies are even more compelling than they are for oil and gas.³¹ One simple but important step that would allow the government to assess the options for reforming the coal program would be to resume preparation of the programmatic EIS on coal that was begun at the end of the Obama administration. This step, which would help both the government and the public to better understand their options for coal reform, was inexplicably abandoned by the Administration in March of this year.³²

FEDERAL OIL AND GAS LEASING AND MULTIPLE USE

In addition to negative market forces, oil and gas production on Federal lands also faces multiple use constraints that govern Federal land management.³³ Aerial photographs from certain parts of the country, such as the Permian Basin in west Texas and the Bakken fields of North Dakota, which are readily available on the Internet, have seen industrial scale oil and gas development, with little advance planning. Development at this scale and intensity is antithetical to the notion of multiple use. While intensive oil and gas development has sometimes occurred on Federal public lands, such as in the Jonah field in Wyoming, and near Farmington, New Mexico, such development often generates significant opposition from the public beyond what might be expected with private land development because it imposes significant, long-term costs on our wildlife, water, and recreation resources that might otherwise be accessible to the public for activities such as hunting, fishing, and hiking. This is especially true when oil and gas development threatens our most precious national conservation lands. When the BLM proposed to lease lands near the western boundary of Zion National Park earlier this year, it received more than 40,000 public comments in opposition, including letters of opposition from Governor Herbert of Utah, county commissioners and town councils and numerous local businesses.³⁴ In total, our national parks hosted 330 million visitors in 2016, the third record-setting year in a row.³⁵ Park visitors spent an estimated \$18.4 billion in local gateway regions while visiting national parks across the country.³⁶ Our national parks form the backbone of a burgeoning outdoor recreation industry that generates hundreds of billions of dollars in consumer spending every year.³⁷ Oil and gas development puts at least some of this economic activity at risk. And even putting aside the aesthetic values and moral arguments for preserving our public lands for future generations, the significant economic values associated with

²⁸ *Id.* at 16–24.

²⁹ 81 Fed. Reg. 43338 (2016).

³⁰ The Office of Natural Resources Revenue postponed implementation of the 2017 valuation reform rule on February 27, 2017. 82 Fed. Reg. 11823 (2017). The rule had taken effect on January 1, 2017. On April 4, 2017, Interior further proposed to repeal these rules in their entirety. 82 Fed. Reg. 16323 (2017).

³¹ See Federal Coal Program, Programmatic Environmental Impact Statement: Scoping Report, *available at* https://eplanning.blm.gov/epl-front-office/.../CoalPEIS_RptsScoping_Vol1_508.pdf.

³² Secretarial Order 3348 (March 29, 2017).

³³ Multiple use management is required by the Federal Land Policy and Management Act (FLPMA). 43 U.S.C. § 1732(a) (2017).

³⁴ DOI/BLM Memorandum, “Recommendation to Defer the St. George Oil & Gas Lease Parcels” (May 25, 2017) *available at* https://eplanning.blm.gov/epl-front-office/projects/nepa/69396/108022/132359/Deferral_recommend_memo_to_SO_052517.pdf.

³⁵ See National Park Service, “Visitor Use Statistics” *available at* <https://irma.nps.gov/Stats/>.

³⁶ See National Park Service, “Visitor Spending Effects—Economic Contributions of National Park Visitor Spending” *available at* <https://www.nps.gov/subjects/socialscience/vse.htm>.

³⁷ See Outdoor Industry Association, “The Outdoor Recreation Economy” (2017) *available at* https://outdoorindustry.org/wp-content/uploads/2017/04/OIA_RecEconomy_FINAL_Single.pdf.

the protection of our conservation lands is sustainable over the long term, without compromising the use of those lands for other purposes sometime in the future.

GEOLOGIC FACTORS AND THEIR RELEVANCE TO FEDERAL OIL AND GAS DEVELOPMENT

Another important factor in explaining slack demand for Federal oil and gas resources has to do with simple geology. The Congressional Budget Office, the Congressional Research Service and the Government Accountability Office have all reached the conclusion that the major shale plays in the United States are located primarily beneath state and private, and not on Federal lands.³⁸ A GAO report issued just last week found that of the six major tight oil and shale gas plays in the United States, Federal lands comprise 38, 15, 9, 7, 8 and 0.4 percent of land ownership within their boundaries.³⁹ Put another way, the vast majority of all six of the major oil and gas plays in the United States are on state and private lands. Increasing Federal leasing and permitting activity obviously cannot change the location of oil and gas resources relative to Federal lands.

CLIMATE CHANGE AND FEDERAL OIL AND GAS DEVELOPMENT

Finally, the Committee should not ignore concerns about climate change that are raised by decisions to accelerate Federal oil and gas development. To be sure, the climate-related impacts associated with oil and gas development on public lands are complex. Foregoing oil and gas development on public lands may result in some decrease in CO₂ emissions as, for example, where it incentivizes a shift toward low carbon transportation fuels such as biodiesel. On the other hand, less Federal land oil and gas development might also be compensated at least in part by additional development on private lands in this country and in other countries. The point, however, is that these are issues worthy of critical analysis before major decisions are made to increase oil and gas production on Federal lands. Courts have begun to require such analysis in other contexts, including for example in the related context of Federal coal leasing.⁴⁰ The government would be wise to learn from these cases and get out in front of this issue. If they fail to do so, it seems likely that courts will require it.

To summarize, a wide range of factors influences Federal oil and gas production but probably none more so than the commodity markets. The sharp decline in the market price for oil and gas over the last several years has led to a decline in private sector interest in Federal oil and gas development. Nonetheless, Federal oil and gas production remains at historically high levels, notwithstanding the fact that the BLM has issued and companies have utilized far fewer Federal leases and drilling permits. Other complex factors associated with managing our public land resources, including the multiple use mandate, the protection of conservation lands, the relatively minor role of Federal lands to the shale oil and gas boom, and climate change all suggest the need for a more cautious approach toward pushing new oil and gas development on public lands, and they further suggest that the BLM's leasing and permitting policies have not been stifling oil and gas development on our public lands. On the contrary, public lands oil and gas development remains robust even as the Federal Government is receiving far less revenue from our public oil and gas resources than the market will bear. Artificially stimulating Federal oil and gas development at the present time and under present market conditions would not be a rational response and could adversely impact long-term government revenues even as it leads to more environmental degradation.

Thank you again for the opportunity to appear before the Committee today. I wish the Committee well as it seeks to address the important issues that surround the development of oil and gas on our nation's public lands.

³⁸ See Congressional Budget Office, "Options for Increasing Federal Income From Crude oil and Natural Gas on Federal Lands" (April 19, 2016) at p. 3 ("... shale resources are found primarily on lands owned by state governments and private landowners."), available at https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51421-oil_and_gas_options-2.pdf; Congressional Research Service, "U.S. Crude Oil and Natural Gas Production in Federal and NonFederal Areas" (June 22, 2016) at p. 4 ("Any increase in production of natural gas on Federal lands is likely to be easily outpaced by increases on nonFederal lands, particularly because shale plays are primarily situated on nonFederal lands and are located where most of the growth in production has occurred in recent years and where future growth is projected to occur.") available at <https://fas.org/sgp/crs/misc/R42432.pdf>; GAO Report, *supra* note 24 at Figure 2, available at <https://www.gao.gov/products/GAO-17-540>.

³⁹ See GAO Report, *supra* note 24 at Figure 2.

⁴⁰ See e.g., *Ctr. for Biological Diversity v. Nat'l Highway Traffic Safety Admin.*, 538 F.3d 1172, 1217 (9th Cir. 2008); *High Country Conservation Advocates v. United States Forest Service*, 52 F. Supp.3d 1174, 1190–91 (D. Col. 2014).

Dr. GOSAR. I thank the gentleman.

The Chair now recognizes Dr. Nelson for her 5 minutes. Welcome.

STATEMENT OF LAURA NELSON, GOVERNOR'S ENERGY ADVISOR, UTAH GOVERNOR'S OFFICE OF ENERGY DEVELOPMENT, SALT LAKE CITY, UTAH

Dr. NELSON. Good morning. Thank you, Chairman Gosar. And I also want to thank Chairman Bishop and Ranking Member Lowenthal for the opportunity to be here today. I serve as the Energy Advisor to the Governor of Utah, Governor Gary R. Herbert, and I want to say this morning that I am going to be focusing primarily on our energy resources.

Utah is a natural resource state. This includes mining and agriculture, as critical natural resources, but it really also includes our national and state parks, as well. So, we truly believe in balancing both use and conservation, and we think that this is the best approach to leveraging all of our resources to generate revenues and create jobs.

Focusing on energy in particular, though, this is an important aspect of our economy. It contributes 9 percent to our gross state product. It is 2.2 percent of the state wages, although it is only 1.1 percent of our employment number. So, it indicates that these are very high-paying jobs, as has already been discussed, and it contributes \$673 million in revenues, most recently in 2015.

These revenues are really important to Utah. They help to provide education to our students, and they also provide many other critical community services, which have also already been mentioned.

Utah, like I think much of the country that is dependent on natural resource development, experiences booms and busts in natural resource development. Since 2014, Utah has, in fact, been experiencing a decline in production activity specifically related to oil and gas. As has been mentioned, this is in large part driven by lower commodity prices, which are really a function of market conditions.

Just to give you an example of the impact, oil production in 2014 was around 41 million barrels a year in Utah. In 2016, it was 31 million barrels, so matching our 2012 levels. Natural gas production has also been on the decline since 2012, but we believe, nonetheless, that if we can access our resources, we can create new opportunities for development of these commodities. And as commodity prices rationalize, this is going to be critical.

What we need to do is create a regulatory path forward that allows for sustained growth in jobs, especially in those communities that have been impacted by the past year's decline in oil and gas activities.

For example, in Utah, our overall rate of unemployment as of May 2017 was 3.2 percent. But in our oil and gas counties, Duchesne and Uintah, they are very dependent on jobs in these sectors, and their unemployment rates are 5.9 percent and 6.6 percent, respectively. So, we truly believe that access to our resources, coupled with what we call an all-of-the-above energy

strategy, can create sustained growth in the development activity and in the associated jobs and revenues.

