

**Statement
Of
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U.S. Department of the Interior
Before the
Senate Appropriations Committee, Interior Subcommittee
Hearing on the Oil and Gas Management Program
of the Bureau of Land Management**

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the Oil and Gas Management Program administered by the Bureau of Land Management (BLM). I am accompanied by Mike Taylor, the BLM's Acting Budget Officer, and Tom Lonnie, the BLM's Assistant Director for Minerals, Realty and Resource Protection.

As you know, in the past few years BLM has placed strong emphasis on addressing the Nation's demand for energy resources through the implementation of the President's National Energy Policy. For example, BLM has made considerable progress in addressing the increasing numbers of Applications for Permits to Drill (APDs) submitted by the oil and gas industry. Funding increases provided by Congress, along with substantial improvements in our approval process, have allowed BLM to process a record number of APDs in 2005.

The recently enacted Energy Policy Act of 2005 has given BLM several important tools that help in this effort. After reviewing our oil and gas program in general, this testimony will review some of the policy changes that allow BLM to more efficiently process APDs, and how BLM is implementing specific sections of the Energy Policy Act of 2005.

The BLM manages wide swaths of public land in the western United States, both surface and subsurface. Our mandate from Congress through the Federal Land Policy and Management Act of 1976 (FLPMA) is to manage the public lands for multiple uses and to sustain the health, diversity and productivity of these lands for the use and enjoyment of present and future generations.

The range of activities on the public lands managed by the BLM is as diverse as the land itself. Commercial uses, such as oil and gas production, mineral development, livestock grazing, and timber harvest coexist with various other uses, such as recreation, and cultural and historic preservation. Responsible stewardship of the public lands means the BLM must balance multiple and potentially conflicting uses, including increased demands for recreation and open space and energy production.

Demand for energy in this country has outstripped domestic energy production. Although domestic energy production has nearly doubled in the past 50 years, population growth, increased economic activity and more intensive use of energy in the residential transportation sectors, have resulted in significantly higher demands for energy. Today the United States imports close to 60 per cent of the oil used. The Energy Information Agency projects that number to grow to 70 per cent in 20 years. Natural gas demand will grow by 40 per cent in that same time period.

We must find ways to reduce our energy consumption and increase our energy efficiency and domestic energy production. Further, our energy production needs to be secure, affordable, and environmentally-sound.

Overview of the Onshore Oil and Gas Program

The Mineral Leasing Act of 1920, as amended, and the Mineral Leasing Act for Acquired Lands of 1947, as amended, vest responsibility with the BLM for managing oil and gas leasing on approximately 700

million acres of BLM, national forest, and other Federal lands, as well as private lands where the mineral rights have been retained by the Federal Government. The BLM works to ensure that development of mineral resources is in the best interest of the Nation.

The BLM's Oil and Gas Management program is one of the major mineral leasing programs in the Federal government. The BLM administers over 45,000 oil and gas leases, of which 21,000 are currently producing. Less than one percent of the surface Federal mineral estate is disturbed by oil and gas production operations. The 74,000 Federal and Indian onshore oil and gas wells account for eleven percent of the Nation's natural gas and five percent of the Nation's oil, with sales values exceeding \$15.4 billion in Fiscal Year 2004. Domestic production of natural gas has been increasing over the last three years. In Fiscal Year 2002, 2.1 trillion cubic feet (Tcf) of natural gas were produced from Federal (non-Indian) lands. In Fiscal Years 2003 and 2004, 2.2 Tcf and 3.1 Tcf, respectively, were produced. In addition to the Federal onshore leases, the BLM supervises the operational activities of 3,700 producing Indian oil and gas leases. In FY 2004, 308 million cubic feet (MMcf) of natural gas was produced from American Indian lands.

In 2003, the Department of the Interior released an Energy Policy and Conservation Act (EPCA) report. This joint study by the BLM, USGS, DOE, and USFS examined five basins in Montana, Wyoming, Utah, Colorado, and New Mexico. The report found that these basins contain the largest on-shore resource of natural gas in the lower 48 states. These on-shore basins contain an estimated 139 trillion cubic feet of gas on Federal lands - enough to heat 55 million homes for almost 30 years.

