

**Statement of
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Before the

**Subcommittee on Energy and Power
Committee on Energy and Commerce
U.S. House of Representatives**

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Concerning

**The American Energy Initiative: Oil and Gas Development on Federal Lands
versus Private Lands**

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear before you today to provide the agency's perspective regarding oil and gas development on the National Forests and Grasslands.

We would like to describe the role of the Forest Service in oil and gas leasing and operations and provide an overall scope of the oil and gas program on the National Forest System (NFS) lands. The Forest Service is committed to doing its part to foster and encourage private enterprise in meeting the nation's energy needs, while at the same time protecting the landscapes and watersheds for present and future generations.

Oil and gas development is one of a variety of renewable and non-renewable energy development activities authorized on the National Forests and Grasslands. NFS lands provide 25 percent of the nation's coal production (Energy Information Administration,

Annual Coal Report 2009 – 2010) and 16,000 megawatts of hydropower generation capacity (U.S. Forest Service, FERC licensing records), enough to power twelve to sixteen million homes (National Hydropower Association estimate). The Forest Service authorizes uranium mining, geothermal development, and biomass removal for power generation. The Forest Service also authorizes a number of active mines which produce minerals needed for energy development and transmission (such as copper). The agency also authorizes thousands of miles of electric transmission and pipelines that distribute energy to market.

Specific to oil and gas, we have authorized almost 20,000 active wells on NFS lands in 19 states. While all of these wells are located on surface managed by the Forest Service, their production may be from either federally-owned or privately-owned, sub-surface minerals.

In 2009 and 2010, oil and gas production from federally-owned minerals on NFS lands generated an estimated \$136 million and \$186 million respectively in bonus and royalty payments to the U.S. Treasury. In 2010, this production had a market value of \$1.2 billion, and generated tens of thousands of direct jobs. A large portion of the royalty revenue is collected for and delivered to states and counties. Specifically 25 percent of the revenue from Acquired Lands, which includes the National Grasslands, as well as 50 percent of the revenue from Public Domain lands, is delivered to the states and counties.

Almost three-fourths of the approximately 20,000 wells on NFS lands overlie subsurface mineral estate that is privately held. This “split estate” development predominately occurs

on NFS land in the east. The majority of these wells are low volume producers with typical depths between 2,000 and 3,000 feet which require small areas of surface occupancy (pads) of an acre or less. National Forests in the east also have significant development potential for shale gas. We do not have information on the volumes or value of oil and gas produced from privately-owned minerals on NFS lands.

Although most of the oil and gas wells on NFS lands are in the east, most of the oil and gas production is in the west; most notably in the Williston Basin with its Bakken Formation in North Dakota on the Dakota Prairie National Grassland, and the San Juan basin in northwestern New Mexico on the Carson National Forest. It is common practice in these areas to utilize larger pads (typically 3-5 acres) to drill multiple wells to minimize the surface “footprint” of development. On the Dakota Prairie National Grasslands, we approved 14 surface use plans of operation in 2008, 13 plans in 2009, 29 plans in 2010, and 36 plans in 2011. One of the challenges in being responsive on the Dakota Prairie National Grasslands has been our ability to hire, provide housing and retain employees to work in the same geographic area which is experiencing the oil and gas boom. We are working diligently to address this challenge.

There are a number of factors which influence where, when, and how oil and gas is developed on NFS lands. The level of interest from industry is largely a function of available supply as well as the economics of development, from prices to the cost of extraction. This cost is highly variable and depends upon the deposit, drilling technique to access the deposit, and transportation costs among many other factors.

Under the Federal Onshore Oil and Gas Leasing Reform Act of 1987 (30 U.S.C. 226) and the implementing regulations (36 CFR 228.102), the Forest Service makes decisions on availability or access to *federally* held subsurface resources underlying NFS lands at two stages: leasing and permitting. At the leasing stage, a National Forest analyzes which lands the Agency will make available for leasing and under what conditions. This is done through National Environmental Policy Act (NEPA) environmental analyses which include significant public involvement. In conducting the environmental analyses, the Forest Service focuses on potential impacts to the surface while the BLM focuses on subsurface aspects. At the permitting stage, the agency again conducts environmental analyses, focusing on site-specific surface impacts associated with the proposed Surface Use Plan of Operations. The Forest Service is able to utilize expeditious review processes (categorical exclusions) in certain situations. These analyses include public involvement, and provide the specific conditions of approval to the operator or lease holder for accessing and developing their deposit. Again, at the permitting stage, where the subsurface estate is *federally* owned, we work closely with the BLM in coordinating the analyses and public involvement in accordance with a national Memorandum of Understanding. Currently there are over 7,000 oil and gas leases covering approximately 5.5 million acres on the National Forests and Grasslands.

Congress designated the first National Forests in order to protect our nation's watersheds and ensure a sustainable supply of timber. Over half of the municipal water west of the Mississippi originates on the National Forests. Today there are National Forests and

Grasslands in 43 states and together the collective land mass is larger than the states of California and Oregon combined. Almost 170 million people each year recreate on the National Forests and while they are working forests, they are also home to incredible and abundant wildlife, important historical and archeological sites, and breathtaking landscapes. In order to permit resource use, while conserving the forests, Congress has put in place laws to guide the agency in managing resource extractive activities.

The Forest Service is committed to balancing its role in helping to meet the nation's energy needs while also conserving the National Forests for all of the uses for which Americans desire - for this generation and future generations.

This concludes my statement and I would be happy to answer any questions you may have.