Utah is a public land state, 70 percent of our land is federally owned. So, really getting it right when it comes to leasing and permitting is key if we are going to deliver on the promise of energy and minerals opportunities.

In Utah, as I mentioned, 70 percent is federally managed. This leads, oftentimes, to lengthy permitting schedules, and especially when they are compared to the permitting schedules for applications for permits to drill of our Utah Division of Oil, Gas, and Mining. And we are just not convinced that the Federal process, in fact, delivers results that are more robust than those that are provided through our effective and efficient state agency.

The Energy Policy Act of 2005 specifies that the Bureau of Land Management must approve applications for permit to drill, APDs, within 30 days. But we understand that the average permit time is closer to 220 days and, depending on the field office, it is not uncommon for it to take years.

Our recommendation is very simple to resolve the lengthy time it takes to approve applications to drill, to allow for the primacy to be allocated to our Division of Oil, Gas, and Mining, or generally, to states where they are willing and have shown that they are capable of taking over this process. This in no way is meant to be disparaging to BLM or to the Department of the Interior, in particular, but really just to provide an opportunity for those agencies to focus on their broader mandate of multiple land use.

We do recognize currently that DOI and BLM do not have authority to delegate primacy for regulation, in particular for permitting inspection and enforcement of oil and gas production to the states for production that is occurring on Federal land. However, we recognize that the primacy may be accomplished by one of two actions: first of all, congressionally directed legislation; or application of the Federal permit streamlining pilot project that was, in fact, established as part of the Energy Policy Act of 2005.

In fact, in September of 2014, the U.S. Senate approved S. 2440, the BLM Permit Processing Improvement Act of 2014, that, among other things, makes permanent the Federal streamlining project program.

So, we believe that assigning primacy of delegation of oil and gas development where appropriate to states would allow for better efficiency and better environmental outcomes, and would also free up the resources——

Dr. GOSAR. If the gentlelady will suspend, you are over your time.

Dr. NELSON. Thank you.

Dr. GOSAR. Remember, your testimony will be in full, en bloc.

[The prepared statement of Dr. Nelson follows:]

PREPARED STATEMENT OF DR. LAURA NELSON, ENERGY ADVISOR TO GOVERNOR
GARY R. HERBERT

I appreciate the opportunity to testify as Governor Gary R. Herbert's Energy Advisor and on behalf of the Utah Governor's Office of Energy Development. This morning I will be focusing primarily on oil and gas leasing and permitting on federally managed lands, and make recommendations for how areas of the process might be improved to increase efficiency, environmental outcomes, and increased

regulatory certainty. However, I would be remiss if I did not mention the importance of natural resources overall to the state's economy. As a natural resource state, our goal is to provide for economic opportunities with sound environmental outcomes across all of our resources. These include our energy, minerals and agricultural sectors, as well as our state and national parks. Each of these represents unique and important sectors, providing jobs and revenues for the state.

Energy jobs in particular in Utah account for 1.1 percent of the state's jobs, or a total of almost 16,000 direct employees in this sector. And these jobs provide some of the highest wages in the state accounting for 2.2 percent of the state's total wages. The average energy job in Utah pays 194 percent of the state's average wage. With respect to the state's energy revenues, they flow through the following means: Federal mineral leases, severance taxes, royalties from the School and Institutional Trust Lands Administration permanent fund, property taxes, sales tax, income tax, and conservation tax. Of these, most significant are the property taxes, sales taxes, and Federal Mineral Leases, which in 2015 made up over 68 percent of the \$673 million dollars in energy revenue to the state. These revenues support the state budget, particularly our state school system. At the local level, sales and property taxes fund police, fire, and other essential services.

Utah has seen energy booms come and go in recent decades, and since 2014 Utah has been experiencing a decline in production activity, in significant part related to low commodity prices for oil and gas driven by market conditions fueled by a technological revolution in well drilling and well-stimulation techniques. To give you an idea of the impact, oil production in 2014 was approximately 41 million barrels; in 2015 production declined to roughly 37 million barrels; and in 2016 it was at 31 million barrels, matching 2012 levels. Gas production has declined since 2012, when it peaked at 490 million MCF. In 2016 production was about 365 million MCF. However, we believe that to the extent that we can access our resources, we can create a new opportunity for development as commodity prices rationalize. This will be critical for building sustained growth and jobs, especially in those communities have been most impacted by the past years' decline in oil and gas activities. While Utah's overall unemployment rate as of May 2017 was 3.2 percent, the unemployment rates in Duchesne and Uintah counties, which are more dependent on oil and gas, were 5.9 and 6.6 percent, respectively.

In addition to Utah's core oil, gas and coal industry, Utah supports an all-of-the-above approach to energy development and we have seen a boom in solar activity in recent years. However, this has been limited to state and private lands, largely due to the same onerous leasing and permitting conditions that face our hydrocarbon resources. Delivering on the promise of all our energy and minerals opportunities requires getting regulation right.

Unfortunately, in a public lands state with close to 70 percent of land federally owned, the ability to access and responsibly develop our natural resources is dramatically impeded by complex processes and lengthy timelines for leasing and permitting, resulting in a general reduction in leasing activity. The total number of active onshore oil and gas leases in the country has declined over recent decades, and that pattern has continued without interruption since 2008.

Utah is 11th among states in oil production, 12th among states in natural gas production, and 13th among states in coal production. When it comes to oil and gas development in the state today, regulatory compliance on federally managed lands is significantly more difficult than what occurs through processes overseen by Utah's highly qualified staff at the Utah Division of Oil Gas and Mining. And we have not seen evidence that Federal process deliver results that are more robust than those provided through our state agency.

The Energy Policy Act of 2005 specifies that the Bureau of Land Management ("BLM") within the U.S. Department of the Interior ("DOI") must approve Applications for Permit to Drill (APD) within 30 days, yet the average permit time is 220 days. In fact, depending on the field office, it is not uncommon for APDs to take years.

Our recommendation to resolve lengthy delays in leasing and permitting is that a process be established for delegating primacy to Utah, and to states generally, for the regulation of oil and gas operations on federally managed public lands. We are not alone in making this recommendation. This year the Interstate Oil and Gas Compact Commissions (IOGCC) passed resolution 17.051 titled "Urging the Congress of the United States, the U.S. Departments of the Interior, and the U.S. Bureau of Land Management to Establish Processes for Delegating Primacy to the States for the Regulation of Oil and Gas Operations on Federal Public Lands." The purpose of the resolution is to urge the establishment of an administrative process to delegate a portion of BLM's responsibilities (specifically the regulation of oil and gas activities) through an appropriate primacy delegation mechanism to the states

that may desire such delegation. The intent of the resolution is not to disparage or minimize the current role of the U.S. Bureau of Land Management to authorize development on Federal land, but it is an attempt to optimize the operations of government at both the Federal and state level.

The IOGCC has a long-established interest in oil and gas resource development and the regulation of such activities on public lands within the borders of individual states. As evidence of this interest, IOGCC has for many years included a Public Lands Committee as one of its seven business-related Standing Committees—specifically to identify and address issues relevant to the states’ interests in public lands. The state of Utah became a member state of IOGCC in 1957.

The initial Utah Oil and Gas Conservation Commission evolved over time to become the present-day Division of Oil, Gas, and Mining (“DOGM”) within the Utah Department of Natural Resources. DOGM’s guiding principles include the facilitation of the responsible development of oil and gas resources within the state of Utah. Specifically, DOGM is the counterpart to the Federal Government’s BLM in the regulation of oil and gas operations. BLM is tasked to oversee the development of oil and gas resources on Federal lands throughout the Nation. And like DOGM, BLM performs this task by analyzing, approving, and monitoring the drilling, completion, operation, and final plugging of wells located on Federal mineral leases.

We suggest that Utah’s DOGM provide the permitting for wells on both state and federally managed lands. Today, DOGM permits wells that are co-located with other wells on Federal lands. If DOGM is permitting similar wells in a similar location, what limits the state from doing both?

Utah’s DOGM has a performance measure goal of permitting at least 80 percent of state or fee APDs within 60 days. Targets may not always be realized because approval time is dependent on a number of factors that can prolong the approval process. For example, in 2016, the average time for approval of state land APDs was 131 days and for approval of fee land wells was 81 days. However, in the 8 years prior to 2016, average approval time ranged from 66 days to 121 days for state lands and 81 to 108 days for fee lands. Our understanding is that this is significantly more timely than BLM, which we have heard has an approval time in Utah ranging from 150 to 240 days.

Based on our examination of the relevant statutes, the Department of the Interior (DOI) and the Bureau of Land Management (BLM) do not currently have statutory authorization to delegate regulation (permitting, inspection, and enforcement) of oil and gas production to the states for production occurring on Federal land. The primacy delegation may be accomplished by one of two actions: (1) Congressionally directed legislation, or (2) Application of the Federal Permit Streamlining Pilot Project established as part of the Energy Policy Act of 2005. In September 2014, the U.S. Senate approved S. 2440, the BLM Permit Processing Improvement Act of 2014 that among other things, makes permanent the Federal Streamlining Project program.

Examples of primacy delegation of the Federal Government to states exist with certain environmental programs of the U.S. Environmental Protection Agency and even the coal-mining regulation responsibilities of the U.S. Office of Surface Mining, Reclamation, and Enforcement within the U.S. Department of the Interior. States have a proven track record of success under these delegations, and would do so under similar delegation from BLM—if such opportunity were granted.

History has shown that states have successfully addressed the effective and efficient development of hydrocarbon resources, and this resolution seeks for continued primary roles for the states in conservation of resources, prevention of waste, and promotion of responsible development within their jurisdictions. One should note that even if a legislative process for primacy delegation for oil and gas development were to exist, it would be voluntary for states to obtain such primacy, and it would also free up the resources of the BLM to focus on its responsibilities of multiple use and appropriate leasing of minerals on Federal land.