Resource Management Plan Amendments

Before any leasing, APD issuance or actual oil and gas production can occur on public land, the BLM must have a land use plan that allows for that use in that area. All 261 million acres of BLM lands are covered by one of 162 land use plans. Beginning in 2001, with the direction and support of Congress, the BLM initiated the largest effort in its history to revise or update its original plans where needed, based on plan evaluations. To date, the BLM has completed 33 amendments or revisions, with another 60 currently in various stages of completion. Twenty-five of these on-going plans have a significant oil and gas component, and approximately 25 of the 60 on-going plans will be complete in 2006. BLM will continue to prioritize plan efforts in areas with high energy potential as identified in the EPCA report.

The BLM uses a community-based and highly collaborative approach to planning that complies with the FLPMA, the National Environmental Policy Act (NEPA), and the President's requirements for cooperating agency status for state and local governments. This includes collaboration with specific working groups that focus on resource management plan development. The collaborative process is one in which interested parties, often with widely varied interests, work together to seek solutions with broad support for managing public lands, including issues related to the development of oil and natural gas resources on BLM-managed lands. Resource Advisory Councils (RACs) or their functional equivalents are integral to public involvement and collaboration. The BLM recently revised its planning regulations to require the involvement of State, local and tribal governments as cooperating agencies in the development of its land use plans. Normally, BLM serves as the lead agency, though in some cases, other governmental entities serve with the BLM as joint leads.

Leasing Program Overview

Public lands are available for oil and gas leasing only after they are evaluated through the BLM's multiple-use planning process. In areas where development of oil and gas resources would conflict with the management of other resources or public land uses, we consider the use of mitigating measures and in some cases we attach mitigation measures to leases as either stipulations requiring certain actions or as restrictions on surface occupancy.

Types of Oil and Gas Leases: The BLM issues two types of leases for oil and gas exploration and development on lands owned or controlled by the Federal Government – competitive and noncompetitive. The Federal Onshore Oil and Gas Leasing Reform Act of 1987 requires that all public lands available for oil and gas leasing be offered first by competitive oral auction. Noncompetitive oil and gas leases may be issued only after the lands have been offered competitively and failed to receive a bid. For a period of two years after the lease sale, unleased parcels may be acquired on a noncompetitive basis.

Lease Terms and Conditions: Leases grant the lessees the right to explore and drill for, extract, remove, and dispose of oil and gas deposits, except helium, that may be found in the leased lands. The leases are granted on the condition that the lessees will obtain BLM approval before conducting any surface-disturbing activities. The oil and gas lease conveys the right to develop those resources on the leased land. The lessee or his operator cannot build a house on the land, cultivate the land, or remove any minerals other than oil and gas from the leased land.

Lease Expiration or Termination: Oil and gas leases expire at the end of their primary term – the 10th year – unless diligent drilling operations are in progress on or for the benefit of the lease; the lease contains a well capable of producing oil or gas in paying quantities; or the lease is receiving or is entitled to receive an allocation of production under the terms of an approved communitization agreement or unit agreement.

Leases without a producible well automatically terminate if the lessee fails to make full and timely payment of the annual rental. The rental must be received by the Minerals Management Service on or before the anniversary date of the lease. There is a short reinstatement period for certain situations where the rental is received late.

The owner of a lease also may surrender the lease in whole or in part by filing a written relinquishment with the proper BLM State Office having jurisdiction over the lands. A relinquishment takes effect on the date it is filed. However, the lessee must plug any abandoned well, perform other work as may be required by the BLM to place a leasehold in proper condition for abandonment, and bring his account into good standing. If the lessee fails to perform the necessary work, the lessee's bond will be used to do so, and the lessee will be prohibited from leasing additional Federal lands.

A nonproducing lease may be cancelled for failure to comply with lease terms.

Processing of Applications for Permits to Drill (APDs)

In the past two years, the BLM has experienced a sharp increase in demand for natural gas drilling permits, and expects that demand to continue, especially in the EPCA basins: Powder River Basin in Wyoming and Montana, the San Juan Basin in New Mexico and Colorado, and the Uinta/Piceance Basins in Colorado and Utah. In addition, recent discoveries in the Greater Green River Basin in southwestern Wyoming and northwestern Colorado will result in additional demand for drilling permits in these areas. BLM now expects to receive 9,200 new permit applications in 2006, a 32 per cent increase over 2004. In contrast, last winter when BLM prepared the 2006 President's Budget Request, we anticipated receiving only 6,700 new permits in 2006. BLM estimates that another 10,000 new permit applications will be submitted in 2007. This demand for drilling permits is being driven largely by natural gas prices, which have roughly doubled in the last twelve months.

