

**H.R. 6482, H.R. 7370, H.R. 7375,
H.R. 7377, H.R. 7409, AND H.R. 7422**

LEGISLATIVE HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

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LEGISLATIVE HEARING ON H.R. 6482, TO AMEND THE GEOTHERMAL STEAM ACT OF 1970 TO PROMOTE TIMELY EXPLORATION FOR GEOTHERMAL RESOURCES UNDER GEOTHERMAL LEASES, AND FOR OTHER PURPOSES, “ENHANCING GEOTHERMAL PRODUCTION ON FEDERAL LANDS ACT”;
H.R. 7370, TO AMEND THE GEOTHERMAL STEAM ACT OF 1970 TO ESTABLISH A DEADLINE FOR PROCESSING APPLICATIONS RELATED TO GEOTHERMAL LEASING, “GEOTHERMAL ENERGY OPPORTUNITY (GEO) ACT”;
H.R. 7375, TO AMEND THE MINERAL LEASING ACT TO IMPROVE THE ASSESSMENT OF EXPRESSION OF INTEREST FEES, AND FOR OTHER PURPOSES;
H.R. 7377, TO AMEND THE FEDERAL OIL AND GAS ROYALTY MANAGEMENT ACT OF 1982 TO IMPROVE THE MANAGEMENT OF ROYALTIES FROM OIL AND GAS LEASES, AND FOR OTHER PURPOSES, “ROYALTY RESILIENCY ACT”;
H.R. 7409, TO AMEND THE GEOTHERMAL STEAM ACT OF 1970 TO WAIVE THE REQUIREMENT FOR A FEDERAL DRILLING PERMIT FOR CERTAIN ACTIVITIES, TO EXEMPT CERTAIN ACTIVITIES FROM THE REQUIREMENTS OF THE NATIONAL ENVIRONMENTAL POLICY ACT OF 1969, AND FOR OTHER PURPOSES, “HARNESSING ENERGY AT THERMAL SOURCES (HEATS) ACT”;
AND H.R. 7422, TO AMEND THE GEOTHERMAL STEAM ACT OF 1970 TO PROVIDE COST-RECOVERY AUTHORITY FOR THE DEPARTMENT OF THE INTERIOR, “GEOTHERMAL COST-RECOVERY AUTHORITY ACT OF 2024”

Wednesday, March 6, 2024
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, DC

The Subcommittee met, pursuant to notice, at 2:06 p.m., in Room 1324, Longworth House Office Building, Hon. Pete Stauber [Chairman of the Subcommittee] presiding.

Present: Representatives Stauber, Fulcher, Curtis, Tiffany, Rosendale, Hunt, Duarte, Westerman; Ocasio-Cortez, Huffman, and Kamlager-Dove.

Also present: Representatives Hageman and Kim.

Mr. STAUBER. The Subcommittee on Energy and Mineral Resources will come to order.

Without objection, the Chair is authorized to declare a recess of the Subcommittee at any time.

Under Committee Rule 4(f), any oral opening statements at hearings are limited to the Chairman and the Ranking Minority Member.

I ask unanimous consent that the gentlewoman from California, Mrs. Kim, and the gentlewoman from Wyoming, Ms. Hageman, be allowed to participate in today’s hearing.

Without objection, so ordered.

I now recognize myself for an opening statement.

STATEMENT OF THE HON. PETE STAUBER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. STAUBER. Thank you all for being here today to discuss these important pieces of legislation.

Earlier this Congress, Republicans established our commitment to an all-of-the-above approach to domestic energy policy by passing H.R. 1. This approach involves producing oil, natural gas, coal, renewables, along with the minerals that are needed to produce them here in the United States. Not Russia, not China, not Venezuela or Iran, but here in the United States. We must pursue an all-of-the-above energy approach, and then let the best rise to the top. Failing to do so, just like the Biden administration is doing, will only force the American people to rely on adversarial nations that are hostile towards us and our allies, and have weak environmental and labor standards.

This flawed, renewable-energy-only approach also jeopardizes vital revenue to states and the Federal Government. For example, in calendar year 2022, oil and gas production on Federal lands generated roughly \$8.5 billion in revenue. For comparison, solar and wind generation on Federal lands combined generated roughly \$8 million in revenue.

The Republican bills we have before us today would continue building on our commitment to an all-of-the-above energy approach, and would put America back on a path of strength.

H.R. 6482, the Enhancing Geothermal Production on Federal Lands Act, introduced by my friend, Representative Fulcher from Idaho, would streamline the permitting process for geothermal exploration wells that have a footprint of less than 5 acres.

The bill would also require the Department of the Interior to designate geothermal leasing priority areas on Federal lands that are economically viable for geothermal energy production.

Geothermal energy has serious potential for growth in this country, but the best reservoirs are located in the West, on Federal lands, where the BLM is notorious for holding up the permitting process. We must do all we can to ensure that the bureaucratic red tape does not hamper this resource moving forward. I appreciate the gentleman's bill, and I look forward to hearing from our witnesses today.

H.R. 7370, the Geothermal Energy Opportunity Act, introduced by Representative Curtis from Utah, simply requires the BLM to do their job by continuing to process geothermal permits and authorizations unless a Federal court says otherwise.

This Administration has stopped processing permits and authorizations for geothermal and oil and gas projects based solely on the threat of litigation. Oftentimes, this delay tactic is meant to appease radical special interest groups who wish to stop all energy development on Federal lands and whose former employees have infiltrated the Department.

Agencies should continue to move projects forward until they are directed otherwise by a court, and agencies should defend their work in court instead of settling with this radical Minority.

H.R. 7409, the Harnessing Energy at Thermal Sources Act, or the HEATS Act, introduced by Representative Kim from California, is a common-sense bill that would alleviate the BLM from having to permit geothermal wells on state and private lands, where the Federal Government holds an ownership interest of less than 50 percent of the geothermal estate. Under this bill, these projects, which have already gone through a rigorous state permitting process, would not be bogged down by the duplicative and burdensome Federal process.

H.R. 7375, introduced by my friend, Representative Hageman from Wyoming, would amend how the BLM charges expression of interest fees for oil and gas development on Federal lands by mandating that the fee be paid by the winning bidder following the lease sale. This change would establish a true winner-pays system, and would hopefully incentivize BLM to offer acreage that producers are actually interested in developing. The BLM would be disincentivized from offering unproductive acreage that would not be bid on as a means to stifle actual energy development.

H.R. 7377, the Royalty Resiliency Act, introduced by Representative Hunt from Texas, would fill a gap in existing law with respect to how oil and gas royalties are paid to the Federal Government. This bill would not reduce the obligation owed by companies, but would prevent overpayments that unnecessarily lock up capital and create a bureaucratic mess for the Department of the Interior.

Lastly, I would like to thank the Ranking Member for introducing H.R. 7422, the Geothermal Cost Recovery Authority Act of 2024, which would allow the BLM to levy fees on geothermal operators to offset permitting costs.

I look forward to hearing from our witnesses on these bills, and I will now yield to the Ranking Member for her opening statements.

STATEMENT OF THE HON. ALEXANDRIA OCASIO-CORTEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. OCASIO-CORTEZ. Thank you, Chairman Stauber. Good afternoon, everyone, and thank you to all of our witnesses who are here today.

We are here to discuss six bills, four on geothermal energy development, including my bill, the Geothermal Cost Recovery Act of 2024, and two on oil and gas. I must say I am encouraged by and grateful for the Majority's openness to geothermal development, and am eager to continue working together on this important and urgent topic.

As we know, the climate crisis is here. In 2023, across the country Americans experienced severe and extreme cold snaps, heat waves, and wildfires from Hawaii to Louisiana. We saw 100-year floods from California to the East Coast. We have seen strengthening hurricanes, tropical cyclones, and tornadoes, among other ever more frequent disasters. Now, more than ever, it is abundantly clear that this climate crisis demands urgent action.

An essential part of that action is rapidly and responsibly scaling up renewable energy. Last Congress, Democrats put billions of dollars towards clean energy development, which over the next 10

years will create hundreds of thousands of new, green jobs. Geothermal energy is a critical part of that mix.

