Testimony Before the Senate Committee on Energy and Natural Resources
The Department of the Interior's Onshore Oil and Gas Leasing Program

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Chairman Manchin and Ranking Member Barrasso, thank you for the opportunity to testify today. I appreciate the opportunity to talk about my favorite energy subject, the federal onshore oil and gas program.

Western Energy Alliance represents about 200 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in the Rocky Mountain West. Alliance members are independents, the majority of which are small businesses with an average of fourteen employees.

In the West, oil and natural gas resources are inextricably bound to federal public lands, and therefore, to the men and women of the industry who work there. As much as we would like to avoid public lands because of their extensive red tape and time-consuming process, it is nearly impossible to develop in the West without touching some federal lands and/or minerals. Even when we try to site oil and natural gas operations on private, state, or tribal lands, the interlocking land and mineral ownership means that just about every project in the West will involve a federal lease, right-of-way, and/or permit.

Environmental Stewardship

With that attachment to the land, we take public lands stewardship very seriously. We're proud that oil and natural gas on federal lands is done sustainably and furthers the goals of environmental justice. We've met every legitimate environmental challenge and continue to innovate to do even better. We've reduced the footprint on federal lands by up to 70% through advances in horizontal drilling and hydraulic fracturing.[1]

Development on federal lands is less carbon intensive than the amount of production would indicate. While oil and natural gas from federal lands and waters account for about 22% and 12.1%, respectively, of U.S. production,[2] their production *and consumption* together contribute only 7% of U.S. greenhouse gas (GHG) emissions.[3] The GHG emissions from all extraction activities on federal lands and waters

[1] "Oil and Gas Impacts on Wyoming's Sagegrouse: Summarizing the Past and Predicting the Foreseeable Future," *Human-Wildlife Interactions, Vol. 8 : Iss. 2 , Article 15.*, Dave H. Applegate, Nick L. Owens, 2014.
[2] *The Consequences of a Leasing and Development Ban on Federal Lands and Waters*, Prepared by OnLocation, Inc. for the American Petroleum Institute (API), September 2020.
[3] *Federal Lands Greenhouse Gas Emissions and Sequestration in the United States: Estimates for 2005-2014*, U.S. Geological Survey, 2018; *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990 – 2014*, EPA, April 15, 2016. This is the same version of EPA's annual inventory that USGS used in its report. These percentages are calculated comparing the data in USGS Table 1 to total U.S. GHGs from EPA.

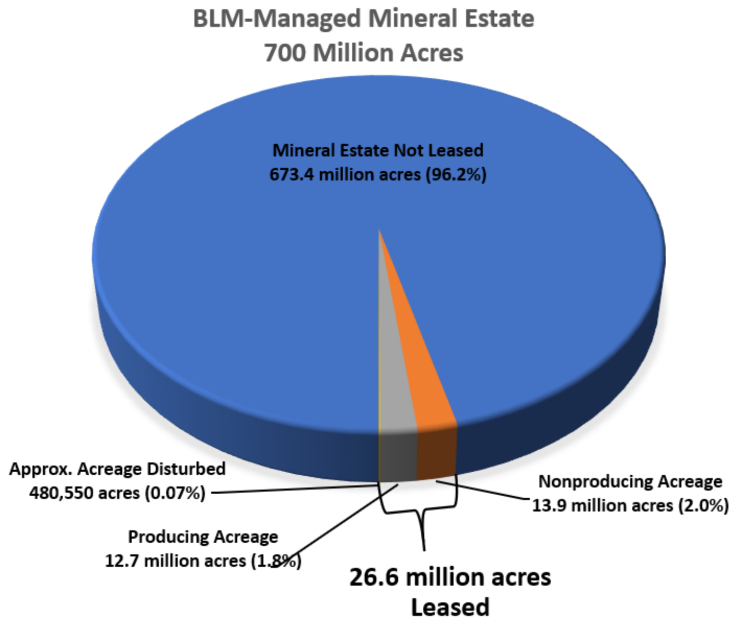
account for just 0.06% of U.S. GHGs,[4] far from the "nearly a quarter" claimed by the administration as justification for the leasing ban.[5]

But we're not content even with that low emissions profile. Through the relentless pursuit of better and more efficient technologies, the industry has significantly reduced methane emissions from the production and transmission of oil and natural gas by 23% since 1990 even while increasing natural gas production by 71%.[6] Fuel switching to natural gas in the electricity sector is the primary reason the United States has reduced more GHG emissions than any other country since 2000.[7] We've reduced more emissions since 2005 than wind and solar combined.[8]