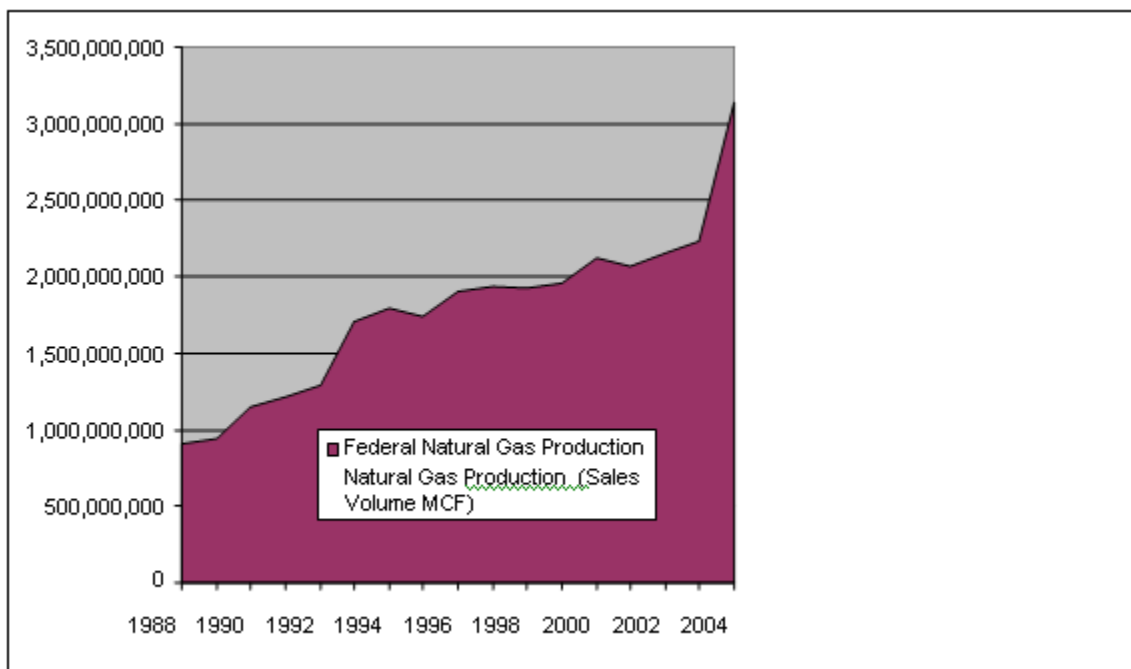
It has been necessary to adjust BLM's workload planning for new APDs to keep up with the accelerated demand for energy which has accompanied the increase in commodity prices. The processing of Applications for Permits to Drill (APDs) and offering parcels of Federal land for oil and gas leasing will be BLM's major priority in the effort to increase the production of energy from Federal lands. Increased funding provided by Congress and management improvements have enabled the BLM to make significant progress in responding to increasing demand. In 2006, Congress provided an additional \$2.0 million in discretionary funding. In addition, BLM has also made adjustments within the existing budget to address

the demand for APDs. For example, in 2005, BLM identified and reprogrammed an additional \$2.5 million to the oil and gas program to respond to the demand for APDs.

One example of BLM management improvements over the past few years that have resulted in processing APDs at a lower cost is the policy of encouraging the industry to develop Plans of Development (PODs) for groups of APDs, which allows for more efficient analysis of multiple APDs in one area to comply with NEPA and other environmental laws. A July 21, 2005, Government Accountability Office report on oil and gas development found this and other BLM strategies to be effective, stating that the bundling of permit applications "can encourage companies to plan their drilling operations more carefully and help BLM better assess the cumulative environmental impacts of drilling activities." BLM has also applied several innovations, such as the use of Quality Assurance Teams. These innovations and other policy changes have had the effect of streamlining APD processing and lowering BLM's average cost to process an APD in 2005 to \$3,730, from a cost of \$4,000 that was estimated at the beginning of 2005.