Since the 1960s, geothermal energy has been used as a sustainable and reliable source of electricity. But even though it has grown significantly since then, it still only makes up less than half of 1 percent of our energy generation mix.

Fortunately, new breakthroughs in technology are massively expanding where geothermal energy can be developed. The Department of Energy estimates that because of these breakthroughs, geothermal energy could grow to 60 gigawatts of capacity by 2050, or around 9 percent of our electricity generation nationwide. This is particularly exciting because of some of the unique benefits of geothermal energy for the clean energy transition.

Geothermal provides consistent baseload power, which is available 24/7 with minimal emissions. This complements the mix of solar, wind, and storage to build a clean grid, and is crucial for maintaining stability in our energy systems and replacing dirty energy like coal.

And many of the skills needed for geothermal development are also directly transferable from industries like oil and gas. As geothermal technologies advance, we will be able to site these power plants at places like retired coal plants, where fossil fuel workers can find new jobs. Better yet, many of these fossil trades are already organized and unionized. Everyone from pipe fitters to workers in power plant control rooms, steamfitters, and operating engineers can find work in geothermal. Geothermal shows a truly exciting promise to help union workers transition to a clean energy economy.

As all this growth occurs, the Federal Government will also have an important role to play. The Department of Energy is supporting pilot projects and advancements in technology, and within this Committee's jurisdiction the Department of the Interior is often in charge of permitting. In fact, geothermal energy was the first renewable energy project sited on U.S. public lands back in 1978, and right now nearly 70 percent of geothermal energy capacity is on federally managed Bureau of Land Management lands.

With the technological advancements we are seeing now, the BLM needs to be ready to scale up the development of this clean energy while remaining diligent about permitting responsibly, considering public input, and respecting Indigenous knowledge and tribal consultation.

We have heard from geothermal developers that there can be challenges when it comes to permitting new geothermal plants, and much of that stems from capacity constraints, the need for more expertise, or more staff in the right locations. My bill, the Geothermal Cost Recovery Act of 2024, will allow the BLM the flexibility to charge companies cost recovery for things like inspections and monitoring, and it will enable BLM to hire third-party experts to help review permit applications. This flexibility will improve permitting capacity and timelines without sacrificing any of the important steps for environmental review and community input.

Overall, I am excited for the hearing today, and look forward to hearing from today's witnesses about how we can advance renewable, union-friendly geothermal energy on Federal land. Thank you.

Mr. STAUBER. Thank you very much. Now I will begin our Member panel, who will speak on their respective legislation.

I now recognize Ms. Hageman from Wyoming's at-large Congressional District for her testimony on her bill.

STATEMENT OF THE HON. HARRIET M. HAGEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Ms. HAGEMAN. Thank you, Mr. Chairman, and thank you for the opportunity to be here.

I also would like to thank each of the witnesses for being here today and providing us with your expertise and insight.

My bill, H.R. 7375, would ensure that expressions of interest, or EOI fees, are paid only by those companies who win the corresponding acreage in a lease sale. This will prevent multiple people and operators from having to pay funds to the BLM to submit the same acreage, and will incentivize the agency to actually offer acreage included in submitted EOIs.

The misnamed Inflation Reduction Act created many structural flaws regarding energy production and permitting, resulting in impracticalities and confusion on how to implement EOIs and other fees. A few months ago, Ms. Kathleen Sgamma from the Western Energy Alliance testified about some of the impracticalities. For example, she explained that companies are paying for services that they aren't receiving. She also pointed out the fact that the Administration's policies have confused the market in many ways, and are furthering unaffordable and unreliable energy pursuits.

We have seen this Administration attempt to force a transition away from affordable and reliable energy by taking actions such as canceling pipeline projects, increasing burdening burdensome regulations, and refusing to issue leases. On top of that, they have attempted to disrupt the multiple use framework outlined in FLPMA, and initiated burdensome resource management plans that hurt local communities.

The last thing that we need from this Administration is another excuse to avoid the issuance of leases. According to Ms. Sgamma's testimony, the BLM is playing games with how it counts EOIs and acreage offered, suggesting that they intend to avoid meeting both the letter and spirit of the IRA provisions that are intended to prevent the Department from completely crowding out reliable energy resources.

I think that we all agree that it is wrong to pay fees to an agency for services not provided. That is what is happening under the IRA with oil and gas Expression of Interest fees. Companies pay \$5 per acre every 3 years to express interest in an oil and gas lease. But as we all know, it has then been the policy of this Administration to neglect actually issuing those leases.

I initially introduced a bill that would allow entities with inactive leases to be reimbursed, and to allow the term for which the EOI applies to be extended from 3 years to 5 years. This initial proposal would have simply allowed producers to get what they pay for, and to be reimbursed when leases are not issued. After further

consultation with energy companies, and particularly after our hearing with Ms. Sgamma from Western Energy Alliance, it was clear to me that we could take a better approach that addressed the problem of leases not being offered, as well as the problem of entities filing for random acreage that would never be bid upon.

If EOI fee language remains unchanged, BLM would require companies to pay a fee of \$5 per acre for the acreage they express interest in, even if that acreage is never offered or sold. Essentially, the BLM is positioning itself to charge for providing nothing in return, and based on the fact that they don't offer lease sales. My bill resolves this problem by saying that BLM may not collect a fee for EOIs until the acreage is actually offered at a sale.

My bill also addresses the problem of parcels being offered at an auction that don't receive any bids. Whether sold or not, my bill requires the EOI fee to be paid for simply being offered at an auction. This would allow BLM to cover its lease processing costs, and it would eliminate any incentive for a company to express interest in lands that nobody is interested in.

It is imperative that we implement a new strategy to ensure that leases are being offered. I urge my colleagues to support this legislation. I appreciate the opportunity to be here, and I yield back.

Mr. STAUBER. I thank the gentlewoman for her testimony. I now recognize Mr. Fulcher from Idaho's 1st Congressional District for his testimony on his bill.

**STATEMENT OF THE HON. RUSS FULCHER, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO**

Mr. FULCHER. Thank you, Mr. Chairman.

Mr. Jones, good to see you again. I look forward to your testimony. I appreciate your advocacy here.

Mr. Chairman, I also appreciate the opportunity to talk about H.R. 6482, the Enhancing Geothermal on Federal Lands Act.

I strongly advocate for the utilization of geothermal energy. I have been a witness to the successes of geothermal in my home state of Idaho. The Idaho Capitol building is the only capitol building in the country that is powered by geothermal. In fact, in the City of Boise since 1983, that might be 1883, I think it is a typo on my notes here, it is 1883, it is the largest municipally-owned operating system in the country. It heats over 90 buildings throughout downtown Boise, over 300 homes.

So, the energy is innovative, renewable, sustainable, and this bill, the Enhancing Geothermal and Federal Lands Act, exempts geothermal exploration wells from NEPA review under certain permitting criteria to promote timely exploration under geothermal leasing. And I want to just underscore why it is so important on Federal lands.

In our state, as in my colleague from Utah here, we have approximately 33 million acres in Idaho, another 33 million in Utah, that is federally controlled. So, the access there is critically important. And this helps with the NEPA process on those lands.

So, geothermal is somewhat insulated from fuel price fluctuations, which offers long-term stability in energy costs, creates jobs, stimulates local economies, and enhances energy independence. Geothermal draws on heat from the Earth, is readily available, and

produces consistent, grid-resilient power, which is renewable. And I look forward to working with my colleagues to advance this bill through law.

Once again, Mr. Chairman, thank you for that, and I yield my time back.

Mr. STAUBER. I thank you very much. I now recognize Mr. Hunt from Texas' 38th Congressional District for his testimony on his bill.

**STATEMENT OF THE HON. WESLEY P. HUNT, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. HUNT. Thank you, Mr. Chairman.

During a hearing last year, I asked BLM's Deputy Director for Operations, Michael Nedd, a question pertaining to communization agreements. That question spurred conversation with Committee staff, industry partners, and, of course, my office. From those conversations, the Royalty Resiliency Act was born, and currently BLM is required by law to approve CAs within 120 days of receipt.

