

**Statement of
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Chairman Barrasso, Ranking Member Wyden, and Members of the Subcommittee, thank you for the opportunity to discuss the Bureau of Land Management's (BLM) proposed Methane and Waste Prevention Rule and its application to oil and gas operations on public and Indian lands. The BLM oil and gas program's highest priority is ensuring that the operations it authorizes on these lands are carried out in a safe and environmentally responsible manner that provides a fair return on the public resources. This proposed rule is critical to meeting that responsibility as we continue to offer millions of acres of public land for minerals development each year.

In support of the Administration's reform agenda for a cleaner, more secure energy future, the BLM's proposed rule requires oil and gas operators to take simple, cost-effective actions to reduce the venting, flaring, and leaking of natural gas during oil and gas operations on public and Indian lands. Adoption of these practices will help curb waste of our nation's natural gas supplies, provide a fair return on public resources for Federal taxpayers, Tribes and States, and reduce harmful methane emissions that contribute to climate change.

Background

The BLM is responsible for protecting the resources and managing the uses of our nation's public lands, which are located primarily in 12 western States, including Alaska. The BLM administers more land – over 245 million surface acres – than any other Federal agency. The BLM also manages approximately 700 million acres of onshore Federal mineral estate throughout the nation, including the subsurface estate overlain by properties managed by other Federal agencies such as the Department of Defense and the U.S. Forest Service. In addition, the BLM, together with the Bureau of Indian Affairs (BIA), provides permitting and oversight services under the Indian Mineral Leasing Act of 1938 for approximately 56 million acres of land held in trust by the Federal government on behalf of Tribes and individual Indian owners. The BLM works closely with surface management agencies, including the BIA, tribal governments and other stakeholders, in the management of these subsurface resources. The BLM is also mindful of its responsibility for stewardship of public land resources and Indian trust assets that generate substantial revenue for the U.S. Treasury, the States, tribal governments, and individual Indian owners.

The BLM works diligently to fulfill its role in securing America's energy future, coordinating closely with its partners and other stakeholders to ensure that development of public and tribal oil and gas resources occurs in the right places and that oil and gas development projects are managed safely and responsibly. Since 2008, oil production is up 108 percent on lands where drilling requires a BLM permit. This doubling of production represents an even greater increase than the 88 percent increase in oil production across all lands nationwide during that same time

period. Production from mineral deposits managed by the BLM contributes to the nation's energy supplies and provides important economic benefits. For example, in FY 2015, onshore Federal oil and gas royalties exceeded \$2.1 billion, approximately half of which was paid directly to the States in which the development occurred. Also in FY 2015, tribal oil and gas royalties exceeded \$736 million, all of which was paid to the Tribes or individual Indian owners of the land where the development occurred.

In addition to overseeing this development, the BLM is responsible for ensuring that that production from more than 100,000 active wells is conducted in an environmentally responsible manner. To satisfy these responsibilities, the BLM works closely with lessees and operators to ensure that they implement best management practices and mitigate impacts.

Waste of Resources and Methane Emissions

Domestic oil production is at its highest level in nearly 30 years, and the nation is now the largest natural gas producer in the world. Domestic natural gas provides an abundant source of clean-burning fuel to power and heat American homes and businesses. At the same time, venting, flaring, and leaks during oil and gas operations waste natural gas and generate harmful methane emissions. Methane is a powerful greenhouse gas (GHG), which is many times more potent than carbon dioxide. It is the primary component of natural gas and accounts for about nine percent of all U.S. GHG emissions. Almost one-third of U.S. methane emissions are estimated to come from oil and gas operations.

Currently, oil and gas operations on public and Indian lands lose vast amounts of natural gas. According to data provided by the Office of Natural Resources Revenue, between 2009 and 2014, 375 billion cubic feet of natural gas was lost through venting and flaring. This is enough gas to supply more than five million households for a year. Venting, flaring, and leaks of natural gas not only waste a valuable public resource and cause adverse environmental impacts, they also deprive States, Tribes and Federal taxpayers of potential royalty revenues – as much as \$23 million annually in royalty revenue for the Federal Government and the States that share it, according to a 2010 Government Accountability Office (GAO) report.

Absent additional steps to lower methane emissions from U.S. oil and gas operations, their emission levels are projected to increase. In 2015, the Administration announced a coordinated, cross-agency effort to cut methane emissions from the oil and gas sector by 40 to 45 percent from 2012 levels by 2025. The BLM's proposed rule would advance this goal.

Rulemaking Background

The Mineral Leasing Act of 1920 (MLA), as amended, directs the Secretary of the Interior to lease Federal oil and gas resources, and to regulate oil and gas operations on those leases. The BLM has used this authority to develop regulations governing all aspects of oil and gas operations. The Indian Mineral Leasing Act extends this regulatory authority and the resulting rules to oil and gas leases on trust lands (except those lands specifically excluded by statute). Finally, the Federal Land Policy and Management Act of 1976 (FLPMA) directs the BLM to manage the public lands using the principles of multiple use and sustained yield and to take

appropriate actions to prevent unnecessary or undue degradation. In fulfilling these objectives, FLPMA requires the BLM to manage public lands in a manner that protects the quality of their resources, including ecological, environmental, and water resources. This statutory regime requires the BLM to balance responsible development with protection of the environment and public safety. The BLM works hard, together with its partners and stakeholders, to strike the appropriate balance and apply and enforce the applicable requirements fairly and consistently across all the lands where the BLM has oversight responsibilities.