BLM began making these management improvements in FY 2004, and in that year BLM approved 6,452 (on both Federal and Indian lands). Additional funding in FY 2005 and more experience with various management improvements resulted in approving 7,018 APDs in FY 2005. By the end of Fiscal Year 2006, the BLM plans to substantially reduce the inventory of APDs pending for more than 60 days to 1,226, a reduction of 45 percent from 2004 and a reduction of 50 percent from the end of FY 2005. The anticipated backlog at the end of FY 2006 is larger than anticipated this past winter when BLM presented the FY2006 President's Budget Request, but that estimate was based on a lower estimate of the number of applications that industry would submit, and prior to the most recent increase in natural gas prices.

BLM's effort to process more APDs in recent years is having a significant effect on the nation's natural gas production as shown in the chart below.



When the final 2005 production data becomes available, BLM expects to see a further increase in natural gas production as a result of the increase in APD approvals.

APD Processing at Pilot Offices - Section 365 of the Energy Policy Act establishes a pilot program at seven offices, called the Pilot offices, to test new management strategies designed to further expedite the processing of APDs. These strategies include placing employees of other Federal agencies in the BLM offices to provide an increased focus on processing the APDs.

The Act requires the Secretary, within 90 days of enactment, to enter into a Memorandum of Understanding (MOU) with the Secretary of Agriculture, the Administrator of EPA and the Chief of the U.S. Army Corps of Engineers in order to implement this improved process. We anticipate that this MOU will be signed within the next few days.

The BLM is working with other regulatory agencies, and State partners, to develop the most effective and efficient permitting process for each of the seven pilot offices, where currently 70 per cent of all APDs are processed. The Act established the BLM Permit Processing Improvement Fund (Fund) and provided that the Federal share of all mineral rental revenue would be deposited into the Fund. Monies in this Fund can be used to support the coordination and processing of oil and gas use authorizations at the Pilot Project Offices: Rawlins, Buffalo, Miles City, Farmington, Carlsbad, Grand Junction/Glenwood Springs, and Vernal.

The estimated \$19.0 million in rental revenue in 2006 will add capability at these offices to improve their ability to keep up with demand for APDs, will support the permitting processing arrangements with other agencies, including State partners, and will help meet the higher inspection and monitoring workload, which has followed the sustained increase in approved APDs. New Treasury accounts have been established so that the Pilot offices will be able to access these funds. BLM is also developing goals, and a process to measure and report on the Pilot offices' progress toward those goals.

In order to implement this more effective and efficient permitting process, BLM managers, along with our partner agencies, are also engaged in intensive planning and recruitment efforts, which will ensure staff and support are in place to meet the growing demand for APDs at these offices. BLM recently issued a nationwide vacancy announcement to recruit Petroleum Engineering Technicians and Natural Resource Specialists in the Pilot Offices.

I look forward to keeping you informed of our progress toward implementing the goals of this section of the Act and the lessons learned as we implement the Pilot office concept.

APD Processing at Non-Pilot Offices – Like the Pilot offices, the non-Pilot offices are experiencing a sharp and sustained demand for APDs. In 2006, BLM expects to receive 2,500 new applications for permits at these offices, a 29 per cent increase over 2004. However, due to the language in Section 365 of the Energy Policy Act delaying the implementation of APD cost recovery until 2015, these offices will not receive any additional funds in 2006 to meet this demand. I am asking my staff to identify opportunities to direct base funding to process additional APDs at these offices. I also anticipate the need to propose a reprogramming of some of BLM's base funding. My staff is currently evaluating allocations of funding to the State Offices and will have a recommendation to me regarding this potential reprogramming soon.

Summary of BLM's APD Processing in 2006 - The base funding provided by Congress in 2006, the mineral rental revenue provided to Pilot offices by the Energy Act, and the efficiencies gained from management improvements will enable the BLM to process an estimated 10,326 APDs in 2006, a level that is 40 percent more than the number processed in 2004 and 31 per cent more than the 7,900 APDs that BLM estimated for 2006 when preparing the FY2006 President's Budget Request. BLM expects to receive 9,200 new APDs in 2006, a 32 per cent increase over 2004. The additional funding and the management improvements will allow BLM to respond to this sharp increase in demand for new APDs, and allow the BLM to substantially reduce, by the end of FY 2006, the inventory of APDs pending for more than 60 days to 1,226 applications. This is a 50 percent reduction from the number pending over

60 days at the end of 2005. The table below displays the 2006 estimated APDs compared with prior year actuals.