There has been a lengthy backlog. And despite their best efforts, BLM is simply not meeting those deadlines that are necessary. As a result, and because of an Office of Natural Resources Revenue (ONRR) policy, operators are being charged a 100 percent royalty rate on the Federal share, even if the Federal Government doesn't own 100 percent of the land. And therein lies the issue: Operators are being charged millions of dollars up front in an industry that is already extremely capital intensive.

[Slide.]

Mr. HUNT. Behind me is a sample CA. The black line represents a horizontal well that crosses multiple stakeholder lands, as you can see here. In this example, the breakdown of landownership is 50 percent for the state, 25 percent for the private citizen, and 25 percent for the Federal Government. In this example, the state owns the largest share of the land, and should be receiving the largest share of royalties from production. However, ONRR is charging operators at a 100 percent rate so that the operator is actually paying a 175 percent royalty rate. And that is not going to work.

This is an egregious policy that is locking up millions of dollars for operators. And as we will hear later from many of our witnesses, a change in this policy will be beneficial to both states and the Federal Government. My bill simply fixes this policy by mandating that the operator only pays the shares of royalties that are apportioned by the CA. This common-sense fix will spur future growth by allowing operators to have the ability to invest in their own energy projects. More capital, in turn, will create more American jobs that we now need today, as we all know, and more royalties for Federal and state governments, and it will also bring in fairness.

And lastly, I will note the Department of the Interior is supportive of my bill. With that said, Mr. Chairman, I yield back my time.

Mr. STAUBER. Thank you very much.

Before we go to Representative Curtis, I ask unanimous consent to enter into the record the statement of Mrs. Kim from California's 40th District on her piece of legislation.

Without objection, so ordered.

[The prepared statement of Mrs. Kim follows:]

PREPARED STATEMENT OF THE HON. YOUNG KIM, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

ON H.R. 7409, "HARNESSING ENERGY AT THERMAL SOURCES ACT"

Thank you, Chairman Stauber and Ranking Member Ocasio-Cortez, for holding this hearing.

I am proud to see H.R. 7409, the "Harnessing Energy At Thermal Sources Act" or the "HEATS Act" considered in today's hearing.

California is a top geothermal energy producer and is home to two of the largest geothermal reservoirs in the country. Despite the vast energy resources lying under our feet, the current permitting process has impeded progress in innovative geothermal projects that offer clean energy 24/7.

California has some of the most stringent permitting regulations in the United States. This means that operators often wait years to receive permits and approval to explore and develop geothermal projects.

The HEATS Act would expedite geothermal energy production by clarifying that geothermal operators do not need a federal drilling permit for wells that are on state and private lands where the subsurface geothermal estate is less than 50% federal. Operators would be exempt from federal permitting regulations like the National Environmental Policy Act or NEPA and Section 106 of the National Historic Preservation Act, but they would still be subject to state permitting regulations. This lessens the burden on operators who currently need to meet both State and Federal permitting regulations.

There are also several important exceptions in place. The bill would not apply to Indian lands, has no effect on geothermal royalty payments to the federal government, and does not waive Section 106 of the National Historic Preservation Act if the state in which the geothermal activity is taking place does not have laws in place to protect historic properties and sites.

H.R. 7409 is common sense, expands our energy portfolio, reduces emissions, lowers costs for Americans, and promotes U.S. energy independence. Accelerating renewable geothermal energy production and deployment is a win for our economy, national security, and environment.

I thank the Committee for considering H.R. 7409 and Representative Duarte for co-leading this bill with me.

Thank you, and I yield back.

Mr. STAUBER. Now, our last individual, Representative Curtis from Utah's 3rd District.

You are recognized to speak about your legislation.

**STATEMENT OF THE HON. JOHN R. CURTIS, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH**

Mr. CURTIS. Thank you, Mr. Chair, Madam Ranking Member. It is a delight to be here with you. This is a great topic, and I am pleased to be here.

I am proud to sponsor the GEO Act, which simply requires the Department of the Interior to issue all applications and authorizations, as long as the underlying lease is intact. Geothermal is an affordable, reliable, clean source of energy, and that is hard to find. So, I am pleased to advance this.

After a company has spent substantial time and resources getting a project permitted, Interior is still withholding notices to

proceed drilling permits and other authorizations because of litigation threats, and I underline threats, against a project.

To be clear, these are situations where there is no evidence of wrongdoing by Interior or operators. These are just simply threats made by so-called groups.

The Department of Energy has projected that enhanced geothermal systems could contribute up to 60 gigawatts of electricity by 2050, that is a big deal, which would account for 8.5 percent of our overall capacity. This will never happen if we let bad actors stop clean energy projects.

Utah is a case study for geothermal. I was proud to support Utah Forge being located in southern Utah, a dedicated underground field laboratory sponsored by the Department of Energy for developing, testing, and accelerating geothermal breakthroughs. Utah is leading in this space, but that won't happen if the current regulation environment created by DOE isn't improved.

Thank you for the time, and I yield back.

Mr. STAUBER. I thank you very much. We will now introduce our second panel of witnesses.

Let me remind the witnesses that under Committee Rules, they must limit their oral statements to 5 minutes, but their entire statement will appear in the hearing record.

To begin your testimony, please press the "talk" button on the microphone.

We use timing lights. When you begin, the light will turn green. When you have 1 minute remaining, the light will turn yellow. And at the end of the 5 minutes, the light will turn red, and I will ask you to please complete your statement.

I will also allow all witnesses to testify before Member questioning.

Our first witness is Mr. Benjamin Gruber, the Deputy Assistant Director for Energy, Minerals, and Realty at the Bureau of Land Management within the Department of the Interior, stationed right here in Washington, DC.

Mr. Gruber, you are now recognized for 5 minutes.

STATEMENT OF BENJAMIN E. GRUBER, DEPUTY ASSISTANT DIRECTOR, ENERGY, MINERALS, AND REALTY, BUREAU OF LAND MANAGEMENT, WASHINGTON, DC

Mr. GRUBER. Thank you, Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Subcommittee. I appreciate the opportunity to provide testimony on the six bills on today's agenda. I am Benjamin Gruber, the Bureau of Land Management's Deputy Assistant Director for Energy, Minerals, and Realty Management.

The BLM manages approximately 245 million surface acres, located primarily in 12 western states, and approximately 700 million acres of subsurface mineral estate, in accordance with the Federal Land Policy and Management Act, or FLPMA. The BLM is committed to its core mission of multiple use and sustained yield. This important mission enables the agency to contribute tremendously to economic growth, job creation, and domestic energy production, while generating revenues for Federal and state treasuries and local economies, as well as protecting the health and productivity of our public lands.

The BLM administers the Federal onshore oil and gas and geothermal programs with the goals of facilitating safe and responsible energy development while protecting land health and providing a fair return for the American taxpayer.

Four of the bills on today's hearing agenda aim to promote the development of geothermal energy from our nation's public lands, an objective shared by the Administration. Effective deployment of renewable energy on Federal land is crucial to achieving the Administration's goal to decarbonize the power sector by 2035, as well as Congress' direction in the Energy Act of 2020 to permit 25 gigawatts of solar, wind, and geothermal energy on public lands by 2025.

To meet these important objectives, the BLM is engaging with tribal partners, industry, stakeholders, and the states to increase opportunities for renewable energy development on public lands. Nationwide, the BLM manages over 500 geothermal leases encompassing more than 1 million acres, including 51 geothermal power plants. In the past 3 years, the BLM has held a total of six competitive geothermal lease sales in four states: Nevada, New Mexico, Utah, and Oregon. We are planning a sale in Nevada later this year, and we are working on subsequent sales in New Mexico, Utah, and California.

Regarding the specific legislation before the Subcommittee today, the BLM supports the goals of H.R. 6482 to enhance and expedite geothermal energy exploration, and we look forward to working with the sponsor to address our concerns about provisions that could reduce important input from local communities, tribes, and the public, as well as concerns that the bill's designation of priority leasing areas may not work as intended.