In addition, the Utah BLM Mineral Leasing schedule is currently structured in a manner that is not conducive to encouraging investment and developing resources. The majority of leases offered in Utah are currently deferred. Leases that are deferred are not offered again until a year has passed. According to the Mineral Leasing Rules under CFR 43–3120 this time frame is not necessary and is at the discretion of the state BLM Director. Our recommendation is that BLM require a quarterly mineral leasing schedule for leases on Federal western lands that have been deferred in order to encourage investment and development of resources across all available western lands on an equitable basis. Consistent BLM practices from state to state would also allow efficiencies for companies that operate in multiple states.

In conclusion, our experience has been that Federal regulation in the realm of energy development is steered equally by science and by controversy. This unfortunate approach leads to over-zealous regulation that is not reasonable from a cost-benefit perspective, and that puts an undue burden on companies hoping to invest and create jobs in our rural communities. States like Utah, on the other hand, tend to base their regulations on a sensible “best practices” approach that leads to comparable outcomes at far less expense. We urge the Federal Government to recognize states with good regulatory track records, judging by environmental outcomes not environmentalist outcries, and should be prepared to delegate regulatory authority accordingly.

QUESTIONS SUBMITTED FOR THE RECORD BY REP. LOWENTHAL TO DR. LAURA NELSON, ENERGY ADVISOR TO GOVERNOR GARY R. HERBERT

Question 1. Under a system where state governments had primary responsibility for managing Federal oil and gas operations within their borders, how does the state envision working with the Federal Government to assure compliance with the myriad Federal laws and other requirements that apply to public lands including, for example:

- The Mineral Leasing Act and its regulations, which charge the Secretary of the Interior and BLM with managing Federal minerals leasing and permitting. See 30 U.S.C. § 226(a); 43 CFR § 3162.3–1(c).
- The National Environmental Policy Act and its requirements for environmental impact analysis;
- The Endangered Species Act including its requirements for consultation with the FWS;
- The National Historic Preservation Act including its requirement for consultation with State Historic Preservation Officer and the Advisory Council on Historic Preservation;
- The Secretary’s trust responsibility to Native American tribes;
- The Federal Land Policy & Management Act and its requirements for land use planning, for management of the public lands to “protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archaeological values,” and for the prevention of unnecessary and undue degradation of public lands.

Answer. The proposal outlined in my June 29 testimony is focused on permitting. Under this proposal, Utah’s Division of Oil Gas and Mining (DOGM) would provide the permitting for wells on both state and federally managed lands. Through DOGM, Utah already permits wells that are near similar wells on Federal lands. Numerous efficiencies would be achieved by extending Utah’s authority to permit wells to Federal lands in Utah. DOGM’s expertise and familiarity with the unique attributes of Utah’s oil and gas resources and industry could be leveraged to drive more efficient and effective permitting. As mentioned in my testimony, congressional legislation would likely be required to delegate regulation (permitting, inspection, and enforcement) of oil and gas production to the states for production occurring on Federal land.

Under a primacy delegation for permitting of oil and gas, leasing authority would remain with the Secretary of the Interior and Bureau of Land Management (BLM). Although Utah would continue to advocate for and support the provision of timely and high quality Federal leases to the oil and gas industry, a Federal agent is generally needed to properly represent Federal interests in leasing Federal lands.

Utah’s proposal for establishing primacy in the oil and gas sector would be initially limited to permitting. As Utah established a successful permitting program on Federal lands within Utah, it would work closely with its Federal partners to enhance effective, timely and affordable industry compliance with all environmental, historic preservation, Native American and other Federal requirements. Permitting primacy on Federal lands would enable Utah to better coordinate with Federal partners to streamline industry compliance with the diverse Federal requirements mentioned in your question. Furthermore, as state permitting primacy on Federal lands was successfully implemented, opportunities for state administration of some or all of the Federal requirements mentioned in your question could be explored.

A primacy delegation of Federal responsibilities to a state government entity can be creatively crafted in various ways to ensure compliance with other applicable Federal laws. The Federal agency granting primacy may consider granting all

responsibilities or only a partial set of duties. Once the Federal agency designates a discrete transfer of responsibility to a state, then the primacy granting agency retains solely an oversight role, and the state is then required to perform any additional necessary functions within the implementing Federal statute. A primacy delegation is not a unilateral decision to pass all critical decision making from one party to another party. It is more of a cooperative partnership to allow each party to recognize their strengths and to efficiently and effectively apply their resources to mutually acceptable outcomes.

The functions of oil and gas operations regulation has been historically and effectively performed by many states since the early 20th century. It was decades later that Federal land managers assumed the oil and gas regulatory role for Federal lands that states had conducted for many years. A negotiated primacy delegation under a mutually acceptable cooperative agreement may take time to develop in order to satisfy both parties, but still represents an efficient delineation of duties with successful outcomes for each party.

Ultimately, a carefully prepared and executed cooperative agreement can be the basis to identify that all Federal needs are met by the programs and processes being offered by the states. Either party can deny the execution of primacy if they are unsatisfied that their individual needs remain unmet. The process models for primacy delegation already exist and they can be tailored to suit the roles of the Federal Government and states for oil and gas regulation. Specifically within the Utah Division of Oil, Gas and Mining, there are already two Federal primacy delegations that have been in effect for nearly 35 years—these are the primacy delegation from the U.S. Office of Surface Mining, Reclamation and Enforcement for coal mining regulation and the primacy delegation from the U.S. Environmental Protection Agency for oil and gas Class II injection well regulation. We understand that there may be interest in “testing” this process before advancing full primacy delegation to the state for oil and gas permitting. This could be accomplished with a pilot project where there is a single operator, with a group of similar wells located on both state and Federal land. In this pilot study, DOGM would provide oil and gas permitting for the test wells located on both state and Federal lands. Activities and results could then be used to study the effectiveness of the state process.

DOGM has demonstrated that it can responsibly use delegated primacy powers to develop Utah’s natural resources, protect the environment, prevent waste and work effectively with its Federal partners. We recommend improving oil and gas permitting through delegating primacy to Utah, and to states generally, for the regulation of oil and gas operations on federally managed public lands. This recommendation is not intended to disparage or minimize the current role of the U.S. Bureau of Land Management or any other Federal agency, but rather an effort to identify an effective pathway for optimizing the operations of government in the responsible development of oil and gas resources.

Dr. GOSAR. I thank the panel for their testimony. Reminding the Members that the Committee Rule 3(d) imposes a 5-minute limit on the questions, the Chairman will recognize Members for any questions they may wish to ask. I will start with myself.

Mr. Flynn, leasing policy changes put in place in 2010, Internal Memo 2010–117, has resulted in a situation in which the BLM is not fulfilling the Mineral Leasing Act’s requirement to hold a lease sale in every oil and gas state at least quarterly. Only one lease sale was held in the state of New Mexico in 2016, and sales in lower interest areas of the state were canceled and not replaced by sales in the highly prospective areas of the Permian and San Juan Basins.

What impact does the rotational lease sale schedule have on oil and gas development in New Mexico, considering the Texas Permian is right across the border? And how does this affect the budget of the state of New Mexico?

Mr. FLYNN. Mr. Chair, thank you for the question. The impact is profound, from both an economic and a jobs perspective. As I mentioned before, approximately one-third, give or take a couple of

percentage points, in a given year of our budget is derived directly from severance taxes paid by the oil and gas industry. So, when the state of New Mexico is not attracting activity, we are suffering, from an economic perspective.

Of the Federal royalty, nearly 50 percent of the Federal royalties paid come back to the state of New Mexico, as well. So, we derive benefits both from our severance tax, as well as from our share of the Federal royalties that are paid.

Each drilling rig constitutes approximately 50 to 100 high-paying jobs. So, each rig that is drilled on the Texas side of the border means 50 to 100 high-paying jobs that average about \$75,000 a year are going to Texas instead of New Mexico, and that trickles down and has an impact throughout our economy. Those workers are spending money in restaurants, they are buying goods, and they are paying more taxes to the state when they are buying different goods and paying for services.

So, New Mexico's budget is dependent on the oil and gas industry. We certainly, as an industry, support efforts to diversify our budget. However, the fact remains that we are the foundation of the budget, and when we suffer the state suffers.

And, from a budget perspective, we just had a special session to deal with the shortfall because of the low-market prices, where we had to account for about a \$100 million deficit. And next year we have current projections which are inherently inaccurate at this point that show that we are facing another budget deficit of perhaps \$2 to \$250 million.

So, this impact is profound in a state like New Mexico, where our jobs and economy are dependent on the oil and gas industry.

Dr. GOSAR. Yes, you had said 50 percent. It is 48 percent since the Murray-Ryan budget.

Mr. FLYNN. It is nearly 50 percent.

Dr. GOSAR. Ms. MacGregor, in your written testimony you state that, since taking office, Secretary Zinke has scheduled quarterly lease sales in nearly every office. You also highlight the successful February 2017 Wyoming lease sale that generated nearly \$129 million.

What, in your opinion, precluded quarterly lease sales during the previous administration?

Ms. MACGREGOR. Thank you for the question, sir. I cannot speak to the previous administration's decision on whether to hold lease sales or not hold lease sales.

Dr. GOSAR. Isn't it statutorily required?

Ms. MACGREGOR. It is in the Mineral Leasing Act to conduct quarterly lease sales in each state office. I can speak to the fact that we have had more lease sales this year than last year. Eleven lease sales were canceled or postponed last year alone. We are hoping to continue forward with our schedule of lease sales. And, of course, we believe that leasing can be done economically, even in these price conditions.

Just to touch back on Mr. Squillace's comments, I think it is important to note that there is no low-balling that goes on. The Department, when we conduct leases, actually ensures that every lease that is sold is reaching a fair market value threshold. And yesterday, I believe, the Bureau of Ocean Energy Management

announced that we rejected 10 bids and \$10 million for bids that were made that just did not reach fair market value thresholds.

So, we will conduct our lease sales in accordance with Federal law, and we will make sure that the taxpayer is getting fair market value.