	2004	Actual 2005	Actual 2006 Estimate
Pending APDs less than 60 days old at start of year	888	1,082	1,450
Pending APDs greater than 60 days old at start of year	2,780	2,214	2,461
Total Pending APDs at start of year	3,668	3,296	3,911
New APDs Received	6,979	8,351	9,186
APDs Approved	6,452	7,018	TBD
Total APDs Processed	7,351	7,736	10,326
Pending APDs less than 60 days old at end of year	1,082	1,450	1,545
Pending APDs greater than 60 days old at end of year	2,214	2,461	1,226
Total Pending APDs at end of year	3,296	3,911	2,771

Inspection and Enforcement Functions

In addition to processing APDs, the BLM also inspects oil and gas operations. This function is critical to verifying the proper payment of royalties and ensuring necessary environmental protection. In 2004, BLM inspectors performed nearly 19,000 inspections to ensure compliance with permit stipulations, thereby protecting the environment and human health and safety, and verifying the proper accounting of production from Federal and Indian lands. The BLM finds that with rare exceptions, oil and gas operators diligently comply with lease stipulations, conditions or approvals, and operate effective, environmentally-sound exploration and development facilities.

The Government Accountability Office recently issued a report on the BLM's inspection and enforcement program, concluding that BLM is behind in inspections due to heavy APD workloads. However, the Inspection and Enforcement staff continues to grow, with the budget for enforcement up \$4.8 million during the period of 2002 to 2004. We also allocated an additional \$1.0 million in 2005 to help with compliance with inspection and monitoring activities. Field managers are working to prioritize their workforce to meet their environmental inspection and enforcement obligations.

Looking to the Future: The Alaska Natural Gas Pipeline

In 2006, the BLM will continue leasing, exploration and development activities in the National Petroleum Reserve-Alaska (NPR-A), an area covering more than 23 million acres in the northwest corner of the State. Development of these oil and gas resources is an important component of the President's National Energy Policy. The first significant commercial production from the NPR-A is expected as early as 2008.

The BLM will also participate in the inter-agency activities relating to the siting of an Alaska Natural Gas Pipeline. On October 13, 2004, the President signed into law the Alaska Natural Gas Pipeline Act, (ANGPA), legislation that greatly enhances the prospects for construction of the Alaska Natural Gas Pipeline, which will provide enhanced access to the natural gas supplies on the North Slope of Alaska.

There are currently two Federal rights-of-way granted for an Alaskan gas pipeline: 1) the Alaska Natural Gas Transportation System (ANGTS) project, sponsored by Trans-Canada and issued in 1980; and 2) the Trans-Alaska Gas System (TAGS) project, sponsored by Yukon Pacific Corporation and issued in 1988. Other proposed projects include one sponsored by the North Slope Producers (ConocoPhillips, BP, and ExxonMobil) and another proposed by the Alaska Gasline Port Authority referred to as the "All Alaska" project.

In order to meet the intent and provisions of the Alaska Natural Gas Pipeline Act, the Federal agencies with jurisdiction have been meeting regularly and are developing an interagency Memorandum of Understanding to define roles and responsibilities in the authorization of the Alaska Natural Gas Pipeline.

BLM's Oil and Gas Management Program and the Energy Policy Act of 2005

The Energy Policy Act of 2005 is a comprehensive piece of energy legislation addressing conservation; energy supply from oil, gas, coal and renewable sources (wind, biomass, geothermal and solar); distribution of energy; and research into future sources of energy. The BLM has a role to play in each of these areas. Most immediately, however, the Energy Policy Act of 2005 contains several provisions through which the BLM can work to improve the APD permit approval process, expand its capacity to process APDs, expedite oil and gas leasing on public lands, and ensure natural gas production on public lands occurs in an environmentally-responsible manner. The Act also establishes a new funding source to support these activities. BLM will continue its streamlining efforts in leasing and permitting through implementation of the Act; for example, the BLM is working with other regulating agencies, including State partners, to develop the most effective and efficient permitting process for each of the Pilot offices. The objective of these arrangements is to shorten the length of time required to issue permits for oil and gas activities to interested parties while ensuring that the Nation's energy resources are developed in an environmentally-responsible manner.

Immediately following passage of the Act, the Director of the BLM designated a team to guide BLM's implementation of the Act. During the last several weeks, this team has been closely coordinating the analysis and implementation of the bill with the other Department of the Interior bureaus such as the Minerals Management Service, the U.S. Fish and Wildlife Service and the U.S. Geologic Survey. In addition, BLM has been meeting with other interested Federal and State agencies to develop the framework of agreements that are needed to move forward on the various provisions.