H.R. 7422, meanwhile, would authorize the BLM to require applicants and lessees to reimburse the United States for certain administrative costs associated with geothermal leasing and permitting. The BLM supports the goal of the bill, which would help ensure that industry pays for the services that the agency offers for geothermal energy.

H.R. 7370, the GEO Act, would require the BLM to process geothermal drilling permits and other authorizations within 30 days after finalizing NEPA reviews. While the BLM supports the sponsor's goal of ensuring an efficient permitting process, we are concerned that the time frame outlined in the bill is insufficient to meet our obligations under important Federal laws.

H.R. 7409, the HEATS Act, eliminates the requirement for a Federal geothermal drilling permit where there is non-Federal surface estate, and where Federal subsurface geothermal estate amounts to less than 50 percent. The BLM opposes the changes outlined in H.R. 7409, because they would remove the Secretary's ability to ensure operational safety, environmental compliance, and consistency with FLPMA.

Finally, regarding the two oil and gas bills on the agenda, the Department recognizes the importance of timely approval of oil and gas units and communitization agreements. We support the reforms proposed in H.R. 7377, and we would like to work with the sponsor on some clarifications.

The BLM, however, opposes H.R. 7375, which would roll back one of the Inflation Reduction Act's key oil and gas leasing reforms. That is incentivizing those who submit expressions of interest to carefully review the availability of lands for leasing prior to nomination.

Thank you again for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Mr. Gruber follows:]

PREPARED STATEMENT OF STATEMENT OF BENJAMIN E. GRUBER, DEPUTY ASSISTANT
DIRECTOR, ENERGY, MINERALS, AND REALTY MANAGEMENT,
BUREAU OF LAND MANAGEMENT, U.S. DEPARTMENT OF THE INTERIOR

ON H.R. 6482, H.R. 7370, H.R. 7409, AND H.R. 7422

Introduction

Thank you for the opportunity to provide testimony on H.R. 6482, the Enhancing Geothermal Production on Federal Lands; H.R. 7370, the Geothermal Energy Opportunity (GEO) Act; H.R. 7409, Harnessing Energy At Thermal Sources (HEATS) Act; and H.R. 7422, the Geothermal Cost-Recovery-Authority Act.

Background

The Bureau of Land Management (BLM) manages approximately 245 million surface acres, located primarily in 12 western states, and approximately 700 million acres of subsurface mineral estate. The Federal Land Policy and Management Act (FLPMA) sets forth the BLM's multiple-use mission, directing public lands be managed for a variety of uses, such as renewable and conventional energy development; livestock grazing; conservation; mining; watershed protection; hunting, fishing, and other forms of recreation. FLPMA also requires the BLM to manage public land resources on a sustained-yield basis for the benefit of current and future generations. This multiple-use, sustained yield mission enables the BLM to contribute tremendously to economic growth, job creation, and domestic energy production, while generating revenues for Federal and State treasuries and local economies and allowing for a thoughtful, science-based approach to management of our public lands and waters.

Replenished by heat sources deep within the Earth, geothermal energy is an important energy resource that generates baseload electricity with minimal carbon emissions. In addition, geothermal energy is used to heat buildings, operate greenhouses, and support aquaculture operations. It is an abundant resource, especially in the western United States. Under the Geothermal Steam Act of 1970 (30 U.S.C. 1001), the BLM issues leases for the development and utilization of geothermal resources on lands managed by the Department of the Interior (Department) and the U.S. Forest Service. Geothermal energy projects are authorized as leases rather than rights-of-way; as such, they differ from most solar and wind renewable energy projects on public lands.

Efficient deployment of renewable energy on our nation's public lands is crucial in achieving the Biden-Harris Administration's goal of a carbon pollution-free power sector by 2035, as well as Congress' direction in the Energy Act of 2020 to permit 25 gigawatts of solar, wind, and geothermal energy on public lands by 2025. To meet these important objectives, the BLM is engaging with Tribal partners, industry, stakeholders, and the states to increase opportunities for renewable energy development on public lands.

Nationwide, the BLM manages 539 geothermal leases encompassing approximately 1,121,000 acres. Currently, there are 51 geothermal electrical generation facilities (e.g., power plants) operating on 84 leases in Nevada, California, Utah, and New Mexico. Together these power plants have a gross installed capacity of approximately 2,600 MW. In the past three years, the BLM has held a total of six competitive geothermal lease sales. These sales were held in Nevada, New Mexico, Utah, and Oregon. Additionally, we are planning a sale in Nevada later this year and working on subsequent sales in New Mexico, Utah, and California. In FY 2023, the BLM's geothermal program generated \$25.3 million dollars in revenue from rents, bonus bids, and royalties. In FY 2022, the Department estimates that this program contributed 13,000 jobs and \$4.6 billion in total economic contributions to the U.S. economy.

H.R. 6482, Enhancing Geothermal Production on Federal Lands Act

H.R. 6482 would amend the Geothermal Steam Act by creating a new category for “geothermal exploration projects” on existing Federal geothermal leases. These projects are defined in the bill as the drilling of wells with a diameter of less than 13 inches that would have less than 5 acres of surface disturbance, be completed in less than 120 days, and be restored within 3 years to approximately the condition that existed at the time the project began. Under the bill, lessees would be required to provide notice to the Secretary of the Interior (Secretary) at least 30 days before the start of drilling exploration projects.

H.R. 6482 also includes language stating that these geothermal exploration projects—as well as certain other activities related to the exploration, development, or production (including direct use) of geothermal resources—shall not be considered major Federal actions under the National Environmental Policy Act (NEPA). This language would exempt these projects and activities from the environmental analysis and public review requirements of NEPA.

The bill would also require the Secretary to designate new geothermal leasing priority areas on public lands. Within five years of the bill’s enactment, the Secretary would be required to designate these areas on public lands that are determined to be economically viable for geothermal production and have access to energy transmission infrastructure. The Secretary would then be required to complete a programmatic environmental impact statement to cover all leasing activity within these priority areas within a year after they are designated.

Analysis

The BLM supports the goals of H.R. 6482 to enhance and expedite permitting for geothermal energy exploration. While the BLM is working to develop categorical exclusions to streamline the review of some geothermal exploration projects, we are concerned that the bill’s exemption of certain projects and activities, including geothermal energy development and production, from NEPA is overly broad and would reduce input from communities, Tribes, and members of the public. Such involvement is critically important to project success.

Further, the BLM appreciates the Sponsor’s efforts aimed at expediting geothermal leasing by creating “geothermal leasing priority areas” as outlined in section 3 of the bill. For geothermal leasing, challenges exist in determining what areas to prioritize, and, therefore, designating priority areas may not result in the intended goal of expediting geothermal development on public lands. The BLM notes that, as required by the Energy Policy Act of 2005, and in accordance with the 2008 Programmatic Environmental Impact Statement for geothermal leasing, the BLM and U.S. Forest Service are continuing to analyze geothermal resources as land use plans are amended by the agencies. The BLM recognizes that as technology advances within the geothermal industry, new opportunities to identify focused development areas may occur in the future, and we look forward to working with the Sponsors and the Subcommittee on opportunities to maximize agency resources to provide efficiencies in geothermal development.

H.R. 7370, Geothermal Energy Opportunity (GEO) Act

H.R. 7370 would require the BLM to complete the processing of a geothermal drilling permit, sundry notice, notice to proceed, right-of-way, or other authorization or approval within 30 days after finalizing all associated NEPA reviews unless a Federal court vacates the underlying lease as part of litigation.

Analysis

While the BLM supports the Sponsor’s goal of ensuring efficient and timely processing of authorizations associated with geothermal leasing, we cannot support H.R. 7370. In addition to meeting its obligations under NEPA when authorizing such activities, the BLM is required to comply with other important Federal laws, including the Endangered Species Act (ESA) and National Historic Preservation Act (NHPA). While the BLM generally conducts ESA and NHPA consultation at the same time as it is analyzing potential environmental impacts pursuant to NEPA, it may not be possible to complete these distinct processes—which are required by law—during the timeframe provided by the bill.

