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BLM LIVE INTERNET AUCTIONS ACT

JANUARY 18, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HASTINGS of Washington, from the Committee on Natural Resources, submitted the following

R E P O R T

[To accompany H.R. 2752]

[Including cost estimate of the Congressional Budget Office]

The Committee on Natural Resources, to whom was referred the bill (H.R. 2752) to amend the Mineral Leasing Act to authorize the Secretary of the Interior to conduct onshore oil and gas lease sales through Internet-based live lease sales, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "BLM Live Internet Auctions Act".

SEC. 2. INTERNET-BASED ONSHORE OIL AND GAS LEASE SALES.

(a) AUTHORIZATION.—Section 17(b)(1) of the Mineral Leasing Act (30 U.S.C. 226(b)(1)) is amended—

(1) in subparagraph (A), in the third sentence, by inserting ", except as provided in subparagraph (C)" after "by oral bidding"; and

(2) by adding at the end the following:

"(C) In order to diversify and expand the Nation's onshore leasing program to ensure the best return to the Federal taxpayer, reduce fraud, and secure the leasing process, the Secretary may conduct onshore lease sales through Internet-based bidding methods. Each individual Internet-based lease sale shall conclude within 7 days.".

(b) REPORT.—Not later than 90 days after the tenth Internet-based lease sale conducted under the amendment made by subsection (a), the Secretary of the Interior shall analyze the first 10 such lease sales and report to Congress the findings of the analysis. The report shall include—

(1) estimates on increases or decreases in such lease sales, compared to sales conducted by oral bidding, in—

(A) the number of bidders;

(B) the average amount of bid;

(C) the highest amount bid; and

(D) the lowest bid;

(2) an estimate on the total cost or savings to the Department of the Interior as a result of such sales, compared to sales conducted by oral bidding; and

(3) an evaluation of the demonstrated or expected effectiveness of different structures for lease sales which may provide an opportunity to better maximize bidder participation, ensure the highest return to the Federal taxpayers, minimize opportunities for fraud or collusion, and ensure the security and integrity of the leasing process.

PURPOSE OF THE BILL

The purpose of H.R. 2752, as ordered reported, is to amend the Mineral Leasing Act to authorize the Secretary of the Interior to conduct onshore oil and gas lease sales through Internet-based live lease sales.

BACKGROUND AND NEED FOR LEGISLATION

The BLM Live Internet Auctions Act (H.R. 2752) amends the Mineral Leasing Act to authorize the Secretary of the Interior to conduct onshore oil and gas lease sales through Internet-based live lease sales.

Signed into law in 1920, the Minerals Leasing Act requires competitive bidding for federal onshore oil and gas leases. In 1987, the Leasing Reform Act required this competitive bidding be conducted orally.

In 2008, a 27-year-old global warming activist named Tim DeChristopher placed 14 fake bids worth $1.7 million on parcels of federal land that the Bureau of Land Management (BLM) was auctioning off for energy development. DeChristopher was convicted of civil disobedience, fined $10,000, and sentenced to two years in federal prison.

In August 2009, the Department of the Interior issued a report listing Internet bidding as one option to reduce fraud in the bidding process. According to the report:

> The Internet leasing auction presents potential benefits such as increased bidder participation and accessibility; savings to bidders; electronic verification of disqualified bidders; additional identification and financial verification through pre-registration and pre-certification; the potential for nationwide bidding instead of individual state auctions; and the capture of lease auction data for analysis, planning, and reporting.

Additionally, in an attempt to prevent fraud in the bidding process and embrace advancing technology, Congress appropriated $250,000 in the Fiscal Year 2008 BLM budget for a pilot Internet leasing program. In 2009, BLM held a pilot auction with extremely positive results.

Internet-based lease sales streamline the leasing process and reduce auction costs for the Department of the Interior. Current law stipulates that onshore lease auctions be done in person, while an Internet-based method would expand the bidder pool and allow more bidders access to lease auctions. H.R. 2752 would reduce the potential for fraud in the bidding process, increase transparency, save taxpayer dollars, and ensure that the taxpayers get a fair return for activities on federal land.

COMMITTEE ACTION

H.R. 2752 was introduced on August 1, 2011, by Congressman Bill Johnson (R–OH). The bill was referred to the Committee on Natural Resources, and within the Committee to the Subcommittee on Energy and Mineral Resources. On September 13, 2011, the Subcommittee held a hearing on the bill. On October 5, 2011, the Full Natural Resources Committee met to consider the bill. The Subcommittee on Energy and Mineral Resources was discharged by unanimous consent. Congressman Bill Johnson (R–OH) offered an amendment to the bill; the amendment was adopted by unanimous consent. The bill was then ordered favorably reported to the House of Representatives by unanimous consent.

SECTION-BY-SECTION ANALYSIS

Section 1. Short title

This Act may be cited as the "BLM Live Internet Auctions Act."