Dr. GOSAR. Thank you. My time is short, so I will acknowledge the Ranking Member for his time.

Dr. LOWENTHAL. Thank you, Mr. Chair.

Ms. MacGregor, as I mentioned earlier when I quoted your testimony, where you said, "America's free markets will help determine where and when energy development on public lands is feasible"—to me that is a troubling statement because it sounds an awful lot like an admission that the oil, gas, and coal industries will control the location and the timing of energy development on our public lands.

And then the energy counselor today, through the Secretary, is quoted as saying that we are moving toward "an energy-dominant public policy."

My first question is, do you agree with the policy statement in the Federal Land Policy and Management Act that states, "It is the policy of the United States that public lands be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air, and atmospheric water resources, and archeological values?" Do you support that statement?

Ms. MACGREGOR. Absolutely, and I also support the area of FLPMA that speaks to managing and balancing multiple use of those lands.

Dr. LOWENTHAL. Thank you. But do you also believe, though, in that balance that you point out, that balance between that and also exploration and production of oil leases, that there are times that it is necessary to over-ride the wishes of the free market?

Ms. MACGREGOR. Just to speak to that, I believe that the statement that anyone aside from the Secretary and the Bureau of Land Management will control where and when leases are held is not true. It will be a measured development that, of course, preserves the multiple use of the lands, and the varied uses that—

Dr. LOWENTHAL. So, you do believe that there will be times when you will overstay or protect those values, to over-ride the wishes of the—

Ms. MACGREGOR. Mr. Lowenthal, I absolutely do. And I know that there are areas that are going to be more treasured and special than others, but I think that we can strike that appropriate balance and find ways—

Dr. LOWENTHAL. I think that is what we are trying to find on this—

Ms. MACGREGOR. Absolutely.

Dr. LOWENTHAL [continuing]. Because we have real concerns that the policy has moved us away from that balance, and not toward that balance.

Ms. MACGREGOR. I understand your concerns, and I think that the entire planning process done through RMPs at the Bureau of Land Management will ensure that we manage well and that we find that balance.

Dr. LOWENTHAL. Talking about that balance, let's talk about that according to the BLM budget—there were 2,552 drilling permits currently pending at the end of the last fiscal year, and it seems like taking care of this backlog and issuing permits as quickly as possible is a high priority for the Department.

I believe that is true, it is good to be efficient. Permit processing should not take longer than it needs to, and I think some of those issues have been raised. But we do not need to tell people out there that there is a huge backlog of permits that need to be addressed, and potentially at the risk of not doing thorough environmental reviews, not evaluating protests, not dealing with other activities, because is it not true that the number of unprocessed permits is currently the lowest it has been since 2005?

Really, we have the smallest backlog that we have had in over a decade. Is that not true?

Ms. MACGREGOR. I am sure that it is true, but a backlog is still a backlog. And taking care of—

Dr. LOWENTHAL. Thank you for stating that it is true. And at the end of 2015, there were over 7,500 of those—this is the most in a decade—7,500 drilling permits that companies have still not used, which is the most. So, we have the most drilling permits and the smallest backlog that have not been used. Is that not true?

Ms. MACGREGOR. It is correct that we have 7,950 APDs approved but not yet drilled in this year.

Dr. LOWENTHAL. And that is also the most we have had in this decade.

Ms. MACGREGOR. I am not sure if it is the most or not. I can get back to you on that.

Dr. LOWENTHAL. Well, let's get back to that data, and I will finish up. Ranking Member Grijalva wrote to the Secretary in April, looking for the number of permits that have been approved, but not used at the end of Fiscal Year 2016. That is what he has done, he has written to that.

And last week the Secretary said there was no need to answer letters, because he will simply call us with the information. I am asking you, will you please ask the Secretary to either call me or Ranking Member Grijalva with the 2016 data? Or you can call me with that data, or you can text me.

Ms. MACGREGOR. So, you are going to give me your number?

Dr. LOWENTHAL. Yes, I am.

[Laughter.]

Ms. MACGREGOR. I would be more than happy to work with your office on fulfilling that data request.

Dr. LOWENTHAL. Thank you, and I yield back.

Dr. GOSAR. I thank the gentleman. I now recognize the Chairman of the Full Committee, Mr. Bishop from Utah.

Mr. BISHOP. Would you call me if I gave you the number, too?

Ms. MACGREGOR. Sure.

Mr. BISHOP. In the past, I got calls, but just no information was forthcoming. So, if you could actually add the information to it, it would be nice.

[Laughter.]

Mr. BISHOP. Let me ask Mr. Flynn and Dr. Nelson, just for a second, because there are some questions. If 39 percent of the leases

that are out there, the bids are not being taken, why would a company not bid on something an administration—either this one or a previous one—would actually put out for bid? Why would they not go for that? Very quickly.

Mr. FLYNN. Chairman Gosar, Chairman Bishop, it is too difficult to provide a single answer. It would really depend on the geology and——

Mr. BISHOP. You have 16 seconds to give me a couple of answers.

Mr. FLYNN. Well, I think it depends on what you are bidding on, first and foremost. So, they would be considering the productive potential——

Mr. BISHOP. Are you telling me that there is a possibility that bids for lease would not have enough resources there to make it practical?

Mr. FLYNN. Yes.

Mr. BISHOP. Or that those lands would actually be so litigation-prone that it would not be worth actually going for them?

Mr. FLYNN. Yes, absolutely.

Mr. BISHOP. And that may be one of the reasons why bids were—would it actually be possible for any administration, past or present, to be so devious that they would actually put out bids for a lease that they knew would not be acceptable?

Mr. FLYNN. Mr. Chair——

Mr. BISHOP. You can't answer that. You don't have that vision of their heart. I will let that go down there. OK.

Dr. Nelson, let me go to you, then. We have been talking about how cheap the royalties are on Federal lands. Why would a company not go to the Federal lands just to pay those cheaper royalty rates? Why would they go to state or private lands to pay more money?

Dr. NELSON. I think the question can be answered pretty simply. First of all, what we have seen in terms of leases that are offered is that there are very few parcels that are offered at a single time. And, as I know you are well aware, Chairman Bishop, the companies really look to maximize a resource play. And if they cannot block up a resource play, then they are simply not going to bid, irrespective of what the royalty requirements are. So, thank you for the question.

Mr. BISHOP. So, the only reason somebody would actually bid on Federal lands is if they can make money. And the longer it takes to permit, the longer it takes to go through litigation, the longer it takes to try and get those areas—it simply means it is not profitable. They are willing to pay more money if they could actually be in production, which should be an idea for the Federal Government, that if we can actually guarantee you are going to be in production, and the permitting process goes further faster, that people would be willing to pay more, simply to do that.

Dr. Nelson, are there other examples of how land can be stopped from production? For example, would there be projects that could be established, shown that they are worthy, but then all of a sudden they need, let's say, some electricity or power to go into that plant, and the Federal Government could block rights-of-way to that power, to make the entire project worthless? Would that actually ever happen?

Dr. NELSON. Yes.

Mr. BISHOP. And in my district?

Dr. NELSON. Yes. Infrastructure is critical, and oftentimes must cross federally managed lands. So, it does sometimes inhibit the ability to develop a project, even after a lengthy leasing process followed by a lengthy APD process, then the need to secure leasing for the infrastructure.

Mr. BISHOP. Ms. MacGregor, let me go to you. As you know, there are some Native American tribes who rely upon energy and development. They do not have gaming opportunities. Southern Utes in Colorado are one. Were there examples in prior administrations where they were prohibited from actually implementing the programs they want, the tracking devices, the programs that they had which inhibited their ability to do that?

Ms. MACGREGOR. I think there are several examples where energy-producing tribes did reach out and issue public comment on some of their concerns for responsible production on their lands.

Mr. BISHOP. And it is not just DOI that was dealing with that, as far as permitting. Sometimes the EPA got involved, which basically shut down any kind of production they would have, going forward.

Is DOI considering reforms that would delegate permitting process and regulatory authority to states? Kate?

Ms. MACGREGOR. It is something that I would be more than happy to talk to your staff in your office about. That sounds like an interesting idea that we would be willing to discuss.

Mr. BISHOP. Dr. Nelson, maybe I can come back to you, because I do know there was a bill out there that talked about this.

If, indeed, a company was held to Federal standards, but the state actually did the permitting process, could such a system actually work, and facilitate faster permitting?

Dr. NELSON. We believe that it would, and we would like to move forward with assigning that primacy for approval of applications for permits to drill to our Utah Division of Oil, Gas, and Mining, and also to other states that have proven the capability.

Mr. BISHOP. All right, I was unfair. I asked you that question with less than 30 seconds remaining, so I am over. That is my rule that I violated.

[Laughter.]

Dr. GOSAR. That is all right.

Mr. BISHOP. Thank you for your answers. Thank you for actually being here and spending the time and talking about this. This is a significant issue. I yield.

Dr. GOSAR. I thank the Chairman—

Mr. BISHOP. I yield what I don't have.

Dr. GOSAR. Before I recognize the gentlewoman from Massachusetts, Mr. Flynn, we are having a hard time hearing from you. Can you take your microphone and move it a little bit closer to you, and just kind of speak in the microphone? Kind of get closer to it, please?

Mr. FLYNN. Is that better, Mr. Gosar?

Dr. GOSAR. That is a little bit better, thank you. I now recognize the gentlewoman from Massachusetts, Ms. Tsongas.

Ms. TSONGAS. Thank you, Mr. Chairman. And welcome to our guests.

While the oil and gas industry wrestles with changing market conditions, as you all have testified to, our Nation also happens to be in the midst of a clean energy revolution. In Massachusetts alone, jobs in the clean energy sector have grown by 75 percent since 2010, and it is now an \$11 billion industry across the entire Commonwealth.

Nationally, we have reached a significant milestone this past March, when over 10 percent of all electricity came from wind and solar. In many individual states, the percentage of electricity generated by wind and solar is even higher. Our Nation's public lands stand to play a significant role in this transition to clean energy.