H.R. 7409, Harnessing Energy At Thermal Sources (HEATS) Act

H.R. 7409 eliminates the requirement that a geothermal operator submit to the BLM a Federal Geothermal Drilling Permit (GDP) in instances where there is non-Federal surface estate and where the subsurface geothermal estate is less than 50 percent Federal. Under the bill, an operator would be required to provide the Secretary a copy of a state-approved drilling permit and may commence activities

30 days after submission. Without a Federal permit, the NEPA, NHPA, and ESA requirements for the exploration, development, or production of geothermal resources would no longer apply. H.R. 7409 also states that nothing in the bill alters the amount of royalties due to the United States from production of Federal geothermal resources and allows the Secretary to conduct onsite reviews and inspections to ensure payment of royalties. The bill would not apply to lands held in Trust by the United States for the benefit of various Tribes.

Analysis

The BLM opposes the modifications to the geothermal permitting process outlined in H.R. 7409 because they would remove the Secretary's ability to ensure that geothermal operations are conducted safely, are following all applicable environmental laws, and are consistent with the BLM's multiple use and sustained yield mandate under FLPMA. Essentially, the bill would transfer Federal decision-making authority to the States. By requiring the operator to merely notify the Secretary of the state's approval of a GDP, H.R. 7409 would eliminate the Secretary's existing discretion with respect to these approvals, which would undermine the BLM's core responsibility to ensure that permitted and regulated activities occurring on Federal lands are in compliance with Federal requirements designed specifically to protect the environment, nearby communities, other landowner interests, and taxpayers. This provision would not allow the Secretary to withhold approval, where appropriate, nor does it contain any requirement for the proponent's request to be fully complete prior to submission.

H.R. 7409 fails to address several key oversight roles that the BLM plays in ensuring that Federal geothermal resources—and that lands that are used to access them—are protected as those resources are developed. Any shortcomings resulting from a state's permitting process would inappropriately leave Federal taxpayers responsible for obligations created by the state. During the review of the GDP and its associated operations plan, for example, the BLM is required to complete a site-specific environmental analysis of the permitting action, which does not occur in the BLM's land use planning process or in the leasing analysis. As part of this review, the public has their final opportunity to engage in the decision-making process, which helps the BLM identify public health and safety concerns and other potential resource conflicts related to a proposed drilling action on resources owned by all Americans. H.R. 7409 would take away important opportunity for public involvement, where Federal, state, Tribal, and local entities participate in the environmental review process.

Finally, the BLM notes that there are units where individual wells could be more than 50 percent Federal interest within a unit, and these wells would also not require a Federal GDP. As a result, the bill could potentially apply to significantly more GDPs than the Sponsor intends.

H.R. 7422, Geothermal Cost-Recovery-Authority Act

H.R. 7422 would authorize the Secretary to require an applicant for, or holder of, a geothermal lease to reimburse the United States for certain administrative costs. These costs may be associated with the BLM's processing of the lease application; processing other applications associated with a geothermal lease; inspections and monitoring for geophysical exploration activities; the drilling, plugging, and abandonment of geothermal wells; and the construction, operation, termination, and reclamation of any well site or facility for the use of geothermal resources. The bill further states that the Secretary must consider whether there is a cooperative cost share agreement between the United States and the geothermal lessee when determining whether to require reimbursement of these costs.

Analysis

The BLM supports the goals of the bill, which would help ensure a fair return to taxpayers by having industry pay for the services that the agency offers in facilitating geothermal energy development. FLPMA, under Sec. 304(b), provides the BLM with the authority to establish fees with respect to transactions involving public lands to recover the reasonable processing cost of services that provide a special benefit not shared by the general public to an identifiable recipient. The BLM has used this authority to establish fees for certain activities associated with geothermal leasing, including site licenses. However, the BLM does not currently have a Geothermal Drilling Permit fee, nor a mechanism to charge a fee for inspections. The BLM appreciates the Sponsor's work on this issue, and we would welcome the opportunity to work with the Sponsor and the Subcommittee on this issue.

Conclusion

The BLM is committed to managing the geothermal program in a manner that promotes the highest industry, environmental, and public engagement standards, including those related to environmental justice and Tribal engagement, while securing a fair return for the American taxpayer. Thank you for the opportunity to provide testimony on these bills, and I look forward to your questions.

QUESTIONS SUBMITTED FOR THE RECORD TO BENJAMIN GRUBER, DEPUTY ASSISTANT DIRECTOR, ENERGY, MINERALS, AND REALTY, BUREAU OF LAND MANAGEMENT

Mr. Gruber did not submit responses to the Committee by the appropriate deadline for inclusion in the printed record.

Questions Submitted by Representative Westerman

Question 1. Following up on my question regarding geothermal lease sales, I would like to request that the Department provide all pending nominations in each state along with the corresponding acreage and when they were submitted.

Question 2. To date, the Biden administration has held 19 onshore oil and gas lease sales totaling roughly 245 thousand acres. At this point in the Trump administration the Department had held 84 lease sales totaling roughly 3.8 million acres.

2a) Please provide the amount of production and royalties generated on the 245,000 acres leased by this administration as well as the amount of production and royalties on the 3.8 million acres leased by the last administration.

Questions Submitted by Representative Susie Lee

Question 1. Mr. Gruber, in a statement for the record dated December 12, 2023 and submitted by the Bureau of Land Management (BLM) to this subcommittee, BLM indicated that it “is working on administratively establishing CXs [categorical exclusions] specifically for geothermal development.” Could you please provide an update on the status of those CXs, inclusive of an estimated timeline for completion, and further detail how BLM expects that each will benefit geothermal permitting?

Questions Submitted by Representative Fulcher

Question 1. Mr. Gruber, in your written testimony, you said that BLM is working to develop categorical exclusions to streamline the review of some geothermal exploration projects. Could you expand on the latest actions by BLM on that development?

Mr. STAUBER. Thank you very much for your testimony. Our next witness is Dr. Bryant Jones, the Executive Director for Geothermal Rising, stationed in Boise, Idaho.

Mr. Jones, you are now recognized for 5 minutes.

STATEMENT OF BRYANT JONES, EXECUTIVE DIRECTOR, GEOHERMAL RISING, BOISE, IDAHO

Dr. JONES. Good afternoon, Representative Stauber, Representative Ocasio-Cortez, and members of the House Natural Resources Committee and the Subcommittee on Energy and Mineral Resources. Thank you for the opportunity to testify at today’s hearing to discuss the potential and opportunity of geothermal energy in our nation’s energy mix.

My name is Bryant Jones, the Executive Director of Geothermal Rising, the world’s largest and oldest geothermal association, serving as the main professional and educational organization for

the geothermal community in the United States. Our members harness the heat beneath the Earth's surface for direct use, geothermal heat pumps, and to generate 24/7 carbon-free electricity critical to achieving reliable, affordable, and fully decarbonized buildings, industry, and power grids. As a 501(c)(3), Geothermal Rising's membership includes project developers, service and equipment providers, universities and research groups, government agencies, public utilities, and other stakeholders.

The first geothermal power plant in the United States started up more than 60 years ago in California, and thermal utilization began in 1892 in Idaho, all based on a now mature suite of technologies. Today's newer geothermal technologies leverage the experience and expertise of North America's oil and gas sector, and are poised to unleash even more of the U.S. geothermal energy potential.

Other advantages of geothermal include the domestic co-production of critical minerals, reduction of geopolitical risks on existing global supply chains, and high-paying jobs that directly transfer from the fossil fuel energy sector.

Last, the United States is well poised to be the hub of technological development and deployment of geothermal energy that can be implemented at home and exported around the world.

Frankly, geothermal is an energy source that we can't afford not to invest in. However, critical to the success of the geothermal industry and to the broader clean energy goals of our nation, there are legislative changes needed to support the nuanced characteristics of geothermal energy development.

Today, Geothermal Rising is pleased to endorse a number of geothermal-specific bills which, broadly speaking, would provide precise, yet comprehensive definitions and clarifications to match the diverse activities, technologies, and ongoing innovations of the geothermal industry; direct more resources and attention to areas with high geothermal potential; streamline the processing of geothermal drilling permit applications while ensuring environmental and climate obligations are met; and ensure BLM has the resources to meet the high demand for geothermal permit applications processing.

