

## Calendar No. 144

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SENATE

{ REPORT  
{ 112-64

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### OIL AND GAS FACILITATION ACT

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AUGUST 30 (legislative day, AUGUST 2), 2011.—Ordered to be printed

Filed under authority of the order of the Senate of August 2, 2011

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Mr. BINGAMAN, from the Committee on Energy and Natural Resources, submitted the following

### R E P O R T

[To accompany S. 916]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 916) to facilitate appropriate oil and gas development on Federal land and waters, to limit the dependence of the United States on foreign sources of oil and gas, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

The amendments are as follows:

1. Beginning on page 11, strike line 15 and all that follows through page 13, line 12, and insert the following:

**SEC. 301. EXEMPTION OF TRANS-ALASKA OIL PIPELINE SYSTEM FROM CERTAIN REQUIREMENTS.**

2. On page 15, strike lines 3 and 4 and insert the following:

**SEC. 302. PERMITS FOR NATURAL GAS PIPELINE IN DENALI NATIONAL PARK AND PRESERVE.**

3. At the end of the bill, add the following:

**SEC. 304. ENERGY INFORMATION ADMINISTRATION REPORTING ON IRANIAN IMPORTS OF REFINED PETROLEUM PRODUCTS.**

(a) IN GENERAL.—The Administrator of the Energy Information Administration shall submit to Congress a report, which shall be updated periodically, that, to the maximum extent practicable, describes—

(1) the annual volume of refined petroleum products imported to and exported from Iran;

- (2) the identity and national origin of persons selling and transporting refined petroleum products to Iran;
  - (3) the sources of financing for imports to Iran of refined petroleum products; and
  - (4) the involvement of foreign persons in efforts to assist Iran in—
    - (A) importing advanced technology to upgrade existing Iranian refineries;
    - (B) converting existing chemical plants to petroleum refineries; or
    - (C) constructing new refineries.
- (b) **APPLICABILITY.**—The reporting requirements under subsection (a) shall remain in effect until the date on which the President determines that all economic sanctions imposed by the United States with respect to Iran have been lifted.

#### PURPOSE

The purpose of S. 916 is to facilitate appropriate oil and gas development on Federal land and waters and to limit the dependence of the United States on foreign sources of oil and gas.

#### SUMMARY OF MAJOR PROVISIONS

##### *Facilitation of Permit Processing*

Sections 101 and 202 facilitate the efficient processing of authorizations necessary for oil and gas development, inspection, and enforcement on Federal land, and for oil and gas leasing and permitting on the Outer Continental Shelf (OCS) in the Alaska region. These sections create or authorize funding for interagency teams in key areas on and offshore so that review of requests for oil and gas development can proceed in a coordinated and timely manner.

##### *Inventory of Outer Continental Shelf Resources*

Section 201 provides for a comprehensive inventory of oil and natural gas resources for the waters of the Outer Continental Shelf in the Atlantic Region, the Eastern Gulf of Mexico, and the Alaska Region. It prioritizes the Secretary's inventory activities so that areas not yet leased and that are estimated to have the greatest potential for energy development will be analyzed first. It also authorizes funding to carry out those activities.

##### *Alaska Oil and Natural Gas Pipelines*

Sections 301 and 302 facilitate maintenance or construction of pipelines to transport oil or natural gas in Alaska. Section 301 provides that the owners of the trans-Alaska pipeline system may carry out construction, maintenance, restoration, or rehabilitation activities on or for sections of the system considered to be a historic site. Section 302 authorizes the Secretary of the Interior to issue permits for a natural gas transmission line in non-wilderness areas within the boundary of Denali National Park near the road that runs through the Park.

## BACKGROUND AND NEED

Domestic oil and gas production is an important component of our nation's energy policy and will remain so for decades to come even as the nation transitions to renewable and cleaner fuels. For this reason, it is important to take reasonable steps to facilitate appropriate development of oil and gas resources in the right places on our Federally owned lands and waters, while taking care to do so in a safe, sustainable way that protects our environment for future generations.

While some of the policies related to these issues are controversial and difficult to resolve, S. 916 would advance less controversial, but important steps. The bill is intended to take reasonable steps to improve the process and to understand the resources available to us.

Many of the provisions of this bill are drawn from S. 1462, reported on a bipartisan vote by the Energy and Natural Resources Committee in the last Congress but never considered by the full Senate. S. 916 would, among other things, take a number of useful steps to understand our offshore oil and gas resources, to coordinate the permitting processes for onshore and offshore oil and gas on Federal properties, and to facilitate the production of geothermal energy on public lands. These legislative actions are necessary and reasonable measures to encourage the right kind of domestic oil and gas production.

## LEGISLATIVE HISTORY

Senator Bingaman introduced S. 916 on May 9, 2011. The Committee on Energy and Natural Resources held a hearing on S. 916 on May 17, 2011 (S. Hrg. 112–51). At its business meeting on July 21, 2011, the Committee ordered S. 916 to be favorably reported with amendments.