The Mineral Leasing Act further requires the BLM to ensure that oil and gas operators “use all reasonable precautions to prevent waste of oil or gas.” The BLM’s current rules addressing venting, flaring, and leaks of natural gas were adopted over 30 years ago, long before innovative technologies unlocked vast new oil and natural gas supplies in the United States. Recent technological advances allow operators to produce more oil and gas with less waste. In fact, according to the 2010 GAO report, about 40 percent of natural gas now vented or flared from BLM-managed leases could be economically captured with currently available technologies. This GAO report, as well as reviews by the Inspector General, raised concerns about the waste of natural gas from operations on public and Indian lands and found the BLM’s existing requirements insufficient to prevent such waste.

In developing the proposed rule, the BLM conducted substantial outreach, including a series of public forums in 2014 and 2015 to consult with tribal and state governments and to solicit stakeholder views. The BLM held public meetings in Colorado, New Mexico, North Dakota, and Washington, D.C., as well as separate tribal outreach sessions, and accepted informal comments. The BLM released the proposed rule on January 22, 2016. Publication in the Federal Register on February 8 opened a 60-day formal comment period, which the BLM recently extended. The public now has until April 22 to review and comment on the proposed rule.

Proposed Rule

The BLM’s proposed rule would minimize waste of natural gas from oil and gas operations on public and Indian lands, and reduce emissions that contribute to climate change. The commonsense and cost-effective measures proposed in the rule reflect recommendations from the above-mentioned GAO and IG reports, as well as the views of States, Tribes, industry, and other stakeholders.

The proposed rule aims to reduce flaring by phasing in, over several years, limits on the total quantity of gas that an operator may flare, on average, per well, per month, across a lease. It would also require operators to develop a waste minimization plan before they drill, laying out how the operator plans to capture and use or sell as much produced gas as possible.

The proposed rule also aims to reduce venting of gas. First, it would prohibit venting as a way to dispose of gas in most cases. Second, the proposed rule would require operators to replace outdated equipment, such as high bleed pneumatic devices that vent large quantities of gas to the atmosphere. Operators would also be required to limit venting from storage tanks and use best practices to reduce gas losses when they remove liquids from wells.

The proposed rule aims to reduce leaks by requiring operators to inspect their operations periodically, using currently available methods, such as audio, visual, and olfactory (AVO) methods and infra-red cameras. Operators would then be required to repair any leaks they find.

In addition, the proposed rule would clarify when operators owe royalties on vented and flared gas, thereby eliminating the current requirement for case-by-case approval of royalty-free venting and flaring. Also, consistent with current statutory authority, the proposed rule would give the BLM flexibility to set royalty rates at or above 12.5 percent of the value of production.

Projected Results

Using conservative assumptions, the BLM estimates that the rule's benefits outweigh the costs, with monetized net benefits ranging from \$115 to \$188 million per year. These monetized benefits include revenues for oil and gas operators from the sale of recovered natural gas and the environmental benefits of reducing methane emissions. There are also other benefits from the rule that have not been monetized, such as the benefits to public health from reducing pollutants that form smog, and the visual and noise benefits to local communities from reducing nearby flaring. Many oil and gas operators are already voluntarily taking steps proposed in the rule to reduce wasted gas and improve operations, such as replacing pneumatic controllers. Phasing in certain requirements over several years would also reduce costs as already-planned pipeline infrastructure will come online in the interim, helping operators to meet the requirements. In addition, the rule provides for exemptions for operators that demonstrate that the costs of the requirements would cause them to shut in production. The BLM estimates that the annual cost to industry of implementing the rule will be \$125 to \$161 million, not accounting for the value of the saved gas. Small business operators may see profit margins reduced by roughly one tenth of one percent, on average.

By requiring operators to take these simple, common-sense actions to reduce waste, the BLM expects to reduce wasteful venting, flaring, and leaks by at least 40 percent. This would avoid nearly 170,000 tons of methane emissions per year, roughly equivalent to eliminating the GHG emissions from 860,000 to 890,000 vehicles. In addition, reducing venting and leaks would cut emissions of other air pollutants that contribute to smog and toxic air pollutants that can cause serious health effects. The proposed rule would also help reduce the light and noise impacts of flares on nearby residents and communities.

Interaction with EPA and State Regulations

Several States, including Colorado, North Dakota, and Wyoming, as well as the U.S. Environmental Protection Agency (EPA), have also taken steps to limit venting, flaring, or leaks of natural gas. The BLM has worked to ensure that its proposed regulations would not impose conflicting or redundant requirements. In developing the proposed rule, the BLM looked to the States' requirements and worked closely with the EPA to align the agencies' proposals as much as possible, consistent with each agency's specific statutory authorities and responsibilities. Additionally, the BLM has proposed specific provisions to exempt operations covered by EPA requirements from comparable BLM requirements, and to allow States to apply for variances from BLM requirements where State requirements achieve the same results. The BLM is

continuing to coordinate with the EPA, as well as with individual States, to appropriately align and target the final regulations.

Conclusion

The BLM's proposed regulations will reduce waste, increase returns to Federal taxpayers, Tribes and States, and protect our environment. These much needed updates to existing regulations will reduce impacts on local communities and climate change, while also ensuring continued development of the public's oil and gas resources. Thank you for the opportunity to present this testimony. I will be pleased to answer any questions you may have.