The Obama administration's Bureau of Land Management approved permits on public lands for utility-scale solar facilities, wind farms, and geothermal plants, and set a goal of approving projects that would generate 20,000 megawatts of clean energy by 2020. I believe this Committee and the new Administration should also be working to ensure that our public lands are supporting renewable energy development where it is appropriate, and in an all-of-the-above framework to help decarbonize our electric grid, support job creation, and increase royalty payments to Federal taxpayers and local communities.

Ms. MacGregor, welcome back to the Committee. On this issue of supporting renewables, the Bureau of Land Management's Fiscal Year 2018 budget request includes a \$13 million cut to renewable energy programs. This is money that was budgeted for activities such as public outreach and stakeholder engagement, lease sales, and making sure that permits are reviewed in a timely manner. Your written testimony outlines the many steps that this Administration is taking to rush approvals of oil and gas development, but no similar steps for renewable development.

How will you ensure that renewable energy projects have the proper funding and staff levels to ensure similarly timely reviews, and are you considering setting similar targets, as the Obama administration did, for renewable energy development?

Ms. MACGREGOR. Thank you for the question. We are definitely supportive—this Administration—of all energy jobs. We are not engaged in picking winners or losers in any way. When it comes to clean energy, which, of course, is very important to you, we are remaining supportive of those projects that have already been permitted and will continue to be permitted on Federal land in the appropriate areas where it has already been determined.

In my opening statement, when I said that we have 18,000 megawatts of approved renewable energy, much of that is still remaining to be installed. So, we are aware that there will be permitting on continued work with the Bureau of Land Management to allow these projects to move forward in a responsible manner.

I believe, by focusing on our permitting process in general, and making sure that we are looking at efficiencies across the board, it will benefit all energy producers on Federal lands, including renewable energy producers.

Ms. TSONGAS. So, you are abiding by the Obama administration's goals, is that correct?

Ms. MACGREGOR. We will ensure that renewable energy is permitted in an appropriate and smart time frame.

Ms. TSONGAS. Are you setting new goals for the Trump administration in this area?

Ms. MACGREGOR. The Trump administration and the Secretary have been very clear on their priorities, moving forward. I think it is restoring balance on Federal lands, which includes all energy. And, based on some of the acreage and numbers that we are looking at that were taken care of in the last administration when it comes to oil and natural gas, we are still trying to dig out of a little bit of a hole there to restore that balance. But yes, we will prioritize all energy jobs on Federal lands.

Ms. TSONGAS. The Trump administration has touted its all-of-the-above energy strategy, but renewables are frequently omitted. And, I think, even though you are looking to see through the Obama permits, you are not aggressively looking for additional ones. I do think a responsible energy production calls for a more thought-through plan as to how to maintain some balance, given the extraordinary job opportunities that we have certainly seen in Massachusetts, and that I am sure present a real opportunity across this country.

Professor Squillace, in your experience, are fossil fuels given preferential treatment in terms of development on public lands?

Mr. SQUILLACE. Well, it varies from administration to administration—

Dr. GOSAR. Push your button, please.

Mr. SQUILLACE. Oh, thank you. Sorry about that. It varies from each administration, I would say. But I think the budget proposal from the Trump administration seems to clearly favor fossil fuels over renewable energy. So, that is one indication.

What I would say about that more broadly is that the United States has a responsibility to address the problem of climate change in the long term, going forward. If it is going to do that, it needs to manage the decline of fossil fuels. Fossil fuels are going to decline because of market conditions, irrespective of the other issues that we have been talking about. But we need to manage that decline in a responsible way, because if we don't, we are going to see the kinds of economic dislocations that we have seen already with the coal industry, and that we are likely to see, going forward, with oil and gas.

As I said—

Dr. GOSAR. The gentlewoman's time has expired. I now acknowledge the gentleman from Colorado, Mr. Lamborn, for his 5 minutes.

Mr. LAMBORN. Thank you, Mr. Chairman. Ms. MacGregor, I have a couple of questions for you. But before I ask that, let me just go on the record and say that when you were on this side of the dais as a professional staff member, I found you to be one of the hardest working, most dedicated people I have ever met, and I think the country is fortunate to have you doing what you are doing now. So, keep that up.

You said in your testimony, the BLM is adding features to enhance the new electronic APD processing system, the automated fluid minerals support system, and plans to decommission parts of

the prior APD processing systems to improve the automation capacity and better match the BLM resources to permit activities. And that was what you said.

So, using Internet-based bidding and enhancing the electronic processing of APDs is exactly what this Subcommittee has been pushing the BLM to do for a long time, as you know. Could you tell us just a little bit more about these efforts?

Ms. MACGREGOR. Sure, I would be more than happy to talk about that. And speaking of AFMSS 2, which is the more enhanced Internet-based program that we are talking about when it comes to filing APDs, I do recognize that New Mexico, in their field offices, has a different program. We are still working out the details of how these programs can work better together to make sure that, overall, we have a better program to process APDs.

But processing APDs through Internet-based means is going to help us in many different ways, especially in eliminating, hopefully, a lot of the discrepancies that we see when industry files their permits.

Right now, the BLM actually has a permitting time frame of 257 days. In my testimony, I said that we are trying to get to 90 days. And, by statute, we recognize that we are supposed to be at 30 days. But we think that utilizing this Internet-based means and harnessing that, we will be able to find ways—our staff compares it to TurboTax, but allowing folks to fill in the data and make sure that data does not get filed until it is fully complete.

So, that is one of the areas I think will be helpful, and also will increase transparency for folks on the Committee and the general public, who want to have a better understanding of what the absolute workload, what our folks on the front lines, out in the field, are facing on a daily basis, especially in areas like Casper, Wyoming and Carlsbad, New Mexico.

When it comes to Internet-based leasing, that is something that Congress allowed the Bureau of Land Management to do in the 2015 NDAA, I believe. We are moving to that model, and our folks internally are noticing that, through online-based bidding, we are seeing an uptick in participation, as more people can attend the lease sales online and perhaps increase revenues coming in.

But we are still analyzing all of the details of what we are seeing in those lease sales, and hoping to get something up to the Hill eventually that provides more information on that.

Mr. LAMBORN. OK, thank you. At the end of Fiscal Year 2016, the BLM oversaw a little more than 40,000 leases across the country. This may sound like a lot, but it is actually the lowest number of Federal leases since Fiscal Year 1985, 30 years ago. And, despite the fact that the Mineral Leasing Act requires lease sales to be held in each state at least quarterly—or more frequently, if the Secretary deems that is necessary—the BLM has repeatedly canceled or failed to hold the required lease sales.

So, what will the current Administration do to correct this?

Ms. MACGREGOR. We are committing to making sure that we find—to be respectful of Ranking Member Lowenthal, we are going to find the appropriate areas to conduct lease sales, and we will conduct those lease sales. And we are aiming to be doing quarterly lease sales.

I think it is important to talk about leasing, because in the example that 2014 was one of our highest-producing years, in that year alone, in North Dakota, an example of a project that came online that initially produced 4,200 to 6,000 barrels of oil a day in 2014, a great project, got through the process, more wells might be drilled there, it was leased 15 years before, in 2001. There are long lead times to get from lease to production.

That is why leasing and having certainty in the leasing process is so key, because companies take time to develop these resources, and have to allocate their own economic resources to do that.

Mr. LAMBORN. Thank you for being here today, and thank you for your testimony.

Mr. Chairman, I yield back.

Dr. GOSAR. I thank the gentleman. The gentleman from Florida, Mr. Soto, is recognized for his 5 minutes.

Mr. SOTO. Thank you, Mr. Chairman. I appreciate the discussion today. Obviously, we need to make sure we are not just focusing on 20th century jobs, but 21st century jobs. And, in our state, we have avoided trying to have just an oil and gas economy. I realize there is a big push among a lot of states who are addicted to oil and gas jobs because they have not diversified their economy like Florida and a lot of other states, and so there is a big pressure to try to maximize this as much as possible.

But we know we still have gas and oil that we will need for homes and cars and for goods. So, obviously, for the near future we will need to keep up the demand. But if we look to the future, we need to make sure that we are addressing climate change, that we are pushing renewable energy, that we are making sure that we are conserving our parks, and conserving our natural resources, and protecting our coastline.

In Florida, it is much more about tourism and agriculture than it is about oil and gas, and that has been something that has hurt our economy, particularly with the disastrous BP oil spill in the Gulf that wrecked the western part of the state for a year plus. And we are still getting reimbursed for that.

But I want to focus on the issues that have been addressed by our speakers here. According to our information, the leasing times from about 2005 to 2015 have been about 190 to 220 days under both the Bush and the Obama administrations, and now it is at 250. What specifically, Ms. MacGregor, are you recommending to get us from 257 or 250-something that you mentioned, back down to that average range of 190 to 220?

Ms. MACGREGOR. Thank you for your question. I know that there are very few BLM lands in Florida, but I know this is an important issue to you.

But what we are doing is prioritizing, again, areas where there is a good return on investment to the American taxpayer. One of those areas is an America First energy agenda. What we have done so far is simply create priorities and start looking at vacancies out in the field.

Two weeks ago, I was in Carlsbad, New Mexico and Casper, Wyoming, visiting with some of the folks out there who are processing these permits, and talking to them about what exactly they need to help move these permits in a more responsible time frame.

Mr. SOTO. So, just to be clear, there are efficiencies that will be forthcoming to us, but there are none today.

Dr. Squillace, I see that we have 192 out of our 213 million acres that are already eligible for leases, so we are talking 10 percent left. Is this 10 percent of land that is really even feasible for leases, or is this something that we really do not need to be pursuing?

Mr. SQUILLACE. Let me answer that in a little bit different way, Congressman. The concern is that when you are deciding whether you want to lease oil and gas or any other resource on our public lands, you go through a land use planning process. And the land use planning process is what has made so much of the land available for leasing, so there is that initial judgment that has to be made.

