

**H.R. 2150, “NATIONAL PETROLEUM
RESERVE ALASKA ACCESS ACT”**

LEGISLATIVE HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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**LEGISLATIVE HEARING ON H.R. 2150, THE
“NATIONAL PETROLEUM RESERVE ALASKA
ACCESS ACT.”**

**Thursday, June 16, 2011
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, D.C.**

The Subcommittee met, pursuant to call, at 10:04 a.m. in Room 1324, Longworth House Office Building, Hon. Doug Lamborn [Chairman of the Subcommittee] presiding.

Present: Representatives Lamborn, Gohmert, Fleming, Rivera, Duncan of South Carolina, Gosar, Flores, Landry, Hastings (ex officio), Holt, DeFazio, Costa, and Markey (ex officio).

**STATEMENT OF HON. DOUG LAMBORN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF COLORADO**

Mr. LAMBORN. The Subcommittee will come to order. The Chairman notes the presence of a quorum, which under Committee Rule 3[e] is two Members. I am told the Ranking Member will be here any second.

The Subcommittee on Energy and Mineral Resources is meeting today for a legislative hearing to hear testimony on H.R. 2150, the National Petroleum Reserve Alaska Access Act.

Under Committee Rule 4[f], opening statements are limited to the Chairman and Ranking Member of the Subcommittee. However, I intend to recognize full Committee Chairman Hastings and Ranking Member Markey for opening statements later in the proceedings if they wish to make one.

In addition, I ask unanimous consent to include any other Members' opening statements in the hearing record if submitted to the clerk by close of business today. Hearing no objection, so ordered.

I recognize myself now for five minutes for an opening statement.

Today's hearing is on H.R. 2150, the National Petroleum Reserve Alaska Access Act; but the real subject of today's hearing is jobs and energy security.

Two weeks ago, this Subcommittee examined the tremendous promise that Alaska holds in resources, infrastructure, and people. But that is just the start. Onshore there are potentially an additional 14 billion barrels just waiting for development. Currently, in Alaska alone, the oil and natural gas industry supports over 43,000 American jobs, and comprises 16 percent of the State's wealth.

Today we will hear directly from a representative of thousands of those workers, who will join with us in the call for more development in the National Petroleum Reserve, Alaska: NPRA.

We will also hear from representatives of the State of Alaska talking about the importance of development in NPRA for the State and the security of the Trans-Alaska Pipeline. In addition, we will

hear from a representative from the Refinery Association, discussing the important role Alaskan oil plays in allowing Pacific Coast refiners to produce and provide essential fuel that American consumers rely on every day.

We will also hear from the Administration. However, we will likely not hear about how development in the NPRA has been stymied by the inability of the Department of the Interior, the Army Corps of Engineers, and the EPA to process permits for the pipelines and roads necessary to transport the petroleum out of the Petroleum Reserve.

There is no doubt that the development of NPRA has been stopped because of problems within this Administration, and these are problems that the President could fix.

We won't hear the Administration admit that in 2010 it issued the fewest leases for oil and gas development since 1984. In issuing only 1308 leases last year, one-fifth of those leases, which were issued in Nevada, this Administration has shown that leasing for oil and gas is clearly not a priority.

In fact, the second year of the Obama Administration resulted in only one-quarter the number of new leases in 1994, the second year of the Clinton Administration, where they issued 4,159 leases, and is about half the number of leases issued during the second year of the Bush Administration in 2002, which issued 2,384.

This lack of leasing includes not issuing a single lease in the State of Alaska in 2010. Last month, in his Saturday Presidential Address, President Obama announced his intention to hold annual lease sales in NPRA. I am glad that he has appeared to reverse that policy of his Administration, and I anxiously await his Administration following through with these plans. The bill before us today will require the Department to ensure annual lease sale offerings.

It has often been said in front of this Subcommittee that our nation does not have a lack of resources to curb our foreign dependence, we have a lack of clear policy. This Administration has shown that through their actions, they do indeed have a clear policy; it is a policy of limiting oil and natural gas development, halting job creation, and weakening our national security.

It can and should be the policy of this government to develop the resources in our National Petroleum Reserve quickly, efficiently, cleanly, and responsibly in order to reduce our foreign dependence, create jobs, and keep our revenue here at home. The legislation before this Committee today will accomplish all these goals.

I would now like to recognize the Ranking Member for five minutes for an opening statement. Mr. Holt.

[The prepared statement of Mr. Lamborn follows:]

**Statement of The Honorable Doug Lamborn, Chairman,
Subcommittee on Energy and Mineral Resources**

Today's hearing is on H.R. 2150, the "National Petroleum Reserve Alaska Access Act" but the real subject of today's hearing is jobs and energy security. Two weeks ago the Subcommittee examined the tremendous promise that Alaska holds in resources, infrastructure and people.

But that is just the start, onshore there are potentially an additional 14 billion barrels just waiting for development. Currently in Alaska alone, the oil and natural gas industry supports over 43,000 American jobs and comprises 16% of the State's

wealth. Today we will hear directly from a representative of thousands of those workers who will join with us in the call for more development in NPR-A.

We will also hear from representatives of the State of Alaska talking about the importance of development in NPR-A for the State and the security of the Trans-Alaska Pipeline. In addition, we will hear from a representative from the refinery association discussing the important role Alaskan oil plays in allowing Pacific Coast refiners to produce and provide essential fuel that American consumers rely on every day.

We will also hear from the Administration. However, we will likely not hear about how development in the NPR-A has been stymied by the inability of the Department of the Interior, the Army Corps of Engineers and the EPA to process permits for the pipelines and roads necessary to transport the petroleum out of the petroleum reserve. There is no doubt that the development of NPR-A has been stopped because of problems within this Administration, and problems that the President could fix.

We won't hear the Administration admit that in 2010 it issued the fewest leases for oil and natural gas development since 1984. In issuing only 1,308 leases last year, one-fifth of those leases were issued in Nevada, this administration has shown that leasing for oil and gas is clearly not their priority.

In fact, the second year of the Obama Administration resulted in only one-quarter the number of new leases as 1994—the second year of the Clinton Administration where they issued 4,159 leases, and about half the number of leases of the Bush Administration in 2002 who issued 2,384 leases.

This lack of leasing includes NOT ISSUING A SINGLE LEASE IN THE STATE OF ALASKA IN 2010. Last month in his Saturday Presidential Address, President Obama announced his intention to hold annual lease sales in NPR-A. I am glad that he has reversed that policy of his Administration and I anxiously await his Administration following through with these plans. The bill before us today will require the Department to ensure annual lease sale offerings.

It has often been said before this subcommittee that our nation doesn't have a lack of resources to curb our foreign dependence, we have a lack of clear policy. This Administration has shown that through their actions they do have a clear policy. It is a policy of limiting oil and natural gas development, halting job creation, and weakening our national security.

It can and should be the policy of this government to develop the resources in our National Petroleum Reserve, quickly, efficiently, and responsibly in order to reduce our foreign dependence, create jobs and keep our revenue here at home. The legislation before this Committee today will accomplish all those goals.

I want to thank all the witnesses for being here today and look forward to hearing your testimony.

**STATEMENT OF HON. RUSH HOLT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. HOLT. I thank my friend, the Chairman. Today this Subcommittee is considering legislation dealing with oil drilling in the National Petroleum Reserve, Alaska, NPRA, as you have heard. And the Majority claims that we need this legislation because the Administration is blocking, in their words—stymied, actually, the Chairman used—oil and gas drilling in the Reserve, and slow-walking permits in the NPRA. The facts simply don't support that claim.

As with previous drilling legislation that the Majority has been moving through this Committee, to set artificial and unnecessary deadlines on the Interior Department and to limit environmental review of oil and gas drilling, H.R. 2150 would unnecessarily truncate review of permits by the BLM.

To quote the Chairman, what we are seeking to do here is to behave responsibly. H.R. 2150 would direct the Secretary of the Interior to ensure that any Federal permitting agency shall issue permits for pipelines and roads within 60 days of enactment of leases

that have an approved permit to drill, and within six months of the submission of an application for a permit to drill for other leases.

This directive would appear to require the Interior Department to compel other cabinet-level agencies to act, something that is far beyond the scope of the Secretary of the Interior's authority.

Furthermore, this directive is unnecessary because there are no pending applications with the BLM to construct pipelines or roads in the NPRA. This provision would also, it appears, prohibit proper NEPA review of future oil and gas pipelines in the Reserve.

H.R. 2150 would require the BLM to develop a plan to "ensure that all leaseable tracts in the Reserve are within 25 miles of an approved road and pipeline right-of-way."

Of course, requiring the BLM to invest time and money in mapping out a spiderweb of roads and pipelines before we even know where future oil and gas production may take place is wasteful. Underscoring the difficulty of predicting where future production may occur, and thus the infrastructure needed to support it, oil companies have been relinquishing numerous leases in the NPRA. In the last three years of the Bush Administration, oil and gas companies relinquished more than 100 leases in the Reserve.

In Fiscal Year 2010, 64 leases were relinquished, and already this year, 2011, companies have relinquished 60 leases.

H.R. 2150 would further require the Secretary to develop regulations to require action on drilling permits within 60 days. However, existing regulations that are already in place impose a timeframe on the Department of 90 days to consider applications to drill in the NPRA.

Moreover, there are no pending applications at the BLM for permits to drill in the NPRA. H.R. 2150 would require the Geological Survey to complete an assessment of the technically recoverable oil and gas in the Reserve.

The USGS just released a new assessment of the undiscovered oil and gas reserves in the NPRA about eight months ago. That assessment revised previous estimates downward by more than 90 percent.

The USGS also completed a study of the economically recoverable oil and gas in the Reserve earlier this year. And according to the USGS, the average cost of an oil and gas assessment is \$2.75 million.

We shouldn't be wasting nearly \$3 million to require the USGS to redo an assessment completed less than a year ago.

President Obama and the House Democrats have taken steps to encourage drilling in the NPRA. The Chairman said we will not hear today how the Administration has stymied oil production in Alaska. No, we won't hear about it, unless you are making it up, because that is not happening.

President Obama announced May 14, as the Chairman said, that he would direct the Department of the Interior to conduct annual lease sales. And I am pleased that it is not the President who has reversed himself here; I am pleased that the Majority has included similar language in this bill, and that the Majority has reversed their position from three years ago, when all but 15 Republican Members, so the large majority of Republican Members, voted

against a similar provision contained in the comprehensive energy legislation passed by Democrats on the House Floor.

So we should encourage oil and gas drilling in the NPR-A in a responsible manner, as President Obama and House Democrats have done. I look forward to the testimony. I yield back.

[The prepared statement of Mr. Holt follows:]

**Statement of The Honorable Rush D. Holt, Ranking Member,
Subcommittee on Energy and Mineral Resources**

Thank you Mr. Chairman.

Today, this subcommittee is considering legislation dealing with oil drilling in the National Petroleum Reserve Alaska or NPR-A. The majority claims that we need this legislation because the Administration is somehow blocking oil and gas drilling in the Reserve and slow-walking permits in the NPR-A. However, the facts do not support the majority's claims.

As with previous drilling bills the majority has moved through this Committee to set artificial and unnecessary deadlines on the Interior Department and limit the environmental review of oil and gas drilling, H.R. 2150 would unnecessarily truncate review of permits by the BLM. H.R. 2150 would direct the Secretary of the Interior to "ensure that any Federal permitting agency shall issue permits" for pipelines and roads within 60 days of enactment for leases that have an approved permit to drill and within 6 months of the submission of an application for a permit to drill for other leases. This directive would appear to require the Interior Department to compel other Cabinet-level agencies to act, something far beyond the scope of the Secretary's authority. Furthermore, this directive is unnecessary because there are **no** pending applications with the BLM to construct pipelines or roads in the NPR-A. This provision also could prohibit proper NEPA review of future major oil and gas pipelines in the reserve.

H.R. 2150 would require the BLM to develop a plan to "ensure that all leasable tracts in the Reserve are within 25 miles of an approved road and pipeline right-of-way." Of course, requiring the BLM to invest time and money in mapping out a spider-web of roads and pipelines, before we even know where future oil and gas production may take place is wasteful and counterproductive.

Underscoring the difficulty of predicting where future production may occur and thus the infrastructure needed to support it, oil companies have been relinquishing numerous leases in the NPR-A. In the last three years of the Bush Administration, oil and gas companies relinquished more than 100 leases in the Reserve. In Fiscal Year 2010, 64 leases were relinquished, and already this year, companies have relinquished 60 leases.

H.R. 2150 would further require the Secretary to develop regulations to require action on drilling permits within 60 days. However, existing regulations already place a timeframe on the Department of 90 days to consider applications to drill in the NPR-A. Moreover, there are currently **no pending applications** at the Bureau of Land Management for permits to drill in the NPR-A.

And H.R. 2150 would require the U.S. Geological Survey to complete an assessment of the technically recoverable oil and gas in the Reserve. Well, the USGS just released a new assessment of the undiscovered oil and gas reserves in the NPR-A in October of 2010. That assessment revised previous estimates downward by more than 90 percent. The USGS also completed a study of the *economically recoverable* oil and gas in the Reserve earlier this year. According to the USGS, the average cost of an oil and gas assessment is \$2.75 million. We shouldn't be wasting nearly \$3 million to require the USGS to redo an assessment completed less than 1 year ago.

President Obama and House Democrats have taken steps to encourage drilling in the NPR-A. House Democrats introduced the Increase American Energy Production Now Act of 2011 on May 12, which would require at least one lease sale per year in the NPR-A. Building on that idea, President Obama announced on May 14th in his weekly radio address that he would direct the Department of the Interior to conduct annual lease sales in the NPR-A. I am pleased that the Majority has included similar language in this bill and that they have reversed their position from 2008, when all but 15 Republican Members voted against a similar provision contained in comprehensive energy legislation passed by Democrats on the House floor.

We should encourage oil and gas drilling in the NPR-A as President Obama and House Democrats have done. But we should make sure that we are drilling in challenging environments like the Arctic responsibly, not truncating proper review as the majority proposes in this bill.

Mr. LAMBORN. OK, thank you, Representative Holt. I now recognize the full Committee Chairman for five minutes for his opening statement.

STATEMENT OF HON. DOC HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. HASTINGS. Thank you very much, Mr. Chairman, for holding this hearing on this bill, the National Petroleum Reserve Alaska Access Act.

Just last week I had the privilege of traveling to Alaska with our colleagues, Don Young and Alaska Governor Sean Parnell, up to the North Slope, and it was an extraordinary trip from my point of view.

As we have heard in testimony at prior hearings, Alaskans depend on a robust oil and natural gas industry to fuel their economy and create jobs, and America depends on Alaska to provide safe and reliable energy to sustain and create jobs across the entire country.

Alaska is, without a doubt, a tremendous energy asset to our nation.

The NPRA was specifically designated in 1923 as a petroleum reserve. Its purpose was to help supply our country with American energy. These oil and natural gas resources should be developed to create jobs here, and make us less dependent on Middle Eastern oil.

Development of the NPRA has enjoyed bipartisan support, including from President Obama and House Democrat leaders, so I am very hopeful that this will continue with this legislation.

H.R. 2150 expands energy production by requiring that annual lease sales be held in the NPRA. This is a proposal recently supported by President Obama.

However, lease sales alone are not enough. Producing oil and natural gas in the NPRA is pointless if there is no way to get it out of the NPRA. The real problem is the Federal Government's blocking and delaying the permits for necessary roads, bridges, and pipelines needed to transport the energy out of this area.

While in Alaska, we visited the site where ConocoPhillips has been waiting for three years to receive a permit to construct a bridge and pipeline over the Colville River. They have discovered oil that is ready to be produced—ConocoPhillips—and delivered to the American people. It is unacceptable that the Federal Government is the obstacle in harnessing this energy, American energy.

To address this problem, the bill sets firm guidelines for infrastructure permits to be approved. This will ensure that bureaucratic delays will not prevent oil and natural gas resources from being transported out of the NPRA.

Further, the development of the NPRA is imperative to keep the Trans-Alaskan Pipeline System operating. TAPS is a conduit for transporting oil from the far North across Alaska, for shipments to Washington State—my state—and California, and for refining and use in the Lower 48.

TAPS at one time conveyed over two million barrels of oil per day, but reduced production has left the pipeline at less than half that capacity, threatening a shutdown that would impact

thousands of good-paying jobs. This bill will help ensure that TAPS stays full and operational.

TAPS is arguably the single most important piece of energy infrastructure in our nation. Let me pause at this observation. If it was targeted for destruction by a foreign threat, our nation would aggressively defend and protect that pipeline. Yet the Federal Government policies and inaction are threatening to starve TAPS into destruction. We must not let that happen.

NPRA oil and natural gas is vital to the future of American energy production. As gasoline prices hover at highs near \$4 per gallon, it is imperative that Congress take action to increase energy production, production that would lower prices, create jobs, and lessen our dependence on unstable foreign energy.

So with that, I yield back my time. I thank the gentleman for having this hearing.

Mr. LAMBORN. Thank you, Mr. Chairman. And we have one more piece of official business to conduct before we hear from the distinguished witness, who will consist of our first panel.

I now recognize the Ranking Member of the full Committee, Representative Markey, for his opening statement.

**STATEMENT OF HON. EDWARD MARKEY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. MARKEY. Thank you, Mr. Chairman. Mr. Chairman, I have a unanimous-consent request that as we discuss Alaska, as we discuss the National Petroleum Reserve Alaska today, I ask that we accept a motion that we measure the oil in Alaska not in how many barrels of oil could be filled with that oil, but rather how many Stanley Cups of oil would be filled. Because in Boston, in Boston we are very happy today.

[Laughter.]

Mr. MARKEY. And we know it is not a good day in Canada and in the northland, all those rooting for—

Mr. HASTINGS. Reserving the right to object.

[Laughter.]

Mr. MARKEY. I am so sorry, Mr. Chairman, this is our day for gloating.

Mr. LAMBORN. If it doesn't lead to any rioting.

Mr. MARKEY. In Vancouver it does; in Boston, they are doing cartwheels.

The bill we are considering today—and welcome, Senator—the bill we are considering today would require at least one sale annually in the NPRA.

Well, if this provision sounds familiar to some of my colleagues, it should. In 2008, House Democrats passed comprehensive drilling legislation on the Floor of the House, which required at least one lease sale per year in the NPRA. All but 15 of my Republican colleagues voted against that bill on the House Floor.

And it might also sound familiar, from legislation which I introduced with other House Democrats earlier this year, the Increase American Energy Production Now Act of 2011, introduced on May 12, that includes a provision requiring at least one lease sale annually in the NPRA.

But it might also sound familiar, from what President Obama has already announced in his weekly radio address. On May 14, President Obama announced, "I am directing the Department of the Interior to conduct annual lease sales in Alaska's National Petroleum Reserve, while respecting sensitive areas."

So President Obama and the Interior Department are already speeding up leasing in the NPRA, exactly as this legislation would require.

In 2008, NPRA apparently stood for something that at that point we could receive very little support, in terms of increasing and celebrating the leasing in the Reserve. But perhaps we should think about another meaning for NPRA. And that is that we now have a consensus that is building around this issue. I hope that everyone understands, however, that the bill includes more than an unnecessary provision. The bill would waive as well the requirements of the National Environmental Policy Act, or NEPA, for the construction of roads and pipelines in the NPRA. It would impose artificial and arbitrary deadlines on the Department to approve permits for the construction of infrastructure, even though there are no such applications pending from oil and gas companies.

And as we are coming up on the debt ceiling, and the Majority is attempting to cut key programs, such as Medicare, this bill would require the U.S. Geological Survey to waste as much as \$3 million to conduct an assessment of the oil and gas reserves in the NPRA, when the ink is barely dry on the last USGS assessment.

This bill is more of the same drill, baby, drill, speed-over-safety refrain that we have seen from the Majority during this entire Congress. The bill would waive bedrock environmental laws, and limit review of drilling permits. The bill is not only unnecessary, it is imprudent. The President and the Democrats support drilling in the NPRA. That is why we passed the legislation in 2008. That is why the President supports it.

What we do not support, though, is waiving the National Environmental Policy Act in order to accomplish that goal. I yield back the balance of my time.