Implementation of the Pilot Offices is discussed above in relation to APDs. Some of the other key sections in the Act related to BLM's Oil and Gas Management Program, and the actions that BLM is currently taking to implement each of these important provisions include:

- **Management of Federal Oil and Gas Leasing (Section 362)** – Section 362 requires BLM to ensure timely action on leases and permits, to ensure expeditious NEPA compliance, to improve consultation and coordination with the States and the public, to improve the management of oil and gas leasing information and to improve inspection and enforcement. This applies to all BLM offices, including offices that are not designated as Pilot offices in Section 365 of the Energy Act. The BLM will strive to meet the objectives of Section 362 by continuing ongoing efforts to improve efficiencies and cost effectiveness in its Oil and Gas Program and strategic management of its budget resources.
- **Deadline for Consideration of Applications for Permits (Section 366)** – This section requires BLM to notify applicants within ten days that an APD is complete or notify the applicant of any additional information needed for the application to be complete. The Act further requires BLM to issue the permit within 30 days if NEPA requirements have been met, or to defer the permit and notify the applicant of reasons for the deferral. The BLM issued guidance to BLM Field Offices on September 15, 2005, to implement these provisions of the Act. In addition, these provisions will be included in a reissuance of Oil and Gas Onshore Order Number 1.
- **Naval Petroleum Reserve Number 2 (NPR-2) (Sections 331 – 334)** – This section transferred administrative jurisdiction of NPR-2 in California from the Department of Energy to the BLM. BLM management of NPR-2 allows for effective development of potentially significant energy reserves. The transfer potentially increases access to Federal oil and gas resources by placing approximately 2,500 acres of unleased Federal mineral estate up for competitive lease bids. BLM has begun a land use plan amendment and environmental analysis for these lands, with publication of the first planning effort in the Federal Register on September 26, 2005.
- **North Slope Science Initiative (NSSI) (Section 348)** – To implement Section 348 of the Energy Act, BLM will continue its ongoing participation in the NSSI organization, and to the extent

possible, support high priority research, inventory and monitoring projects in Alaska's North Slope identified by and under the direction of the NSSI. The NSSI is an organized, chartered, and jointly-funded entity that guides inventory, monitoring, and research efforts at the Federal, state and local levels in support of resource management on the north slope. This research will greatly assist the BLM in identifying environmentally sensitive, technically feasible means of production. The BLM anticipates that non-Federal partners will contribute substantial resources to this effort, which promises to result in a solid scientific basis for land use decisions. A call for nominations for members to serve on the NSSI Technical Advisory Panel was published in the Federal Register on September 12, 2005.

- **Orphaned, Abandoned and Idle Wells (Section 349)** – BLM has an ongoing program to monitor and remediate orphaned, abandoned and idle wells. The Energy Policy Act provides new tools and direction to manage these wells. In 2005, BLM remediated one government-owned well in the National Petroleum Reserve-Alaska in order to prevent a spill of contaminants into the Beaufort Sea. In 2006, BLM is preparing a risk assessment of other wells in the area and developing plans to further respond to accelerated shoreline erosion issues in this area, and will use \$750,000 provided by Congress in 2006 to continue this remediation effort in Alaska.

Section 349 of the Energy Policy Act of 2005 also provides new authority to contract with oil and gas lessees to complete well abandonment and remediation. The Secretary is authorized to issue rules that would establish this new program and to allow a credit against royalty payments to offset the cost of these remediations. BLM is currently analyzing the potential application of this new authority to complete the necessary well remediations in Alaska and other States and is identifying rule revisions needed to implement this section of the Act. Once regulations are in place, oil and gas operators will be able to assist in remediating wells on leases they hold.