During the 111th Congress, the Committee considered legislation containing similar provisions, as part of S. 1462, sponsored by Senator Bingaman. On June 17, 2010, the Committee ordered S. 1462, as amended, favorably reported as an original bill (S. Rpt. 111–48).

## COMMITTEE RECOMMENDATION

The Senate Committee on Energy and Natural Resources, in open business session on July 21, 2011, by voice vote of a quorum present, recommends that the Senate pass S. 916, if amended as described herein.

## COMMITTEE AMENDMENTS

During its consideration of S. 916, the Committee adopted three amendments. The first strikes section 301 of the bill, relating to the Alaska natural gas pipeline; the second is a conforming amendment to renumber a subsequent section; and the third, offered by Senator Cantwell, adds reporting requirements regarding the import and export of refined petroleum products to Iran and the upgrading and construction of petroleum refineries in Iran.

## SECTION-BY-SECTION ANALYSIS

*Section 1* provides a short title and table of contents.

*Section 2* defines “Secretary” as the Secretary of the Interior.

#### TITLE I—OIL AND GAS LEASING

*Section 101* adds a new paragraph (4) to section 35(c) of the Mineral Leasing Act to extend the current oil and gas permit processing pilot offices by an additional five years by authorizing \$20,000,000 for each of fiscal years 2016 through 2020. The new paragraph (4) clarifies that funds may be used for the oil and gas inspection and enforcement program as well as for permit processing.

*Section 102* adds a new paragraph (4) to section 4(b) of the Geothermal Steam Act of 1970 to provide that a lease for the development of geothermal energy may be available on a noncompetitive basis to the holder of an oil and gas lease for lands subject to an approved permit to drill oil and gas where production is occurring under the existing federal oil and gas lease: (1) if the Secretary determines that geothermal energy will be produced from a well producing or capable of producing oil and gas and the public interest will be served thereby; and (2) in order to provide for the coproduction of geothermal energy with oil and gas.

#### TITLE II—OUTER CONTINENTAL SHELF

*Section 201* amends section 357 of the Energy Policy Act of 2005 to require the Secretary of the Interior to conduct a comprehensive inventory of Outer Continental Shelf (OCS) oil and gas resources in the Atlantic Region, the Eastern Gulf of Mexico, and the Alaska Region. This effort is to include executing or otherwise facilitating seismic studies of resources, and using and preparing a summary of existing inventories and mapping of marine resources and any other available data regarding alternative energy potential, navigation uses, fisheries, aquaculture uses, recreational uses, habitat, conservation and military uses, including data available from other Federal agencies. It also clarifies that 2-D as well as 3-D seismic may be used.

Subsection (a)(2) amends section 375(b) to require the Secretary to carry out the inventory in three phases, with priority given to all or part of the applicable planning areas of the OCS that are estimated to have the greatest energy potential, on a barrel-of-oil-equivalent basis, and are out of any area scheduled for leasing prior to 2011. It also adds a new subsection (c) to section 375. Paragraph (1) of the new subsection requires that not later than 90 days after the date of enactment the Secretary must submit to the relevant Committees in the House and Senate a plan for executing or otherwise facilitating the seismic studies, including an estimate of the costs by region and the environmental and permitting activities involved. Paragraphs (2) and (3) of subsection (c) require the Secretary to submit to Congress a report describing the results of the first phase of the inventory within 2 years of enactment, and to submit reports describing the results of the second and third phases within the next 2 and 4 years, respectively. Paragraph (4) requires the inventory to be made publicly available and updated at least every 5 years.

Subsection (b) states that undertaking the inventory shall not be considered to require, authorize, or provide a basis or justification

for delay of the issuance of any OCS leasing program or amended program or any lease sale.

Subsection (c) states that nothing in the section or the amendment made by the section precludes the issuance by the Secretary of a permit to conduct geological or geophysical exploration of the OCS in accordance with applicable law or otherwise alters the requirements of applicable law with respect to any activities undertaken by the Secretary in connection with the inventory.

Subsection (d) authorizes appropriations to carry out the section in the amounts of \$100,000,000 for each of fiscal years 2012 through 2017; and \$50,000,000 for each of fiscal years 2018 through 2022, to be available until expended.

*Section 202(a)* requires the Secretary of the Interior to establish a regional joint OCS lease and permit processing office for the Alaska OCS region.

Subsection (b)(1) requires the Secretary to enter into a memorandum of understanding (MOU) with the Secretary of Commerce, the Chief of Engineers, the Administrator of the Environmental Protection Agency, and other federal agencies that may have a role in permitting activities. Subsection (b)(2) requires the Secretary of the Interior to request that the Governor of Alaska sign the MOU.

Subsection (c) requires that, not later than 30 days after the signing of the MOU, each federal agency is to assign, if appropriate, an employee to the coordination office to be responsible for all issues relating to the jurisdiction of the employee(s) home office or agency and to participate as part of a team of personnel working on proposed oil and gas permitting.

Subsection (d) allows the Secretary to transfer funds to the participating federal agencies and the State of Alaska for purposes of permit coordination and processing.