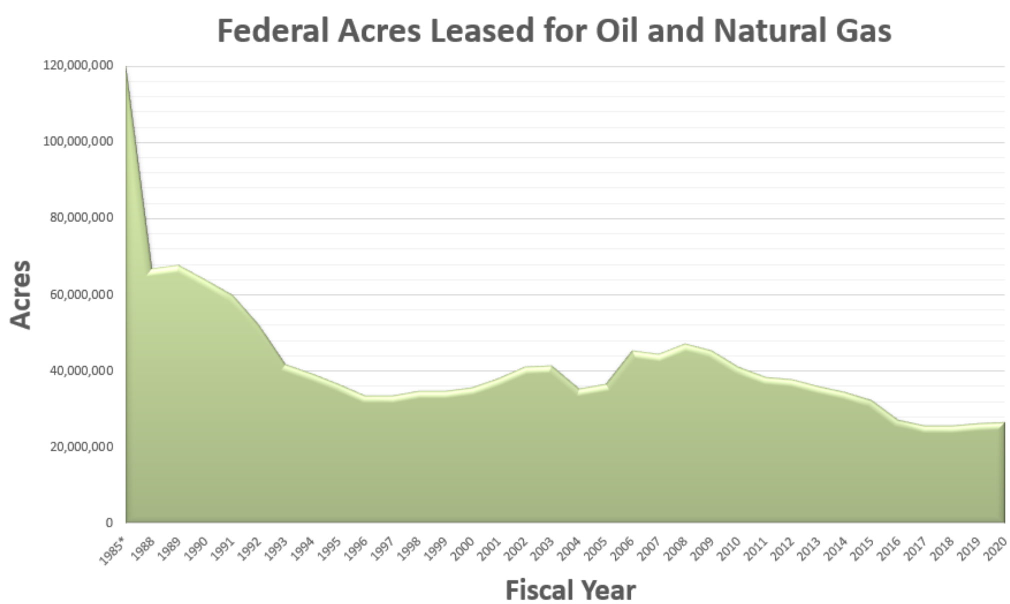
We've helped achieve a balance on public lands that was the vision of Congress when it passed the Federal Land Policy and Management Act (FLPMA) in 1976. That multiple-use balance includes conservation as well as oil, natural gas and other productive uses. Of the 700 million acres of federal lands and mineral estate, less than 4% (26.6 million acres) is leased with only about 0.07% (480,550 acres) of surface disturbance.[9]

In fact, leased acreage is near a historic low while leasing revenue hit a historic high of $1.1 billion in 2019.[10] From a high of over 120 million acres in 1985, leased acreage is down 78% to 26.6 million, up slightly from the all-time historic low achieved during the Trump Administration of 25.5 million acres. The leased acreage in effect at the beginning of the Biden Administration is down 41% from the Obama Administration's high of 45.4 million. Industry is more efficient, producing greater quantities of oil and natural gas from an ever-smaller portion of public lands.

[4] *Ibid.*
[5] *FACT SHEET: President Biden to Take Action to Uphold Commitment to Restore Balance on Public Lands and Waters, Invest in Clean Energy Future*, DOI Press Release, January 27, 2021 updated March 11, 2021.
[6] *Global CO2 Emissions in 2019*, IEA, Paris, February 2020; U.S. Energy-Related Carbon Dioxide Emissions, 2019, U.S. Energy Information Administration (EIA), September 2020.
[7] *Global CO2 Emissions in 2019*, International Energy Agency, February 11, 2020.
[8] U.S. Energy-Related Carbon Dioxide Emissions, 2019, U.S. Energy Information Administration (EIA), September 2020. Natural gas has delivered 61% of the reduction in greenhouse gases resulting from fuel switching in the electricity sector, removing 3,351 million metric tons of carbon dioxide equivalents (MMT CO_2 Eq), while wind and solar have reduced 2,125 MMT CO_2 Eq , or 39% of the total reduction.
[9] https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics. Acreage disturbed was calculated using BLM's historic method of five acres per well times the 96,110 currently active wells. With horizontal and directional drilling, multiple wells are clustered on a single well pad, meaning it overestimates disturbance to conservatively account for roads, gathering lines, and other disturbance in addition to the well pad.
[10] https://www.doi.gov/pressreleases/using-least-amount-acreage-history-interior-hits-record-oil-and-gas-revenues-2018-11



Data Source: BLM[11]



Data Source: BLM[12]

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[11] *BLM Oil and Gas Statistics* webpage. Acreage disturbed was calculated using BLM's historic method of five acres per well times the 96,110 currently active wells. With horizontal and directional drilling, multiple wells are clustered on a single well pad, meaning it overestimates disturbance to conservatively account for roads, gathering lines, and other disturbance in addition to the well pad.