Mr. LAMBORN. OK, thank you. We will now hear from our first panel of witnesses. We have before us the Hon. Lisa Murkowski, the senior Senator from the State of Alaska.

Madame Senator, we are honored to have you here today. Your written testimony will appear in full in the hearing record, so I ask that you keep your oral statement to five minutes, as outlined in our invitation letter to you, and under Committee Rules.

Our microphones are not automatic, so you have to press the button to get started. And I realize that you are on a hard deadline and have to leave at 10:30.

Thank you so much for being here, and you may begin.

**STATEMENT OF HON. LISA MURKOWSKI, A U.S. SENATOR
FROM THE STATE OF ALASKA**

Senator MURKOWSKI. Thank you, Mr. Chairman. I appreciate the invitation to join with you and Ranking Member Holt, thank you. Congressman Hastings, thank you for introducing the legislation that you have in front of us.

And to my Congressman, it is good to see you here, as well.

[Pause.]

Senator MURKOWSKI. I noticed, I am taking account of that. But I am glad that you are here, and I thank you for the opportunity to walk across from the Senate side to discuss the National Petroleum Reserve Alaska. This is an important issue.

And as Representative Markey has indicated, this is an area where we ought to be able to find agreement; that if we can't be producing in the National Petroleum Reserve Alaska, where can we produce? So I thank you for the opportunity to discuss this today. Because as we talk about what we have in terms of potential, this is not only about enhanced opportunities for oil, but this is about jobs. This is about energy security. This is about reducing the Federal deficit.

The NPRA is, by name and by law, a petroleum reserve. It is not a wildlife refuge, it is not a national park, it is not a monument or a wilderness area. Its primary statutory purpose is to supply conventional energy resources to our nation.

The authorizing statute calls for the expeditious development of these resources, so it is somewhat amazing that we are even having this conversation. If we agreed that this is where we should be doing it, why do we have to have legislation to advance it?

Congressman Hastings referenced the ConocoPhillips CD-5 application up in the Colville River Delta. It was February 5 of last year that the Corps denied Conoco's Section 404 permit for construction of a bridge across the Colville River.

The bridge is necessary to move personnel, equipment, and of course a pipeline, across the delta to the leases that the company has bought. This is not just for CD-5, but hopefully for CD-6 and CD-7. The process of determining where and when and how to construct this bridge really began back in 2004, and was negotiated intensely in both an interagency process with Federal and state entities, as well as with very, very strong local participation, including the nearby village of Nuiqsut.

This would have been a great story of industry success working with government and local residents, and it would be the first oil produced from the NPRA. But all of this public process, all of this support, didn't matter to the EPA. With no public process, or even notice, the Agency designated the Colville River as an aquatic resource of national importance, and signaled a clear intention to elevate the project to a veto, under Section 404 of the Clean Water Act.

We are still, we are still working through this process with the Administration to advance this permit over the Colville.

So the question needs to be asked: How did we get to this point? We have to ask again. If we can't be producing from the National Petroleum Reserve, where in the world can we get it from?

I would suggest to you that we have a permitting problem; we don't have a leasing problem. The leases are out there. We can lease every acre there is. But without some assurance of basic use and enjoyment of the property, purchasing a lease would be a very risky business. And I am cautiously optimistic that we will see a better result for CD-5 specifically, but I think that there is a bigger problem here.

If every time a leaseholder wants to produce from the NPRA, they have to come to Congress and essentially have a Congressional hearing, we are not going to be in a much better position next go-around. I think we recognize that we have a vastly understated resource estimate within the NPRA, and you take this with the highly speculative reassessment of previous studies; these delays are going to shrink private investment in bidding on NPRA. This will cost taxpayers billions in the future, if the bids are low or nonexistent, let alone the lost benefits of the royalties, the energy security, and of course, most importantly, the jobs that are at stake.

I want to close with a very brief history lesson. This was back in 1980, over 30 years ago. Congressman Young was here. I wasn't around yet. But the President at the time, President Carter, when he signed ANILCA into law, he stated 100 percent of Alaska's offshore areas, and 95 percent of the potentially productive onshore oil and mineral areas, will be available for exploration or for drilling. That was a statement, that was a commitment that our President made 30 years ago.

Mr. Chairman, this is among the biggest and the worst broken promises between the Federal Government and any state. And it is shameful, it is unacceptable, and we must change this.

I appreciate your attention to this matter. I would ask that my full statement be accepted for the record. Again, thank you for your leadership on this issue.

[The prepared statement of Ms. Murkowski follows:]

Statement of The Honorable Lisa Murkowski, U.S. Senator, State of Alaska

Chairman Lamborn, Ranking Member Holt, thank you for inviting me to speak at this important hearing and thank you for considering legislation to expedite the development of the National Petroleum Reserve-Alaska, or the NPRA. As Alaska's Senior U.S. Senator and the Ranking Member of both the Energy and Natural Resources Committee as well as the Appropriations Subcommittee on Interior and the Environment, I have a distinct interest in this subject. But it is first and foremost as an Alaskan that I come to you in hopes of advancing this discussion and our shared goals—those being jobs, energy security, and reducing the federal deficit.

The NPRA is, by name and law, a petroleum reserve. It is not a wildlife refuge, a national park, a monument, or a wilderness area. Its primary statutory purpose is to supply conventional energy resources to our Nation. The authorizing statute calls for the expeditious development of these resources so it amazes me that we are having this conversation today.

On February 5th of last year, the Corps of Engineers denied Conoco-Phillips' Section 404 application for the construction of a simple bridge across the Colville River Delta. A bridge was necessary for the safe transport of personnel, equipment, and of course a pipeline across the delta to leases the company had bought and explored in the area known as CD-5, with the hopes of more production from CD-6 and CD-7. The process of determining where, when, and how to construct this bridge really began in 2004 and was negotiated intensely in both an interagency process, with federal and state entities, as well as strong local participation, including the nearby Native village of Nuiqsut. This would have been a great success story of industry working with government and local residents, and it would be the first oil production ever from the NPRA.

But all of this public process, all of this support, didn't matter to the EPA. With no public process or even notice, the agency designated the Colville River Delta an "aquatic resource of national importance"—an ARNI—and thereby signaled a clear intention to elevate the project to a veto under the Clean Water Act Section 404. Several months later the Corps decision came back rejecting the application. Conoco-Phillips appealed this and we have been working extremely hard with the Administration to work through the issues raised in the denial.

Members of the Subcommittee, how did we get to this point? We in Congress have to ask ourselves, if we can't get petroleum from the National Petroleum Reserve,

where in the world can we get it? So I commend Chairmen Hastings and Lamborn, together with Congressman Young, for putting forth this bill to bring this issue to the forefront. And I appreciate the recognition that we have a permitting problem, not just a leasing problem. We can lease every acre there is, but without some assurance of basic use and enjoyment of this property, purchasing a lease would be a very risky venture. I am cautiously optimistic that we will see a better result for CD-5 specifically, but there is a major problem here. If every time a leaseholder wants to produce from the NPRA, it requires Congressional hearings and years of involvement from this many elected officials, we will not be in much better position next time.

The danger is that, combined with what we in Alaska know to be a vastly understated federal resource estimate of the NPRA, based on highly speculative reassessments of previous studies, these delays will shrink private interest in bidding on the NPRA. This stands to cost taxpayers billions into the future if bids are low or nonexistent, let alone the lost benefits of royalties, energy security, and most importantly jobs.

I want to close with a very brief history lesson. Over 30 years ago in 1980, while Congressman Young was already here but well before I was, President Carter, right when he signed Alaska National Interest Lands Conservation Act—or ANILCA—into law and after his re-election was lost, stated that “100 percent of [Alaska’s] offshore areas and 95 percent of the potentially productive [onshore] oil and mineral areas will be available for exploration or for drilling.” Mr. Chairman, this is among the biggest and worst broken promises between the federal government and any state, and it is shameful and unacceptable. As the Interior Department reported last spring when it published its report on so-called “non-producing” lands, less than one percent of federal lands in Alaska, and none of our federal offshore lands, are producing any oil or natural gas. This is shameful and unacceptable because it represents not only a failure of the federal government to allow U.S. taxpayers to benefit from their federal resources, but also because it is an outright broken promise to the people of the State of Alaska. I doubt very much the statehood agreement, let alone ANILCA, would ever have been agreed to if the signatories had any idea that this would be the outcome.

For these reasons, I am glad to see the NPRA getting this attention and I hope my colleagues will understand why so many members are becoming reluctant to agree to any further land withdrawals anywhere. The witnesses, particularly from the State of Alaska, are in good position to speak to the merits of this bill and the need for the NPRA’s resources in preserving the viability of the Trans-Alaska Pipeline. I am supportive of this bill and you may look to very similar efforts from the Senate.

Mr. LAMBORN. You are certainly welcome. Thank you for being here today. Your full statement will appear in the record. We appreciate your attendance. Thank you so much.

We will now have our second panel of witnesses. And I would like to invite to come forward the Hon. Joe Balash, Deputy Commissioner of the Alaska Department of Natural Resources, within the Alaska Department of Natural Resources. Charles T. Drevna, President of the National Petrochemical and Refiners Association; Tim Sharp, Secretary-Treasurer of Laborers Local No. 942; and Eric Myers, Policy Director, Audubon Alaska.

Like all witnesses, your written testimony will appear in full in the hearing record, so I ask that you keep your oral statement to five minutes, as outlined in our invitation letter to you, and under Committee Rules.

Our microphones are not automatic, so you have to turn them on when you are ready to begin. And when you have one minute left, the yellow light will come on.

We do have to expedite things this morning. We have a long series of votes that are going to begin about 11:30, and we have to have not only your statements, but questions and answers afterwards. And we have one more panel following.

So we will try to keep our questions as expedited as possible, as well.

Mr. Balash, you may begin.

**STATEMENT OF HON. JOE BALASH, DEPUTY COMMISSIONER,
ALASKA DEPARTMENT OF NATURAL RESOURCES**

Mr. BALASH. Thank you. Good morning, Chairman Lamborn, Ranking Member Holt, and members of the House Subcommittee on Energy and Mineral Resources.

On behalf of Governor Sean Parnell, the State of Alaska welcomes this opportunity to testify to you about our support for the objectives of this legislation. I also wish to express our eagerness to work with the U.S. Congress and the Administration to see that Alaska can meet its potential to deliver to the Nation billions of barrels of domestically produced oil, and trillions of cubic feet of natural gas, for the U.S. economy.

The National Petroleum Reserve Alaska Access Act is a good first step toward realizing the potential that Federal lands in Alaska have to provide domestic energy supplies. The provisions of the Act are not unprecedented. Construction of TAPS required an Act of Congress, and that was at a time when the U.S. economy was in the doldrums, actions by OPEC were forcing prices into the stratosphere, and Americans were left wondering whether we still had what it takes to maintain our presence as a world power.

We hope this legislation is but one piece of a larger body of work by the Congress that will once again make clear that energy production from America's most prolific hydrocarbon province is a national priority.

Before commenting on the legislation specifically, I would like to bring the Committee's attention to the massive energy potential in Alaska. As a threshold matter, Alaska's North Slope has huge reserves, and is still relatively underexplored. According to the U.S. Geological Survey, America's Arctic ranks as number one for undiscovered oil potential, and number three for natural gas potential, in the world's conventional petroleum resources north of the Arctic Circle. This represents 43 percent of the nation's total oil potential, and 25 percent of its gas potential.

Thus, the issue of whether Alaska can continue to provide a significant share of domestic production does not center on whether we have enough hydrocarbons to entice investment. With \$100-a-barrel oil, the viability of Alaska production is clearly not solely economic. Its realization will primarily be determined by Federal politics and policies relative to Federal lands in Alaska.

If we had a Federal Government that welcomed exploration and development, and permitted operations in a timely and predictable manner, the economics of filling TAPS would take care of itself.

Ironically, one place in Federal jurisdiction where there should be less resistance to oil and gas development is the NPRA. The objectives of the NPRA Access Act address many of the challenges to development on Federal lands in Alaska.

Exploration and development in Alaska is a very long-term proposition. A predictable leasing program is key to allowing companies to make the investment of time, capital, and limited human re-

sources necessary to realize tremendous gains from this relatively untapped resource.

The NPRA Access Act recognizes the critical linkage between resource and transportation infrastructure, including roads and pipelines. Without the means to reach reserves and move them to market, these resources are effectively stranded.

Predictability in regulatory timelines is critical. In Alaska, we pride ourselves on doing things right. One way we achieve that is by restricting certain activities to very specific windows of time throughout the year. Due to these limited windows of opportunity to conduct exploration and development activities, delays of critical permits for these Alaska projects, even if only by 30 days, can push back projects by an entire year.

This is particularly true for exploration conducted in the NPRA, since there is little to no permanent year-round surface transportation infrastructure, beyond the Spine Road at Kuparuk, which is well east of the NPRA boundary.

Perhaps the most ambitious element of the proposed legislation, the call for a plan for approved rights-of-way, complements plans put into place by the state. In 2009, Governor Parnell directed his Department of Transportation to advance the permitting for a road and pipeline corridor from Umiat in the southeast corner of NPRA to the Dalton Highway and TAPS. More than 90 miles west of the Dalton, Umiat is known to contain a discovery of oil at relatively shallow depths, just inside the NPRA. The road and pipeline would provide benefits not only for access and transportation of oil, but also for future exploration and development of gas in the foothills.

Additionally, the road would benefit the U.S. Army Corps of Engineers as it continues cleanup of the former military site at Umiat. Whether this road is constructed depends on the completion of an EIS by the Corps, and issuance of permits by Federal agencies.

The State of Alaska welcomes Congress's involvement in ensuring that access to Federal lands for responsible resource development occurs in a timely and predictable manner. Thank you.

[The prepared statement of Mr. Balash follows:]

**Statement of Joe Balash, Deputy Commissioner,
Department of Natural Resources, State of Alaska**

Chairman Lamborn, Ranking Member Holt, and members of the House Subcommittee on Energy and Mineral Resources, on behalf of Governor Sean Parnell, the State of Alaska welcomes this opportunity to testify to you about our support for the objectives of this legislation. I also wish to express our eagerness to work with the U.S. Congress and the Administration to see that Alaska can meet its potential to deliver to the nation billions of barrels of domestically produced oil and trillions of cubic feet of gas for the U.S. economy.

More specifically, we want to demonstrate to this committee and the rest of your colleagues in the Congress the vital role Alaska can play in enhancing America's long-term energy security, expanding American employment, growing the economy, providing significant revenue to federal, state, and local governments, and delivering billions of barrels of domestically produced hydrocarbons to the U.S. marketplace. At a time when the Congress faces difficult choices between raising taxes and cutting spending development of our nation's natural resources offers a means to put Americans to work, increase federal revenue, and reduce the balance of trades deficit.

Before getting into substantive matters, I would like to briefly mention my professional background as it pertains to this testimony. I have been serving as deputy commissioner of the Alaska Department of Natural Resources (DNR), a state agency

of over 1,100 personnel, since December 2010. Under the Alaska Constitution, the primary responsibility of the DNR is to maximize the development of the state's resources in a manner that furthers the public interest. DNR manages one of the largest portfolios of oil, gas, minerals, land, and water resources in the world, including approximately 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 44,500 miles of coastline. I am responsible for the management of the Divisions of Oil and Gas (DOG), Geologic Geophysical Survey (DGGs), and Coastal and Ocean Management (DCOM), and the Offices of the State Pipeline Coordinator (SPCO), the Alaska Gasline Inducement Act Coordinator (ACO), and the Mental Health Land Trust (TLO).

General

This subcommittee has properly recognized that some of our country's biggest challenges center on energy security, national security, employment, and the national deficit. Pursuing smart policies that promote responsible energy development in America can help the country meet and overcome these challenges.

The National Petroleum Reserve Alaska Access Act is a good first step towards realizing the potential federal lands in Alaska have to provide domestic energy supplies. The provisions of the act are not unprecedented. Construction of TAPS required an Act of Congress—at a time when the U.S. economy was in the doldrums, actions by OPEC was forcing prices into the stratosphere, and Americans were left wondering whether we still had what it takes to maintain our presence as a superpower. We hope this legislation is but one piece of a larger body of work by the Congress that will once again make clear that energy production from America's most prolific hydrocarbon province is a priority.

Before commenting on the legislation specifically, I'd like to bring the Committee's attention to the massive energy potential in Alaska. Alaska is a leader in promoting all types of energy, including our massive renewable energy base of hydro power, geothermal, wind, and biomass. We are also a national leader in promoting energy efficiency throughout the state. We cannot, however, talk about strategies to ensure our country's energy security without discussing our critical need to increase domestic production of oil and gas.

Alaska's Role in America's Energy Picture

Alaska is one of the nation's most critical and prolific oil-producing states. For more than 30 years Alaska has supplied domestic energy supplies to markets in the United States. When unscheduled disruptions to this supply occur, such as in August 2006 and in January of this year, prices move upward and refineries on the West Coast are forced to seek supplies from foreign sources. While production is less than 2/3 of its peak production, Alaska still supplies more than 600,000 barrels of oil every day.

The artery which gets that domestic energy to market is the Trans Alaska Pipeline. Eight hundred miles of 48" pipe, eleven pump stations, several hundred miles of feeder pipelines, and the Valdez Marine Terminal constitute the Trans-Alaska Pipeline System (TAPS). It is one of the longest pipelines in the world; it crosses more than 500 rivers and streams and three mountain ranges as it carries Alaska's oil from Prudhoe Bay to Valdez.

Spurred by global concern over the 1973 oil crisis (OPEC embargo) and spiking energy prices that resulted in a severe U.S. and global recession, the U.S. Congress was instrumental in the approval and rapid development of TAPS. Congress approved construction of the pipeline with the Trans Alaska Pipeline Authorization Act of 1973. The principle focus of this Act is as relevant today as it was in 1973: "the early development and delivery of oil and gas from Alaska's North Slope to domestic markets is in the national interest because of growing domestic shortages and increasing dependence upon insecure foreign sources."

Underscoring the urgency of the country's precarious energy security position, the Trans Alaska Pipeline Authorization Act also halted all legal challenges to delay construction of the pipeline and ensured that additional government studies would not be used to delay construction. Under its Congressional declaration of purpose the Act states: "The purpose of this chapter is to insure that, because of the extensive governmental studies already made of this project and the national interest in early delivery of North Slope oil to domestic markets, the trans-Alaska oil pipeline be constructed promptly without further administrative or judicial delay or impediment. To accomplish this purpose it is the intent of the Congress to exercise its constitutional powers to the fullest extent in the authorizations and directions herein made and in limiting judicial review of the actions taken pursuant thereto."

Alaska's Energy Potential

Alaska's North Slope, both on and offshore, remains a world-class hydrocarbon basin with extraordinary potential. According to the U.S. Geological Survey, America's Arctic ranks as number one for undiscovered oil potential and number three for gas potential for the world's conventional petroleum resources north of the Arctic Circle. Nearly 50 billion barrels of conventional undiscovered, technically recoverable oil resources and 223 trillion feet of conventional undiscovered, technically recoverable gas resources may be found in the North Slope and the Arctic OCS off Alaska's northern coast. This represents 43 percent of the nation's total oil potential and 25 percent of its gas potential.

The development of these resources means jobs, domestic energy supplies, and revenues for the federal treasury. A recent study conducted by Northern Economics and the Institute for Social and Economic Research at the University of Alaska Anchorage examined the national benefits associated with commercialization of oil and gas resources in the Arctic OCS. Their findings demonstrate that there are significant, material gains available to the nation through development of domestic natural resources.

Based on a reasonable set of price estimates for oil and gas (\$65/bbl and \$6.40/mmBtu respectively), researchers estimated that \$193 billion in revenues would accrue to federal, state, and local governments over a 50-year period. If you assume a price for oil closer to what the market is trading at today, that revenue estimate climbs to nearly \$263 billion. From a jobs perspective, this economic activity would generate an annual average of 54,700 jobs nationwide, with an estimated cumulative payroll amounting to \$145 billion over the same time period.

These extraordinary benefits are those that can be derived from a single element of federal lands in the Arctic. In addition, the Arctic National Wildlife Refuge (ANWR) and the National Petroleum Reserve-Alaska contain large resource potential with further economic benefits available to the nation. While these benefits are impressive, they are based solely on conventional oil and gas resources.