Section 2. Internet-based onshore oil and gas lease sales

This section gives the Secretary of the Interior the authority to conduct Internet-based auctions for onshore leases to ensure the best return to the Federal taxpayer, reduce fraud, and secure the leasing process. Each auction should be no longer than seven days. This section also requires a report to Congress not more than 90 days after the tenth Internet-based lease sale.

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Regarding clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Natural Resources' oversight findings and recommendations are reflected in the body of this report.

COMPLIANCE WITH HOUSE RULE XIII

1. Cost of Legislation. Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out this bill. However, clause 3(d)(2)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974. Under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for this bill from the Director of the Congressional Budget Office:

H.R. 2752—BLM Live Internet Auctions Act

H.R. 2752 would allow the Bureau of Land Management (BLM) the option to conduct auctions for onshore oil and gas leases using Internet-based bidding methods. The bill also would require BLM to prepare a report comparing outcomes of Internet-based auctions to outcomes of oral auctions conducted under current law.

Using information provided by BLM and individuals familiar with Internet auction methods, CBO estimates that, assuming

availability of appropriated funds, implementing the legislation would cost $2 million over the 2012–2016 period. That amount includes about $1 million to build an online system to facilitate auctions and annual costs to operate and maintain the system, which would be partially offset by savings associated with reducing the number of oral auctions conducted by BLM each year.

H.R. 2752 could affect direct spending by increasing receipts from bonus bids; therefore, pay-as-you go procedures apply. Total bonus bids from onshore oil and gas leases averaged about $250 million annually over the 2007–2011 period. CBO expects that any change in receipts resulting from allowing the agency the option to conduct Internet auctions for onshore oil and gas leases would not be significant.

H.R. 2752 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Jeff LaFave. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

2. Section 308(a) of Congressional Budget Act. As required by clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, this bill does not contain any new budget authority, credit authority, or an increase or decrease in revenues or tax expenditures. Using information provided by Bureau of Land Management and individuals familiar with Internet auction methods, CBO estimates that, assuming availability of appropriated funds, implementing the legislation would cost $2 million over the 2012–2016 period. That amount includes about $1 million to build an online system to facilitate auctions and annual costs to operate and maintain the system, which would be partially offset by savings associated with reducing the number of oral auctions conducted by BLM each year. H.R. 2752 could affect direct spending by increasing receipts from bonus bids; therefore, pay-as-you go procedures apply. Total bonus bids from onshore oil and gas leases averaged about $250 million annually over the 2007–2011 period. CBO expects that any change in receipts resulting from allowing the agency the option to conduct Internet auctions for onshore oil and gas leases would not be significant.

3. General Performance Goals and Objectives. As required by clause 3(c)(4) of rule XIII, the general performance goal or objective of this bill, as ordered reported, is to amend the Mineral Leasing Act to authorize the Secretary of the Interior to conduct onshore oil and gas lease sales through Internet-based live lease sales.

EARMARK STATEMENT

This bill does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined under clause 9(e), 9(f), and 9(g) of rule XXI of the Rules of the House of Representatives.

COMPLIANCE WITH PUBLIC LAW 104–4

This bill contains no unfunded mandates.

PREEMPTION OF STATE, LOCAL OR TRIBAL LAW

This bill is not intended to preempt any State, local or tribal law.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

MINERAL LEASING ACT

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SEC. 17. (a) * * *

(b)(1)(A) All lands to be leased which are not subject to leasing under paragraphs (2) and (3) of this subsection shall be leased as provided in this paragraph to the highest responsible qualified bidder by competitive bidding under general regulations in units of not more than 2,560 acres, except in Alaska, where units shall be not more than 5,760 acres. Such units shall be as nearly compact as possible. Lease sales shall be conducted by oral bidding*, except as provided in subparagraph (C)*. Lease sales shall be held for each State where eligible lands are available at least quarterly and more frequently if the Secretary of the Interior determines such sales are necessary. A lease shall be conditioned upon the payment of a royalty at a rate of not less than 12.5 percent in amount or value of the production removed or sold from the lease. The Secretary shall accept the highest bid from a responsible qualified bidder which is equal to or greater than the national minimum acceptable bid, without evaluation of the value of the lands proposed for lease. Leases shall be issued within 60 days following payment by the successful bidder of the remainder of the bonus bid, if any, and the annual rental for the first lease year. All bids for less than the national minimum acceptable bid shall be rejected. Lands for which no bids are received or for which the highest bid is less than the national minimum acceptable bid shall be offered promptly within 30 days for leasing under subsection (c) of this section and shall remain available for leasing for a period of 2 years after the competitive lease sale.

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(C) In order to diversify and expand the Nation's onshore leasing program to ensure the best return to the Federal taxpayer, reduce fraud, and secure the leasing process, the Secretary may conduct onshore lease sales through Internet-based bidding methods. Each individual Internet-based lease sale shall conclude within 7 days.

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