[12] Data were recreated from archived copies of BLM "leases in effect" spreadsheets from BLM's Oil and Gas Statistics webpage. However, we could not find data for the years 1986-1987. The datum for 1985 was provided in this DOI press release.

We also help achieve balance on public lands as the almost exclusive source of funding for their conservation. Under the Great American Outdoors Act (GAOA) passed by Congress in an overwhelming bipartisan fashion last summer, $1.9 billion annually is directed from oil and natural gas royalty and leasing revenue (along with a much smaller but still significant share from coal) into conservation and infrastructure in national parks, national wildlife refuges, Bureau of Land Management lands, and Bureau of Indian Affairs schools. The act permanently funds the Land and Water Conservation Fund at $900 million annually, which comes exclusively from offshore oil and natural gas. I do not believe President Biden was advised that his ban is risking $2.8 billion annually for public lands conservation and 108,364 jobs fixing national park infrastructure.[13]

Environmental Justice

We contribute likewise to environmental justice. From that small impact on federal lands, the oil and natural gas industry generates about $4.2 billion in federal royalties and leasing revenue while delivering 288.6 million barrels of oil and 3.4 trillion cubic feet of natural gas to meet Americans' energy needs,[14] representing 6% and 9% of total U.S. production, respectively.[15] For every dollar spent by BLM managing the federal onshore program, the industry returns 29 times that back to the federal government, an excellent return that funds education, public safety, and other vital health and human services in the West.[16]

Stable, high-paying jobs are the best means to achieve social and environmental justice. Nationwide, industry generates $1.3 trillion in wealth annually that sustains 10.3 million American jobs and $714 billion in wages.[17] We have saved consumers hundreds of billions of dollars by making energy more affordable, enabling them to increase their discretionary income.[18] We deliver over $21 billion in annual royalties to individual mineral owners who are mostly ordinary citizens of otherwise modest means, including Native American mineral owners. [19]

About 21,000 members of just one tribe, the Navajo Nation, receive $96 million annually in royalties, sustaining their families in an otherwise impoverished region plagued by high unemployment.[20] The industry partners with energy tribes such as the Ute Indian Tribe; Southern Ute Indian Tribe; Mandan,

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[13] *Restoring Parks, Creating Jobs*, The Cadmus Group on behalf of Pew Charitable Trusts, June 2019.

[14] Office of Natural Resources (ONRR) Revenue Data, FY19 for onshore Oil, Natural Gas, Natural Gas Liquids, Oil or Gas (Pre-production), and Oil Shale, March 30. 2021.

[15] API, September 2020.

[16] ONRR) Revenue Data, FY19 for onshore Oil, Natural Gas, Natural Gas Liquids, Oil or Gas (Pre-production), and Oil Shale, March 30. 2021; *Budget Justifications and Performance Information, Fiscal Year 2021, Bureau of Land Management,* Page V-71. Calculated by a ratio of ONRR production data and the BLM onshore program budget appropriation, industry returns $29.14 for every dollar BLM spent in FY19.

[17] *Impacts of the Oil and Natural Gas Industry on the US Economy in 2015*, PWC on behalf of API, 2017.

[18] *The Impacts of Horizontal Multi-stage Hydraulic Fracturing Technologies on Historical Oil Production, International Oil Costs, and Consumer Petroleum Product Costs*, ICF International on behalf of API, Oct. 30, 2014.

[19] "Billions in gas drilling royalties transform lives," *Associated Press*, January 27, 2013.

[20] *Final Audit Report: Bureau of Indian Affairs' Federal Mineral Office*, Office of the Inspector General, U.S. Department of the Interior, February 3, 2017.

Hidatsa and Arikara Nation; the North Arapaho Tribe; and Jicarilla Apache Nation to generate $1.1 billion on their behalf.[21]

Not a Pause, a Ban

In spite of this balance achieved on public lands, the Interior Department seems to be gearing up to make federal oil and natural gas leasing and development all but impossible. While characterized as a "pause" on new leases in Executive Order 14008, there is no question that the "rigorous review of all *existing* leasing and *permitting"* (emphasis added) means a years-long ban as a first step to severely curtailing if not completely halting leasing and development on federal lands. That is why we were prepared and immediately filed litigation challenging the leasing ban in federal court.