Unconventional Resources

In addition to conventional oil and gas resources, Alaska's North Slope contains massive quantities of unconventional resources: shale oil and gas, coalbed methane, deep-basin gas, heavy and viscous oil, and gas hydrates (USGS mean estimate is 85 trillion cubic feet). The U.S. Department of Energy has estimated that there is 36 billion barrels of heavy oil on the North Slope. (No current estimates exist of Alaska's shale oil and gas reserves.) Most of these unconventional resources are located onshore near existing infrastructure. Energy companies are beginning to investigate developing some of these resources in Alaska, particularly shale oil.

The oil fields at Prudhoe Bay and Kuparuk are the two largest discovered in North America. The oil and gas contained in those fields was captured by geologic structures as the hydrocarbons migrated up from the source rocks that produced them. Those source rocks are well-known by geologists—and they are huge. While their potential is unknown, key indicators (thermal maturity, organic chemistry, petrophysics, and geomechanics) appear to be analogous to the Eagle Ford play in southern Texas.

Three different source rocks are present, representing distinct opportunities for development if a commercial means can be found to produce them. Key to that commercial determination is the cost of production and transportation. Their location runs from the base of the Brooks Range just outside of ANWR and proceeds west in a wide swath through the NPR-A all the way to the Chukchi coast.

The Future of Arctic Energy Production

The importance of federal land to the future of oil and gas development in Alaska's Arctic must not be underestimated. Many of the most promising oil and gas resources in Alaska are in federal lands. Development of these lands, in particular from the OCS, Arctic National Wildlife Refuge, and National Petroleum Reserve—Alaska (NPR-A), could result in production of over a million barrels of oil a day. Unfortunately, the federal government has consistently denied access to these lands, made decisions that have added significant delays to promising projects, and pursued policies that have chilled the investment climate.

What concerns Alaskans and what should concern all Americans is the continued viability of TAPS to operate under its current configuration. Under the same law Congress enacted to ensure its construction, once TAPS is no longer operating it must be dismantled and removed. Without a pipeline to transport crude oil to the northernmost ice-free port in the U.S., very little of the potential identified above can ever be realized. The viability of TAPS as a continuing critical component of

our nation's energy security infrastructure is an issue for all Americans. It is on this issue that the federal government can play a critical role.

The reduced flow of oil through TAPS has reached a point where the pipeline is now approximately two-thirds empty. Continued throughput decline raises a host of technical challenges due to the slower velocity of oil in the pipeline, longer transit times, and the resulting dramatic lowering of the temperature of oil during the winter months. These challenges include wax buildup, frost heaves, and ice crystals and ice plugs. The likelihood of these problems occurring increases with lower throughput, and they can cause additional TAPS shutdowns and oil leaks that could harm the environment. This past January, TAPS was shut down for five days as the result of a leak at Pump Station 1 that was contained in a building.

The State of Alaska is working with industry to ensure that we are prepared to address these additional challenges in the near term as TAPS throughput decline continues. But clearly, the most effective way to address these technical challenges and the environmental risks that they may entail is to increase TAPS throughput.

The January 2011 shutdown of TAPS, during the heart of a cold Alaskan winter, not only focused attention on the significant technical challenges of decreased TAPS throughput, but also raised the specter of a broader premature shutdown of TAPS. Such a shutdown would significantly undermine U.S. national security and energy security interests and would devastate the Alaskan economy.

A premature shutdown of TAPS would result in the stranding of billions of barrels of domestic oil in America's largest hydrocarbon basin. Oil prices would continue to soar. Thousands of jobs would be lost. U.S. refineries would likely have to turn to foreign sources of oil, as they did when TAPS shutdown in January, thereby increasing the U.S. trade deficit and undermining American national and energy security.

A premature TAPS shutdown would also have a crushing impact on Alaskans. It has been estimated that one-third of the Alaska economy is connected to the oil industry. The loss of North Slope oil production would deprive state and local governments of billions of dollars in annual revenue. Government services including education, public safety, and health care would be slashed and infrastructure projects would be significantly curtailed. Rural communities, particularly those that have significantly benefitted from oil development such as the North Slope Borough, would face a significant decrease in their standard of living.

But continued TAPS throughput decline does not need to be Alaska's or the country's destiny. The massive North Slope hydrocarbon resource base remains available for development. What is needed to ensure a reversal of this decline are state and federal policies that promote increased investment, responsible resource development, and increased job creation on the North Slope.

The Need for Investment

Despite the extraordinary production and massive hydrocarbon potential, Alaska remains relatively underexplored compared to any other prolific oil and gas region in North America. Only 500 exploration wells have been drilled within a 150,000-square-mile area on the North Slope—an area that maintains the highest undiscovered conventional oil and gas potential in Alaska. That calculates to three wells per 1,000 square miles. As a comparison, 75,000 square miles within the state of Wyoming, endowed with high oil and gas potential, has more than 19,000 exploration wells, or about 250 wells per 1,000 square miles.

With this remarkable potential, Alaska can play a pivotal role in helping our country meet its significant energy and security challenges; reduce our reliance on foreign oil; provide thousands of high paying jobs; reduce the nation's trade deficit; and provide significant revenue to local, state, and federal governments.

The Need for Affirmative Federal Support

Although both economics and federal policies are in play, the viability of TAPS is more of a political issue than an economic one. As a threshold matter, Alaska's North Slope has huge reserves and it is still relatively underexplored. Thus, the issue of TAPS' viability does not center on whether we have enough hydrocarbons to entice investment. With \$100/barrel oil, predictions that oil prices will remain over \$80-\$90 for much of the decade, and Alaska's existing infrastructure to transport hydrocarbons, the viability of TAPS is clearly not solely economic.

The State of Alaska is also doing as much as we can to make oil production on state lands as globally competitive as possible. The Governor's major tax reform legislation will do much to get us to such a position. While it is true that 98 percent of all of the oil production to date has come from state lands, the lion's share of the resource potential belongs to the federal government. In the estimates given above, fully 88 percent of the undiscovered technically recoverable oil and 79 percent of the gas will be explored for on land under federal jurisdiction.

For these reasons, the long-term viability of TAPS will primarily be determined by federal politics and policies. Unfortunately, the federal government has consistently denied access to these lands, made decisions that have added significant delays to promising projects, and pursued policies that have chilled the investment climate, discouraging companies from exploring and producing in Alaska. When Shell cannot drill one exploratory well in the OCS after five years of spending billions of dollars for leases and permits, and ConocoPhillips cannot get a permit, again after five years, to build a bridge across the Colville River to access CD-5 in the NPR-A, it is the federal government that is denying access to abundant hydrocarbon resources and, ultimately, jeopardizing the long-term viability of TAPS.

These are just a few examples of many where federal policies have focused on discouraging—not encouraging—the billions of dollars of investment needed to increase North Slope oil production. If we had a federal government that welcomed exploration and development and permitted operations in a timely and predictable manner, the economics of filling TAPS would take care of itself.

Protecting Alaska's Environment

Among the reasons for these actions is concern for the environment. This concern, however, is misguided. Failure to advance development of Alaska's domestic energy supplies does not advance global environmental protection. To the contrary, it does the opposite. When oil and energy development in Alaska is shut down by our own government, development for such resources is driven overseas to places like Brazil, Russia, Iraq, Azerbaijan, and Saudi Arabia. Environmental standards in these places are not nearly as strong or strictly enforced as in Alaska, where stringent regulations are the hallmark of hydrocarbon production on the North Slope.

Alaska has some of the most stringent environmental policies and regulations in the world and we are a leader in research for sound natural resource development. We love our state, not only for its economic opportunities, but also for its natural beauty, and we are very focused on protecting our environment.

The State of Alaska strongly believes that responsible resource development and protecting the environment go hand in hand and we have a strong record of upholding the Alaska Constitution's mandate that the state pursue responsible resource development in a manner that safeguards the environment.

To ensure responsible resource development occurs in Alaska, the state has devised a comprehensive system that imposes rigorous environmental protections that meet or exceed federal standards. Wherever possible, we have assumed—or are in the process of assuming—primacy for the issuance of permits.

Our efforts at protecting the environment and wildlife have been successful. For example, when debating the development of TAPS, many predicted that oil and gas development would decimate caribou herds. These predictions have not come true. In fact, caribou numbers have increased dramatically over the past thirty years. The Central Arctic caribou herd, which occupies summer ranges surrounding Prudhoe Bay, has grown from 5,000 in 1975 to over 66,000 today.

Even with a robust regulatory regime, the state continues to look for ways to improve its regulatory oversight. Later this month, the state will release a comprehensive gap analysis conducted to: better understand the spectrum of state agency oversight; better understand the effectiveness of authorities and enforcement over oil and gas operations; and to identify gaps or redundancies in state oversight and determine if they need to be filled or eliminated as appropriate.

Because of the efforts taken by federal, state, and local governments and the energy industry, oil and gas development in Alaska is conducted in a safe and responsible manner with standards that exceed most other jurisdictions in the world.

NPR-A: a Logical First Step

Ironically, one place in federal jurisdiction where there should be less resistance to oil and gas development is the National Petroleum Reserve-Alaska (NPR-A). Early in the last century this land was specifically set aside by Congress for oil and gas exploration and production. As well, the State of Alaska has itself invested heavily in this area—and may be the largest single investor in recent exploration there. In just the last decade, the state of Alaska has awarded more than \$180 million in cash exploration incentive tax credits to several oil companies to conduct seismic surveys and drill exploration wells in the NPR-A on land that it does not own. The objectives of the National Petroleum Reserve-Alaska Access Act address many of the challenges facing exploration and development on federal lands in Alaska.

Leasing

Access to Lands through predictable leasing programs allows those companies interested in exploring, finding, and producing to assess the opportunities and plan

for participation. Exploration and development of oil and gas in Alaska is a long term proposition. A predictable leasing program is key to allowing companies to make the long-term investment of time, capital, and limited human resources necessary to realize tremendous gains from this relatively untapped resource.

Transportation Infrastructure

The NPR–A Access Act recognizes the critical linkage between resource and transportation infrastructure—including roads and pipelines. The first production from CD–5—the expansion of the Colville River Unit operated by ConocoPhillips—was expected to start in 2012. Unfortunately, in February 2010, the U.S. Army Corps of Engineers (COE) reversed course and denied ConocoPhillips its permits to construct a pipeline and vehicle bridge across the Nigliq Channel in the Colville River Delta. Without the means to move it to market, this reserve of oil is effectively stranded. Many Alaskans viewed this decision as a shutdown of NPR–A development.

After five years of delays, the status of CD–5 remains uncertain, thereby chilling the investment climate over the entire NPR–A. Alaskans remain hopeful and we believe that the COE will recognize the efficacy of a bridge over the Nigliq Channel and approve ConocoPhillips' permit.

Deadlines for Permits

Predictability in regulatory timelines is critical. In Alaska, we pride ourselves on doing things right. One way we achieve that is by restricting certain activities to very specific windows of time throughout the year. If a critical permit is delayed by 30 days, the consequences to the execution of the project could be enormous.

Tundra travel in the Arctic is restricted to those months when the ground is frozen solid to a depth that ensures the surface will not be scarred by exploration activities. Operators need sufficient time to mobilize equipment to the site of the exploration activity, to conduct the relevant activity, and to demobilize the equipment and return it to permanent infrastructure.

Due to these limited windows of opportunity to conduct exploration and development activities, when critical permits are delayed for Alaska projects the consequence can be delay of the project for an entire year. This is particularly true for exploration conducted in the NPR–A since there is little to no permanent, year-round surface transportation infrastructure beyond the spine road at Kuparuk.

Planned ROW

Perhaps the most ambitious element of the proposed legislation, the call for a plan for approved rights-of-way for pipeline, road, and other surface infrastructure to ensure all leases are within 25 miles of an approved right-of-way complements plans by the State of Alaska. In 2009, Governor Parnell directed the State of Alaska to advance the permitting for a road and pipeline corridor from Umiat to the Dalton Highway and TAPS.

More than 90 miles west of the Dalton, Umiat is known to contain a discovery of oil at relatively shallow depths just inside the NPR–A. The company holding the leases at Umiat estimates the size of the field to be 250 million barrels, with peak production capable of reaching 50,000 barrels per day.

The road and pipeline would provide benefits not only for access and transportation of oil, but also for future exploration and development of gas in the Foothills. The road would also benefit to the U.S. Army Corps of Engineers as it continues cleanup of the former military site at Umiat. A total of \$24 million in state funds have been appropriated by the Alaska Legislature to complete the necessary EIS.

Accountability

Requiring a notification for applicants with specific information regarding delays in the issuance of permits is a novel approach that will inform operators of the likelihood they will succeed in obtaining the necessary permits and authorizations required to proceed with responsible development. Such notifications will allow operators to make reasoned decisions regarding the timing and efficacy of their exploration plans.

Resource Assessment

Activities currently underway by the USGS should make this relatively easy to achieve. SOA had concerns with the last revision made to assessments of the oil resources of the NPR–A. We remain bullish on the prospects of conventional oil discoveries yet to be found, and are certain that significant unconventional resources are in place throughout the region.

Conclusion

The State of Alaska welcomes Congress's involvement in ensuring that access to federal lands for responsible resource development occurs in a timely, predictable manner. We believe the NPR-A Access Act supports Alaska's goal of one million barrels a day through TAPS within a decade. By working together to champion such a goal, as well as the President's goal of reducing oil imports by one-third, we can demonstrate how state and federal governments can come together to curb our dependence on foreign oil and create a brighter, more secure future for Americans.

The benefits of increased access to and production from federal lands in the Arctic promote numerous interests of America and Alaska:

- Economic and job security
- Trade deficit—promoting resource development in Alaska ensures that we import less oil from overseas
- Federal budget deficit—by providing Americans access to their own lands to produce oil, the federal government is opening the opportunity to earn billions in direct revenues, rather than forcing Americans to help fill the treasuries of countries such as Venezuela, Russia, and, Saudi Arabia.
- Energy security—promoting development of Alaska's massive sources of domestic energy reinforces U.S. energy security.

Mr. LAMBORN. All right. Thank you for your testimony. Mr. Drevna.

STATEMENT OF CHARLES T. DREVNA, PRESIDENT, NATIONAL PETROCHEMICAL AND REFINERS ASSOCIATION

Mr. DREVNA. Good morning, Subcommittee Chairman Lamborn, Ranking Member Holt, Chairman Hastings, and members of the Subcommittee. I am Charlie Drevna, and I serve as President of NPRA, the National Petrochemical and Refiners Association. And again, thank you for giving me the opportunity to testify in support of the National Petroleum Reserve Alaska Access Act.

My association and the NPRA Reserve Alaska share the same acronym, but we are a little different. National Petrochemical and Refiners Association is a trade association. We represent high-tech American manufacturers of virtually the entire supply of U.S. gasoline, diesel, jet fuel, other fuels, home heating oil, and the petrochemicals used as the building blocks for virtually thousands of products.

My NPRA is headquartered in an office building in Washington that sits atop a parking garage. The U.S. Geological Survey estimates that the National Petroleum Reserve Alaska sits on top of more than 2.7 billion barrels of oil, and more than 114.3 trillion cubic feet of natural gas. And as Senator Murkowski pointed out, these are probably very low estimates.

These are tremendous energy resources. Our nation needs to use them to bring the tremendous benefits to the American people.

For more than 30 years elected officials have been saying we need to reduce our reliance on foreign oil. For far longer, they have been telling us America needs to create more jobs. So we can talk about this for another 30 years, or 40 years, or 50 years, or we can take action. And producing more oil and natural gas in Alaska and elsewhere in the United States is the most effective action I believe we can take.

Lurching from crisis to crisis, and wishing and hoping for miraculous new energy sources to magically solve all of our problems, isn't the foundation of U.S. energy policy. Instead, we need a reality-based policy that looks years down the road, and understands

the need to develop easily accessible, abundant, efficient, reliable, and proven sources of domestic energy. This will be the foundation for a more secure future for our children and grandchildren.

My association supports the National Petroleum Reserve Alaska Act because it is realistic, practical, and benefits America and the American people.

A report from 2008 said that oil and natural gas development in Alaska would have the following impacts, and I quote now: "Reducing world oil prices, reducing the U.S. dependence on imported foreign oil, improving the U.S. balance of trade, extending the life of the Trans-Alaska Pipeline System for oil, and increasing U.S. jobs."

Now, some may assume this report was produced by the oil industry; but in fact, it was produced by the United States Energy Information Administration. Now, this is a non-partisan and independent government organization that is respected for its objective analyses.

The National Petroleum Reserve Alaska Act deserves to be enacted into law on two levels. First, it will, because it will provide a sure and steady supply of domestic oil to enable fuel and petrochemical manufacturers to meet the needs of millions of Americans throughout the country—living in Alaska, Washington, Oregon, California, Nevada, Arizona, and Hawaii.

And second, because this important legislation, and I believe it is just the first step of many actions that we urge Congress and the Administration to take, to make more use of America's valuable fossil-fuel resources available to serve all Americans across the entire nation.

Let me dispel a myth that has been repeated so often that millions of Americans understandably believe it is true. Despite what you may have heard, America is not energy-poor. We are energy-rich. We have more oil, natural gas, and other energy resources under our feet and off our shores than just about any country on earth, and we are finding new and environmentally safe ways to bring these energy sources to the American people all the time.

Keeping our energy resources locked up and out of reach makes about as much sense as a millionaire keeping all his cash stuffed in a mattress. We need to take advantage of our energy wealth.

The members of NPRA want to ensure a continuing supply of American oil to our refineries and petrochemical manufacturing plants, because we want to preserve America's economic and national security. Instead of shipping billions of more dollars abroad to buy foreign crude, we want to keep more of our nation's wealth right here, in our own nation, supporting American families and communities.

Instead of creating millions of jobs abroad, we want to produce more oil and natural gas, and more fuels and petrochemicals, right here.

We urge the approval of the National Petroleum Reserve Alaska Access Act. It is the first in a series of critical measures to lay the foundation for a U.S. energy policy that benefits our nation, economy, and all Americans.

Thank you very much.

[The prepared statement of Mr. Drevna follows:]

**Statement of Charles T. Drevna, President,
National Petrochemical & Refiners Association**

I. Introduction

Good morning Subcommittee Chairman Lamborn and Ranking Member Holt, Chairman Hastings, Ranking Member Markey and members of the Subcommittee. I'm Charlie Drevna, and I serve as president of NPRA, the National Petrochemical & Refiners Association. Thank you for giving me this opportunity to testify before the Subcommittee on Energy and Mineral Resources of the House Natural Resources Committee in support of The National Petroleum Reserve Alaska Access Act.

My association and the National Petroleum Reserve-Alaska share the same acronym, but are in very different locations. The National Petrochemical & Refiners Association is headquartered in an office building here in Washington that sits on top of a parking garage. The U.S. Geological Survey estimates that the National Petroleum Reserve-Alaska sits on top of more than 2.7 billion barrels of oil and more than 114.3 trillion cubic feet of natural gas. These are tremendous energy resources, and our nation needs to use them to bring tremendous benefits to the American people.

The National Petrochemical & Refiners Association is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of vital products. NPRA members make modern life possible, meet the needs of our nation and local communities, strengthen economic and national security, and provide jobs directly and indirectly for more than 2 million Americans.

I know that in the public mind, the oil industry is a collection of giant companies that do everything—explore and drill for oil, manufacture fuels and petrochemicals, and own gasoline stations where you fill up your car or truck. But that's a myth, not reality. In fact, the concept of "Big Oil" is a pejorative that inaccurately seeks to homogenize, vilify and discount the tens of thousands of companies and millions of American working men and women affiliated with our nation's domestic oil industry.

NPRA member companies engage in what we call "downstream" manufacturing activities—we don't primarily focus on the "upstream" work of getting oil out of the ground or offshore, but rather on turning oil into useful products. Or to paraphrase an old advertising slogan: We don't produce the oil, we make the oil better. The oil that comes directly out of the wellhead is useless until it's refined through sophisticated manufacturing processes into a transportation fuel or turned into a petrochemical—and that is the important work carried out by our members.