Furthermore, Geothermal Rising supports the release of guidance on permitting by the Department of the Interior, and suggests that the Congress encourage BLM to address industry concerns over geothermal leasing delays, requirements that geothermal permitting review workforce live in remote field offices, and the lack of geothermal technical knowledge in BLM field offices.

It is probably no surprise that we at Geothermal Rising endorse geothermal proposals that reduce risk and increase certainty for our members and stakeholders. And although we are inclined to support language and concepts such as streamlining and exemptions, I wish to remind this Committee that our members are in this industry because we care deeply about the environment, drawing down the climate crisis, and empowering a just and equitable clean energy transition.

Frankly put, more geothermal development directly equates to emissions reductions, environmental protection, public lands conservation, energy diversification, energy freedom, reduced

geopolitical risk, improved national security, local jobs, stability, and prosperity for Americans.

We are excited to see policy momentum supporting geothermal development on Capitol Hill, and look forward to working with all of those in our national agencies and Congress to provide a framework to responsibly increase pathways to establish streamlined permitting practices for this unique and vast energy resource, all while providing adequate safeguards, transparency, and community engagement.

The world is watching the United States for how it designs its portfolio in the energy transformation. Geothermal energy must be leveraged if we are to rapidly develop nationwide robust power, thermal, and cooling systems, and a clean, sustainable fuel mix, all while creating stable jobs and bolstering innovative economic and industrial outputs.

With the value of responsible resource development at the forefront, the United States can lead the way in clean, renewable geothermal energy while safeguarding our ecological and biological ecosystems and our communities.

Thank you again for this opportunity, and I am happy to answer any questions you may have to the best of my knowledge.

[The prepared statement of Dr. Jones follows:]

PREPARED STATEMENT OF DR. BRYANT JONES, EXECUTIVE DIRECTOR,
GEOHERMAL RISING

ON H.R. 6482, H.R. 7370, H.R. 7409, AND H.R. 7422

Good morning Representative Stauber, Representative Ocasio-Cortez, and Members of the House Natural Resources Committee and Subcommittee on Energy and Mineral Resources, thank you for the opportunity to testify at today's hearing and discuss the potential and opportunity of geothermal energy in our nation's energy mix.

My name is Bryant Jones, and I am the Executive Director of Geothermal Rising, the world's oldest geothermal association, serving as the main professional and educational organization for the geothermal community in the United States. Our members harness the heat beneath the Earth's surface for direct-use, geothermal heat pumps, and to generate 24/7 carbon-free electricity, critical to achieving reliable, affordable, fully decarbonized buildings, industries, and power grids. As a 501(c)(3), Geothermal Rising (GR) membership includes project developers, service and equipment providers, universities and research groups, government agencies, public utilities, and other stakeholders.

GR's mission is to "use the earth to save the earth" by tapping into the extraordinary potential of our abundant, stable, and clean geothermal resources. GR's policy work supports this mission by advancing a comprehensive agenda of geothermal technology-agnostic federal and state-level policies, regulatory work, and general initiatives to accelerate the deployment of all forms of geothermal energy.

Inexhaustible geothermal energy offers a solution to some of our most pressing challenges such as energy reliability and emissions reductions. It is a resource that can generate 24/7 clean electricity, provide heating and cooling for homes and industries, and much more. Frankly, it is an energy source we can't afford not to invest in. Our work at Geothermal Rising centers on decreasing energy costs, increasing efficiency, promoting a strong geothermal workforce, and contributing to a sustainable planet and energy independent nation.

Currently, in the United States, geothermal power plants have an installed capacity of 3,692 MW, however, this represents only 0.4% of total U.S. utility-scale electricity generation and accounted for 1.9% of electricity generation from renewable sources,¹ underscoring the substantial opportunity we have to scale up geothermal energy as we enter this new generation of geothermal technologies and

¹ <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php>

innovation. Geothermal energy provides heating and cooling to less than 1% of the market, again a small market share of a valuable renewable energy source.

The first geothermal power plant in the United States started up more than 60 years ago based on a now mature suite of technologies. Today's newer geothermal technologies leverage the expertise and experience of the North American oil and gas sector and are poised to unleash even more of the United States' geothermal energy potential. Other advantages of geothermal include the domestic coproduction of critical minerals, reduction of geopolitical risks on existing global supply chains, and high paying jobs that directly transfer from the fossil fuel energy sector. Lastly, the United States is well poised to be the hub of technological development and deployment of geothermal energy that can be implemented at home and exported around the world. However, critical to the success of our industry and the broader energy goals of our nation, are legislative innovations to support the nuanced needs of geothermal energy development.

Today, GR is pleased to endorse a number of pro-geothermal bills, the first of which being H.R. 6482, "Enhancing Geothermal Production on Federal Lands Act." H.R. 6482 necessarily provides precise yet comprehensive definitions and clarification to match the diverse activities, technologies, and ongoing innovations in our industry. Furthermore, the bill reinforces the justifiable and reasonable proposition that geothermal exploration projects and covered activities shall not be considered major actions under the National Environmental Policy Act of 1969 (NEPA). The bill also mandates the designation of certain federal lands as priority areas for geothermal leasing, directing more resources and attention to areas with high geothermal potential.

The second bill we wish to endorse is H.R. 7370, the "Geothermal Energy Opportunity Act" or the "GEO Act." The GEO Act would amend the Geothermal Steam Act of 1970 with provisions to streamline the processing of geothermal drilling permit applications, while ensuring all environmental documents required under NEPA for authorization approval are met. Geothermal has the lowest life cycle carbon footprint of all renewable energy technologies and the smallest environmental footprint of all energy technologies. Yet, geothermal developers face the strictest permitting processes. While GR appreciates the BLM is working on an administrative categorical exclusion specific for geothermal, we believe it is vital for congressional action to ensure geothermal developers receive the nuanced permitting exclusions under NEPA that are needed to develop and scale the cleanest and most stable energy resource available to us as we continue to transition into a clean energy economy.

Third, H.R. 7409, the "Harnessing Energy At Thermal Sources Act" or the "HEATS Act," would further amend the Geothermal Steam Act of 1970 by enabling reasonable exemptions from Federal permits and allowing geothermal activities to commence and receive a state permit in a practical timeframe.

Last, regarding H.R. 7422, the "Geothermal Cost-Recovery Authority Act of 2024," we accept the provisions therein as a reasonable compromise. Although requirements to "reimburse" the government for administrative costs in connection with geothermal permitting may be counterintuitive on the surface to accelerating the development of a renewable resource that already faces a relatively high degree of capital risk and regulatory uncertainty, we acknowledge that reinjecting reimbursed funds into BLM to maintain efficient application processing is a necessity. Therefore, we support the bill based on the understanding that recovered administrative costs will be recycled into BLM to specifically cover administrative costs in connection with geothermal permit application processing.

It is probably no surprise that America's geothermal industry association endorses propositions that reduce risk and increase certainty for our members and stakeholders. Although we are inclined to support terms and concepts such as "streamlining" and "exemptions," I wish to remind the Committee that our members are in this industry because we care deeply about the environment. Frankly put, more geothermal development directly equates to emissions reduction, energy diversification, national security, jobs, stability, and prosperity.

As we continue to advocate for the responsible development of geothermal resources and compatible reductions of regulatory red tape, GR acknowledges the importance of environmental assessments and compliance with the National Environmental Policy Act (NEPA). While new legislation creating exemptions and streamlined processing of applications for geothermal activities would accelerate clean energy development, it must be approached with caution and responsibility, ensuring adequate safeguards and transparency. We believe the bills before this Committee today balance environmental conservation, successfully address concerns around carbon production, and empower the cleanest renewable energy industry humanity has access to, the energy of the earth, geothermal.

In representing the geothermal community, GR strives to be a consensus organization, recognizing that our members may have diverse viewpoints on certain issues. Therefore, while we support the general direction of proposed regulations and legislative efforts to streamline permitting and the development of the geothermal industry, it's important to note that our members may have slightly deviating priorities and interests.