But then the way that the leasing actually occurs is primarily from nominations from industry. It is industry that decides what lands they want put up for leasing, and then they come in and bid on them. That process, of course, has not worked very robustly in recent times, simply because there has not been that much interest, frankly. I know we are talking, there are certain areas where there is interest, but——

Mr. SOTO. Let's get to that. So, if there is a reduction in leasing——

Mr. SQUILLACE. Yes?

Mr. SOTO [continuing]. Is it a supply, demand, or regulatory issue?

Mr. SQUILLACE. I would say it is primarily a demand issue.

Mr. SOTO. So, Americans in the world are reducing their demand on oil, and that is leading to less desire for leases.

Mr. SQUILLACE. Yes, but I want to emphasize one important point about the regulatory issue, because there has been a lot of discussion today about the regulations and the ways in which government regulation might limit development.

As I tried to point out in my original testimony, the problem here is that we are dealing with public lands, and it is necessary. It is not just that it is legally required, it is necessary that we focus on what the consequences are of full-field development of oil and gas resources on our public lands. That kind of development can be devastating, and it has happened a lot on our private lands. But, I think, it is much more problematic when it happens on public lands.

So, there is a regulatory component, but it is a necessary component that is designed to make sure that we are protecting all the resources that we have talked about, and that FLPMA requires that we protect——

Mr. SOTO. Well, right now it is taking 257 days, so it looks like we will have plenty of time to review them. Thank you so much.

Dr. GOSAR. I thank the gentleman. The gentleman from Virginia, Mr. Wittman, is recognized for his 5 minutes.

Mr. WITTMAN. Thank you, Mr. Chairman. I would like to thank our witnesses for joining us today.

Mr. Flynn and Dr. Nelson, I wanted to get your perspective. You both come from states that have significant acres of Federal lands. And, obviously, that does have an impact on your state. The question is, what type of impact?

You spoke earlier about the economic impacts of what happens on those lands, and lack of activity there that generates economic activity does have a significant impact. You spoke about that, but I wanted to get a little more detail about not only how does that affect the state, but how does it affect local economies?

And what do you see, from a standpoint of having to deal with, as you talked about, Mr. Flynn, budget deficits keeping economies going? How do you deal with these massive amounts of public lands, looking at ways to make sure that they generate some revenue, and then, looking at the regulatory hurdles that are there for energy development on those lands?

So, I wanted to get both you and Dr. Nelson's perspective on it from your state viewpoints.

Mr. FLYNN. Chairman Gosar, Representative Wittman, let me give you two quick answers, one that would not really go into the economic.

But from an economic perspective, really, it just boils down to infrastructure projects. From a local development perspective, roads and sewers are the bread and butter of city and council local government officials. They are really on the front lines of governing. I know you all interact with them constantly in your districts, and I interact with them in my prior role and in my current role. And less revenue means less infrastructure projects for roads, sewers, for drinking water systems, period.

The second issue I would point out—we have already talked about the economic issues, but in processing right-of-ways, if climate change is an issue that you believe is important, like I do, then one of the key infrastructure challenges we see to reducing emissions from venting and flaring is related to infrastructure to reduce flaring events. So, right-of-way approvals not being processed actually contributes to the problem that we see when it comes to greenhouse gas emissions.

So, beyond the economic issue, there are profound environmental impacts that are associated with the difficulties processing not only permits to drill, but also right-of-way approvals.

Mr. WITTMAN. Very good. Dr. Nelson?

Dr. NELSON. Thank you so much for the question. I guess I understand and agree with the thing that Mr. Flynn has said, and I will just add that in Utah we have 29 counties, and about 23 to 24 of those counties are rural counties. This is where the preponderance of federally managed lands are.

And to the extent that access to development of those lands is limited where it is appropriate really has significant impact. This is where we see the high levels of unemployment, and limited opportunities for even diversification, because natural resources are the backbone for allowing for that economic development which, in turn, does drive the diversity.

The infrastructure that is required to meet the needs for that natural resource development also lends itself to other industrial and commercial development. So, basically, you are creating a conundrum when you limit access to those resources for those communities that are dependent on that initial development.

Mr. WITTMAN. Very good, thank you.

Ms. MacGregor, I will go to you. You have heard concerns here from both of these states from the state and local level about making sure that there is the highest and best use of those lands that are now under Federal control. Give me your perspective on what the Department of the Interior can do to help address these concerns and make sure that these states have these Federal lands producing to help them deal with the issues that they have to deal with.

Ms. MACGREGOR. Thank you for the question, sir. Every state has their different infrastructure needs and different economies and goals. These states being represented here today clearly would like to see responsible Federal oil and natural gas development on their lands.

The good news for them is that is a priority of this Administration, very clearly, from the top down, starting with the White House. So, we are allocating our resources and making sure that we are addressing not only planning issues, and making sure on the planning side of things that we are finding and striking the appropriate balance to find the right acreage to lease, but also, when it comes to permitting, addressing backlogs not just for APDs, but also for rights-of-way, and making sure we can get through those in a responsible time frame that folks who invest on Federal lands, whether it is any building project—it does not have to be oil and gas—can get through and have a reliable permitting process and, last, regulatory certainty, which I believe other folks have already touched upon.

Mr. WITTMAN. Very good. Thank you, Mr. Chairman, I yield back.

Dr. GOSAR. I thank the gentleman. The gentlewoman from California, Ms. Barragán, is recognized.

Ms. BARRAGÁN. Thank you, Mr. Chairman. I have spent the last several years sitting as a City Council member where I had an oil company that wanted to come into my town, Hermosa Beach, to drill 34 oil and water injection wells on land and then out into the Santa Monica Bay.

I have seen time and time again where big oil tries to come in and take over urban areas and take over areas that are just causing more environmental pollution. We read about spills happening all the time, whether they are on land or offshore.

I was very disturbed to hear that the President wanted to open up the coastlines again to drilling. And I think today we have heard, I would say, an assault on our Federal lands. Sometimes I take a look at that stuff and I think that this Administration's talking points are coming right out of big oil.

One of the things I am hearing about is something called energy dominance. Mr. Squillace, they have talked a lot about this. Can you explain what that means? And do you think it is something we should strive for on our public lands?

Mr. SQUILLACE. It is an interesting question. I don't know that I can answer what exactly an energy-dominance means, but I think it is the wrong word. I don't think any of us should be looking at dominance. We ought to be looking at being energy-smart. And energy-smart, to some extent, is about what we have been talking about today, an all-of-the-above strategy, but one that recognizes

the perils of climate change and the risks that we face if we continue to develop fossil fuels at a pace that is simply not sustainable, given the challenges of climate change that we have talked about.

I think that if we think about it in that way, then it is appropriate to allow fossil fuel development to decline in an appropriate way, manage that decline in a responsible way, and shift our economy so that we are relying more and more on renewable and other forms of energy that do not cause the problems that we have seen.

Ms. BARRAGÁN. What do you think the impact is going to be if we start doing more oil drilling on public lands, both to the environment and to the global climate change problem that we have?

Mr. SQUILLACE. As I mentioned in my original testimony, I am not opposed to oil and gas development on public lands, but it is fundamentally different from oil and gas development on private lands, because these are our public lands. If we are going to have it, we need to have appropriate planning to make sure that we are doing it responsibly.

With all the great technologies that we have right now—we can do horizontal drilling in ways that allows multiple wells to be put on a single pad and minimize the footprint on the public land. But if we do not do sufficient advance planning, and if we do not do the kinds of environmental analyses that are required for appropriate development of those resources, then we lose that opportunity to sort of make these advantages available to us.

So, I think there is an appropriate way to do it. I do think we need to recognize it cannot go on forever, that we do have responsibilities, globally, to deal with the fossil fuel issue in a timely way. But I think, if we are going to have it, we can do it responsibly.

Ms. BARRAGÁN. Well, thank you. I am proud to be from California, where we have been leading the charge in moving toward renewable energies and investing, and knowing that there is great economic development in that, as opposed to the fossil fuel industry.

Thank you, I yield back.

Dr. GOSAR. The gentleman from New Mexico, Mr. Pearce, is recognized for his 5 minutes.

Mr. PEARCE. Thank you, Mr. Chairman. And I appreciate the conversation that we are having today, thanks to each one of our panelists.

Mr. Squillace, you have comments on the second page of your testimony about the leasing, \$2 an acre.

Mr. SQUILLACE. Right.

Mr. PEARCE. That section is in there because you feel like it is inappropriate? You feel like it is sort of a giveaway? Why is that section there?

Mr. SQUILLACE. So, you are asking about the bonus bids and the—

Mr. PEARCE. No, the \$2 an acre if they don't sell a lease, then it is available for \$2 an acre.

Mr. SQUILLACE. Right.

Mr. PEARCE. Is that sort of a giveaway to oil and gas, in your opinion?

Mr. SQUILLACE. If you look at the revenues that come in from Federal—

Mr. PEARCE. No, that is not what I am asking. I am asking on the \$2, is that a giveaway to oil and gas?

Mr. SQUILLACE. I think it is, yes.

Mr. PEARCE. Yes, it is value that is available for almost nothing. So, I wonder, \$2 is pretty achievable to people like you and me. Did you ever go and bid \$2 on any of these? It is a giveaway. Have you bid on these, personally?

Mr. SQUILLACE. No. I know Terry Tempest Williams did bid on one.

Mr. PEARCE. OK, thank you. I appreciate that. It might not be as big a giveaway, because it was going to require tremendous investment downstream to actually do something with that lease, that what you feel like is a giveaway might not be as much of a giveaway. And if it were, I suspect people—maybe not you, but people who could afford \$2 an acre, which is almost all of us—might be out doing that, instead of putting money in the lottery. You have a lot better chance of payoff in this, rather than on a lottery ticket.

And you had made a comment just a second ago that the decrease in permitting, the decrease in lease sales, is a demand issue, and I would point out that the American Energy Institute just put out that 2016 was the highest use of gasoline in our record. So, it does not sound like a demand issue. It sounds like we have drilled enough that we are producing enough oil that the price of gasoline is coming down, even though the use is going up. Usually, increased use would drive the price up, but instead we have increased the amount of supply. So, I think that maybe your insertion into the record that it was a demand issue should be rethought at some point.