The National Petroleum Reserve Alaska Access Act deserves to be enacted into law on two levels. First, because it will provide a sure and steady supply of domestic oil to enable refineries and petrochemical manufacturing plants to make the fuel and other vital products needed to serve the millions of Americans living in Alaska, Washington, Oregon, California, Nevada, Arizona and Hawaii. And second, because this important legislation it is just the first of many actions we urge Congress and the administration to take to make more of America's valuable fossil fuels resources available to serve the American people.

II. America is Energy Rich

Before I get into the specifics of the merits of this bill, let me dispel a myth that's been repeated so often that millions of Americans understandably believe it's true. America is not energy poor—we're energy rich. We have more oil, natural gas and other energy resources under our feet and off our shores than just about any country on Earth. And we're finding new—and environmentally safe—ways to bring these energy sources to us all the time. Examples include technology for extracting oil from shale and from oil sands, and technology for bringing vast amounts of natural gas to the surface by using hydraulic fracturing. The problem isn't that we lack energy resources. The problem is that our government is making it extremely hard—if not impossible in some instances—to use them, even with extensive environmental safeguards.

From the Atlantic, to the Gulf of Mexico, to our nation's Pacific Coast...from the Marcellus Shale in Pennsylvania and neighboring states to the Eagle Ford Shale in Texas...from untapped oil and natural gas fields in the Lower 48 states to Alaska...our nation is blessed with immense and untold energy riches.

Keeping our energy riches locked up and out of reach makes about as much sense as a millionaire keeping all his cash stuffed in a mattress—and then begging for

money because he won't give himself access to his own fortune. We need to take advantage of our energy wealth.

III. Utilize NPR-A

Let me focus now on the need for Alaskan crude oil and The National Petroleum Reserve Alaska Access Act. In testimony May 13 this year before the Subcommittee on Energy and Power of the House Committee on Energy and Commerce (a copy of which is being submitted with this testimony), Lynne D. Westfall, executive vice president of Turner Mason & Company, pointed out:

- The region comprised of Alaska, Washington, Oregon, California, Nevada, Arizona and Hawaii was a major exporter of crude oil to the rest of the country in the 1980s. But this region has gradually seen oil production drop. Oil has not been shipped out of the region since 2001.
- These seven states are not connected by pipelines to other parts of the United States and now rely on oil imported from other nations for about 50 percent of their demand.
- "Without continued production in Alaska, the West Coast will grow more dependent on imports from OPEC."
- Declining oil production in Alaska "will fall below the minimum operating rate for the Trans Alaska pipeline in the early 2030s. The economics of production, however, may cause the cessation of supplies well before that time."

In fact, we have already seen times in the past few years where the low volume of oil being transported by the 800-mile long Trans Alaska pipeline has threatened to halt pipeline operations, endangering the oil supply to American refiners in the process. The low volume of oil in the pipeline has already slowed the speed at which oil travels through the vital artery, allowing the oil temperature to cool and threatening pipeline malfunctions.

The loss of the Trans Alaska pipeline would cause many problems. Had there been no crude coming from Alaska to the Western states in 2010 they would have imported more than 73 percent of their crude oil, and 71 percent of these imports would have come from OPEC nations.

Mr. Westfall presents many additional compelling statistics in his testimony to clearly establish that people of the West need more oil from Alaska. Those who decry America's reliance on imported oil and at the same time oppose efforts to bring us more oil from our northernmost state are being logically inconsistent.

Looking in detail at the provisions of the National Petroleum Reserve Alaska Access Act, my association believes this legislation has a number of beneficial provisions that would avoid bureaucratic delays that hold up the process for producing, transporting and delivering American oil to American refiners.

The legislation provides for a streamlined and expedited permitting process to accelerate the leasing, exploration and production activities in the National Petroleum Reserve-Alaska. This permitting process would also speed the building of critical infrastructure needed to transport Alaskan oil to the West Coast market. In addition, the bill calls on the Department of the Interior to develop a plan for coordinating future leases and production activities with access to necessary infrastructure.

Our nation needs to ensure that there are minimal constraints to critical energy arteries—roads, bridges and pipelines—that move reliable and secure American energy sources to manufacturers that produce useful American products. Unfortunately, too often multiple government agencies create years of bureaucratic delays in approving a permit for a road, a bridge or other needed infrastructure.

For example, ConocoPhillips, a member of the National Petrochemical & Refiners Association, has a "shovel-ready" project called CD5 in the National Petroleum Reserve-Alaska area that could generate new jobs and investment immediately. CD5 alone represents 400 new jobs per year during at least two years of construction, plus hundreds more support jobs. This project would also generate income for Alaska and the U.S. economy. However, the project has faced permitting delays since 2005.

IV: Use Domestic Energy

Some may be wondering: if we just buy oil, why do the refiners and petrochemical manufacturers that NPRA represents care so much about where the oil comes from? The Gulf of Mexico, the Gulf of Alaska, the Arabian Gulf or wherever—what's the difference? There are a number of critically important reasons why we want—and why our nation needs—robust domestic oil and natural gas production.

Above all, we want to ensure a continuing supply of domestic oil to refineries and petrochemical manufacturing plants because we want to preserve America's economic and national security. We share the concern of Democrats, Republicans and independents that our nation has become too reliant on oil from unstable areas of

the world that are too often hostile to American interests. We share the concern of all Americans about our high national unemployment rate and the terrible suffering it is causing families around our country. We share the concern of the American people that our nation's debt and deficit are too high. Producing more energy right here at home can have a big effect on reducing all these problems.

We also—believe it or not—don't necessarily benefit from high oil prices. Our members are the first customers for crude oil, and can't manufacture fuels and petrochemicals without oil. In fact, about 70 percent of the cost of gasoline is determined by oil prices set on world commodities markets. Just as a baker doesn't welcome a rise in flour prices, or a coffee brewer doesn't welcome increases in the price of coffee beans, we don't necessarily welcome increases in oil prices. I never try to predict what will happen with fuel prices. But I've never heard anyone say that shortages of domestic supply ever put downward pressure on the price of any product.

We've seen President Obama and other administration officials meet with officials from Brazil and OPEC nations to encourage oil production abroad and to encourage sales of the foreign oil to the United States. But why not produce more oil and natural gas right here at home to create millions more American jobs beyond the 9.2 million already supported by both the "upstream" and "downstream" petroleum sectors?

Why not keep billions more American dollars right here in our own country, supporting American families and communities, instead of shipping this wealth abroad to buy foreign crude? Why not hold down costs of crude oil by producing more in our own country and relying less on oil shipped from foreign nations thousands of miles away?

Using our own energy resources to a much greater extent would be an enormous economic stimulus to our country, at no cost to American taxpayers. Besides reducing unemployment, it would flood the U.S. Treasury with billions more dollars in taxes and royalty payments from oil companies and the workers they employ. What is the alternative? Growing energy imports that weaken our economy, wipe out American jobs, increase our trade deficit and make us less secure in a dangerous world.

V. Conclusion

The National Petrochemical & Refiners Association is not opposed to non-fossil fuels forms of energy. We want all forms of energy to compete on a level playing field in a free market, and we want to let the best forms of energy win. We understand that no single energy source will meet all of our nation's needs, and that we need an "all of the above" solution to energy challenges.

NPRA is the association that says "yes" to a brighter energy future. We say "yes" to the spirit of innovation and free market competitiveness that led to countless inventions in the past 200 years, transforming America from a frontier nation to the leading nation on our planet. We say "yes" to problem-solving instead of throwing up our hands in surrender. We say "yes" to building prosperity instead of managing scarcity.

The death of the hydrocarbon molecule has been forecast for a very long time, but it will continue providing the American people with reliable, secure, abundant and efficient energy for many decades to come. The members of NPRA and the hard-working men and women we employ are proud to be able to harness this amazing molecule to serve the American people every hour of every day.

The companies that are members of NPRA are often criticized and demonized. But in fact, we're not part of America's energy problems—we're part of the solution to those problems. We believe the path to overcoming the energy challenges America faces begins with a national commitment to using our own God-given resources to serve the interests of our own citizens. Americans haven't achieved success by waiting passively for things to happen to us. We've achieved success by taking control of our destiny. Our parents and grandparents and earlier generations did this, and we and our children and grandchildren can do this as well.

I'm obviously here representing the best interests of the American fuel and petrochemical manufacturers that are members of NPRA. We want to stay in business, serving the American people, employing American workers, paying American taxes, strengthening American communities, being good American citizens. We don't want to see American fuel and petrochemical manufacturing plants and their workers be replaced by foreign competitors—as happened with much of the American textile, appliance, auto and electronics manufacturing industries in the lifetimes of many of us here today.

But if we get to the point where more and more of the oil we rely on comes from abroad, there's no reason why more and more of the gasoline, diesel, jet fuel, petro-

chemicals and other products we manufacture couldn't be made abroad as well. Bad news for NPRA members? Absolutely. But more importantly, bad news for American consumers, American workers, and the American economy.

We urge approval of The National Petroleum Reserve Alaska Access Act as the first of a series of measures to help bring an end to the bad economic news that's hit our country in the last few years, to give Americans faster and greater access to our nation's valuable natural resources, to generate more revenue for government at all levels, and to begin building a better and brighter future for our nation and the American people.

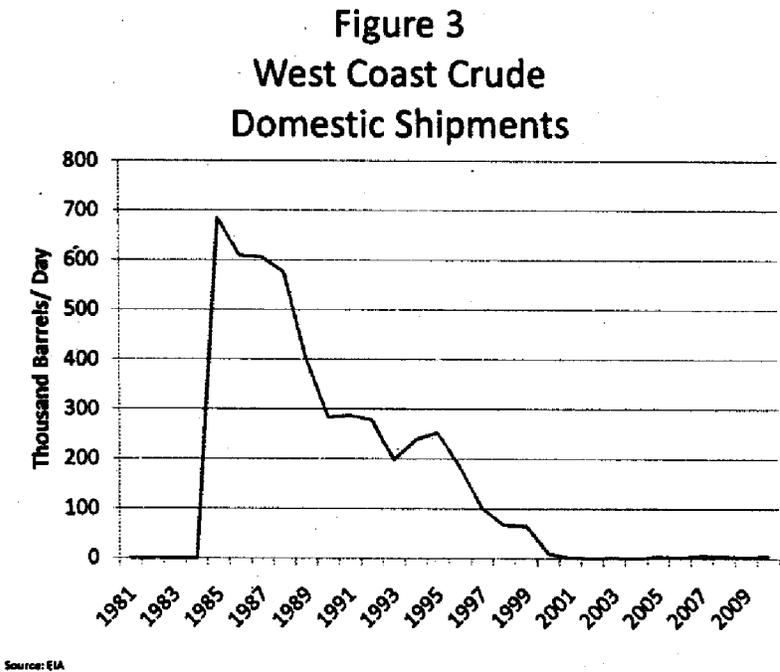
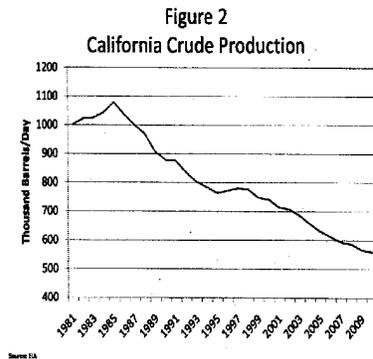
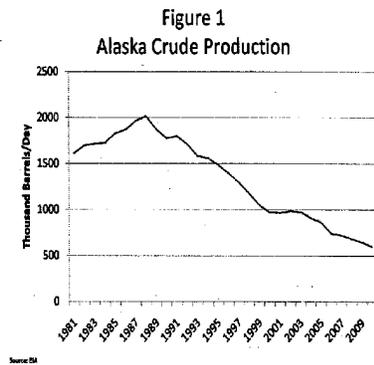


Figure 4
West Coast Crude Imports

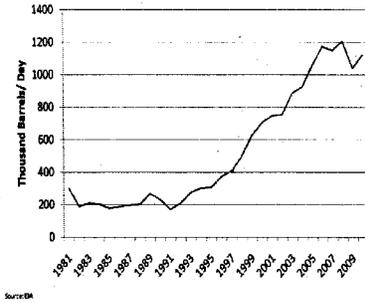


Figure 5
West Coast ANS Crude Runs

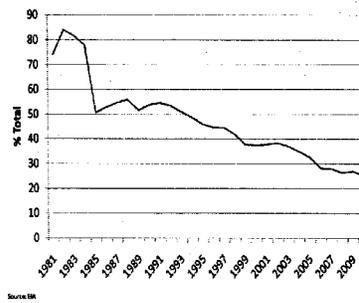


Figure 6
West Coast Crude
Production/Demand

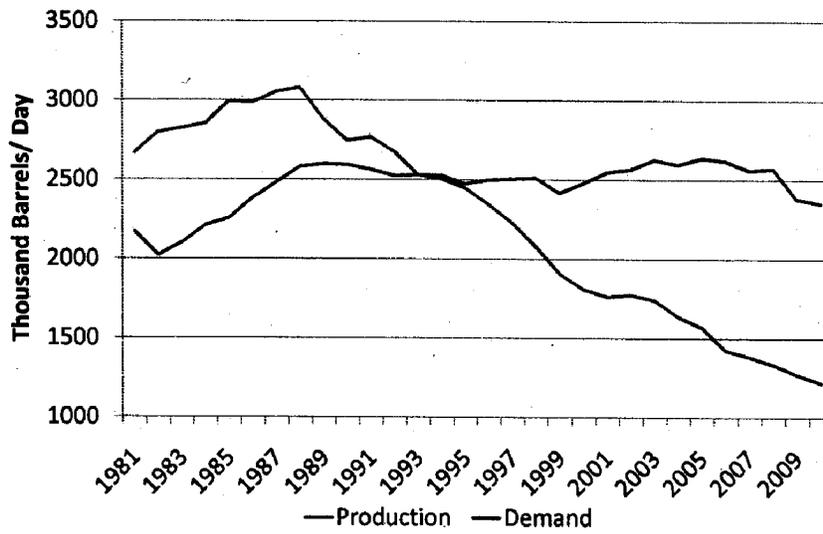


Figure 7
West Coast 2010 Crude Imports

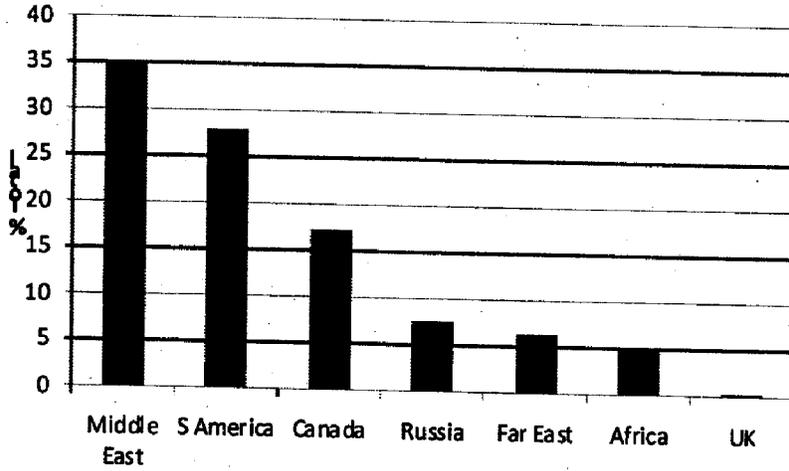


Figure 8
OPEC Crude Imports

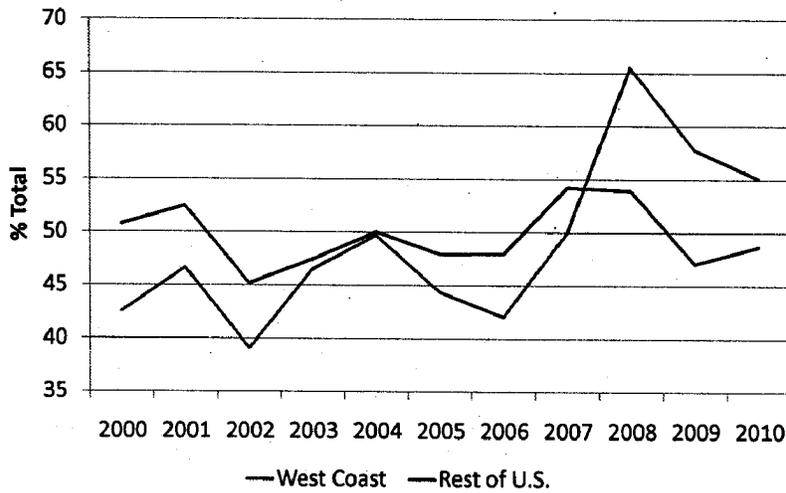


Figure 9
West Coast OPEC Crude Imports

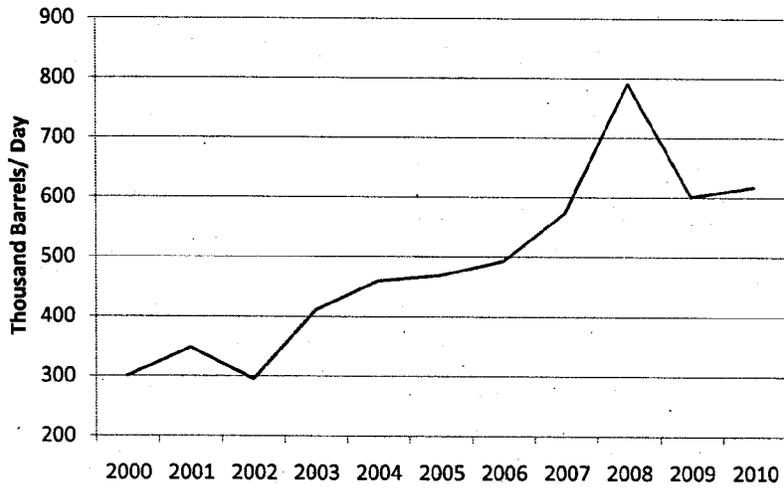


Figure 10
ANS Crude vs WTI Crude Price

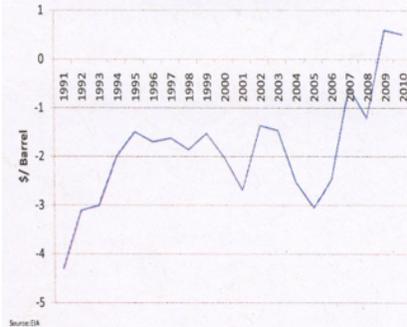
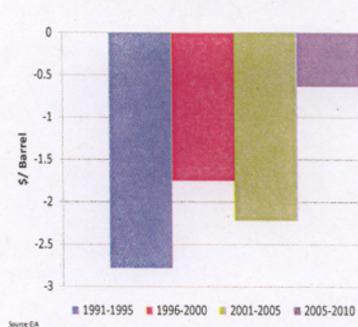


Figure 11
ANS Crude vs WTI Crude Price



Mr. LAMBORN. OK, thank you. Mr. Sharp.

**STATEMENT OF TIM SHARP, BUSINESS MANAGER/
SECRETARY TREASURER, LABORERS LOCAL 942**

Mr. SHARP. Good morning. My name is Tim Sharp, and I am the Business Manager of the Alaska District Council of Laborers, an organization representing approximately 5,000 union construction workers. We are mainly construction, maintenance, and manufacturing workers employed throughout the State of Alaska. We work in the oilfields, on roads and bridges, within the building and construction trades industry, as well as maintain both public and private infrastructure facilities all over the State.

I am here today and very excited to strongly support H.R. 2150, or the National Petroleum Reserve Alaska Access Act, introduced by Congressmen Young, Hastings, and Lamborn. We are in strong support for a number of different reasons, but they boil down to two main issues that most impact my membership. Most simply put, those are jobs and affordable fuel and energy.

There was never a question of if the NPRA should be opened, only when. We would suggest that with the dwindling amount of oil presently being pumped through the Trans-Alaska Pipeline, the cost of gas and heating oil for the average American increasing to business and commerce-stifling rates, the huge number of unemployed construction workers, the extra cost burden presently being exacted on our rural Alaskans in the form of \$6- to \$10-dollar-per-gallon fuel, that there is no better time than right now.

