Statement of
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Before the
Senate Energy and Natural Resources Committee
United States Senate
on
S. 2440, BLM Permit Processing Improvement Act of 2014
July 29, 2014

Thank you for the opportunity to testify on S. 2440, the Bureau of Land Management (BLM) Permit Processing Improvement Act of 2014 (Act), which would reauthorize and expand the BLM's oil and gas project offices. The BLM supports the goal of S. 2440 to improve coordination and processing of oil and gas use authorizations and to better conform the project office authority to permitting demands that shift over time – thus facilitating the safe, responsible, and efficient development of domestic oil and gas resources on Federal and Indian Land. The BLM would like to work with the sponsor and the Committee on technical and clarifying modifications to the bill.

Background

Since the beginning of the Obama Administration, the Department of the Interior (Department) has made it a priority to permit environmentally-sound development of conventional energy and mineral resources on the Nation's public lands. The Department has been at the forefront of the Administration's efforts, outlined in the *Blueprint for a Secure Energy Future*, to create jobs and to reduce the Nation's dependence on fossil fuels and oil imports.

The BLM administers over 245 million surface acres – more than any other Federal agency – which are located primarily in 12 western States, including Alaska, as well as approximately 700 million acres of onshore subsurface mineral estate throughout the Nation. The BLM, together with the Bureau of Indian Affairs (BIA), also provides permitting and oversight services on approximately 56 million acres of land held in trust by the Federal government on behalf of tribes and individual Indian owners.

The BLM administers a robust and responsible oil and gas program on Federal public lands. While oil and gas development is a market-driven activity, Federal onshore oil production is the highest it has been in a decade and has risen for the fifth year in a row. Indeed, Federal onshore oil production last year rose 7 percent from the previous year and has risen 30 percent since 2008. Production from Indian trust lands last year rose 47 percent from the previous year and has more than tripled since 2008. In FY 2013 the BLM generated over $3 billion in oil and gas revenue, with approximately half of this amount disbursed to the states from the oil and gas production on federal lands within their borders, and over $850 million for Indian tribes and individual Indian owners.

Onshore, nearly 36.1 million acres of Federal public land were under lease to oil and gas companies last year. Of those acres, only 12.6 million acres were actively producing oil and gas, though that is the highest acreage under production since 2008. Last year, the BLM held 30 separate oil and gas lease sales, offering 5.7 million acres for lease by industry, the most in a decade; industry submitted bids on fewer than one-in-five of these acres. The BLM continues to offer leasing opportunities far in excess of industry demand. The BLM has scheduled 28 lease sales for 2014, and has already held 14 of those sales.

The BLM continues to improve its system for responsibly permitting oil and gas operations. Since 2008 the BLM has approved more than 27,000 Applications for Permits to Drill (APDs). The average processing time for onshore APDs is the lowest it has been in eight years. Industry now has nearly 7,000 approved drilling permits that are ready for drilling but currently sitting unused. If you compare that figure against the fact that an average of about 3,000 wells are spud on public lands each year, it becomes apparent that industry has ample opportunities to develop leased resources.

As part of the BLM's ongoing efforts to ensure efficient processing of oil and gas permit applications, the BLM is preparing to implement a new automated tracking system that could reduce the review period for drilling permits and expedite the sale and processing of Federal oil and gas permits. The new system for drilling permits will track applications through the entire review process and quickly flag any missing or incomplete information industry applicants need to provide, greatly reducing the back-and-forth between the BLM and applicants to amend paper applications.

The BLM's top priority for oil and gas is to ensure that operations are conducted safely and responsibly. The BLM performs thousands of inspections each year on oil and gas leases to check for safe, environmentally responsible operations, and to ensure a fair return to the taxpayer. But with an oil and gas budget that has declined by roughly 20 percent since 2007 when accounting for inflation, the challenges are considerable.

The BLM intends to continue its emphasis on high priority production inspections, which are critical for ensuring proper accounting of the billions of dollars of oil and gas produced and associated royalties collected from the public lands. However, our current funding system limits our ability to effectively meet this responsibility and ensure protection of both environmental and economic resources. Between 2009 and 2012, the BLM completed only 60 percent of high priority drilling inspections and in FY 2013, we completed just 82 percent of high priority production inspections.

In response to these challenges, the President's FY 2015 budget proposal asks Congress for the authority to charge an inspection and enforcement fee that reflects the actual cost of performing this function in order to strengthen our inspection and oversight capability. This fee system will help the BLM become more responsive to industry needs while also improving production accountability and safety and environmental protection of oil and gas operations. A similar fee system was authorized by Congress for offshore oil and gas inspections and has proven to be a successful model for industry and the relevant agencies.

Energy Policy Act of 2005

Section 365 of the Energy Policy Act of 2005 (EPAct) established the Federal Permit Streamlining Pilot Project with the intent to improve the efficiency of processing oil and gas use authorizations and environmental stewardship on Federal lands. It designated the following seven pilot project offices: Miles City, Montana; Buffalo and Rawlins, Wyoming; Vernal, Utah; Grand Junction/Glenwood Springs, Colorado; and Farmington and Carlsbad, New Mexico. On December 26, 2013, President Obama signed PL 113-69, which expanded the boundaries of two of the project offices – Miles City, to include the expanding Bakken development, and Buffalo – in response to changing demand for development of Federal oil and gas resources.