Now, New Mexico has about 40 percent, somewhere between 30 and 40 percent of its revenues to the government established by oil and gas. Mr. Flynn, I would like your opinion on the BLM APD delays that we are seeing there in the state. And I have worked very much with BLM on those. But from the business perspective?

Mr. FLYNN. Representative Pearce, I think you know it better than anyone, but just very bluntly, it has a huge impact on our ability, from a state, to provide basic infrastructure needs.

Mr. PEARCE. How much of the delays?

Mr. FLYNN. Well, the delays, as I mentioned in my testimony, we believe, about \$1.5 million in lost Federal royalty is deferred each day, as a result of the backlog. And approximately \$800,000 deferred in state severance—

Mr. PEARCE. Yes. Just the interruption in a lease sale that stopped \$70 million from coming to the state because of a protest filed by one of the environmental groups. It was eventually thrown out, but that \$70 million was 10 percent of our shortfall. Ten percent of the shortfall for the state of New Mexico—so, yes, we get a little bit energetic when we are talking about the issues.

Now, many people are saying in the agency that they just need more staff. Can you address that question for New Mexico?

Mr. FLYNN. Sure. Representative Pearce, I think briefly, first of all, a previous study showed that a pilot program that had been enacted a few years ago to provide Federal permit streamlining pilot

project created additional funding that allowed 140 additional staff members to be hired for seven pilot offices, including two offices in New Mexico: the Farmington office and the Carlsbad office.

And while they were able to increase the amount of applications, the APDs that they processed, by 10 percent, the number of days it took to actually process the APDs increased. So, they got less efficient by 40 percent.

Mr. PEARCE. And the same people working in the same agency took much longer. My study showed it took about double.

Ms. MacGregor, I know that you recently—and whatever Mr. Lamborn from Colorado said about your performance, it seemed to go well, so I am going to identify with that also, but thanks for visiting our state. I look forward to working with you, because these delays really do affect us.

I live 3 miles from the Texas border. I can see all those rigs running over there in Texas that should be running in New Mexico, but they cannot get the APDs permitted. Just the companies that got the option to drill there are here. And I can see the effect of the permitting delays.

So, it is not quite a level playing field. People just choose the best economic opportunity. That is, we will go drill on private land instead of trying to wrestle around with the government. And that hurts states like New Mexico, and it hurts the Federal Government, and it hurts our job base in New Mexico.

Mr. Chairman, I have extended past my time. Thanks for your indulgence. I yield back.

Dr. GOSAR. I thank the gentleman. The gentleman from Virginia, Mr. Beyer, is recognized for his 5 minutes.

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

Ms. MacGregor, I have seen reports that the Interior Department is considering recombining the Bureau of Ocean Energy Management (BOEM) with the Bureau of Safety and Environmental Enforcement (BSEE). The reason BOEM and BSEE exist was because of the Deepwater Horizon tragedy of 2010. The agency that existed at that time was the Minerals Management Service, and when that agency was not mired in scandal, it was dealing with a sharply conflicting mission: both promoting and regulating offshore drilling.

So, the creation of a dedicated offshore safety regulator separate from a leasing agency was one of the key recommendations of the President's Oil Spill Commission. Senator Bob Graham, who is one of the co-chairs of the Commission, was quoted as saying, when he heard of this news of the potential BOEM-BSEE combination, "I have heard no indication of why we are doing this. It is just 7 years after this enormous disaster, and this was one of the key steps in at least mitigating the chances of repetition."

And I believe it cannot be to address problems with permitting. Just look at the first 5 months of this year, January through May—BSEE has approved 324 permits with only 20 permits pending, so it sounds like firing on all cylinders.

What is the evidence that you have that shows that combining BOEM and BSEE would be in the public's interest?

Ms. MACGREGOR. Sir, thank you for that question. When it comes to the offshore, we obviously want to make sure that we are

ensuring that the bureaus that both lease and conduct inspections are doing their jobs and doing them well.

When it comes to the split of the former MMS into, actually, three agencies, the original split broke out the Office of Natural Resources Revenue, known as ONRR, which was split, and then left BOEMRE, which eventually was itself split into two separate agencies.

As we look at reorganization broadly within the Department, the discussion on splitting BOEM and BSEE, and whether or not they should be recombined is still ongoing and internal. But I hear your comments and I am more than happy to take those back with me today.

Mr. BEYER. Great, thank you. And Secretary Zinke, when he was here last week, talked about thinking massive reorganizations, and everything should be on the table. But please remember the reason they were split in the first place, because you do not have the fox guarding the hen house.

Utah Governor Gary Herbert sent a letter to Ed Robertson, the Utah Director of the BLM, asking the Bureau not to sell certain oil and gas leases next to Zion National Park. In his letter, Governor Herbert said, "Visitors come from around the world to see the lush landscape surrounded by towering, iconic sandstone slips at Zion National Park. And the preservation of this unique experience is important to the surrounding communities. Their economy is dependent upon recreation and tourism."

So, Dr. Nelson, do you believe that other local communities and economies and communities in Utah that similarly depend on recreation and tourism should have a say in how the oil and gas leases in their local communities are made?

Dr. NELSON. Thank you for that question. Yes. I provided in both my written testimony and my opening remarks today, Utah is a natural resource state, and that includes our national and state parks. We absolutely believe in balancing use and conservation, and we also are a very collaborative state, working with local communities.

I think our key position here is that this occurs best when permitting happens at the state level, that you have that local interest, you have that local control. So, assigning primacy for the permitting process associated with APDs is best managed through the state. And not to diminish the importance of BLM or DOI in the overall management of multi-use of our Federal lands, but just to provide for that more efficient, local assessment for these permitting processes.

Mr. BEYER. Well, I heartily agree with you on the need for local input and local engagement. How do you balance the rights of Americans who live across the country, the other 49 states, who own that land and have, essentially, their rights represented by the Federal agencies?

Dr. NELSON. That is a big question to answer. I guess that one thing I would point out is that federally managed lands, the preponderance of those lands are different across the country. Utah is 70 percent; you go up to Alaska, it is even higher. So, we are limited in our ability to create revenues across those federally managed lands. It is a condition that does not exist for all states across

the country. I think that we have to take that into consideration, as well.

Mr. BEYER. And part of that taking into consideration is those lands were federally owned at the time Utah was admitted as a state, and Alaska, too.

Thank you, Mr. Chairman. I yield back.

Dr. GOSAR. I just want her to answer the gentleman's question that it is also multiple use, and that was one of the dictations on behalf of having public lands in the West that are very different than east of the Mississippi.

The gentleman from Colorado is recognized for his 5 minutes.

Mr. TIPTON. Thank you, Mr. Chairman, and thank the panel for taking the time to be able to be here.

Ms. MacGregor, I would like maybe you to be able to speak a little bit to Dr. Nelson's suggestion of having some of the permitting going over to the states.

Right now, when the Department of the Interior or the BLM, when you issue a permit, do all environmental requirements have to be complied with if there is a choice to be able to move forward with drilling?

Ms. MACGREGOR. Absolutely.

Mr. TIPTON. So, Dr. Nelson, if you had the right to be able to do what you are suggesting, that would still be applicable to you, as well, wouldn't it?

Dr. NELSON. Absolutely.

Mr. TIPTON. So, we would still have the responsible energy development, making sure that we are doing it in an environmentally sensitive way.

I was interested when I was reading your testimony, Ms. MacGregor, talking about some of the multiple use. I have the bill, "Planning for America's Energy Future Act," which enumerates all of the above, literally, in the bill. Chairman Gosar has a bill for streamlining some of the permitting that we are seeing. We are seeing now multiple use, not just traditional fuel sources, but also, as I believe you noted, some of the non-traditional sources being developed on the public lands, as well.

But I do find it interesting, listening to some of the comments from our colleagues. The Ranking Member is an example, talking about multiple use on the lands. If you lease 1,000, 5,000 acres, do they put up a big fence so that nobody can hike, hunt, or fish on those lands?

Ms. MACGREGOR. Not to my knowledge.

Mr. TIPTON. So, there is still multiple use, even while we have a responsible energy development, be it traditional or non-traditional resources?

Ms. MACGREGOR. Yes, there is, sir. And I think some of the witnesses can speak more to the technologies that are available from multi-well pads to do extended-reach drilling and minimize impacts to surface acreage.

Mr. TIPTON. Dr. Nelson, maybe you would like to be able to speak to that, as well, in terms of lessening the impact. My friend from Colorado, a fellow Coloradoan, was talking about lessening the impact. Have we developed technologies to be able to not only

responsibly access resources, but to be able to minimize the impact on public lands?

Dr. NELSON. Yes. I would say the same technologies that really have led to the oil and natural gas revolution that we have today significantly limit surface impacts. In fact, Utah is currently looking at how it applies rules for horizontal drilling to, of course, assure we have all of those same environmental standards in place. But what we are seeing is absolutely fewer drilling rigs required, and fewer pads being developed for drilling, as a result of the advent of these technologies.

Mr. TIPTON. And I appreciate that. I had an opportunity to be on the Piceance in Colorado. And we were looking up to BLM land. They said, "We have a lease up there."

And I said, "Well, when are you planning on drilling?"

They said, "We are already producing." But it was from one well pad. No surface development was going on, but still being able to responsibly develop that resource.

Ms. MacGregor, on a little different topic here, it is going to the MLPs, Master Leasing Programs. Essentially, that is viewed as a narrow RMP, intended to be able to address some of the specific land-use conflicts prior to leasing and drilling.

Would you maybe describe a little bit for us in what ways are the MLPs duplicative of the RMPs?

Ms. MACGREGOR. What I can say, sir, is in the wake of the U.S. Congress making a determination and passing legislation to throw back the Planning 2.0 regulation, we are taking an in-depth look at our planning process, because we recognize, no matter what project members have on either side of the aisle, the planning process at the Department takes, on average, 5 to 7 years, often more.