There will of course be the inevitable wailing and gnashing of teeth from those who have never met a road, bridge, dam, or pipeline that they liked, especially from certain organizations outside our state run by people that have never even been there, that wish to lock up our state out of a misguided perception of what they think it should be.

From the perspective of the people I represent and most Alaskans that I know, we need jobs, and we need affordable energy and fuel. We see no wisdom in not taking action to begin to address the obvious immediately. We feel that this legislation is a straightforward approach toward doing so for the nation.

Also to at least show that we are responsible stewards of our own state, I would also support any development being tied to the most stringent, ecologically friendly engineering possible. It means more jobs, it protects the environment, and results in cheaper and more abundant energy.

The other reason for moving this legislation now is that the oilfields are not built or developed overnight. I think that five years would be a very conservative guess toward a minimum timeline in going from permitting to blueprints to further exploration, to roads and pad construction, to pipelines, and finally to market. However, the upside would be that five years of good employment leading up to a time of bringing a downward pressure to the price per gallon of gasoline or heating fuel. We see no downside for Americans.

It has also been my observation, after 20 years in the Alaskan oilfields, that the amount of spinoff jobs created in support of this type of development are huge. There may also be large amounts of natural gas to be discovered, tapped, and developed as a result of newly concentrated commercial activity in the NPRA.

Finally, and most important, is that Alaska has always had the potential to be a huge breadbasket of natural resources for America. Shy of permitting and politics, the only thing that keeps this from becoming a reality is the extraordinarily high cost of energy that it takes to develop them.

This legislation moves us toward changing that, and helping to control our own destiny as a state and as a nation. The only thing we can know for sure is that which is not working already; and that any further inaction, for lack of political will, will only put us farther behind the eight-ball of increased dependence on foreign oil, jobs, and energy.

Please support this timely and much-needed legislation for our country, and thank you for taking the time to listen.

[The prepared statement of Mr. Sharp follows:]

**Statement of Tim Sharp, Business Manager/Secretary Treasurer,
Alaska District Council of Laborers, Anchorage, Alaska**

Good Morning,

I appreciate the invitation from Chairman Lamborn to testify and the sub committee for taking the time to listen. My oral testimony will be the same as my written remarks.

My name is Tim Sharp and I am the Business Manager of the Alaska District Council of Laborers, an organization representing approximately five thousand union workers. We are mainly construction, maintenance and manufacturing workers employed throughout the State of Alaska. We work in the oilfields, on roads and bridges, within the building and construction trades industry, as well as, maintain both public and private infrastructure facilities all over the state.

I am here today and excited to strongly support H.R. 2150 or the National Petroleum Reserve Alaska Access Act introduced by Congressmen Young, Hastings and Lamborn. We are in strong support for a number of different reasons, but they boil down to two main issues that most impact my membership. Most simply put, those are jobs, and affordable fuel and energy.

There was never a question of "if" the NPRA should be opened, only "when" We would suggest that with the dwindling amount of oil presently being pumped through the Trans Alaska Pipeline, the cost of gas and heating oil for the average American increasing to business and commerce stifling rates, the huge numbers of unemployed construction workers, the extra cost burden presently being exacted on our rural Alaskans in the form of six to ten dollar per gallon fuel, that there is no better time than now.

There will of course be the inevitable wailing and gnashing of teeth from those who never met a road, bridge, dam or pipeline that they liked; especially from certain organizations outside our state run by people that have never been there, that wish to lock our state up out of their own misguided perception of what they think it should be. From the perspective of the people I represent and most Alaskans I know, we need jobs and we need affordable energy and fuel. We see no wisdom in not taking action to begin to address the obvious immediately and feel this legislation is a straightforward approach towards doing so for the nation.

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Finally, and possibly most important, is that Alaska has always had the potential to be a huge breadbasket of natural resources for America. Shy of permitting and politics, the only thing that keeps this from becoming a reality is the extraordinarily high cost of energy here that it takes to develop them. This legislation moves us towards changing that and helping to control our own destiny as a state and a nation.

The only thing we can know for sure is; that which is not working already and that any further inaction for lack of political will, will only put us further behind the eight ball of increased dependence on foreign oil.

Jobs and energy... Please support this timely and much needed legislation for our country.

Thank you again for taking the time to listen.

Mr. LAMBORN. Thank you, Mr. Sharp, for your testimony on behalf of working families.

Now I would like to hear from Mr. Myers.

**STATEMENT OF ERIC MYERS, POLICY DIRECTOR,
AUDUBON ALASKA**

Mr. MYERS. Mr. Chairman, members of the Subcommittee, thank you for the opportunity to provide this testimony on the topic of today's hearing. My name is Eric Myers, and I serve as the Policy Director for Audubon Alaska. Today I am representing the National Audubon Society.

Both as a longtime resident of Alaska, as well as a citizen of the United States, I believe this is a very important topic. With more than 450 chapters across the country and more than a million members, volunteers, and supporters, Audubon has a long history of involvement with the National Petroleum Reserve Alaska, and advocates for a responsible and balanced approach to resource development in Alaska, which includes the only Arctic ecosystem in the United States.

Audubon is not opposed to oil and gas development, and recognizes that we are all consumers of energy. At the same time, Audubon supports a careful and measured approach to resource development in America's Arctic that should include a continuing commitment to the conservation and protection of special areas with exceptional biological values.

Alaska has benefitted greatly from oil development and the associated revenues, but these fiscal benefits have not come without cost. Since the discovery of oil at Prudhoe Bay in 1968, North Slope development has grown from a single operational oilfield to a sprawling industrial complex, extending across 100 miles of America's Central Arctic. More than 30 major oilfields have been developed, with more than 5,500 exploration and production wells, and more than 390 gravel pads, connected by more than 500 miles of road and 600 miles of pipeline, and supported by some 20 airstrips, various production plants, production facilities, refineries. This infrastructure has used more than 50 million cubic yards of gravel mined from North Slope rivers and tundra.

Impacts include oil spills, both large and small, too numerous to count; displacement of wildlife; air pollution, water pollution; elimination of wilderness values; and the loss of significant subsistence harvest opportunities in the Central Arctic across the Coastal Plain, between the Canning River to the east and the Colville River to the west. This industrial development has permanently transformed Alaska's North Slope, and is projected to continue far into the future.

Incremental industrialization is now moving west, with the proposal to develop permanent new infrastructure on the Federal public lands inside the NPRA.

Audubon believes that the current law enacted by Congress appropriately recognizes that there is room for both future oil production, as well as protection, within the NPRA. The NPRA is the largest single land-management unit in the United States. Congress enacted the Naval Petroleum Reserves Production Act in

1976, and explicitly recognized that the NPRA contains far more than just potential hydrocarbon resources.

Current law recognizes the need for balanced management of our public lands and the NPRA, specifically calling for the protection of special areas with important surface values and exceptional biological resources. At more than 22 million acres, the NPRA spans a large portion of the entire North Slope. It is larger than 12 states. Were it a state, it would fall somewhere between South Carolina and Maine in size.

Audubon believes that within such a vast landscape, it is both reasonable and appropriate that there be a balance in development and conservation. This is the position that Congress itself has endorsed in the statutes that govern the NPRA when it enacted the Naval Petroleum Reserves Production Act in 1976, and transferred management from the Navy to the Department of the Interior, expressly requiring protection of exceptional surface values.

Congress itself recognized two areas in particular, Teshekpuk Lake and the Utukok River Uplands, and deserving maximum protection because of the exceptional biological values found in these areas.

In keeping with the American land ethic of balanced land management, Congress has recognized in the NPRA the value of the nation's public lands includes far more than just the wealth and economic gain that can be extracted.

Teshekpuk Lake has been a particular focus of Audubon's work in the past 10 years. The Teshekpuk Lake special area includes the most important goose-molting habitat in the Arctic, and provides vital habitat for tens of thousands of geese that gather annually in the area, including Brant, greater wet-fronted geese, snow gees, and Canada geese. These waterfowl rely on the wetlands in the area, and migrate back south to their wintering grounds across the Lower 48.

It is important to recognize that both Democratic and Republican administrations have recognized the importance of this area, and Presidents with disparate philosophies, such as Jimmy Carter and George W. Bush, have both taken actions to see this area protected.

Consistent with the Congressional requirement to conduct an expeditious program of competitive leasing, the BLM has conducted numerous oil and gas leases, leasing more than 6.8 million acres to date. Half of those lease sales were in the past decade, and the vast majority of the 13.4 million acres have been leased in the Northwest and Northeast planning areas multiple times. There have been four lease sales in the Northeast planning area alone, in 1999, 2004, 2008, and 2010. Most recently within the last year. And there will be another lease sale held within the calendar year.

My point, sir, is simply to say that there is, there has been leasing by the BLM, and the current law is important to maintain. And that the proposals that are reflected in this legislation would abandon the protections that have previously been recognized by Congress. I will stop there. Thank you.

[The prepared statement of Mr. Myers follows:]

**Statement of Eric F. Myers, Policy Director,
Audubon Alaska, Anchorage, Alaska**

Thank you for the opportunity to provide testimony to the Subcommittee on Energy and Mineral Resources on the topic of today's hearing.

My name is Eric Myers and I serve as the Policy Director for Audubon Alaska. Today I am representing the National Audubon Society. With more than 450 chapters across the country and more than one million members, volunteers and supporters, Audubon has a long history of involvement with the National Petroleum Reserve Alaska (NPRA) and advocates for responsible and balanced approach to resource development in Alaska, which includes the only Arctic ecosystem in the United States.

Audubon is not categorically opposed to oil and gas development and recognizes that we are all consumers of energy. At the same time, Audubon supports a careful and measured approach to resource development in America's Arctic that should include a commitment to the conservation and protection of special areas and exceptional biological values.

Today's hearing is focused on the NPRA, the largest single land management unit in the United States. Established by President Harding in 1923, the NPRA was originally intended to help meet the Navy's needs as it converted from coal to oil. In 1976, Congress enacted the Naval Petroleum Reserves Production Act (NPRPA) and removed management of the NPRA from the Navy and transferred it to the Department of the Interior (DOI) while expressly requiring the protection of exceptional surface values.

At more than 22 million acres, the NPRA spans a large portion of the entire North Slope. The NPRA is larger than 12 states; were it a state, it would fall somewhere between South Carolina and Maine in size. Audubon believes that within such a vast landscape it is both reasonable and appropriate that there be a balance of development and conservation.

This is the position that Congress itself has endorsed in the statutes that govern the NPRA. The mandate for balance has also enjoyed bi-partisan support as reflected in the NPRA management actions taken by both Democratic and Republican administrations.

The NPRPA requires the Secretary of the Interior to determine whether and/or where to lease lands in the NPRA for oil and gas development while also requiring "maximum protection" of areas identified as having "significant subsistence, recreational, fish and wildlife, or historical or scenic value." In the 1976 legislation Congress itself identified two areas in particular—the Teshekpuk Lake and the Utukok River Uplands—as deserving of "maximum protection" because of the exceptional biological values in these areas.¹

Congress appropriately provided a mandate for balanced resource management of the NPRA directing that the Secretary "shall include or provide for such conditions, restrictions, and prohibitions as the Secretary deems necessary or appropriate to mitigate reasonably foreseeable and significantly adverse effects on the surface resources of the National Petroleum Reserve in Alaska."² As recognized in the first Integrated Activity Plan (IAP) prepared for the Northeast Planning Area, the NPRPA "encourages oil and gas development in NPRA while requiring protection of important surface values."³

Congress has thus expressly provided that while energy development is an important reason for the initial establishment of the NPRA it is not a mandate to the exclusion and detriment of other important values and public interest priorities such as protection of the natural ecosystems that support subsistence.

In keeping with the American ethic of balanced land management Congress has recognized that in the NPRA the value of the Nation's public lands includes more than the just the wealth and economic gain that can be extracted.

Special Areas and Exceptional Biological Resources in the NPRA

The NPRA has a remarkable diversity of ecosystems that remain intact at the landscape scale that are also essential to supporting a wide range of subsistence harvest activities for more than 40 communities spread across northern and western Alaska.

The NPRA and the immediately adjoining Arctic waters sustain exceptional natural resources and values. These include: fish resources, marine mammals (seals, whales, walrus, polar bears), migratory birds, large mammals (caribou, moose, wol-

¹ 42 USC § 6504

² 42 USC § 6506a

³ 1998 NE NPRA Final IAP/EIS, Vol 1: Introduction—Purpose and Need, p. I-1

verine, wolf, grizzly bear and other furbearers); threatened and endangered species; rare Arctic ecosystem types (e.g., sand dunes); designated Important Bird Areas; archeological, anthropological, and paleontological resources; and wilderness/wild river values.

The NPRA includes four existing designated Special Areas recognized by the BLM as having extraordinary biological values. These include: Teshekpuk Lake, the Utukok River Uplands, Kasegaluk Lagoon and the Colville River. As noted, Congress specifically recognized the Teshekpuk Lake and Utukok Uplands areas as warranting “maximum protection” when it enacted the NPRPA in 1976 and past presidential administrations as philosophically disparate as those of former President Jimmy Carter and former President George W. Bush have embraced the need for protection of these areas.

Exceptional biological values in existing Special Areas include the concentrated calving grounds of two of Alaska’s largest caribou herds (i.e., the Western Arctic Caribou Herd and the Teshekpuk Lake Caribou Herd); vitally important nesting, molting and staging habitat for migratory waterfowl, seabirds and shorebirds; essential habitat for various marine mammal species including polar bear, walrus, spotted seal, and beluga whale; internationally recognized raptor nesting concentrations; and exceptional predator populations including grizzly bears, wolves and wolverine.

A particular focus of Audubon’s work in the past ten years has been to assure the protection of the unique assemblage of biological resources found in the vicinity of Teshekpuk Lake, the largest freshwater lake on the North Slope and the third largest lake in Alaska. The Teshekpuk Lake Special Area includes the most important goose molting habitat in the Arctic and provides vital habitat for tens of thousands of geese that gather annual in the area, including Brant, Greater white-fronted geese, Snow geese, and Canada geese. In the fall, the waterfowl that rely on the wetlands in this area migrate back south to their wintering grounds across the Lower 48 states. Teshekpuk Lake has been recognized and designated as an Important Bird Area of Global Significance for the many breeding and migrating birds that rely upon the area.

The area around Teshekpuk Lake also includes the concentrated calving and insect relief areas for the Teshekpuk Lake Caribou Herd which provides a critical subsistence harvest resource for North Slope communities. The Western Arctic Caribou Herd Working Group, an organization comprised of subsistence users from small communities across northern and western Alaska, has identified and recommended that the lands surrounding Teshekpuk Lake should not be leased or developed for oil and gas.

Over time, the unique values of the Teshekpuk Lake area have been acknowledged and set aside for protection by both Democratic and Republican administrations.

Oil and Gas Leasing & Exploration in the NPRA

Consistent with the Congressional requirement to “conduct an expeditious program of competitive leasing of oil and gas in the Reserve”⁴ the BLM has conducted numerous oil and gas lease sales within the NPRA. Management plans for the Northeast Planning Area (4.6 million acres) and Northwest Planning Area (8.8 million acres) have been completed that govern approximately 13.4 million acres, including the lands within the NPRA regarded as having the greatest oil potential.⁵

- There have been ten lease offerings in the NPRA since 1982 in which nearly 6.8 million acres have been leased.
- Half of those lease sales were in the past decade and the vast majority of the 13.4 million acres within the Northeast and Northwest Planning areas have been offered for lease multiple times.
- There have been four lease sales in the Northeast Planning Area alone (1999, 2004, 2008, and 2010).
- The most recent NPRA lease sale offering was conducted by the Obama Administration less than a year ago in August 2010.

The Obama Administration has announced it will conduct annual lease sales in the NPRA, with another sale anticipated before the end of this calendar year.

Recent activities in the NPRA include extensive 3-D seismic survey work and the completion of 30 exploration wells on federal and Native land.

⁴ 42 USC § 6506a

⁵ An Integrated Management Plan for the South Planning Area was initiated by BLM but subsequently suspended. Resource assessment indicated that the South NPR-A planning area contains very limited oil reserves or approximately 2 percent of the undiscovered oil in NPR-A. See: http://www.blm.gov/ak/st/en/prog/planning/npra_general/south_npra.html

Hydrocarbon Potential in the NPRA

In October 2010, the United States Geological Survey (USGS) updated its 2002 analysis of the hydrocarbon potential of the NPRA and substantially revised downward the estimate of technically recoverable oil in the NPRA. The USGS analysis of drilling and seismic data found an unanticipated and abrupt transition from oil to gas approximately 15–20 miles west of the Alpine oil field along with poor reservoir quality in key formations.

U.S. Geological Survey (USGS) geologists have interpreted results of exploratory drilling to show that formations thought to be oil prone are actually gas prone. The new data have also indicated that actual reservoir quality is inferior to the reservoir quality inferred in the 2002 assessment (Houseknecht and others, 2010). The change in paradigm results in a decline in the estimated mean value of undiscovered oil from 10.6 billion barrels of oil (BBO) to 895 million barrels of oil (MMBO).⁶

The updated USGS estimate of 895 MMBO of *technically* recoverable oil (mean estimate) in the NPRA is less than ten percent of the prior 2002 estimated quantity of oil. The USGS also estimated undiscovered technically recoverable natural gas resources of 52.8 TCF (mean estimate). This estimate also resulted in a downward revision but remains at roughly ninety percent of the natural gas estimated in the prior 2002 assessment.

In May 2010, USGS published its estimate of undiscovered hydrocarbon resources in the NPRA that can be *economically* recovered (i.e., commercially developed at a range of market prices). This analysis further reduced the prospect of significant oil development in the NPRA.

At a price of \$90 per barrel (\$10 per MCF gas price) and an estimated 895 MMBO of technically recoverable oil, USGS projects economically recoverable reserves of 502 MMBO (mean estimate) under a scenario with a 10-year delay for gas pipeline capacity and 358 MMBO with a 20-year-delay assumption. (The USGS anticipates a 10-year to 20-year delay between expenditures for discovery of gas accumulations and production that would rely upon construction of a new gas pipeline.)⁷

NPRA Hydrocarbon Potential in the Context of National Energy Demand

Considerable attention has been given of late to the rising price of gasoline. It has been argued in some quarters that more aggressive development of NPRA will help “lower energy costs” but this claim cannot be supported objectively.

The “Drill Baby Drill” rhetoric most famously associated with Alaska’s former Governor will not bring down the price of gasoline at the pump. Any such representations do a great disservice to the American public, misleading consumers and providing a false hope that will not be realized.

The price of oil is driven by international market considerations that are well beyond the ability of NPRA development to influence. Even assuming the most robust USGS estimate of oil reserves as informed by the most current data, there is simply not enough oil volume to move prices downward to any significant degree.

Putting the oil potential of the NPRA into the larger national context, the United States consumes 19.58 MMBO per day or approximately 587 MMBO per month.⁸ The total economically recoverable oil in the NPRA identified by the USGS is insignificant: the entire projected economically recoverable reserves of 502 MMBO⁹ (mean estimate) accounts for less than one month of consumption for the United States.

⁶United States Geological Survey, “Economic Analysis of the 2010 U.S. Geological Survey Assessment of Undiscovered Oil and Gas in the National Petroleum Reserve in Alaska” (May 2010)

⁷Because of limited oil potential and high costs, the USGS has concluded that future oil development in the NPRA will be a by-product of gas exploration and exploration for gas will drive the discoveries of oil. The USGS analysis concluded that at a market price in the conterminous United States of \$8 per thousand cubic feet (MCF) and with the assumption of a 10-year pipeline delay, the economic non-associated gas resources at the 95th-fractile, mean, and 5th-fractile estimates are predicted to be 4.5 TCF, 17.5 TCF, and 39.4 TCF, respectively. In the case of a 20-year pipeline delay, the economic gas resources at the 95th-fractile, mean, and 5th-fractile estimates are predicted to be 0.9 TCF, 7.3 TCF, and 24.5 TCF, respectively. With a superabundance of relatively inexpensive natural gas in the Lower 48, however, prospects for construction of a natural gas pipeline from the North Slope are poor as reflected by the recent cancellation of BP and Conoco-Phillips efforts to build the Denali Pipeline project. See: <http://www.adn.com/2011/05/17/v-printer/1867232/bp-conoco-drop-bid-for-alaska.html>

⁸*Annual Energy Outlook 2011*, Energy Information Administration <http://www.eia.gov/forecasts/aeo/excel/fig93.data.xls> See: Figure 93 (figure data)

⁹USGS mean estimate assuming only a 10-year delay in gas pipeline access. United States Geological Survey, “Economic Analysis of the 2010 U.S. Geological Survey Assessment of Undiscovered Oil and Gas in the National Petroleum Reserve in Alaska” (May 2010).