Again, while we advocate for permitting reform in a broad sense, we also emphasize the need for a balanced approach, namely, environmental responsibility and public participation. With the values of responsible resource development at the forefront, the United States can lead the way in clean, renewable geothermal energy while safeguarding our ecosystems and communities.

We are excited to see policy movement supporting geothermal development on Capitol Hill and look forward to working with all of those in our national agencies and Congress to provide a framework to responsibly increase pathways to establish streamlined permitting practices for this unique and vast energy resource, while also providing adequate safeguards and transparency.

The world is watching the United States for how it designs its portfolio in the energy transformation. Geothermal energy must be leveraged if we are to rapidly develop nation-wide robust power and thermal systems and a clean sustainable fuel mix, all while creating jobs and bolstering innovative economic and industrial outputs.

Thank you again for this opportunity, and I am happy to answer any questions you may have to the best of my knowledge.

QUESTIONS SUBMITTED FOR THE RECORD TO DR. BRYANT JONES, EXECUTIVE
DIRECTOR, GEOTHERMAL RISING

Questions Submitted by Representative Fulcher

Question 1. From your geothermal research and expertise, do you foresee the streamlining process contributing to the growth of the geothermal industry? Could you expand on the importance?

Answer. Absolutely. In an industry that already faces a relative degree of risk and uncertainty, it is critical that we remove unnecessary regulatory and bureaucratic red tape. Streamlining regulatory and permitting procedures would significantly reduce project timelines and costs. Additionally, streamlining processes can enhance the industry's attractiveness to investors. Relative to other subsurface industries, it especially doesn't make sense to impose the same restrictions and review processes on the geothermal industry given that it is emission-free and poses little-to-no negative sub-surface and above-surface risks. Geothermal energy is commonly known as the "invisible" energy source—and its utilization is quiet, clean, and discreet to both civil communities and natural ecosystems.

Question 2. Shifting to energy security, you mentioned in your written testimony, that the United States is well-positioned to be a hub for technological development and deployment of geothermal energy. Could you provide more insights into how the U.S. can leverage its capabilities to become a global leader in geothermal technology?

Answer. The U.S. is already a world leader in geothermal technology and is on the cusp of further groundbreaking innovations in this space. American companies such as Fervo, Eavor, Quaise Energy and others have already engineered never-before-seen solutions and are continuously refining their technologies. The U.S. is the ideal place to perfect these technologies for geothermal energy production at home due to our vast resources in geothermal and in entrepreneurial spirit. We can also export these innovations abroad due to global demand for renewable baseload energy, in addition to creating high-paying jobs at home and securing domestic supply chains.

A growing number of countries are expanding or initiating geothermal energy resources for reasons such as national security, domestic job creation, stable grids, and clean energy, which will require world class technologies. Taiwan aims to grow its geothermal power generation from 7 megawatts today to 250 megawatts by 2030 and 6 gigawatts by 2050. Countries across Europe from Germany to Croatia to the United Kingdom are expanding heating, cooling, and power generation projects using geothermal resources. Japan and Indonesia see geothermal as a solution to challenges being island nations. We can get to the next level as global leader in

geothermal energy, particularly in Enhanced Geothermal and Closed-loop Systems, which have the potential to unlock vast energy basically anywhere, with the support of public investment, partnerships, and reductions in regulatory red tape.

Mr. STAUBER. Thank you very much. Our next witness is Mr. Steve Dudgeon, the principal of Severance Tax and Royalty for Ryan LLC, stationed in Houston, Texas.

Mr. Dudgeon, you are now recognized for 5 minutes.

STATEMENT OF STEVE DUDGEON, PRINCIPAL, SEVERANCE TAX/ROYALTY, RYAN LLC, HOUSTON, TEXAS

Mr. DUDGEON. Good afternoon. Thank you, Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Committee. I appreciate the opportunity to testify in support of House Bill 7377, the Royalty Resiliency Act. This is a win-win bill that helps not only industry, but also the government. As mentioned, my name is Steve Dudgeon, and I am a principal at Ryan.

Ryan is the largest firm in the world dedicated to tax and royalty consulting services. We collaborate with taxing authorities to obtain fair answers faster, advise on good tax policy, and assist taxpayers with calculating and paying every dollar they owe and not a penny more. I have worked in Ryan's oil and gas group for the past 16 years, representing companies throughout this nation and abroad, with a focus on accurately reporting and calculating taxes and royalties owed. I have directly assisted clients with addressing the problems this Act will correct, specifically how to effectively report royalties while communitization agreements are pending with the Bureau of Land Management.

A little bit of a historical context. In the early days of oil and gas, the rule of capture controlled. If you produced oil and gas from a well on your land, it was presumed all of that oil and gas was yours. When oil was discovered, a race to drill wells commenced. Wells were packed together, high impact to the environment, dangerous operating conditions, and inefficient production. In the 1930s, courts recognized that this was a figurative pool of resources and that, in fact, when you drilled a single well, the production came from the surrounding areas, not just where you drilled.

Because of this, communitization agreements were born, or called CAs. They were created specifically to help conserve our natural resources, prevent waste, and, importantly, ensure that the various mineral owners receive their share. Unfortunately, the current process of approving the agreements is simply not working. I have personally seen instances where some CAs have been pending for more than 7 years, and I know of wells as of today, 500, that have CAs that have been pending for over 12 months, and this backlog continues to grow.

To explain the issue a little bit further, I have brought a couple of visuals. Let's see if I can get those. Perfect.

One more slide. Thank you, sir.

[Slide.]

Mr. DUDGEON. The first example, in blue, we have fee land. Fee land is land owned by private citizens. The Federal Government owns the salmon-colored section. Ten percent of the land is Federal

land, and ninety percent is fee. The circle is the surface hole. That is where the well was drilled. And then the horizontal leg passes through Federal land into fee land.

In this scenario, the royalty rates are the same, \$12.50 for both. And under the current requirements, the operator will pay \$11.25 per \$100 to the fee owners, but then they will also pay the full \$12.50 to the Federal Government while the CA is pending. So, in total, they are paying 23.75 percent of all their production while they await the conclusion of the CA review process. The actual royalties owed, once it gets approved, is the \$12.50.

Could you go to the next example? Thank you so much.

[Slide.]

Mr. DUDGEON. Example 2, in this instance the Federal Government owns 50 percent, fee land is 50 percent. If the well is drilled on fee land and never intersects with the Federal minerals, no royalties are owed. So, in this example, the oil and gas company will pay 6.25 percent to the fee owners, and nothing will be paid to the Federal Government until the CA is approved, when in reality, actually owed is \$6.25 to both parties.

This harms not only the Federal Government in this example, but it also harms the states and the operator. States receive 48 percent of all royalty collections from Federal lands onshore, so these states are not getting the money they are owed. And for the operators, they are being subjected to numerous audits and reviews because of the forced, inaccurate reporting. These disputes can lead to costly litigation that ultimately ends up being needless once the CA is approved.

The Royalty Resiliency Act addresses these problems by allowing proposed CAs to dictate the payments until final approval by the BLM. Payments will be timely received and much more accurate than the current all-or-nothing approach.

In my experience, I have found that producers' proposed allocations are correct most, if not all, of the time, and any discrepancies tend to be very minimal. As such, this bill is a win-win for all parties involved, and I urge you to support it.

Thank you for offering the opportunity to provide testimony today, and I look forward to your questions.

[The prepared statement of Mr. Dudgeon follows:]

PREPARED STATEMENT OF STEVE DUDGEON, PRINCIPAL,
SEVERANCE TAX/ROYALTY, RYAN, LLC

ON H.R. 7377

Introduction

Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the subcommittee:

Thank you for the opportunity to testify in support of H.R. 7377, the Royalty Resiliency Act, which is a positive piece of legislation that benefits industry, the government, and tribes. I commend the Committee on Natural Resources for taking up this important piece of legislation and hope that it will move forward.