Subsection (e) sets forth a savings provision.

Subsection (f) authorizes appropriations of \$2,000,000 per year for each of fiscal years 2012 through 2022 to carry out the section, to remain available until expended.

*Section 203(a)* repeals sections 344 and 345 of the Energy Policy Act of 2005, requiring royalty relief for production from certain ultra deep gas wells and certain deep water oil and gas production in the Gulf of Mexico.

Subsection (b) provides that the Secretary is not required to provide for royalty relief in the lease sale terms beginning with the first lease sale held on or after the date of enactment of this Act for which a final notice of sale has not been published.

#### TITLE III—MISCELLANEOUS

*Section 301* adds a new section 208 to the Trans-Alaska Pipeline Authorization Act to provide that no part of the trans-Alaska oil pipeline shall be considered to be a district, site, building, structure, or object for purposes of section 106 of the National Historic Preservation Act (16 USC 470f), regardless of whether all or part of the pipeline system may be listed on, or eligible for, the National Register of Historic Places. The new section 208(b) authorizes the Secretary of the Interior to identify up to 3 sections of the pipeline that shall be considered historic sites. In doing so, the Secretary shall consider the views of the pipeline owners, the State Historic Preservation Officer, the Advisory Council on Historic Preservation

and the Federal Coordinator for Alaska Natural Gas Transportation Projects. The new section 208(c) provides that the owners of the trans-Alaska oil pipeline system may carry out construction, maintenance, restoration, or rehabilitation activities on or for a section of the system considered to be a historic site pursuant to this section. The Committee previously approved section 301 as section 355 of S. 1462, the American Clean Energy Leadership Act of 2009, during the 111th Congress. It is intended to allow the removal of the Trans-Alaska Oil Pipeline at the end of its useful life, notwithstanding the National Historic Preservation Act, and to make it possible to site a natural gas pipeline on existing the oil pipeline right-of-way.

*Section 302(a)* defines terms used in the section.

Subsection (b) authorizes the Secretary of the Interior to issue rights-of-way permits for a high-pressure natural gas transmission pipeline in non-wilderness areas within the boundary of Denali National Park within, along, or near the approximately 7-mile segment of the George Parks Highway that runs through the Park and for any distribution and transmission pipeline including appurtenances that the Secretary determines to be necessary to provide natural gas supply to the Park.

Subsection (c) sets forth terms and conditions for the issuance of any permit, including requirements that it must comply with applicable regulations, the Alaska National Interest Lands Conservation Act, the National Environmental Policy Act, must be the route with the least adverse environmental effects for the Park, and must comply with any other terms and conditions as the Secretary determines to be necessary.

*Section 303(a)* provides that the Administrator of the Energy Information Administration shall periodically submit a report to Congress relating to the import, export or production of refined petroleum by Iran. Specifically, the report is to describe, to the maximum practicable extent, the annual volume of refined petroleum products imported to and exported from Iran; the identity and national origin of persons selling and transporting refined petroleum products to Iran; the sources of financing for such imports by Iran; and any involvement of foreign persons providing assistance to Iran in the import of advanced refinery technology, conversion of existing chemical plants to petroleum refineries, or construction of new refineries. The provision is intended to assist in the enforcement of the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (P.L. 111–195, 124 Stat. 1312 (July 1, 2010)).

Subsection (b) provides that the reporting requirements will continue until the date on which the President determines that all economic sanctions imposed on Iran have been lifted.

#### COST AND BUDGETARY CONSIDERATIONS

The following estimate of costs of this measure has been provided by the Congressional Budget Office.

##### *S. 916—Oil and Gas Facilitation Act of 2011*

Summary: S. 916 would authorize appropriations for various oil and gas programs at the Department of the Interior (DOI) and establish policies governing the issuance of certain permits and leases. It also would raise the limit on the amount of debt that the

Department of Energy (DOE) may guarantee for a pipeline to transport natural gas from Alaska to the continental United States and direct DOE to submit reports on the volume of petroleum products imported to and exported from Iran. Finally, S. 916 would repeal provisions in the Energy Policy Act of 2005 that increased the quantity of oil and gas eligible for royalty relief under federal leases on the Outer Continental Shelf (OCS).

CBO estimates that enacting S. 916 would reduce direct spending by \$10 million over the 2012–2021 period; therefore, pay-as-you-go procedures apply to this bill. In addition, CBO estimates that implementing the bill would have a discretionary cost of \$447 million over the 2012–2016 period, assuming appropriation of the authorized amounts. Enacting S. 916 would not affect revenues.

S. 916 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 916 is shown in the following table. The costs of this legislation fall within budget functions 270 (energy), 300 (natural resources and environment), and 950 (undistributed offsetting receipts).