To address the issue of excessively high oil prices attention should be directed to curtailing rampant speculation in oil markets. As reported recently by the head of the Commodity Futures Trading Commission, nearly 9 of 10 traders in oil are financial speculators and not actual end users of oil.¹⁰

If reducing the price of gasoline at the pump is the goal, attention should be concentrated on the Wall Street banks and hedge funds that are driving up oil prices through excessive speculation which may account for a significant fraction of the price.¹¹

Declining Industry Interest in the NPRA

The oil industry's "on-the-ground" actions reinforce the conclusion that the NPRA has only limited oil potential. As a result of the many past lease sales, nearly 6.8 million acres have been leased across large portions of the NPRA, extensive 3-D surveys have been conducted, and exploration wells have been drilled.

However, in the past several years, the industry has been abandoning leases in the NPRA at a record pace, reinforcing the conclusion that the NPRA is fundamentally a gas province; that key formations hold more gas than oil; and there is poorer reservoir quality than originally anticipated. Of the nearly 6.8 million acres previously leased, approximately three-quarters of the tracts have been given up by the industry.

Limited oil potential in the NPRA, combined with the glut of natural gas in Lower 48 markets and the superabundance of natural gas already available from developed fields on the North Slope, has rendered the NPRA an area of limited appeal.

No exploration wells were drilled in the NPRA during the winter of 2010–2011 and there are no pending applications to drill additional exploration wells.¹² In the most recent NPRA lease sale (August 2010), 1.8 million acres were offered. Only a few individual tracts were leased within the vicinity of already unitized areas.

Notably, industry lease relinquishments have included tracts both on federal lands within the NPRA as well as leased areas in State of Alaska coastal waters immediately adjacent to the NPRA. Leases were most recently relinquished in Smith Bay and Harrison Bay, state waters along the north coast of the NPRA.

Future Development Within the NPRA and the Proposed CD-5 Road/Bridge Project

While the NPRA has limited prospects as a major oil province, there is interest on the part of Conoco-Phillips Alaska Inc. (Conoco) in developing some "satellite" oil resources associated with the existing Alpine oil field that is located within the Colville River Delta immediately to the east of the NPRA.

This includes the so-called "CD-5 project", a proposal by Conoco to build a permanent all-weather surface road from the Colville River Delta with a bridge and suspended pipe over the Nigliq Channel to access the CD-5 production drilling pad inside the NPRA. (The Nigliq is a large channel in the Colville River Delta defining the westernmost edge of the Delta and the eastern boundary of the NPRA.)

There is no question that oil and gas development on Alaska's North Slope will continue far into the future and Audubon fully anticipates development of the Conoco satellite prospects on the eastern edge of the NPRA. The essential issue in the case of this development is not *whether* oil and gas development will take place in the NPRA, but rather *where* and *how* it will occur.

The proposed road and bridge project would be the first permanent oil production road and infrastructure within the NPRA and the manner in which this project proceeds has important implications for future development of the NPRA. The CD-5 project proposal is not only relevant in terms of "opening" NPRA, the project design has very significant implications for the Colville River Delta, an area with unique biological qualities found nowhere else on the North Slope.

The all-weather road and bridge proposal has a long history of controversy because it is at odds with prominent representations made by the oil industry regarding development of Alpine as a roadless project in order to prevent damage to the

¹⁰ K. Hall, "Chief regulator says speculators swamping oil, grain markets", Anchorage Daily News (June 10, 2011) <http://www.mcclatchydc.com/2011/06/09/115551/key-regulator-speculators-swamping.html>

¹¹ The impact of speculation on oil prices has also been noted by the government of Saudi Arabia. Diplomatic cables between the Saudis and the former Administration show speculation has been raised in meetings between U.S. and Saudi officials, in one-on-one meetings with American diplomats and at least once with former President George W. Bush himself. Saudi officials have conjectured that speculation represented approximately \$40 of the overall oil price when oil was at its height. <http://www.mcclatchydc.com/2011/05/25/114759/wikileaks-saudis-often-warned.html>
See also: <http://www.mcclatchydc.com/2011/05/13/114190/speculation-explains-more-about.html>

¹² Ted Murphy, BLM Alaska State Office (personal communication)

exceptional ecological values of the Colville River Delta. To this day, Conoco-Phillips touts roadless Alpine oil field development on its website:

Alpine - The company continues to develop environmentally-sensitive and technologically advanced approaches to oil extraction, including the Alpine field on the Western North Slope. The \$1.3 billion initial construction cost resulted in a *roadless development* that operates more like an offshore development. In winter, an ice road is constructed from Kuparuk to the main Alpine facility to transport supplies for the rest of the operating year.¹³

Directional drilling, zero-waste discharge, *roadless development* and other innovations minimize the Alpine development's environmental footprint on the Arctic.¹⁴

The importance of maintaining the biological integrity of the Colville River Delta was a key consideration during the original Alpine oil field development process. This included a specific provision that future development in the Delta adhere to a roadless design unless either a more environmentally preferred alternative was developed or roadless development was determined to be infeasible (Special Condition 10).¹⁵

The project, as proposed by Conoco, with a permanent all-weather road, bridge and suspended pipeline over the Nigliq channel stands in sharp contrast to the commitment to roadless development at Alpine. The high-quality habitats in the Colville River Delta have long been recognized for their unique value. The Colville River drains nearly one-third of the North Slope and the United States Fish and Wildlife Service (USFWS) has identified the Delta as the largest and most productive river delta in northern Alaska. The EPA has identified the Colville delta as an Aquatic Resource of National Importance.

After careful review, the Alaska District of the Army Corps of Engineers (Corps) concluded that the Conoco project proposal was not the "least environmentally damaging alternative" (or LEDPA) as required by the Clean Water Act. The Corps found that there are other, less damaging project design alternatives that would accomplish the purpose of accessing the CD-5 site to produce oil. These alternatives include a roadless alternative with a pipeline under the Nigliq channel using horizontal directional drilling (HDD) which the Corps has identified as feasible and practicable.

The administrative record before the Corps reflects a long history of opposition to Conoco's proposed project design by both the EPA and the U.S. Fish and Wildlife Service (USFWS).

It should also be noted, as recently reported by the *Wall Street Journal*, that the CD-5 permit denial was "a rare step by the Alaska district engineer, who has denied just two of nearly 3,000 permit applications, including the Conoco proposal, since he took command in June 2009."¹⁶

The Colville River Delta provides habitat for nearly 80 species of birds and is within the range of three species listed as threatened under the Endangered Species Act (Spectacled eider, Steller's eider, and polar bear), is an area used by another Endangered Species Act candidate species (Yellow-billed loon), and the Delta provides important habitat for hundreds of thousands of migratory shorebirds. In addition, the Colville River Delta has been designated an Important Bird Area (IBA) of Continental Significance and the area contains approximately 70 percent of the fish overwintering habitat on the North Slope. Spotted seal and beluga whale are known to seasonally occur in the Nigliq channel.

Of particular note are concerns about the impact a permanent road would have on the Colville River Delta surface flow hydrology that is essential to the long-term health and productivity of the Colville River Delta. Construction of a road would disrupt this surface flow which is vital to the long-term maintenance and health of the Delta's habitat.

The proposed bridge and suspended pipeline also present the risk of a catastrophic spill. The Nigliq channel can carry significant discharge volumes (most of the flow) when an ice jam occurs in the main channel during breakup. If even a relatively minor leak in the pipeline should occur concomitant with a seasonal flood event the potential for a major spill exists. While an HDD alternative is not without

¹³ <http://alaska.conocophillips.com/EN/about/operations/Pages/index.aspx> (emphasis added)

¹⁴ http://www.conocophillips.com/EN/about/worldwide_ops/country/north_america/pages/alaska.aspx (emphasis added)

¹⁵ Letter from M. Combes, Environmental Protection Agency to Col. K. Wilson, United States Army Corps of Engineers, dated June 9, 2009.

¹⁶ <http://online.wsj.com/article/SB10001424052702304563104576357800795837470.html> "Bureaucratic Rift Stalls Alaska Well", *Wall Street Journal* (June 2, 2011)

risk, proper design, maintenance and monitoring can limit the risk of leaks. An under-channel pipe would not be vulnerable to a complete catastrophic failure.

Another concern about the Conoco proposal is that the road would allow the Colville River Delta to become the main staging area for future development in the NPRA. Industrialization of the Delta is a long-anticipated concern of itself—further wetlands fill, additional laydown pad, facility construction, loss of habitat, disruptive operations, traffic, etc.—and the fundamental reason for inclusion of the roadless development stipulation. As the CD-5 project is proposed, Conoco would create an operations center for future development of the eastern NPRA in the center of the most hydrologically active and resource rich river delta in Alaska's arctic.

Consistent with the Clean Water Act, the Corps determined that there are other practicable alternatives that meet the need of the project—to transport hydrocarbons from CD-5 back to the Alpine for processing—that would have less adverse impact on the aquatic ecosystem.¹⁷

When the Alpine project was first developed there were many representations, as reflected to this day on Conoco-Philips' website, about roadless development. The CD-5 proposal now being advanced contradicts that commitment. As articulated in comments by the EPA in correspondence to the Corps dated June 9, 2009 regarding the Conoco's proposal:

As you are aware, EPA is not opposed to continued exploration and development of oil and gas resources in the NPR-A. EPA is firm in our understanding that this can occur in a reasonable manner through the construction of alternatives that are the least environmentally damaging. During EPA's evaluation of the applicant's previous proposal EPA found a road-less alternative to be the least environmentally damaging practicable alternative (LEDPA). . . EPA believes there are practicable alternatives that do not involve a bridge and road crossing of the Nigliq Channel and CRD [Colville River Delta] that have less adverse effect on the aquatic environment. . . [A]n alternative that includes use of the existing airstrip in Nuiqsut, development of a "Nuiqsut hub" for logistical operations with road access to CD-5 drill site via the proposed Kuukpik spur road, and HDD of the pipeline under the Nigliq Channel warrants a detailed analysis.¹⁸

Many of the foreseeable impacts that would follow from approval of a permanent road, bridge and elevated pipeline would be avoided with an alternative road configuration using and developing infrastructure at and around Nuiqsut. A more complete analysis of the Nuiqsut Operations Center (NOC) alternative is needed. This alternative has never been given detailed analysis by the BLM. In the 2004 Alpine FEIS process, the NOC alternative was regarded as not "economically viable" and eliminated from detailed consideration.¹⁹

Since the time the Alpine Final EIS was completed, the price of oil has more than doubled and oil company profits have soared. Substantive consideration of the NOC alternative is especially relevant because of the Memorandum of Agreement between Conoco and Kuukpik Corporation that calls for the construction of a new road that will connect Nuiqsut and the CD-5 platform.

Written comments jointly prepared by the Kuukpik Corporation, the Native Village of Nuiqsut and the City of Nuiqsut express clear support for expansion of oil field support services in the Nuiqsut area so that the community can develop "as the main hub supporting future oil and gas activities in NPR-A"²⁰ providing a competitive advantage to Nuiqsut-based businesses and generating local employment opportunities. These comments note that expanded use of the existing Nuiqsut airport and "[s]hifting air traffic out of the far more sensitive wildlife habitat of the Delta to the already developed area around Nuiqsut would be very beneficial."²¹

The history of oil development on the North Slope has been one of incremental industrial sprawl. The Clean Water Act appropriately requires that the least environmentally damaging practicable alternative be identified.

The ultimate decision on how the CD-5 project proceeds will provide an important measure of whether the promise for responsible development is kept.

"The National Petroleum Reserve Alaska Access Act"

¹⁷U.S. Army Corps of Engineers denies permit application for CD-5 drill pad". U.S. Army Corps of Engineers, Alaska District Public Affairs Office, Press Release No. 10-02 (February 5, 2010)

¹⁸Letter from M. Combes, Environmental Protection Agency to Col. K. Wilson, United States Army Corps of Engineers, dated June 9, 2009.

¹⁹Alpine Satellite Development Plan Final EIS <http://www.blm.gov/eis/AK/alpine/eisdoc/final/07sec02.pdf> Section 2.6.8 (September 2004)

²⁰Kuukpik Corp., Native Village of Nuiqsut and City of Nuiqsut to U.S. Army Corps of Engineers, letter dated July 21, 2009.

²¹Ibid.

There are several elements to the draft legislative proposal under review by the Subcommittee (H.R. ____ “The National Petroleum Reserve Alaska Access Act”). These include provisions that would:

- enact a fundamental change to existing policy and law in the NPRPA that would undermine the requirement for balance that Congress has appropriately established in law for management of the NPRA, the nation’s single largest land management unit;
- compel oil and gas leasing in areas irrespective of their exceptional biological value or sensitivity;
- establish arbitrary fixed timelines for permit decisions and other authorizations regardless of their complexity;
- require the Department of the Interior to engage in extensive and wasteful planning about speculative rights of way in the NPRA; and
- require the Department of the Interior to undertake a redundant study of hydrocarbon resources within the NPRA after having just recently completed such an analysis.

For all of the reasons discussed above, Audubon does not believe the provisions of this draft legislative proposal are either necessary or beneficial and would urge the Subcommittee to defer further action on the proposal.

Conclusion

1. **Balance:** Under current law, the Congress has appropriately recognized that the NPRA contains more than just potential hydrocarbons, including extraordinary surface values of national significance. Congress has properly required that oil and gas development in the NPRA should proceed in a manner that balances energy development with other public interests in the protection and conservation of the NPRA’s special areas and exceptional biological resources.
2. **Leasing & Oil Potential:** The BLM has diligently undertaken a leasing and exploration program, as directed by Congress, having held numerous oil and gas sales, leased more than 6.8 million acres (an area the size of Massachusetts) and overseen seismic survey work and exploration as intended by Congress. The NPRA will undoubtedly make a future contribution to the Nation’s oil supply but only in modest quantity. Seismic and drilling results have shown that the NPRA is largely a gas province with relatively little oil development potential.
3. **Protection of Special Areas:** With enactment of the NPRPA, Congress explicitly called for the protection of special areas in the NPRA, specifically identified the Teshekpuk Lake and the Utukok River Upland areas as well as recognized that other areas with important surface values should also be identified and protected. Over time, recognition of the need to conserve the exceptional biological areas in the NPRA has been embraced by both Democratic and Republican administrations.

Finally, it should again be noted that Audubon recognizes that there will be future oil development in the NPRA. As future development proceeds there are important issues of national interest regarding where and how that development is undertaken.

In the NPRA, the nation’s largest land management unit, Audubon believes there is both room as well as need to balance future development with strong protection of special areas and extraordinary biological values.

Mr. LAMBORN. OK, thank you. And I want to thank all of you for your testimony. You have come great distances to be here, and we appreciate that.

I would like to ask my first question to Mr. Sharp. In your testimony you mentioned that you observed a large amount of spinoff jobs that are created by expanding energy development. Can you elaborate on what exactly these kinds of spinoff jobs are? That is the first part of my question.

And second, will expanding energy development indirectly help the rest of the country, as well? Mr. Sharp.

Mr. SHARP. Thank you. I guess it would be the same answer of both. In other words, those jobs that would be created would impact immediately the Lower 48, in terms of supply, in terms of

foundries, the potential for steel, manufacturing of all oilfield supplies. It would be, it would be huge in the Lower 48, much like we have seen in the past. If you look at these suppliers for Prudhoe Bay right now, they are, more often than not, American-made products, and you would just be seeing more and more of those things—whether from Texas, whether from the foundries of Ohio, or throughout the United States.

Mr. LAMBORN. Thank you, Mr. Balash—I hope I have pronounced that correctly—like other oil-producing regions, in some Alaskan communities, the oil and gas industry is the lifeblood. These jobs are high-paying, and according to the American Petroleum Institute, there are over 43,000 jobs in Alaska supported by the oil and gas industry.

Can you tell me about the different opportunities for people between having a robust oil and gas industry, or the other kinds of employment opportunities that are available apart from the energy sector?

Mr. BALASH. Thank you, Mr. Chairman. As you noted, the number of jobs supported by the energy industry in Alaska are particularly high-paying. They are able to support very solid elements and pillars within the community, both in terms of gainful employment, but also in terms of social contributions by those employees that can afford to participate in the larger community activities.

Aside from energy, we have primarily seasonal and service-based opportunities. The commercial fishing processing type of employment is periodic and intermittent. Construction also varies with the seasons, and the types of other employment opportunities in Alaska are few and far between. Mining is one bright spot in addition to energy.

And so these opportunities for projects to occur are incredibly important to the State as a whole, but especially, and in particular, to the communities in question on the North Slope, as you move farther west and east, and become closer to proximity of the local villages.

Mr. LAMBORN. All right, thank you, Commissioner. Mr. Myers, there are two wildlife refuges in the Lower 48, the Rainey Wildlife Refuge in Louisiana and the Bakers Sanctuary in Michigan. These are not petroleum reserves; these are wildlife refuges that are owned by your organization. And they allow oil and gas development, or have in the past.

If oil and gas development is good enough for these two areas, why isn't it good enough in Alaska, which is what we are talking about—a petroleum reserve?

Mr. MYERS. Mr. Chairman, as I said earlier, Audubon is not opposed to oil and gas development; it is a question of where, and under what circumstances. And in the case of the, I am not familiar with the second property you mentioned, but in the case of Rainey Sanctuary, there was divided, the state interest, and Audubon inherited a surface state interest. And there was some production; there is no production now. And I don't believe there is any further intention of production on that property.

But the question fundamentally is not whether there should be oil and gas development; it is a question of where and how. In the case of the National Petroleum Reserve, the NPRA, under the Fed-

eral law that was enacted in 1976, Congress itself took great care to acknowledge that the NPRA included far more than just petroleum resources.

And so the position that I have tried to identify today is not that there is categorical opposition to oil and gas development, but it is a question of how you go about it. And if there is enough room in such a large landscape to ensure that there is protection, as well as production.

Mr. LAMBORN. OK, thank you. Now I will recognize Ranking Member Holt.

Mr. HOLT. Thank you, Mr. Chairman. A question for Mr. Balash and Mr. Drevna. What is the pronunciation of your name? I am sorry, Balash?

Mr. BALASH. Balash, thank you.

Mr. HOLT. Balash, I beg your pardon. About three quarters of the leased acres in NPRA have been either relinquished or allowed to expire over the last few decades. And in fact, they are being relinquished at a greater and greater rate, so that this year 60 leases have been relinquished. Why do you think that is? I would like to ask each of you for a short answer, please.

Mr. BALASH. Ranking Member Holt, I am aware of one company in particular who is going through the process of plugging and abandoning a known discovery. That is FEX Alaska. They have a known discovery in the western part of NPRA, the closest discovery to Barrow that has been found to date.

As their company has changed leadership, they have redirected their corporate approach. They put that property up for sale prior to engaging in these P and A activities, and found no buyers. The distance and the regulatory gauntlet that has to be run to transport that discovered oil resource from the western central part of NPRA to the east, and tying into the existing infrastructure at Prudhoe Bay, is daunting.

Mr. HOLT. Given the amount of oil they would expect to get there. Is that right, Mr. Drevna?

Mr. DREVNA. Sorry, I can't comment on the exact amount of oil. What I can comment on is, it is very difficult to have a short answer to a very complex question.

The process of obtaining a lease—getting the permits, developing the lease, and trying to really determine if there are economically recoverable quantities of oil and natural gas—is not an overnight proposition. It is not like leasing an apartment.

So there are leases that are gained and returned all the time. The point we are trying to make is that, if we don't get a process that has—

Mr. HOLT. But Mr. Drevna, 76 percent of the leases have been relinquished or abandoned. Companies make hard-headed decisions and we in policy circles shouldn't live in a world of wishful thinking any more than a hard-headed business does.