Section 365 also established the Permit Processing Improvement Fund, an account that has varied from about $23 million to about $18 million annually, to support the pilot project for 10 years. Specifically, it directed 50 percent of the income derived from Federal onshore oil and gas lease rental payments outside of Alaska to the Fund. For FY 2006 through FY 2015, Section 365 made the Fund available to the Secretary of the Interior for expenditure without further appropriation to enhance coordination and processing of oil and gas use authorizations on Federal land under the jurisdiction of the designated pilot project offices.

In addition, Section 365 authorized the Secretary to transfer monies from the Permit Processing Improvement Fund as necessary for permit coordination and processing to other agencies involved in the process, including the U.S. Fish and Wildlife Service, the Bureau of Indian Affairs, the U.S. Forest Service, the Environmental Protection Agency, the Army Corps of Engineers, and the states of Wyoming, Montana, Colorado, Utah, and New Mexico. It also prohibited the BLM from establishing cost recovery fees for processing oil and gas drilling permits, although the Congress has implemented permit fees through annual appropriations language since 2007. The President's 2015 budget proposes to repeal this fee prohibition.

The agencies involved in the pilot project have made significant progress in a number of areas. Additional resources, such as personnel devoted to processing oil and gas use authorizations, have enabled the various bureaus and agencies to increase the pace of permitting and completing environmental reviews, particularly given the complex resource issues we face. The time taken for interagency consultations has been reduced due to improved communication and through programmatic streamlining efforts, which have been used in multiple projects and permits. The increased staffing in the pilot project offices has also allowed the BLM to help new industry permitting specialists understand the BLM's requirements for obtaining an oil and gas use authorization.

In FY 2013, the top ten BLM offices with the highest industry interest in oil and gas development on Federal and Indian Lands managed over 86 percent of the total APDs processed during the year. However, only four of those offices were among the originally identified pilot offices.

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S. 2440 reauthorizes and expands the BLM's oil and gas project office program. The bill would amend the Energy Policy Act of 2005 to extend the use of oil and gas lease rental receipts from the BLM Permit Processing Improvement Fund through 2026 for the coordination and processing of oil and gas use authorizations in BLM's oil and gas project offices. Also, under the bill, the geographic scope of the oil and gas project office program would be expanded to include any BLM State, district, or field office as determined appropriate by the Secretary to improve use authorization coordination and processing. The bill would establish a $9,500 APD processing fee indexed for inflation through 2026, and would prohibit the Secretary from implementing a rulemaking that would enable an increase in fees to recover additional costs related to processing APDs. Finally, the bill would require an annual report on the allocation of funds and the accomplishments of each project office.

The BLM supports the reauthorization and expansion of the agency's oil and gas pilot office program, which has been extremely valuable in improving oil and gas permit coordination and processing. The BLM supports the expanded geographic scope provided by the bill which will allow the BLM to better allocate resources based on current permitting demands and new exploration and development of oil and gas fields and plays. This flexibility would be especially useful in the future for allocating funds to coordinate and process use authorizations in those offices where industry forecasts increased development of oil and gas resources and the BLM offices had not previously been identified as project offices. For example, in FY 2013, the Pinedale Field Office in Wyoming received 383 APDs; the Bakersfield Field Office in California received 212 APDs; and the White River Field Office in Colorado, received 198 APDs. Although these offices have received high volumes of drilling permit applications in recent years, none were previously designated as pilot project offices under the EPAct because they were not experiencing such extensive development at the time of the bill's enactment. In contrast, the Rawlins Field Office, identified as a pilot office in the EPAct, only received 42 permit applications during FY 2013.

The continuation of the program provided by S. 2440 will also support our partner agencies, such as the U.S. Fish and Wildlife Service, the Bureau of Indian Affairs, the U.S. Forest Service, the Environmental Protection Agency, the Army Corps of Engineers, and the appropriate State government offices, in devoting staff to the increased workload in these new areas. This coordination with our partner agencies is a crucial part of the BLM's success in this program.

The BLM also welcomes the bill's establishment of a $9,500 APD processing fee indexed for inflation through 2026. This is an increase from the $6,500 fee that the Congress has implemented through annual appropriations and the increased fee more closely reflects the true average cost of processing APDs on the Federal and Indian Trust mineral estate. This fee is an important component of the funding for the BLM's permitting program and will allow the BLM to continue to process permits and maintain a robust onshore oil and gas permitting program. The BLM does not, however, support the bill's prohibition of the Secretary from implementing a rulemaking that would enable an increase in fees to recover additional costs from industry related to processing its applications for permits to drill. While not currently envisioned, the BLM would like to maintain the option of designing a fee system that reflects the varying costs associated with different APDs. This would be barred under the existing and proposed moratorium.

Finally, the Administration has generally not supported the extension of the special pilot office funding rental receipts, as rental receipts are not strongly correlated to program funding needs and diverting these revenues from the Treasury would require spending offsets elsewhere. Instead, we have proposed that program operating funds come from a combination of user fees and regular discretionary appropriations. However, if the Committee wishes to continue this rental receipts approach, BLM recommends that the bill be amended to increase BLM's flexibility in how and where the funds are spent. In particular, we recommend clarifying that the permit processing funds may be made available for the processing and coordination of oil and gas use authorizations for both Federal and Indian Trust oil and gas assets.

Conclusion

The BLM supports the goals of S. 2440 and looks forward to working with the Committee on technical and clarifying modifications to the bill. Thank you for the opportunity to provide testimony on S. 2440.