	By fiscal year, in millions of dollars—												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021	
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority .....	0	0	0	0	0	–1	–1	–2	–3	–3	0	–10	
Estimated Outlays .....	0	0	0	0	0	–1	–1	–2	–3	–3	0	–10	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Oil and Gas Inventories:													
Authorization Level .....	100	100	100	100	100	100	50	50	50	50	500	800	
Estimated Outlays .....	5	40	175	100	100	100	90	50	50	50	420	760	
Management Activities:													
Authorization Level .....	0	0	0	0	20	20	20	20	20	0	20	100	
Estimated Outlays .....	0	0	0	0	18	20	20	20	20	2	18	100	
Interagency Permit Office:													
Authorization Level .....	2	2	2	2	2	2	2	2	2	2	10	20	
Estimated Outlays .....	1	2	2	2	2	2	2	2	2	2	9	19	
Total Changes in Discretionary Spending:													
Authorization Level .....	102	102	102	102	122	122	72	72	72	52	530	920	
Estimated Outlays .....	6	42	177	102	120	122	112	72	72	54	447	879	

Basis of estimate: For this estimate, CBO assumes that S. 916 will be enacted near the end of fiscal year 2011, that the authorized amounts will be appropriated each year, and that outlays will occur at the historical rates for similar activities.

Direct Spending: The Energy Policy Act of 2005 increased the volume of oil and gas eligible for relief from paying the federal royalty on production from OCS leases, subject to market prices and other conditions. It granted a five-year exemption for certain quantities of oil and gas produced from wells located in deep water (water depths of more than 400 meters) and a permanent exemption for specific amounts of natural gas produced from ultradeep gas wells (those deeper than 20,000 feet) in water less than 400 meters deep. CBO estimates that repealing those two provisions would increase offsetting receipts (a credit against direct spending) by about \$10 million over the 2012–2021 period. By way of com-

parison, CBO projects that receipts from OCS leases will total over \$100 billion over that 10-year period under current law.

CBO estimates that enacting S. 916 would have a small effect on federal royalties for several reasons. The bill would have no effect on federal receipts from deep-water leases, for example, because the type of relief provided in the 2005 act expired in 2010. The impact on royalties from ultradeep wells would depend on quantities produced from leases issued after the date of enactment and whether the market price of natural gas is above or below the price thresholds used to determine eligibility for an exemption. Based on historical trends, CBO expects that few ultradeep wells would be drilled on new leases because much of the acreage in shallow water has already been leased and the supply of drilling rigs for those technologically advanced projects is limited. Similarly, the probability of firms receiving royalty relief would be relatively low under CBO's baseline projections of future natural gas prices.

Spending Subject to Appropriation: S. 916 would specifically authorize the appropriation of \$530 million over the 2012–2016 period and additional amounts for several years after 2016 for DOI to carry out certain activities. The specified amounts include:

- \$100 million for each of fiscal years 2012 through 2017 and \$50 million for each of fiscal years 2018 through 2022 for comprehensive inventories of oil and gas resources of the OCS, including seismic studies of resources in the Atlantic, Eastern Gulf of Mexico, and Alaska regions;
- \$2 million for each of fiscal years 2012 through 2022 for an interagency office that would be responsible for processing permits and leases for the OCS in Alaska; and
- \$20 million for each of fiscal years 2016 through 2020 for activities related to managing federal onshore oil and gas resources.

Assuming appropriation of those amounts, CBO estimates that implementing S. 916 would have a discretionary cost of \$447 million over the 2012–2016 period, with additional spending occurring in later years.

The above estimate does not include any costs related to provisions that would increase, from \$18 billion to \$30 billion, the aggregate amount of loans and other debt obligations that DOE could guarantee to support the construction of a pipeline that would transport natural gas from Alaska to the continental United States. While CBO estimates that the subsidy costs of such loan guarantees would be significant—perhaps requiring the appropriation of billions of dollars—CBO expects that the construction of such a pipeline would not occur until after 2016.

Pay-as-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.



	By fiscal year, in millions of dollars—												2011– 2016	2011– 2021
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			
	NET INCREASE OR DECREASE (–) IN THE DEFICIT													
Statutory Pay-As- You-Go Impact ...	0	0	0	0	0	0	–1	–1	–2	–3	–3	0	–10	

Intergovernmental and private-sector impact: S. 916 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal Costs: Kathleen Gramp, Jeff LaFave, and Megan Carroll; Impact on State, Local, and Tribal Governments: Melissa Merrill; Impact on the Private Sector: Amy Petz.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

#### REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out the Oil and Gas Facilitation Act of 2011.

The bill would facilitate domestic oil and gas production by, among other things, coordinating the permitting processes involved, obtaining an inventory of certain offshore oil and gas resources, and facilitating natural gas pipeline construction in Alaska. The Committee does not anticipate that implementation of this Act would impose additional regulatory burdens on any participants in these activities.

For the same reason, the Committee does not believe that additional paperwork would result from the enactment of S. 916 as ordered reported.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

#### CONGRESSIONALLY DIRECTED SPENDING

S. 916, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff benefits as defined in rule XLIV of the Standing Rules of the Senate.