The fact is that the recoverable oil there hasn't become real, and companies are deciding that it is just not worth it. That seems pretty apparent.

Mr. DREVNA. Would you like me to respond to that, sir?

Mr. HOLT. Well, in just a moment. We have here the gas pipeline project. Mr. Sharp, I am always looking forward to good jobs for

hard-working people. This would have been the largest private construction project in history. But it is abandoned for hard-headed decisions, when you look at what will be available.

So you know, no companies are asking the BLM for permits to build pipelines or roads. There are none pending with the Department. So let me ask Mr. Myers, isn't this really just about economics?

Mr. MYERS. The industry's on-the-ground action certainly reinforces the conclusions that are reflected in the USGS analysis, that the NPRA is not likely to provide the bonanza of oil that it once was thought to.

In the past several years, the industry has relinquished or allowed to expire about three quarters of the tract. I think an important point is that the BLM has engaged in an aggressive leasing program consistent with its mandates under the Naval Petroleum Reserves Production Act. There has been exploration wells drilled, but that basically what they have found is that it is a gas province, rather than oil province, and there is no market for gas.

Mr. HOLT. Well, my time has expired. But of course, what this bill does, then, is ask the BLM, or the USGS rather, to do another survey because they didn't like the answer of the last one, which is just not there in the numbers that some might wish it would be. Thank you.

Mr. LAMBORN. Thank you, Mr. Holt. Thank you. I would like to now recognize the Chairman, Representative Hastings.

Mr. HASTINGS. Mr. Lamborn. Mr. Drevna, you attempted to respond to an observation that was just made. Would you go ahead and respond?

Mr. DREVNA. Thank you, sir, Mr. Chairman. Again, the leasing process is one that is very complicated. If you look at the history of leasing throughout, whether it is oil, coal, gas, it is a process of prospecting. You have to make those hard-headed decisions you mentioned, Ranking Member Holt, about where to go, where to drill, how to drill.

And then when you throw on top of that the delays, the interminable delays that companies see in getting the necessary permits. It reminds me of the old Yogi Berraism: No one goes to that restaurant anymore; it is too crowded. It is just that it is not worth the time and effort for these companies.

Our members have told us that until we get a process up there that really streamlines things and allows us to go in and develop and process, these leases are not going to be forthcoming. That is the bottom line.

Mr. HASTINGS. Let me follow up on that, because in my opening statement I made reference to the pipeline, and made reference to the fact that it is at about half its capacity. The intent of this legislation is to have some certainty in connecting to that pipeline, and I think that is a very, very important part of how you are going to develop these resources up here.

So I would like to ask Mr. Balash, Mr. Drevna, and Mr. Sharp, an open-ended question. If we don't start producing up there, whether we are talking about the Reserve or whether we are talking about Beaufort or Chukchi, or even ANWR, to the west, and that pipeline does not have the capacity to continue on, what are

the consequences, with the economy and jobs in Alaska? And Mr. Balash, I will start with you.

Mr. BALASH. Well, from a state perspective, being a little bit parochial, Alaska quite simply would be devastated economically. Oil provides 85 percent of the revenue that funds our state government. We are a top-heavy state; most of the revenue is collected at the state level, and redistributed to our communities for education, K-12, university, and health programs.

Without TAPS, without oil revenue coming into our state Treasuries, it would be a total collapse.

Mr. HASTINGS. Mr. Drevna.

Mr. DREVNA. Expanding, going farther south, and starting in Washington and going down the coast all the way to Arizona, they are very, very dependent on the Alaska reserves. What we have seen over the past years now is we have seen, I think, as you mentioned, Mr. Chairman, at a peak, about 2.1 million barrels a day heading south to fuel the refineries along the West Coast. Now it is about 655,000 barrels a day.

From what the engineers tell us, that is unsustainable. What we are seeing now—besides the potential devastation to the pipeline, which is a very, very dire situation, as was just mentioned—we are getting colder oil now, and in order to process that oil, we have to heat it because it is not being heated because the pipeline is not being used to capacity.

Now, if you will allow me to go on a little farther.

Mr. HASTINGS. Well, real quickly, because I want Mr. Sharp to respond to that.

Mr. DREVNA. OK. That is the impact on the pipeline. The impact on the domestic refineries and jobs is going to be, if we are not going to get it from Alaska—and we are not going to—and California is not going to allow Canadian oil sands soon, where are we going to get it from?

We are either going to get it continually from foreign nations, Russia and other OPEC countries, or we are going to ship Canadian crude to China and the Pacific Rim, have it refined there, and sent back to the United States.

Mr. HASTINGS. Right. Mr. Sharp.

Mr. SHARP. Yes. It is not a matter of what would, it is happening right now.

In Fairbanks, the energy prices are so cost-prohibitive, people are literally leaving the state, leaving Fairbanks in particular. It is interesting to me, Mr. Holt's talk of all this gas. We are coming out of the ground with a training and apprenticeship school right now. I can't get gas to heat and fuel my training school. I live in Alaska; it doesn't make any sense.

But yes, it would be devastating to the economy. It would, it would change the face of Alaska as we know it, and not in a good way.

Mr. HASTINGS. I just want to make an observation before my time runs out. It appears to me, after my trip up there and listening to a number of people testify on this issue, I quite frankly see a back-door effort to starve the pipeline. Once you starve the pipeline, you take away all that potential up there.

I just think the focus needs to be, and I think all of you up there, especially that are impacted, need to focus on how important it is to keep that pipeline full. Because without that pipeline, all of what we are talking about in the future, even from a national security standpoint, which you alluded to, Mr. Drevna, is at risk.

So thank you very much, Mr. Chairman.

Mr. LAMBORN. All right, thank you. Mr. Fleming.

Mr. FLEMING. Thank you, Mr. Chairman. Gentlemen, I am from Louisiana. And you know, of course, it is legendary now, the problems we have had with the oil spill and so forth. And as you know, we started out with a moratorium; then we had a de facto moratorium, then a peritorium, and now we have a slowatorium.

It is obvious that the Administration is doing everything it can to throw a monkey wrench into the gears, to slow things down, do whatever it can to be sure that we reduce our energy production in this country.

Now, why, I don't quite understand, but that is obvious. I am hearing the same sort of testimony here today that this is going on in Alaska as well.

Now, to address a point here before I get to a question. The statement is made by the other side time and time again that there are less oil reserves in the United States, and that production is going up. That is exactly opposite to the truth.

For instance, offshore drilling in the United States, production has dropped from 1.7 million barrels a day to 1.59 million barrels a day, and going down. Their permit process is way off of what it has traditionally been. So we don't know where the bottom is going to be in this fall-off of production.

Having said that, the USGS says that the United States now has more oil reserves than any country in the world: 1.3 trillion barrels equivalent, when you get to coal, natural gas, and oil; and, of course, in my district alone, there is the Hainesville Shale, which has the largest natural gas deposit in North America, the fourth largest in the world. We didn't know it existed five years ago.

So the elephant in the room here, gentlemen and members of the Committee, is that the Administration flatly wants to reduce oil production, to the benefit of so-called alternative forms of energy, which do not make sense in the marketplace. They still are not technologically where they need to be, and this creates a conundrum that we are talking about today.

So I will quickly get to my question. Mr. Drevna, in your testimony you discussed the importance that Alaskan crude plays for West Coast refiners. You also point out that these refineries import about 50 percent of their crude product from overseas.

However, if the Trans-Alaska Pipeline were to shut down in 2010, they would have imported over 73 percent of their crude product, over 70 percent of this from OPEC nations.

Do you have an estimate of how many Americans are employed at these refineries?

Mr. DREVNA. Yes, sir. I believe that currently we have about 16 to 17,000 direct, on-the-payroll employees in refineries up and down the Coast. But when you take into consideration the jobs that those jobs generate, as Tim had mentioned earlier, you are talking

anywhere up to the 200- to 240,000 jobs. Which I would suggest is significant. Good high-paying jobs.

Mr. FLEMING. Yes, that was going to be my followup point. The petroleum sector jobs are wonderful; I mean, even the entry-level jobs are much better than the average job out there. So we are talking about excellent jobs, and benefits that would go with them.

Can you explain to the Committee what the result would be if Alaskan crude supply continues to diminish?

Mr. DREVNA. Well, as I mentioned before to the Chairman, if it continues to diminish and as the pipeline goes away, then what are we going to feed those West Coast refineries with?

In California right now you have a low-carbon fuel standard that says you can't use the Canadian crudes. Well, those Canadian crudes are going to be used. If they are not used in the United States, they are going to be used elsewhere. The rest of it is going to have to come from foreign sources.

And that is if the situation were to continue where we would get the crude from the foreign sources, but after a while the logical, or illogical conclusion, as one might suggest, would be that it would be much more efficient and less expensive to actually refine the product overseas, and bring it to the United States. Thus putting those 240,000 jobs at severe risk.

Mr. FLEMING. So what we are looking at is continued loss of jobs in a terrible job market today we have in this country, higher and higher energy prices, more and more dependency on foreign sources of oil. At our peak, we were at 60 percent self-dependent, now we are 30 percent self-dependent, or 60 percent dependent on other sources; and it looks like it is going to continue to go down.

Yet we have more conventional forms of energy than any country in the world. It makes absolutely no sense to me, Mr. Chairman. I thank you, and I yield back.

Mr. LAMBORN. All right, thank you. Mr. Duncan. Excuse me, Mr. Young. I am sorry.

Mr. YOUNG. Thank you. This is an interesting hearing. I have reviewed this bill, and I highly support it. But I hope, Mr. Chairman, we add to it.

You heard the Senator say something about permits. I am just curious about, they talk about having lease sales in Pet 4. We had two of them in 2010. There have been 100 of them in inactive leases that have been relinquished, and there have been 11 of them expired. That is because of the 10-year rule.

Now, Mr. Holt keeps saying well, there is no oil there. They have done no 3-D work, is that correct? Does anybody know, Mr. Balash? Did they do any 3-D work?

Mr. BALASH. Mr. Congressman, limited 3-D seismic work has been done.

Mr. YOUNG. But was the State involved in this?

Mr. BALASH. We have been supporting exploration through credits on the production taxes.

Mr. YOUNG. My point is, the DOI report went from 10 billion to 2 billion.

Mr. BALASH. Mr. Congressman, I believe that is a self-fulfilling prophecy that has occurred; that the most prospective areas of NPRA were deferred from leasing and drilling activities.

Mr. YOUNG. That is what I—

Mr. BALASH. The 2010 assessment was based on the wells that had been drilled in the last decade, which were in the least prospective areas of NPRA for oil.

Mr. YOUNG. That is what I asked the question for. Because this has not been explored. The leases that were given were relinquished because they couldn't drill, and it is expensive oil. It is a long way away from the pipeline. Until we have a big pool, you can't afford to put the infrastructure in to do it. That is our biggest challenge.

We can go all to the pipeline, I think the gentleman, Mr. Hastings, mentioned the fact, Mr. Audubon Society and Sierra Club and Defenders of the Earth, you are all trying to take and strangle the pipeline. What the members of this Committee don't realize, if the pipeline shuts down, it has to be pulled up. That is what they are trying to do. They are trying to starve the pipeline, and there is no doubt about that in my mind.

This is to be drilled. I hope this Committee will take and pass out ANWR; if you don't want to drill in PET-4, we will drill in ANWR. This isn't the last pristine area in Alaska; we have those priorities set aside, and now to say this is the habitat—and, by the way, I was up there last week. There were many, many, many geese right around the wells. Landing. Laying their eggs. The goslings were going to be out in about six weeks or less. So don't tell me it affects the birds; in fact, the birds are in better shape than they were before. They are not, in fact, being endangered and threatened. Those that don't believe me, go down to the golf courses around here.

VOICE. Mr. Young—

Mr. YOUNG. I didn't ask you a question.

VOICE. Could I—

Mr. YOUNG. I did not ask you a question. OK. Second, this area, you know, we have this idea of the bridge being set aside by the EPA, primarily. The EPA is what is the real snot on the handkerchief. This is really what it is.

Because they stopped the building of that bridge, and it is on Native land, Mr. Chairman. This is not Federal land. And if I get my way, I will make sure the EPA can't do anything to Native lands. We gave those lands to the Natives for their economic and social well-being. They have drilled wells on their land. And yet they can't build a bridge across Colville to expand their finds and their drilling. The cost of the state, too.

Mr. Sharp, you have a training school. How many people are you training for pipeline work?

Mr. SHARP. Congressman, we are training as many as the market allows us to put to work. Right now, that is not as many as we would like to see. We have 100 active apprentices in Local 942, probably the same in Local 341 in Anchorage. But it is very sporadic in terms of the ability to get them into the oilfield under the pipeline.

Mr. YOUNG. Is most of that work being done on maintenance? Or is it, are you training them to build pipelines, too?

Mr. SHARP. We are training both, Congressman.

Mr. YOUNG. Both of them. This has been one of the knocks on the industry, because there has been an awful lot of outside oil workers coming from, all due respect, Louisiana and other areas to Alaska, and then return.

How many jobs do you think the pipeline, and if we get PET-4 open, would be created?

Mr. SHARP. Congressman, I would not want to take a guess, except to say that right now just the legacy jobs alone in Prudhoe, the regular maintenance jobs are between 9 and 12,000.

When I worked on the Trans-Alaska Pipeline, my local union alone had 11,000 people, and that is from one of the four pipeline unions that are involved—not to mention all the building trades unions or the spinoff work. And the other work then would have to still be done, the regular construction projects. Congressman, it would be huge. I would like to, I would like to stay away from that question, because I know whatever answer I give it will be wrong. But it will be thousands and thousands and thousands of jobs.

Mr. YOUNG. I thank you. And I am running out of time, Mr. Chairman. Thank you.

Mr. LAMBORN. All right, thank you. And I hope we have kept everything in the correct order, those who were here at the opening gavel, in the order of seniority, and then everyone in order as they arrived afterwards. So Mr. Duncan.

Mr. DUNCAN OF SC. Thank you, Mr. Chairman. And I want to thank you for holding this hearing; it has been very informative. I appreciate the Chairman of the Committee issuing this piece of legislation.

I just wanted to say that the testimony today just proved what we already have heard over and over in this Committee, and that is that Alaskans want this. That Alaskans want more oil and natural gas leasing and sales in their state.

In fact, when I sat down with the former Speaker of the House from Alaska, she told me that a vote in the Alaska House of Representatives was 51 to one in favor of allowing leasing permits and drilling within the State of Alaska. I think Senator Murkowski confirmed that this morning. I have never heard it been used, the snot on the handkerchief, Mr. Young, but I like that. I am going to borrow that from you at some point in time.

But not only does Alaska want this, and Alaskans want this, but America needs this. We know this is the, the National Petroleum Reserve. I think the question isn't there whether the area has oil and natural gas.

And it is a time for this Administration to quit talking about meeting America's energy security needs, and actually start doing something about it.

And we are learning this morning about this area. But it strikes me as odd that no one from the other side of the aisle is taking the opportunity to listen to you guys, and understand what is going on in Alaska, and understanding that we do have the reserves there. We can tap those, we can access those with bridges and pipelines that are necessary.

And so again, I will say that it is time for the Administration to quit talking, and to start walking the walk, lessening our depend-

ence on Middle Eastern sources of energy controlled by a cartel, and start tapping American resources to meet our energy needs.

I don't have a question for you guys, because I have listened to the testimony today, and you are answering all the questions that I had. So I want to thank you for being here, and I want to commend you for pursuing this very vital time in American history for tapping American resources. So Mr. Chairman, I will yield back my time, because I know there are others that want questions.

Mr. LAMBORN. All right, thank you. And we are trying to finish before votes being called very, very soon. Mr. Landry.

Mr. LANDRY. Thank you, Mr. Chairman. I just want to thank Mr. Duncan, as well as you all, for expressing that. That is exactly, what he said is exactly the same point that I will have. And I won't try to repeat it, and I will try to be brief.

But I think what others on the other side of the aisle don't understand is that we don't know what is under the ground there until we have an opportunity to do proper 3-D seismograph, then do exploration wells.

I mean, look, they thought we were running out of natural gas. Well, it has gone, I mean, we have so much natural gas now, we are starting to export it. You know?

I wanted to tell you something, Mr. Sharp. I am with you. I want you and your people to go to work, and the only way we can go to work, the only way that we can feed this economy is through affordable energy.

The reason they are not over here is because they are embarrassed; because they know that you-all guys are right.

And Mr. Myers, I respect the Audubon Society, but you all are wrong. OK. I hunt on property next to the Audubon Society's pieces of property. That oil and gas production doesn't affect those birds one lick.

In fact, I am getting ready to have to leave here and go to a meeting with the head of an oil and gas company, who showed me pictures of his oil and gas rig that President Obama is going to require him to remove off the floor of the Gulf of Mexico, where he is going to be in violation of multiple laws for destroying some of the most exotic endangered coral in the world. OK?

Not only that, it is one of my favorite fishing spots. That is the kinds of things that you all have to realize you all are doing. Oil and gas exploration and conservation, and the protection of animals, go hand in hand.

Last weekend in the Gulf of Mexico I fished a tournament where they broke a record for the number of blue marlin caught, and they shattered the big-eye tuna Mississippi State record, and you all are going to tell me that the BP oil spill has destroyed the Gulf of Mexico. Please, please, please understand that we cannot move this economy and this country unless we provide Americans with affordable energy, and it starts with drilling out there in Alaska. Help these guys help you and your organization.

Thank you. Mr. Chairman, I yield back.

Mr. LAMBORN. All right, thank you. Mr. Flores.

Mr. FLORES. Thank you, Mr. Chairman. I was struck by the testimony of Mr. Balash. I wasn't here to hear it, but I did read it, and it is *deja vu* all over again. In 1973, what were we faced with? As

you said, it was high oil prices. We were faced with a moribund economy.

But we did something different back then. We approved the Trans-Alaska Pipeline. And here we are, in 2011, and we are facing the same situation. High oil prices, high gasoline prices, and a moribund economy. And we have people that would rather get our oil from the Middle East, and rather get our oil from Brazil, than grow the American economy with American oil, and create American jobs for Mr. Sharp.

I don't get it. We are going in the wrong direction in this country; but with this Act, we hopefully will turn this silliness around.

I do have a question for you, Mr. Balash. And then Mr. Sharp, I am going to try to get to you in just a second, if we can be brief.

Mr. Balash, could you tell me a little bit—and if this is a repeat question, I apologize for it, because I wasn't here before. What could we do in addition to this bill to better facilitate a more efficient and transparent permit processing structure with the Corps? Is there anything we need to do there?

Mr. BALASH. Thank you, Mr. Congressman. I think that the Corps is one of a handful of agencies involved in these permitting decisions. The legislation specifically calls out the Department of the Interior for action, but as we have come to understand the regulatory process in Alaska, there is an alphabet soup of agencies out there that we have to deal with. With different—

Mr. FLORES. Could I interrupt you? I mean, what would you recommend we do for this Act in order to help you with that alphabet soup? That is basically shutting down the entire U.S. economy every day.

Mr. BALASH. I would be happy to provide the Committee with a written summary of the specific agencies involved in most of these decisions. The Corps is a leading actor because of the wetlands issues, and the Fish and Wildlife Service as well. Those would be the two primary agencies to deal with.

Mr. FLORES. If you would send that to us as quickly as possible, I would appreciate it.

Mr. Sharp, I think you were passed over on a question a minute ago that Mr. Holt asked, and I think you might have an answer for this. Can you tell us how the pace of permitting is impacting jobs and your constituents?

Mr. SHARP. Yes, sir. It is, it is impossible for oil companies, it is a closed-for-business message. Because the oil companies not only have to get over the initial permitting—the lease, then the permitting. At the end of the day, Shell Oil right now is held up on a project that they invested in years ago. Millions of dollars a month are being spent, and they are held up on the permits.

It generates downstream very quickly to nobody going to work. We have a membership of about 13- to 1400 in Fairbanks; I have 500 people working. Everybody needs their job. So it is, I understand why the oil companies aren't going after the leases, because of all the hurdles that they have to do to get it from lease to market, in a reasonable time on their investment.