As we look at planning in the Department, and consider how we can do things more efficiently, we are evaluating whether the Master Leasing Program is an added step on top of an existing planning process. Does it actually increase efficiencies, or is it another step? And we are looking at that, as well as many other issues.

Mr. TIPTON. Well, great. And I was a little encouraged, because that is one thing that we have heard out of a number of our constituents, in terms of some of the different time frames. We have duplicative regulations, Mr. Chairman, that I believe your bill that I am co-sponsoring will be able to streamline those regulations, look at the duplicative overlap, and be able to do that in a responsible way.

I appreciate all of you taking the time to be able to be here. My time has expired.

I yield back.

Dr. GOSAR. I thank the gentleman from Colorado. The gentleman from Louisiana, Mr. Graves, is recognized for 5 minutes.

Mr. GRAVES. Thank you, Mr. Chairman.

Ms. MacGregor, I would like to clarify some comments that I made earlier from the dais up here. The contribution of Federal lands to our overall energy production, particularly in the oil and gas portfolio, it is my understanding that we have seen a reduction—and I want to be clear in what I am saying—in the

percentage of oil and gas that our Federal lands are providing to the overall domestic energy production.

Is that your understanding, for example, over the last several years?

Ms. MACGREGOR. Specifically in Fiscal Year 2016 we did see a downtick in both natural gas and oil production on Federal lands.

Mr. GRAVES. I am looking at the memo here for the Committee—between Fiscal Year 2010 and Fiscal Year 2015, Federal crude production fell from 36 percent of total production to 21 percent of total production.

Number two, again, just want to make sure I am getting this right. I am making reference to the memo. At the end of Fiscal Year 2016, the BLM oversaw a total of 41,143 leases across the country. This is the lowest number of Federal leases since Fiscal Year 1985. Is that your understanding?

Ms. MACGREGOR. That is correct.

Mr. GRAVES. Thank you.

Mr. Flynn, changing gears a little bit, could you comment or respond perhaps to comments I have heard in the past about folks saying that Federal lands are something that all Americans should enjoy, therefore states that host energy production on Federal lands should not benefit from the Mineral Leasing Act revenue-sharing formula?

Mr. FLYNN. Mr. Chair, Representative, I think states that are burdened with the production should absolutely be deriving benefits from it. In all honesty, while everyone should be part of the debate, I think that people who are living closest to the activity should have the loudest voice, in moving forward.

I think, from an industry perspective, we wholeheartedly respect and work collaboratively with the communities that we operate in.

Mr. GRAVES. So, the communities that host it and those that are closest should have the biggest voice and should share in the revenues. Is that accurate, I am restating what you said?

Mr. FLYNN. Yes.

Mr. GRAVES. Ok. And number two, the United States benefits, I think, to the tune of approximately 10 percent under the Mineral Leasing Act, because of the 40 percent that goes to the reclamation fund. Do you think that that is an appropriate return on investment for the Federal Government?

Mr. FLYNN. Mr. Chair, it is really not my place to determine. I will leave it up to you to figure it out.

Mr. GRAVES. All right. That is fine.

Mr. FLYNN. We want to do our fair share to make sure you are getting a fair return on the investment.

Mr. GRAVES. All right. Dr. Nelson, do you care to comment on that same question?

Dr. NELSON. I think I share the same sentiment as Mr. Flynn. I guess the one thing I would add is that in states that are heavily burdened with Federal lands—and I say burdened because just often the economic opportunities are limited because of those lands—that consideration needs to be given to how royalties are assigned to states that have more limited economic opportunities.

Mr. GRAVES. But you also have benefit from tourism and other things, as a result of national parks and other Federal facilities.

Dr. NELSON. Correct, yes.

Mr. GRAVES. OK. And, by the way, the entrance fees from those national parks, as I understand, go right back into those national parks, and are reinvested in maintaining those resources.

So, Ms. MacGregor, can I ask you a question? I think that Mr. Flynn and Dr. Nelson just made very convincing comments about the relationship between production and revenue sharing. Can you help me understand or distinguish between offshore production and onshore?

Just applying Mr. Flynn's comment about proximity and hosting and the loudest voice, should offshore states be treated in a disparate manner?

Ms. MACGREGOR. Congressman Graves, I think I know where you are going with this.

[Laughter.]

Mr. GRAVES. I am pretty sure you recognized it about 5 minutes ago, but go ahead.

Ms. MACGREGOR. Federal revenues from oil and natural gas development are absolutely critical to our budget, and in so many different ways lend themselves to various initiatives throughout the government. I believe also with the Land and Water Conservation Fund, acquisition of Federal lands, as well.

Mr. GRAVES. Which is derived from offshore energy production, which means that other states are benefiting more from offshore energy production off the coast of Louisiana than actually the state of Louisiana.

Ms. MACGREGOR. I think the entire United States benefits from offshore energy production.

Mr. GRAVES. And other states disproportionately benefit from it.

Ms. MACGREGOR. I can't speak to that. But, tough choices were made in this budget. This is what a balanced budget looks like. But I am aware that revenue sharing is really important to coastal restoration and a variety of activities in the state of Louisiana, and we are committed to—

Mr. GRAVES. Under our state's constitution, any revenue sharing dollars are committed to the restoration of the coast.

And I know that you are sitting there smiling, because that red light is on—

[Laughter.]

Mr. GRAVES. I have so much more to talk about, but I want to thank you all for your comments. I yield back.

Dr. GOSAR. I thank the gentleman. I like the tact that he eventually got back to where we thought he was going to go with that question.

The gentlewoman from Wyoming is now recognized for 5 minutes.

Ms. CHENEY. Thank you, Mr. Chairman. I would like to thank all the witnesses for being here today. And, in particular, Ms. MacGregor, I wanted to thank you. I can't tell you how refreshing it is to have somebody who is in the executive branch, who clearly has such a firm understanding of these issues, and to know that you have been out in Casper and in Carlsbad, looking at the challenges we are facing, that is very appreciated.

As you well know, we have spent a large part of the last 8 years, and even beyond, dealing with a real disconnect between Washington and the policies that were made here and what is happening on the ground.

I wanted to ask if you could continue a little bit in terms of the question that Mr. Soto asked, but then you were cut off, and that is I appreciate hearing both from Secretary Zinke and from you today about the steps that are being taken to deal with the backlog of APDs. Could you talk about, in terms of in the field offices, as you are looking at the electronic permitting process, some of these Internet-based solutions, how is that translating on the ground? What steps will also include perhaps moving people?

In Wyoming, in particular, I know we have shifted folks from our Buffalo office to the Casper office. We really appreciate the change in policy, but have yet to see a real breaking of the backlog. Could you talk a little bit more specifically about, on the ground, how this will affect the movement of the APDs?

Ms. MACGREGOR. Absolutely. And getting out there was so helpful, to see what our folks and what the state is doing—you know, Wyoming is an energy powerhouse, and we want to see it stay that way. But we recognize that we need to work better with our state and local partners to make sure that we are reducing time frames when it comes to the permitting backlog, and dealing with a variety of the different processes we deal with that manage the lands that border your state and local communities.

When it comes to staffing, I think that is part of the recipe to dealing with some of this. BLM-wide, we have 325 people working on permitting across all BLM offices, but there are currently 90 vacancies.

So, what we are doing, in accordance with the Secretary's priorities when it comes to energy exploration and production on Federal lands, we are looking right now at our top-five busiest offices, and one of those is Casper. Casper, I think, is perhaps close to number one. And we are recruiting right now to fill vacancies that are needed, to make sure that we are getting staffing out to the front lines—another one of Secretary Zinke's priorities. We are trying to hire out where we need the individuals to get through this workload.

And, I find the workload to be inspiring, because that is just good news for the people of Wyoming and for our entire country. But we also recognize that when folks talk about permits not being used, they do expire after 2 years, and we do receive a \$9,500 fee for every single permit that is filed.

So, we are looking to make sure those resources stay where they are needed, and that we have some mobility within field offices so that, if we are doing things online, maybe Buffalo folks who might not be as busy can help folks in Casper, or we could maybe grow that to even more nationwide movement, so that folks do not have to fly in just to help fix backlogs, and we can be more nimble to the variety of development that occurs in accordance with the economics and geology of a different area.

Ms. CHENEY. Thank you. And in terms of a related issue, the planning process—I was very pleased that we were able to pass the repeal of Planning 2.0 and have the President sign it. Could you

talk a little bit more about how that planning process is going to be focused on ensuring we get more local voices into the whole land use management process, as well?

Ms. MACGREGOR. Absolutely. Another priority of the Secretary is restoring trust, especially in the West, for state and local communities that we have to work with, day in and day out, because they actually feel the brunt of the choices made in Washington on lands out in the West.

The Planning 2.0 process aimed to do a lot of things, but did reduce some of the time frames for those communities to have public comment. So, I think, from the get-go, we are going to work with our state and local communities, get their feedback—they clearly will have thoughts on how we can improve our Federal planning process.

But we are also asking our team to think broadly and think differently, and come up with bold new ideas that we can take and get help with other Federal partners to make things happen a little bit more quickly.

I am hoping that we can be successful here, because, frankly, having a planning process that takes 5 to 7 years—and in some cases there are examples of much more—that is not a workable solution for anyone. We need to be better at working with these communities, so that we can get these uses up and have the land managed better.

Ms. CHENEY. Great. Thank you very much.

Thank you.

Dr. GOSAR. I thank the gentlewoman from Wyoming, and thank you for bringing up, Ms. MacGregor, that there are plenty of vacancies that need to be filled. In order to do the work properly we need to get those filled, so I would nudge a notice to our Senate colleagues to get those actually confirmed and filled.

I thank the witnesses for their valuable testimony and the Members for their questions. The members of the Committee may have additional questions for the witnesses, and we will ask you to respond to those in writing.

Under Committee Rule 3(o), the members of the Committee must submit witness questions within 3 business days following the hearing, and the hearing record will be held open for 10 days for these responses.

If there is no further business, without objection, the Subcommittee stands adjourned.

[Whereupon, at 11:49 a.m., the Subcommittee was adjourned.]