#### EXECUTIVE COMMUNICATIONS

The views of the Administration on S. 916 are included in the testimony of the Secretary of the Interior received by the Committee at its May 17, 2011, hearing, which is set forth below.

#### STATEMENT OF KEN SALAZAR, SECRETARY OF THE INTERIOR

Chairman Bingaman, Ranking Member Murkowski, and Members of the Committee, I am happy to appear before you today to discuss legislation intended to promote the Department of the Interior's reform of the offshore energy program and facilitate the development of oil and gas resources from our public lands and waters.

I am joined here today by Deputy Secretary David J. Hayes and Bureau of Ocean Energy Management, Regula-

tion and Enforcement Director Michael R. Bromwich. Both Deputy Secretary Hayes and Director Bromwich have contributed critical hard work and played key roles in the Department's work to identify and implement key reforms that are advancing the Administration's commitment to safe and responsible domestic production.

As the President has stressed, the Administration is committed to promoting safe and responsible domestic oil and gas production as part of a broad energy strategy that will protect consumers and reduce our dependence on foreign oil. When President Obama took office, America imported 11 million barrels of oil a day. The President has put forward a plan to cut that by one-third by 2025. We are already making progress towards that goal. Last year, America produced more oil than at any time since 2003. To encourage production, the Administration is taking a series of steps to leverage existing authorities. These initiatives are part of the Administration's overall *Blueprint for a Secure Energy Future*, a broad effort to secure America's energy future and protect consumers by producing more oil at home and reducing our dependence on oil by using cleaner, alternative fuels and improving our energy efficiency.

As President Obama has said, "we cannot keep going from shock to trance on the issue of energy security, rushing to propose action when gas prices rise, then hitting the snooze button when they fall again." We are working to expand cleaner sources of energy, including renewables like wind, solar, and geothermal, as well as clean coal and natural gas on public lands. But domestic oil and gas production remain critical to our nation's energy supply and to reducing our dependence on foreign oil.

In his radio address just this past Saturday, the President laid out the next steps of this strategy, highlighting some of the actions that the Administration is taking using existing authorities to expand responsible and safe domestic oil production. But we also need to go further, which is why the Administration is also calling on Congress to act on a series of legislative principles, which I will outline today.

Much of the content of these proposals overlaps with the legislative proposals that we are here today to discuss. We generally support S. 916, the Oil and Gas Facilitation Act of 2011, and S. 917, the Outer Continental Shelf Reform Act of 2011, and, as we will discuss, have begun to address a number of the provisions in these bills administratively. We support much of the intent of S. 843, the Outer Continental Shelf Permit Processing Coordination Act, and S. 516, the Lease Extension and Energy Security Act of 2011, and agree that facilitating the efficient, responsible development of our oil and gas resources is a necessary component of energy security. Other involved agencies may have additional views.

## LEGISLATION TO FACILITATE DEVELOPMENT OF RESOURCES

The Oil and Gas Facilitation Act of 2011, S. 916, is intended to facilitate the responsible development of oil and gas on Federal land and waters and reduce our dependence on energy developed by foreign sources through increasing our understanding of domestic oil and gas resources, coordinating interagency activity on permitting for oil and gas development, and facilitate transportation of Alaskan oil and natural gas.

The President and I are in complete agreement with you regarding the principles embodied in this legislation, and we support many of the provisions that are consistent with the principles discussed above. We agree that a better understanding of the oil and gas resources on the OCS is critical to ensuring that development takes place in the right ways and the right places. In response to the President's call for action, the Department is taking steps to expedite the evaluation of resource potential in the mid- and south Atlantic, including moving forward with the environmental analysis necessary to allow industry to proceed with seismic testing in the region as soon as possible.

S. 916 also contains provisions that would create an Outer Continental Shelf Permit Processing Coordination office in Alaska. S. 843, the Outer Continental Shelf Permit Processing Coordination Act, also being heard today, is nearly identical to these provisions but would broaden the authorization to include the establishment of regional OCS permit processing coordination offices to the Atlantic and Pacific regions, to be established at the point that lease sales are held there. These provisions are similar to a pilot program that has been in place in the Bureau of Land Management for several years that addresses onshore oil and gas permitting.

Interagency coordination is important for the efficient processing of permits throughout the OCS. As the Administration's Blueprint specifically notes, interagency coordination is necessary and important to facilitate responsible oil and gas development in Alaska. As mentioned above, the President has requested that a high level, cross-agency team be assembled in order to facilitate a more efficient permitting process in Alaska while ensuring that all standards are fully met. We believe that this specifically tailored approach will result in a better coordinated, more efficient, safe, and environmentally responsible offshore permitting process.

We also strongly support the repeal in section 203 of the deepwater royalty relief provisions of the Energy Policy Act of 2005, which is consistent with the President's 2012 Budget. We note that the Budget also proposes to terminate the Permit Processing Improvement Fund.