Mr. FLORES. Thank you. Mr. Myers, I just want to let you know I have been to the North Slope. I have driven the Haul Road, and

the allegations that are being made about these types of activities by your organizations and your affiliates are absolutely incorrect.

Mr. Chairman, thank you. I yield back.

Mr. HASTINGS. Could I respond to that?

Mr. FLORES. I will yield to Mr. Hastings.

Mr. HASTINGS. I appreciate your yielding, and I am going to make an announcement. The Department of the Interior just put out a news release that is embargoed until 11:30; I am about three minutes early on this. I hope the Department of the Interior will forgive me for that.

But I just want to mention that they have announced that they are going to expedite lease sales in the National Petroleum Reserve Alaska. Now, I want to make two observations in that regard.

Perhaps these hearings and exposing what is going on is accelerating the Administration to move. In that case, I am very pleased with that.

But second, what I think it probably does more than anything else is it talks about the importance of moving this piece of legislation. Because if you are going to accelerate leases, you are going to have to have infrastructure if, in fact, there are product there to move. So those two things I just want to make, and I hope the Department forgives me for being two or three minutes early on this.

So I thank the gentleman for yielding. I yield back.

Mr. LAMBORN. All right, thank you all. That concludes the questions for this panel of witnesses. Thank you all for being here.

Like all witnesses, your written testimony will appear in full in the hearing record. I would ask that if anyone has any further questions to you, that they submit to you in writing, that you would respond to those. And they will need to get those questions to you by the end of business today? Is that correct? Within 10 days.

So thank you for the thousands and thousands of miles you have traveled to be here, and for your testimony.

We will now have our next panel come up. I would like to invite forward the Hon. Mike Pool, Deputy Director of the Bureau of Land Management within the U.S. Department of the Interior.

Like all of our witnesses, your written testimony will appear in full in the hearing record, so I ask that you keep your oral comments to five minutes, as outlined in our invitation letter and under Committee Rules.

Our microphones are not automatic, so you have to press the button to be able to talk and be heard. And at four minutes a yellow light will come on, and a red light will come on at five minutes.

Thank you for being here, and we appreciate your testimony.

**STATEMENT OF HON. MIKE POOL, DEPUTY DIRECTOR,
BUREAU OF LAND MANAGEMENT, U.S. DEPARTMENT OF THE
INTERIOR**

Mr. POOL. Thank you, Mr. Chairman. And thank you for the opportunity to discuss H.R. 2150, the National Petroleum Reserve Alaska Access Act. The bill directs the Department of the Interior to continue a program of competitive oil and gas leasing in the NPRA, and to update the NPRA Fossil Fuel Resource Assessment.

With me today is Douglas Duncan. He is the Associate Coordinator for the Energy Resources Program at U.S. Geological Survey. Mr. Duncan is available to respond to any questions on the resource assessment portion of the bill.

On May 14, 2011, as part of an effort to increase safe and responsible domestic oil production, President Obama directed the Secretary of the Interior to conduct annual oil and gas lease sales in the NPRA, and Secretary Salazar has affirmed this commitment.

The Department supports the goal of facilitating the development of oil and gas resources in the NPRA in an environmentally responsible manner.

In 1923, President Harding signed an Executive Order establishing the Naval Petroleum Reserve on the North Slope of Alaska. The U.S. Navy conducted the first modern oil exploration program of the area from 1944 to 1953. The Naval Petroleum Reserve's Production Act of 1976 transferred responsibility to the Department of the Interior.

In 1980 Congress directed the Department to conduct an expeditious program of competitive oil and gas leasing in the Reserve. Since 1999, BLM has offered six lease sales in NPRA, and over 1.6 million acres are currently under lease in the area. BLM plans to conduct a lease sale in December of 2011, and in 2012, and each year thereafter.

The BLM is required to balance the exploration and development of oil and gas resources with other values, including the protection of wildlife habitat and the subsistence values of rural residents and Alaska natives.

We accomplish this on the nearly 23-million-acre NPRA through a careful planning process, which includes public input.

The U.S. Geological Survey has also studied the area. USGS resources assessment report was updated in October 2010; and in 2011, the USGS released its assessment of the economic recoverability of undiscovered conventional oil and gas resources within the NPRA.

Facilitating responsible development in the NPRA poses unique challenges. The potential environmental and public health impacts of production, exploration, and development can be more difficult to ascertain, given the often harsh conditions of the area. As a result, planning and exploration activities can take longer than other areas of the United States.

The Administration remains firmly committed, however, to facilitate development in the region.

The Department has concerns with the leasing and authorization provisions of H.R. 2150. The bill's provisions requiring leasing in areas of NPRA most likely to produce commercial quantities of oil and gas may conflict with decisions reached through the BLM's carefully conducted public land planning process.

The Department has additional concerns, including the requirement that the Secretary consult with the Department of Transportation on all surface disturbance, rather than only major roads and pipelines; the requirement that the Secretary must ensure that other Federal permitting agencies comply with the deadlines set forth in the bill; and the implication that all requested permits

must be issued—regardless of the availability of alternatives or the actions of potential impacts.

In addition, the Department is concerned that the timelines required by the bill may not be compatible with the public involvement comments and review requirements of other laws, including the Environmental Policy Act. Also of concern is the suggestion that the Department must preapprove rights-of-way on millions of acres of lands that industry may never seek to develop. If enacted, these requirements would likely divert BLM resources, and result in delay of further development of NPRA resources in an environmentally responsible manner.

Finally, the BLM's existing regulations already establish timelines for appropriate authorizations and require prompt notification of any delays.

The BLM's leasing program in the NPRA ensures that safe and responsible exploration and development of domestic oil and natural gas resources can be done in a manner that protects wildlife and habitat, and honors the subsistence values of rural residents and Alaska natives.

We welcome the opportunity to work with the Committee, the oil and gas industry, the Alaska Native community, and the public to continue to develop NPRA in an environmentally responsible manner.

Thank you for the opportunity to present the views of the Department on H.R. 2150. I would be glad to answer any questions. [The prepared statement of Mr. Pool follows:]

**Statement of Mike Pool, Deputy Director, Bureau of Land Management,
U.S. Department of the Interior**

Thank you for the opportunity to discuss H.R. 2150, the National Petroleum Reserve Alaska Access Act. The bill directs the Department of the Interior to continue a program of competitive oil and gas leasing in the National Petroleum Reserve in Alaska (NPR-A). The Department supports the goal of facilitating the development of oil and gas resources in the NPR-A in an environmentally responsible manner. On May 14, 2011, as part of an effort to increase safe and responsible domestic oil production, President Obama directed the Secretary of the Interior to conduct annual oil and gas lease sales in the NPR-A, and Secretary Salazar has affirmed this commitment.

Many of the activities called for in H.R. 2150 are within the scope of existing Department authorities and consistent with our priorities and activities already underway. Under these authorities, 191 tracts are currently leased by the Bureau of Land Management (BLM) in the NPR-A with a leased acreage of over 1.6 million acres. We would like to work with the Committee to move toward our shared goal of improving the efficiency of the oil and gas leasing and development process while maintaining safety and environmental standards in the NPR-A.

Background

In 1923, President Harding signed an executive order establishing the Naval Petroleum Reserve Number 4, on the North Slope of Alaska. The Order reserved to the Navy all oil and gas resources within the Reserve, and prohibited private production from all areas not then covered by a valid entry, lease or application. The U.S. Navy conducted the first modern oil exploration program of the area from 1944 to 1953. The Naval Petroleum Reserves Production Act of 1976 renamed the area the National Petroleum Reserve in Alaska, and transferred authority and administrative responsibility to the Department of the Interior. The Act directed the Department to commence further exploration of the Reserve, but prohibited petroleum production, and all developments leading to production of petroleum, from the Reserve. In 1980, an appropriations enactment superseded the prohibition on the production, and directed the Department to conduct an expeditious program of competitive oil and gas leasing in the Reserve. Under subsequent amendments to the Naval Petroleum Reserves Production Act of 1976, and implementing regulations, the BLM

is required to balance the exploration and development of oil and gas resources with, among other values, the protection of wildlife, habitat, and the subsistence values of rural residents and Alaska Natives.

The BLM manages nearly 23 million acres in the NPR–A. In 2004, the BLM completed planning for 8.8 million acres in the Northwest NPR–A Integrated Activity Plan/Environmental Impact Statement (IAP/EIS). The BLM completed the 4.6 million acre Northeast NPR–A Supplemental IAP/EIS in 2008 with the assistance of the North Slope Borough as a cooperating agency. In 2010, the BLM moved to establish consistent management direction for the entire NPR–A, including the unplanned southern portion of the Reserve, through an Integrated Activity Plan/Environmental Impact Statement. A Draft IAP/EIS is planned for May of 2012.

Through a careful planning process which includes public input, the BLM has in place an active leasing program in the NPR–A, under which lease sales have been offered in 1999, 2002, 2004, 2006, 2008, and 2010. Over 1.6 million acres are currently under lease in the NPR–A. In December, 2011, the BLM plans to conduct a lease sale of tracts. The BLM also plans to hold a lease sale in 2012 and each year thereafter.

The U.S. Geological Survey (USGS) also has studied the area. A USGS report from October 2010 entitled “Petroleum Resource Assessment of the National Petroleum Reserve in Alaska,” found an estimated 896 million barrels of conventional, technically recoverable oil and 53 trillion cubic feet of conventional, undiscovered gas within NPR–A and adjacent state waters. In 2011, the USGS released its assessment of the economic recoverability of undiscovered, conventional oil and gas resources within the NPR–A and adjacent state waters. This new analysis estimates that approximately 350 to 500 million barrels of undiscovered oil are economically recoverable at \$90 per barrel. Additional studies are ongoing.

It should be noted that facilitating responsible development in Alaska, including in the NPR–A, poses unique challenges. The potential environmental and public health impacts of production, and exploration and development can be more difficult to ascertain given the often-harsh conditions of the area. As a result, planning and exploration activities can take longer than in other areas of the U.S. The Administration remains firmly committed, however, to facilitating environmentally responsible development in this region.

H.R. 2150/Leasing & Authorizations

H.R. 2150 directs the Department (BLM) to continue a program of competitive oil and gas leasing in the NPR–A, and to facilitate permitting of drilling and surface development activities in an environmentally responsible manner. The bill specifically requires the Department to conduct at least one lease sale annually from 2011 through 2021 in those areas of the reserve most likely to produce commercial quantities of oil and natural gas (Sec. 3). As noted above, the Administration supports annual lease sales in the NPR–A and has committed to holding them, while respecting environmentally sensitive areas. Efforts to begin this annual lease sale are already underway with existing authorities.

The bill requires the Secretary of the Interior to consult with the Department of Transportation (DOT) for all surface development activities; to ensure that other federal agencies meet specific timelines for issuing appropriate authorizations; and to submit a plan for approval of potential rights-of-way on an area covering nearly 23 million acres (Sec. 4). Also, the bill requires the Secretary to promulgate regulations which establish deadlines and sets forth specific actions the Department must take if deadlines are not met (Sec. 5).

The Department has concerns with the leasing and authorization provisions in H.R. 2150. For example, the bill’s provisions requiring leasing in areas of NPR–A most likely to produce commercial quantities of oil and natural gas may conflict with decisions reached through the BLM’s careful public land-use planning process. These decisions balance protection of wildlife, habitat, and subsistence values with oil and gas exploration and development.

The Department has additional concerns with the bill, including:

- the requirement that the Secretary consult with the DOT on all surface disturbance, rather than only on major roads and pipelines [Sec. 4(a)];
- the requirement that the Secretary must ensure that other federal permitting agencies comply with the deadlines set forth in the bill [Sec. 4(b)];
- the implication that all requested permits must be issued, regardless of a proposed action’s potential impacts or the availability of alternatives [Sec. 4(b)];
- the timelines required by the bill that may not be compatible with the public involvement, comment, and review requirements of other laws, including the National Environmental Policy Act [Sec. 4(b)];

- the suggestion that the Department must pre-approve rights-of-way on millions of acres of lands that industry may never seek to develop [Sec. 4(c)].

If enacted, these requirements would likely divert BLM resources and result in delay of further development of NPR-A resources in an environmentally responsible manner. Further, the BLM's existing regulations already establish deadlines for appropriate authorizations and require prompt notification of any delays.

H.R. 2150/Resource Assessment

The bill requires the Department (U.S. Geological Survey) to complete an updated comprehensive assessment of technically recoverable conventional and unconventional fossil fuel resources in the NPR-A (Sec. 6). As noted, the USGS recently completed an updated assessment of the conventional oil and gas resources of NPR-A. The Department has concerns with this requirement. Because the USGS used all available information in its 2010 assessment and no new data or information has become available since that time, the USGS believes there is no need to reassess these resources now.

The USGS has started evaluating the unconventional petroleum resources in NPR-A, with the plan to assess these resources in the future. A coalbed methane assessment for the North Slope including NPR-A was completed in 2006; the mean estimate of undiscovered, technically recoverable resources indicated a potential for about 18 trillion cubic feet (TCF) of coalbed gas. The results for other unconventional resources on the North Slope, including shale gas and tight gas, are expected to be available in 2–3 years.

It is not clear from the language in the bill whether a coal assessment would be required. The North Slope of Alaska contains coal resources [which are the source of the coalbed methane], but the cost of mining and transporting the coal would be substantial. Earlier this year, the USGS, in cooperation with the Department of Energy, National Energy Technology Laboratory, published a database compilation of published and nonconfidential unpublished coal data from the Cook Inlet and North Slope areas of Alaska. Despite the database, there are relatively few data with which to conduct a robust coal assessment.

Conclusion

The BLM's leasing program in the NPR-A ensures that safe and responsible exploration and development of domestic oil and natural gas resources can be done in a manner that also protects wildlife and habitat, and honors the subsistence values of rural residents and Alaska Natives. We welcome the opportunity to work with the Committee, the oil and gas industry, the Alaska Native community, and the public to continue to develop the NPR-A in an environmentally responsible manner. Thank you for the opportunity to present the views of the Department on H.R. 2150. I will be glad to answer any questions.

Mr. LAMBORN. All right, thank you. They have just called votes. It is down to 13 minutes of the first 15-minute vote.

Thank you very much for being here. I will ask that in our round of questions, everyone try to keep it to two minutes, and that way we can be out of here with about eight or so minutes to go.

So I will ask just one question, and then the Ranking Member will have a question or two.

Director Pool, in 2010 this Administration issued the fewest leases for oil and gas development since 1984, in issuing only 1308 leases last year. This is the second year of the Obama Administration, and only one-quarter of the number of leases in 1994, which was the second year of the Clinton Administration, which was at the time 4,159 leases, and about half the number of the second year of the Bush Administration in 2002, where they issued 2,384 leases.

Now, as you know, oil and gas development takes time. It is like a pig in a python. The increases that we have seen in domestic production today are the result of much of the leasing that took place at the end of the Clinton Administration and the beginning of the Bush Administration five to 10 years ago.

Can we expect that the slowdown in leases that we have seen last year and previously by this Administration, to result in declining production in the future?

Mr. POOL. Thank you, Mr. Chairman. I can respond to what we have been doing with the NPRA, and this is since 1999. And that was since 1999, we were offering the lease sales every two years. And since that time, we have offered 250 tracts of about two and a half million acres, all of which have been relinquished by industry.

In 2010 we offered 190 tracts for leasing in the NPRA, and we only received five lease offers by industry, which is about 30,000 acres. So systematically over time, we have been responsive to conduct and make available and facilitate oil and gas leasing in the NPRA.

We have no pending backlog of applications for permit to drill. We have no pending backlog of rights-of-way to facilitate pipelines and roads. We have issued four APDs, and they have not been pursued by industry as of yet. So there is no delay in permitting or processing as it relates to the Bureau of Land Management responsibilities in the NPRA.

Mr. LAMBORN. Representative Holt.

Mr. HOLT. Thank you. Just to move along briefly, I thank you for coming. I would like to ask for some short answers, then, if you could.

The assessment by the USGS was completed less than a year ago, is that correct?

Mr. POOL. That is correct.

Mr. HOLT. Do you see any reason why that would be a, methodologically, a poor assessment? Or any reason why it would be out of date?

Mr. POOL. I think I will allow my colleague to answer that question.

Mr. HOLT. Identify yourself, please.

Mr. DUNCAN (USGS). I am Douglas Duncan; I am the Associate Coordinator of the Energy Resources Program for the U.S. Geological Survey.

Mr. HOLT. And I would like to give you a lot of time to reply, but unfortunately there isn't a lot.

Mr. DUNCAN (USGS). I will be very brief. Our assessment is very current. And without additional information from additional drilling or seismic profiling, including 3-D seismic, there would be no reason for us to reassess or update that assessment.

Mr. HOLT. And this assessment was based on wells that had been drilled.

Mr. DUNCAN (USGS). That is correct.

Mr. HOLT. Which presumably were not the least promising. I mean, the witness earlier said well, the assessment was done on the basis of the least promising wells. I presume the wells that had been drilled were what the knowledgeable people thought were the most promising.

Mr. DUNCAN (USGS). That is correct.

Mr. HOLT. OK, thank you. And Mr. Pool, the bill would require that all leaseable tracts be within 25 miles of an improved road or

pipeline. Do you agree with that? Would you like to see that done? Does the BLM agree with that requirement?

Mr. POOL. Congressman, I think that from our perspective, that it depends on which leases have been issued and industry's pursuit to develop those particular leases, their proximity to existing roads, and the need for new roads or pipelines, through BLM's authorization process.

Mr. HOLT. OK. Could the required consultation with the Department of Transportation improve matters? Would that speed things up, or slow things down?

Mr. POOL. In my view, it is unnecessary. I think we clearly have, with our own regulations, we are very accustomed to processing permits, the application for permit to drill, including those right-of-way authorizations for pipelines and roads. We already have the infrastructure in place to do that.

Mr. HOLT. And the announcement today from Interior suggests that things are moving along at the rate that the requests for permits would warrant. Is that a correct interpretation?

Mr. POOL. Yes. What we are planning, and we hoped to announce this early next week, it will go through the Federation Notice, is an open solicitation for expressions of interest. And this affords the industry to express the BLM for certain parcels or tracts that we would like to see offered for the lease sale come December.

And just to complement that, it doesn't preclude the Bureau of Land Management, which oftentimes we do, we will look at our planning system. And by Bureau motion, we will also offer these various tracts up for lease sale.

Mr. HOLT. So putting aside some of the provisions of the bill that might actually be damaging, such as waiving environmental reviews and so forth, is there a need for this legislation?

Mr. POOL. I think we have everything in place. And we have demonstrated that over time. This Administration is clearly committed to facilitating oil and gas development. I think that we currently have all the regulations and authorities we need to continue to advance oil and gas development in NPRA.

Mr. HOLT. OK. I wish there was more time for discussion. I thank the Chairman, I thank the witnesses, and I yield back.

Mr. LAMBORN. Thank you. I am going to take the final two minutes of my time.

Mr. Pool, if everything is in place, why is no oil being produced in the NPRA?

Mr. POOL. Mr. Chairman, we have been, I think, very proactive for a number of years in terms of lease administration. I pointed out earlier the statistics associated with the number of relinquishments. We have only issued four applications for permits to drill.

We have currently no wells in production. The fact is that we have, on a biannual basis—and now we are going to move to an annual basis—making parcels available for lease. We are fully prepared, if they want to pursue those leases, develop those leases, to provide the needed ancillary authorizations for both rights-of-way to accommodate pipelines and roads.

To the extent that market conditions, oil and gas prices, other outside influences impact or—

Mr. LAMBORN. Or other agencies. EPA, Corps of Engineers.

Mr. POOL. Well, I will let them speak for themselves. But I can just let you know within the NPRA, that is our jurisdiction, and we have been very responsive—not only on lease sales, but we are fully prepared to process whatever permits may come our way.

Mr. LAMBORN. But there is no production today.

Mr. POOL. Not today.

Mr. LAMBORN. Thank you. That will conclude this hearing. Thank you for your testimony. I would ask you to respond to any questions that are submitted to you in writing by members of the Committee within the next 10 days.

Thank you for being here. And if there is no further business, this Subcommittee is adjourned.

[Whereupon, at 11:43 a.m., the Subcommittee was adjourned.]