- **Gas Hydrates (Section 353)** - Section 353 of the Energy Policy Act of 2005 contains provisions intended to promote natural gas production from natural gas hydrate resources through royalty incentives. The Act requires the Secretary to review opportunities to enhance production of natural gas from gas hydrate resources. BLM, in cooperation with USGS, and industry partners is actively engaged in this project and will continue to assist with the development of the information base which would be needed to prepare a gas hydrate leasing program. BLM's current gas hydrate effort is located in Alaska. Non-Federal partners are also providing contributions to this project.
- **Consultation Regarding Oil and Gas Leasing (Section 363)** – Section 363 requires BLM and the Forest Service to establish two joint mineral leasing systems. A database system will track applications and the status of applications. A second system using GIS will track surface resource values and will provide information in support of processing mining plans of operations and oil and gas APDs. There are a number of security and operating system technical issues that must be resolved in order to meet the requirements of Section 363. BLM plans to implement the system over the next two years.
- **Estimates of Oil and Gas Resources Underlying Onshore Federal Land (Section 364)** – This section modified Section 604 of the Energy Policy Act of 2000 to require BLM to evaluate post-lease restrictions on development of energy resources, and to look at issues that restrict the transportation of energy resources to markets. BLM will issue a report on the second phase of the project shortly, which will include a review of the post-lease restrictions. BLM will examine transportation issues in future phases of the project.
- **Energy Right-of-Way Corridors on Federal Land (Section 368)** – This section requires BLM to consult with Federal agencies and other interested parties, and then designate corridors for oil, gas and hydrogen pipelines and electricity transmission and distribution facilities for western States. The Act requires the BLM to complete the environmental analyses and amendments to land use plans that support these corridors, within two years. BLM has already begun the process to designate these corridors, publishing a public notice regarding the corridor planning effort in the Federal Register on September 7, 2005. In addition, we will hold a series of public scoping meetings in 11 locations in the western States between October 26 and November 3, 2005, and we have established a web site <http://corridoreis.anl.gov> for this project. BLM is in the process of sending letters to the western governors which will explain the corridor designation

process and ask for their involvement. The Department of Energy and the US Forest Service are partners in this effort.

- **Oil Shale, Tar Sands and Other Strategic Unconventional Fuels (Section 369)** This section complements BLM's recent progress in making oil shale resources available for research and development activities, a process the BLM began in 2004. The Act requires the BLM to make public lands available for the conduct of oil shale research and development activities. In response to its announcement of an oil shale research, development, and demonstration program, the BLM has received 20 nominations for parcels of public land to be leased in Colorado, Utah, and Wyoming. An interdisciplinary team is considering the potential of each nomination to advance oil shale technology and the economic viability and environmental effects. The team will then make recommendations for awarding leases. Representatives from the three States, the Department of Energy, and the Department of Defense have been invited to participate on the team, as have BLM staff members from the affected States. In addition to furthering development of oil shale resources, the oil shale research and development program will assist the BLM in developing appropriate regulations for commercial oil shale leasing, which the Energy Policy Act calls for beginning in 2007.

In addition to leasing lands for oil shale research and development purposes, the Act requires BLM to complete a programmatic EIS for a commercial leasing program for both oil shale and tar sands resources on public lands. In 2006, BLM plans to use a \$1.0 million funding increase provided by Congress to manage the oil shale research and development leasing program and to take the initial steps leading to the preparation of the oil shale and tar sands programmatic EIS.

- **NEPA Review (Section 390)** – This section allows BLM to authorize certain oil and gas activities under NEPA's categorical exclusion provision rather than a more costly and time consuming environmental analysis. The Act's statutory categorical exclusions apply to five categories of oil and gas exploration and development on Federal oil and gas leases. For example, individual surface disturbances of less than five acres are within the categorical exclusions so long as the total surface disturbance on the lease is not greater than 150 acres and site-specific analysis in a document prepared pursuant to NEPA has been previously completed. Guidance was issued to BLM Field Offices on September 30, 2005, to implement this provision of the Act. In addition, this provision will be included in a reissuance of Oil and Gas Onshore Order Number 1.

Conclusion

In FY 2006 and in future years, we expect to see a continuation of the unprecedented high demand for energy and minerals leases and permits. Providing access for the development of oil, natural gas, oil shale, coal bed natural gas, coal and renewable energy will help the Nation meet its goals for secure and diverse energy sources. The BLM plans to meet this unprecedented demand, through a combination of past appropriations increases, new revenue sources provided by the Energy Act, process improvements provided by the Energy Policy Act and a continuing program of innovations to increase effectiveness and reduce costs.

I appreciate the support this subcommittee has provided for our energy programs in past years and I look forward to continuing a dialogue with you in the months and years ahead. Thank you for the opportunity to testify today about the BLM's Oil and Gas Management and the Energy Policy Act. I would be happy to answer any questions you have.