Finally, S. 516, the Lease Extension and Secure Energy Act of 2011, would require a one-year extension of leases in the Gulf of Mexico that were either not producing as of April 30, 2010, or were suspended from operations or other

action in accordance with the May 30, 2010, NTL No. 2010–N04 issued by the Minerals Management Service or the suspension notice issued on July 12, 2010. As the president said Saturday, the Administration fully supports extensions for Gulf of Mexico leaseholders directly impacted by the drilling moratorium, and ten such suspensions have already been granted using administrative procedures to leaseholders who have demonstrated that they were affected by the moratoria.

CONCLUSION

Mr. Chairman, we have made significant strides in reforming the way the offshore oil and gas program is carried out here at the Department of the Interior and on the Outer Continental Shelf. We have raised standards and promoted safety and science in offshore oil and gas operations. The changes we have made will provide industry with the tools to help prevent an accident like this from happening again. Consistent with the framework presented by the Blueprint for a Secure Energy Future, we are working to secure our energy future by ensuring the potential for renewable energy development on our public lands and waters is realized. And we are pursuing the safe and responsible development of our conventional energy resources here at home.

Mr. Chairman, Senator Murkowski, this concludes my statement and I am happy to answer any questions you or other Members of the Committee may have.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill S. 916, as ordered reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**MINERAL LEASING ACT**

ACT OF FEBRUARY 25, 1920, AS AMENDED

AN ACT To promote the mining of coal, phosphate, oil, oil shale, and sodium on the public domain.

\* \* \* \* \*

**SEC. 35.**

(a) \* \* \*

\* \* \* \* \*

(c)(1) Notwithstanding the first sentence of subsection (a), any rentals received from leases in any State (other than the State of Alaska) on or after the date of enactment of this subsection shall be deposited in the Treasury, to be allocated in accordance with paragraph (2).

(2) Of the amounts deposited in the Treasury under paragraph (1)—

(A) 50 percent shall be paid by the Secretary of the Treasury to the State within the boundaries of which the leased land is located or the deposits were derived; and

(B) 50 percent shall be deposited in a special fund in the Treasury, to be known as the “BLM Permit Processing Improvement Fund” (referred to in this subsection as the “Fund”).

(3) For each of fiscal years 2006 through 2015, the Fund shall be available to the Secretary of the Interior for expenditure, without further appropriation and without fiscal year limitation, for the coordination and processing of oil and gas use authorizations on onshore Federal land under the jurisdiction of the Pilot Project offices identified in section 365(d) of the Energy Policy Act of 2005.

(4) *AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated from the Fund, or to the extent adequate funds in the Fund are not available from miscellaneous receipts of the Treasury, for the coordination and processing of oil and gas use authorizations and for oil and gas inspection and enforcement on onshore Federal land under the jurisdiction of the Pilot Project offices described in section 365(d) of the Energy Policy Act of 2005 (42 U.S.C. 15924(d)) \$20,000,000 for each of fiscal years 2016 through 2020, to remain available until expended.*

\* \* \* \* \*

**GEOHERMAL STEAM ACT OF 1970**

PUBLIC LAW 91–581, APPROVED DECEMBER 24, 1970, AS AMENDED

AN ACT To authorize the Secretary of the Interior to make disposition of geothermal steam and associated geothermal resources, and for other purposes.

\* \* \* \* \*

**SEC. 4. LEASING PROCEDURES.**

\* \* \* \* \*

(b) **COMPETITIVE LEASE SALE REQUIRED.—**

(1) **IN GENERAL.—**Except as otherwise specifically provided by this Act, all land to be leased that is not subject to leasing under subsection (c) shall be leased as provided in this subsection to the highest responsible qualified bidder, as determined by the Secretary.

(2) **COMPETITIVE LEASE SALES.—**The Secretary shall hold a competitive lease sale at least once every 2 years for land in a State that has nominations pending under subsection (a) if the land is otherwise available for leasing.

(3) **LANDS SUBJECT TO MINING CLAIMS.—**Lands that are subject to a mining claim for which a plan of operations has been approved by the relevant Federal land management agency may be available for noncompetitive leasing under this section to the mining claim holder.

(4) **LAND SUBJECT TO OIL AND GAS LEASE.—**Land under an oil and gas lease issued pursuant to the Mineral Leasing Act (30 U.S.C. 181 et seq.) or the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351 et seq.) that is subject to an approved application for permit to drill and from which oil and gas production is occurring may be available for leasing under subsection (c) by the holder of the oil and gas lease—

- (A) on a determination that—
  - (i) geothermal energy will be produced from a well producing or capable of producing oil and gas; and
  - (ii) the public interest will be served by the issuance of such a lease; and
- (B) in order to provide for the coproduction of geothermal energy with oil and gas.

\* \* \* \* \*

**ENERGY POLICY ACT OF 2005**

PUBLIC LAW 109–58, AS AMENDED

AN ACT To ensure jobs for our future with secure, affordable, and reliable energy.