I have been surprised that no details on the form this comprehensive review will take have been forthcoming yet, and hope this committee is able to learn more from today's hearing. Given that BLM hasn't been able to get a large-scale oil and natural gas environmental analysis completed in less than four years and usually much longer, we are assuming the "pause" will last President Biden's entire term. The comprehensive review of all impacts, including a full lifecycle analysis from wellhead to end consumer is an undertaking well beyond the bounds of what Congress envisioned when passing the National Environmental Policy Act (NEPA) in 1970. This "pause" seems to be a ban on leasing that will last years.

Yet the president simply doesn't have the power to enact a ban, whether months or years long. The Mineral Leasing Act (MLA) is clear: the Interior Secretary shall hold lease sales at least quarterly in each oil and gas state for which there is interest.[22] This is not qualified: it's a very simple mandate from Congress. Neither the MLA, FLPMA, nor any other statute authorizes the President to close federal lands designated as open to oil and gas leasing under duly promulgated federal land use plans. Certainly the Interior Secretary has the discretion to do more NEPA analysis, even though there are already three, four and even more layers of NEPA analysis built into the system. But she does not have the authority to stop leasing in the meantime nor can the president order her to do so.

FLPMA requires that the federal government manage public lands under principles of multiple use and sustained yield,[23] and identifies minerals as one of the "principle or major uses" of public lands.[24] In FLPMA Congress directs BLM to manage public lands "in a manner which recognizes the Nation's need for domestic sources of minerals, [and other commodities] from the public lands."[25] There is just no authority for even a temporary pause.

Impacts of the Ban

Despite promises that, "The targeted pause *does not impact* existing operations or permits for valid, existing leases," the reality is the opposite.[26] Permits to drill were revoked days after the president signed the Executive Order and our members report that permit extensions and lease suspensions are

[21] ONRR
[22] 30 U.S.C. § 226(b)(1)(A)
[23] 43 U.S.C. § 1701(a)(12)
[24] 43 U.S.C. § 1702(l)
[25] 43 U.S.C. § 1701(a)(12)
[26] DOI Press Release, January 27, 2021.

still not being granted. Other impacts on existing permits and leases will accumulate quickly because of the complex nature of federal development and the interlocking land and mineral ownership of the West. Projects on existing leases awaiting adjacent leases that should have been offered in the second quarter of fiscal year 2021 will continue to be delayed. The ban will affect nonfederal horizontal wells that cannot avoid federal minerals that lie along their laterals, even if situated completely off federal lands. These are both common situations that require new leasing in order to move forward with existing leases.

Because tribal and Indian allottee lands are often interspersed with federal lands, the leasing ban affects development of tribal and Indian allottee lands, notwithstanding reassuring statement that the "order does not restrict energy activities on lands that the United States holds in trust for Tribes." Companies cannot efficiently develop isolated pockets of tribal and Indian minerals amongst federal lands, and therefore, energy tribes that wish to develop their oil and natural gas resources will indeed be impacted. Depriving tribes and Indian allottees of a primary source of revenue is contrary to environmental justice goals.

The same holds true for adjacent private and state school trust lands and minerals. These spillover effects are why the Wyoming Energy Authority found that 32,700 jobs will be lost in the very first year of the leasing ban in the eight western states that together represent over 97% of federal onshore production, growing to 58,676 annually by the end of President Biden's term.[27] Similarly, $4.95 billion in Gross Domestic Product (GDP) and $1.3 billion in tax revenue lost in the first year will grow to $33.5 billion and $8.3 billion lost, respectively.

Plus the plain language of the president's order is clear. The planned wide-ranging analysis of all impacts of federal oil and natural gas development and production is intended to question permitting and all other activities, not just leasing. If taken to the ultimate goal of halting all federal onshore oil and natural gas, by 2040 annual job losses would be 351,554 and the cumulative losses over 20 years would total $300 billion in wages, $670.5 in GDP and $159 billion in state tax revenues.[28]

By depriving 32,700 families of diverse races, ethnicities, religions and backgrounds of their livelihoods in the first year alone, the president's ban on federal leasing is directly contrary to environmental justice. If extended over the next two decades, the ban would amount to $640 billion in lost GDP and over 343,000 jobs annually. States would forego $152 billion in tax revenues and workers would fail to earn $286 billion.