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**TITLE III—OIL AND GAS**

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**Subtitle E—Production Incentives**

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**SEC. 344. INCENTIVES FOR NATURAL GAS PRODUCTION FROM DEEP WELLS IN THE SHALLOW WATERS OF THE GULF OF MEXICO.**

**[(a) ROYALTY INCENTIVE REGULATIONS FOR ULTRA DEEP GAS WELLS.—**

**[(1) IN GENERAL.—**Not later than 180 days after the date of enactment of this Act, in addition to any other regulations that may provide royalty incentives for natural gas produced from deep wells on oil and gas leases issued pursuant to the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.), the Secretary shall issue regulations granting royalty relief suspension volumes of not less than 35 billion cubic feet with respect to the production of natural gas from ultra deep wells on leases issued in shallow waters less than 400 meters deep located in the Gulf of Mexico wholly west of 87 degrees, 30 minutes west longitude. Regulations issued under this subsection shall be retroactive to the date that the notice of proposed rulemaking is published in the Federal Register.

**[(2) SUSPENSION VOLUMES.—**The Secretary may grant suspension volumes of not less than 35 billion cubic feet in any case in which—

- [(A) the ultra deep well is a sidetrack; or**

- [(B) the lease has previously produced from wells with a perforated interval the top of which is at least 15,000 feet true vertical depth below the datum at mean sea level.**

**[(3) DEFINITIONS.—**In this subsection:

- [(A) ULTRA DEEP WELL.—**The term “ultra deep well” means a well drilled with a perforated interval, the top of which is at least 20,000 true vertical depth below the datum at mean sea level.

- [(B) SIDETRACK.—**

[(i) IN GENERAL.—The term “sidetrack” means a well resulting from drilling an additional hole to a new objective bottom-hole location by leaving a previously drilled hole.

[(ii) INCLUSION.—The term “sidetrack” includes—

[(I) drilling a well from a platform slot reclaimed from a previously drilled well;

[(II) re-entering and deepening a previously drilled well; and

[(III) a bypass from a sidetrack, including drilling around material blocking a hole or drilling to straighten a crooked hole.

[(b) ROYALTY INCENTIVE REGULATIONS FOR DEEP GAS WELLS.—Not later than 180 days after the date of enactment of this Act, in addition to any other regulations that may provide royalty incentives for natural gas produced from deep wells on oil and gas leases issued pursuant to the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.), the Secretary shall issue regulations granting royalty relief suspension volumes with respect to production of natural gas from deep wells on leases issued in waters more than 200 meters but less than 400 meters deep located in the Gulf of Mexico wholly west of 87 degrees, 30 minutes west longitude. The suspension volumes for deep wells within 200 to 400 meters of water depth shall be calculated using the same methodology used to calculate the suspension volumes for deep wells in the shallower waters of the Gulf of Mexico, and in no case shall the suspension volumes for deep wells within 200 to 400 meters of water depth be lower than those for deep wells in shallower waters. Regulations issued under this subsection shall be retroactive to the date that the notice of proposed rulemaking is published in the Federal Register.

[(c) LIMITATIONS.—The Secretary may place limitations on the royalty relief granted under this section based on market price. The royalty relief granted under this section shall not apply to a lease for which deep water royalty relief is available.]

**[SEC. 345. ROYALTY RELIEF FOR DEEP WATER PRODUCTION.**

[(a) IN GENERAL.—Subject to subsections (b) and (c), for each tract located in water depths of greater than 400 meters in the Western and Central Planning Area of the Gulf of Mexico (including the portion of the Eastern Planning Area of the Gulf of Mexico encompassing whole lease blocks lying west of 87 degrees, 30 minutes West longitude), any oil or gas lease sale under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.) occurring during the 5-year period beginning on the date of enactment of this Act shall use the bidding system authorized under section 8(a)(1)(H) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)(1)(H)).

[(b) SUSPENSION OF ROYALTIES.—The suspension of royalties under subsection (a) shall be established at a volume of not less than—

[(1) 5,000,000 barrels of oil equivalent for each lease in water depths of 400 to 800 meters;

[(2) 9,000,000 barrels of oil equivalent for each lease in water depths of 800 to 1,600 meters;

[(3) 12,000,000 barrels of oil equivalent for each lease in water depths of 1,600 to 2,000 meters; and

[(4) 16,000,000 barrels of oil equivalent for each lease in water depths greater than 2,000 meters.

[(c) LIMITATION.—The Secretary may place limitations on royalty relief granted under this section based on market price.]

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**SEC. 357. COMPREHENSIVE INVENTORY OF OCS OIL AND NATURAL GAS RESOURCES.**

(a) IN GENERAL.—[The Secretary shall conduct an inventory and analysis of oil and natural gas resources beneath all of the waters of the United States Outer Continental Shelf (“OCS”).] *The Secretary shall conduct a comprehensive inventory of oil and natural gas (including executing or otherwise facilitating seismic studies of resources) and prepare a summary (the latter prepared with the assistance of, and based on information provided by, the heads of appropriate Federal agencies) of the information obtained under paragraph (3), for the waters of the United States Outer Continental Shelf (referred to in this section as the “OCS” in the Atlantic Region, the Eastern Gulf of Mexico, and the Alaska Region. The inventory and analysis shall—*

(1) use available data on oil and gas resources in areas offshore of Mexico and Canada that will provide information on trends of oil and gas accumulation in areas of the OCS;

(2) use any available technology, except drilling, but including [3—D] 2-D and 3-D seismic technology to obtain accurate resource estimates; and

[(3) analyze how resource estimates in OCS areas have changed over time in regards to gathering geological and geophysical data, initial exploration, or full field development, including areas such as the deepwater and subsalt areas in the Gulf of Mexico;

[(4) estimate the effect that understated oil and gas resource inventories have on domestic energy investments; and

[(5) identify and explain how legislative, regulatory, and administrative programs or processes restrict or impede the development of identified resources and the extent that they affect domestic supply, such as moratoria, lease terms and conditions, operational stipulations and requirements, approval delays by the Federal Government and coastal States, and local zoning restrictions for onshore processing facilities and pipeline landings.]

*(3) use existing inventories and mapping of marine resources undertaken by the National Oceanographic and Atmospheric Administration and with the assistance of and based on information provided by the Department of Defense and other Federal and State agencies possessing relevant data, and use any available data regarding alternative energy potential, navigation uses, fisheries, aquaculture uses, recreational uses, habitat, conservation, and military uses.*

[(b) REPORTS.—The Secretary shall submit a report to Congress on the inventory of estimates and the analysis of restrictions or impediments, together with any recommendations, within 6 months of



the date of enactment of the section. The report shall be publicly available and updated at least every 5 years.】

(b) IMPLEMENTATION.—The Secretary shall carry out the inventory and analysis under subsection (a) in 3 phases, with priority given to all or part of applicable planning areas of the outer Continental Shelf—

(1) estimated to have the greatest potential for energy development in barrel of oil equivalent; and

(2) outside of any leased area or area scheduled for leasing prior to calendar year 2011 under any outer Continental Shelf 5-year leasing program or amendment to the program under section 18 of the Outer Continental Shelf Lands Act (43 U.S.C. 1344).

(c) PLAN.—

(1) IN GENERAL.—Not later than 90 days after the date of enactment of this paragraph, the Secretary shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives a report that provides a plan for executing or otherwise facilitating the seismic studies required under this section, including an estimate of the costs to complete the seismic inventory by region and environmental and permitting activities to facilitate expeditious completion.

(2) FIRST PHASE.—Not later than 2 years after the date of enactment of this paragraph, the Secretary shall submit to Congress a report describing the results of the first phase of the inventory and analysis under subsection (a).

(3) SUBSEQUENT PHASES.—Not later than 2 years after the date on which the report is submitted under paragraph (2) and 2 years thereafter, the Secretary shall submit to Congress a report describing the results of the second and third phases, respectively, of the inventory and analysis under subsection (a).

(4) PUBLIC AVAILABILITY.—A report submitted under paragraph (2) or (3) shall be—

(A) made publicly available; and

(B) updated not less frequently than once every 5 years.

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**THE TRANS-ALASKA PIPELINE AUTHORIZATION ACT**

PUBLIC LAW 93-153, AS AMENDED

AN ACT To amend Section 28 of the Mineral Leasing Act of 1920, and to authorize a Trans-Alaska Oil Pipeline, and for other purposes.

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**TITLE II**

**SHORT TITLE**

SEC. 201. This title may be cited as the “Trans-Alaska Pipeline Authorization Act”.

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**SEC. 208. EXEMPTION OF TRANS-ALASKA OIL PIPELINE SYSTEM FROM CERTAIN REQUIREMENTS.**

(a) *IN GENERAL.*—Except as provided in subsection (b), no part of the trans-Alaska oil pipeline system shall be considered to be a district, site, building, structure, or object for purposes of section 106 of the National Historic Preservation Act (16 U.S.C. 470f), regardless of whether all or part of the trans-Alaska oil pipeline system may otherwise be listed on, or eligible for listing on, the National Register of Historic Places.

(b) *INDIVIDUAL ELEMENTS.*—

(1) *IN GENERAL.*—Subject to subsection (c), the Secretary of the Interior may identify up to 3 sections of the trans-Alaska oil pipeline system that possess national or exceptional historic significance, and that should remain after the pipeline is no longer used for the purpose of oil transportation.

(2) *HISTORIC SITE.*—Any sections identified under paragraph (1) shall be considered to be a historic site.

(3) *VIEWS.*—In making the identification under this subsection, the Secretary shall consider the views of—

(A) the owners of the pipeline;

(B) the State Historic Preservation Officer;

(C) the Advisory Council on Historic Preservation; and

(D) the Federal Coordinator for Alaska Natural Gas Transportation Projects.

(c) *CONSTRUCTION, MAINTENANCE, RESTORATION, AND REHABILITATION ACTIVITIES.*—Subsection (b) does not prohibit the owners of the trans-Alaska oil pipeline system from carrying out construction, maintenance, restoration, or rehabilitation activities on or for a section of the system described in subsection (b).

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