These jobs are not easily replaced with promises of "green jobs." Besides the fact that wind and solar jobs pay less than oil and natural gas,[29] we know from experience during the Obama/Biden Administration that promised green jobs do not easily materialize. The last report the Bureau of Labor Statistics issued on green jobs created from the 2009 stimulus showed that rather than meeting the promise of five million new green jobs, only 854,700 people were employed more than half time in "green technologies and practices,"[30] even with an expansive definition that included janitors, cleaners,

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[27] "The Fiscal and Economic Impacts of Federal Onshore Oil and Gas," Dr. Timothy J. Considine, University of Wyoming, December 14, 2020.
[28] *Ibid.*
[29] *Wages, Benefits, and Change: A Supplemental Report to the Annual U.S. Energy and Employment Report*, National Association of State Energy Officials, et. al., 2021.
[30] *Green Technologies and Practices*, Bureau of Labor Statistics news release, June 29, 2012.

and sceptic tank servicers. Furthermore, killing oil and natural gas jobs does not make new jobs appear in wind and solar. In fact the 10,400 new jobs[31] expected to be created in wind and solar over the next *ten* years do not cover the 32,700 jobs lost from the onshore leasing ban *this year alone*,[32] not to mention the 102,000 jobs lost offshore next year.[33]

In addition to the impact on jobs and conservation funding, the president's leasing ban has other unintended consequences. With the uncertainty surrounding public lands development, companies will be less likely to make investments in technologies that reduce environmental impact. How can a company invest in field electrification and carbon capture on the New Mexico side of the Permian when an equal energy resource with more regulatory predictability lies on the Texas side? Because of uncertainty surrounding whether extensions for Applications for Permit to Drill (APD) will be granted, Interior Department leadership is discouraging companies from undertaking the planned development that enables a more wholistic assessment and mitigation of environmental impacts, instead incentivizing permitting on a well-by-well basis.

Centralizing approvals and more headquarter scrutiny of approvals normally managed at field and state offices will cause delays to rights-of-way (ROW) approvals, including for the installation of gathering lines necessary to capture methane and reduce flaring. Tribal and federal lands and other areas accessible only through federal lands already have higher rates of flaring because of the longer time to obtain ROWs. Centralizing those decisions at BLM headquarters will cause additional delays and more emissions.

Despite our meaningful contribution to reducing GHG emissions, the order to ban leasing was wrapped into the president's Executive Order on Climate Change. But making it more difficult to operate on federal lands does noting to address climate change. In the absence of an alternative that does everything oil and natural gas do (home heating, transportation, industrial power, electricity generation, electronic components, fertilizers, pharmaceuticals, petrochemicals, etc.), banning federal production does not reduce the demand for oil and natural gas but merely displaces it from the West to other parts of the country not predominated by public lands. It does nothing to decrease the demand for oil and natural gas. If that production cannot be made up in America, it gets imported from overseas where it is not produced under the strict environmental protections we have here.

But it will make the West noncompetitive with other areas of the country. Already rigs have moved from the New Mexico side of the Permian to Texas.[34] Because 63% of New Mexico's production is federal and the state stands to lose $709 million in education funding from just a 10% decline in production, Governor Michelle Lujan Grisham has opposed the leasing ban.[35] We appreciate Senators Lujan and Heinrich raising concerns about the impact on New Mexico.[36]

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[31] "Kerry's misleading framing of potential wind and solar jobs," *Washington Post,* January 29, 2021.
[32] Considine, December 14, 2020.
[33] *The Economic Impacts of the Gulf of Mexico Oil and Natural Gas Industry*, Energy & Industrial Advisory Partners on behalf of the National Ocean Industry Association (NOIA).
[34] Letter to Principal Deputy Assistant Secretary - Land and Minerals, State of New Mexico, Energy, Minerals and Natural Resources Department, February 9, 2021.
[35] Letter to President Biden, Governor Lujan Grisham, March 15, 2021.
[36] Letters to the National Climate Advisor and Acting Interior Secretary, Senators Martin Heinrich and Ben Ray Luján, March 2, 2021.

Western Energy Alliance urges other members of this Committee to likewise request more answers from the Interior Department on the scope and timing of the leasing ban and the onshore program review, and to urge the President to overturn the policy that disproportionately impacts rural communities in the West. We ask that you also consider the conservation impact across the entire country. Thank you.