My name is Steve Dudgeon, and I am a principal at Ryan, LLC. Ryan is the largest firm in the world focused on providing tax consulting services. With headquarters in Dallas, Texas, we perform tax services in every state and in nearly 70 countries. From the calculation of property taxes at the local level to assisting taxpayers obtain historic tax credits, Ryan provides a wide array of tax services and interacts with various taxing authorities daily. We seek to provide fair answers

faster to both the taxpayer and the taxing authority to ensure payments to the government are accurate.

As for me, I am in the severance tax and royalty practice, which is based in Houston. Our practice solely focuses on the calculation of taxes or royalties owed to government for the production of oil and gas. From the Bakken to the deepest waters of the gulf—we have a wide array of clientele—indeed, we estimate Ryan’s oil and gas clients account for the majority of production throughout the United States. This provides us with a unique perspective on the state of the industry and on identifying the best practices for the collection of taxes and royalties. It has also provided us firsthand experience with the issues this Act will resolve.

It is with this perspective that I approach my testimony on the Royalty Resiliency Act. I want to thank Representative Hunt for introducing this legislation, which will address a decades-old issue and result in a win-win for the government and the royalty payors.

Communitization Agreements and Current Law

Under the Mineral Leasing Act, the Secretary of the Department of Interior (“Department”) is authorized to approve communitization agreements (“CAs”). CAs allow operators, with the agreement of the owners of the resources, to pool together Federal, Indian, State, or private oil and gas resources that could not otherwise be independently developed or would have required multiple wells to be drilled. This permits the acreage to be developed in conformity with established well-spacing and development programs in an efficient manner. CAs define both how the oil and gas production will be allocated among the operators and how revenue will be shared between the operators and the various mineral owners. Once a CA is approved, the Office of Natural Resources Revenue (“ONRR”) will use the production allocation information from the Bureau of Land Management (“BLM”) to distribute royalties to the parties of the CA, including the Federal government, tribal nations and individual Indian oil and gas resource owners.¹ Without an approved CA, however, ONRR is unable to distribute royalties.²

In order to approve a CA, the BLM needs the following information:

- a. The location of the separate tracts comprising the drilling or spacing unit;
- b. How [the operators] will prorate production or royalties to each separate tract based on total acres involved;
- c. The name of each tract operator; and
- d. Provisions for protecting the interests of all parties, including the United States.³

This information is easily discernable by the submitting parties of the CA; however, approval of CAs has proven to be a struggle for the Department with instances of these CAs taking well over seven (7) years to be approved. There are currently hundreds of CAs that are pending approval by the BLM.

In 1996, Congress passed the Royalty Simplification and Fairness Act (“RSFA”). One of the goals of that legislation was to address the pending “approval of allocation schedules for participating areas and communitization agreements” as the delayed “approval of [such] request[s] delay[ed] determination of royalty value and result[ed] in costly retroactive adjustments.”⁴ Accordingly, RSFA required the Secretary to “approve such requests expeditiously”; failure to do so required the Secretary to “waive interest on the obligation from the date the request was received until the request is approved.”⁵ Specifically, RSFA imposed a 120-day time frame for the Secretary to approve CAs.

Despite the intent and direction of RSFA, expeditious approval of CAs has remained elusive. Indeed, in 2014, the U.S. Government Accountability Office (“GAO”) found that the Bureau of Land Management’s (“BLM”) management and oversight of federal and Indian oil and gas resources was hindered, in part, by

¹ Updated BLM Policy for Communitization Agreements Will Aid Timely Distribution of Oil and Gas Royalties/Bureau of Land Management, Bureau of Land Management, Press Release (August 19, 2015), <https://www.blm.gov/press-release/updated-blm-policy-communitization-agreements-will-aid-timely-distribution-oil-and-gas>.

² H. Rept. 104-667, at 20.

³ 43 C.F.R. § 3105.2.

⁴ H. Rept. 104-667, at 20.

⁵ *Id.*

“BLM delays reviewing communitization agreements.”⁶ In reviewing data for 61 Indian and federal wells, the GAO noted that the average approval time was 229 days for Indian CAs and 126 days for federal CAs.⁷ The GAO continued: “the delay to process communitization agreements . . . resulted in a delay of royalty payments. This is a concern because . . . individual Indian oil and gas resource owners may rely on revenue from oil and gas development to pay for daily expenses such as food, shelter, health, and education.”⁸ Moreover, these findings echoed a “2006 Royalty Policy Committee report that recommended BLM review annually the status of communitization agreements awaiting field office approval and communitization agreement approval timelines to identify any prioritization, resource allocation, and/or training needs.”⁹ In response to the GAO report, the BLM issued a “re-engineered communitization agreement approval process” that sought to establish a streamlined process for adjudication and approval of CAs.¹⁰ Unfortunately, even with the re-engineered process, the delays in approving CAs have persisted.

Current Payment Procedures While a CA is Pending

As the GAO, BLM and ONRR have all recognized, the inability of the BLM to timely process CAs results in untimely royalty distributions to the federal government, tribes, and individual Indian owners; but there is another element: the failure to expeditiously approve CAs results in *overpayments* and *underpayments* in certain circumstances by the operators. In other words, the current system of delays does not benefit anyone.

Functionally though and under existing law, what are operators required to pay? Through Ryan’s communications with the BLM on behalf of our clients, we were told to apply the following general rule:

For a well that is producing federal or Indian minerals (i.e., a federal application for permit to drill was required for the well), 100 percent of the royalty will need to be paid to the first federal or Indian lease penetrated, until such time as the pending CA or participating area (PA) has been approved by an authorized officer.

For a well drilled through all fee or state minerals (i.e. no federal application for permit to drill was submitted to the BLM), then 0 percent of the royalty will be paid to the Federal government until such time as the pending CA or PA has been approved by an authorized officer.¹¹

In other words, the only determining factor is whether the wellbore physically passes through federal or Indian minerals even though it may or may not be producing federal or Indian minerals. Even if the well is producing 1% federal minerals, the operator of a wellbore that intersects federal minerals must pay royalties to the federal government as if the communitized area was producing 100% federal minerals until the CA is approved; however, if the communitized area is 99% federal ownership, but the wellbore does not intersect with federal minerals, the operator would pay **no** royalties to the federal government until the CA is approved.

Upon approval of the CA, the operator has until the month following the BLM approval date and confirmation in the ONRR’s system to submit all necessary amended royalty returns in order to avoid being assessed interest. This means that if a CA was pending for several years and whether the CA is approved on January 1st or January 31st, they must resubmit all royalty returns by February 28th. This results in a rushed process that frequently requires the assistance from outside consultants and 3rd parties.

Because of this structure—and the delay—companies are paying tens of millions more to the federal government than would otherwise be owed and then awaiting months or years for the ability to accurately report. Meanwhile, the federal government is under-collecting for months or years in other areas where the wellbore does not intersect federal or Indian lands. Moreover, these under- and over-payments are all interest free, meaning when it is corrected months or years later, the government, tribes, and companies do not get compensated.

⁶ U.S. Gov’t Accountability Off., GAO-14-238, *Oversight of Federal and Indian Resources* 27 (2014).

⁷ *Id.* at 36.

⁸ *Id.* at 37.

⁹ *Id.* at 37 n. 68.

¹⁰ Re-engineered Communitization Agreement Approval Process, Bureau of Land Management, IM 2015–14 (July 17, 2015), <https://www.blm.gov/policy/im-2015-124>.

¹¹ Email on file.

Accordingly, the current law (and its associated delays) benefits no one and instead ties up capital, results in frequent administrative issues, and results in the government not receiving the funds owed for years.

The Effect of the Royalty Resiliency Act

Given the belabored history of CAs, this legislation allows for up-front payments. No longer will the needless over- and underpayment collections occur.

Specifically, what does this legislation do?

It allows operators who submit a CA to the BLM to pay in accordance with that CA until approved or modified. If the CA is approved as submitted to the BLM, no changes to payments will be needed. But if modified, the royalty payors will adjust accordingly, using a similar adjustment process to what they do on all CAs under current law.

In other words, this legislation removes the all-or-nothing approach that currently exists, ensuring that operators are—at the very least—paying closer to what they owe, while the government actually collects something.

Importantly, existing law will prohibit abuse of this legislation. Current law provides that any person who knowingly or willfully submits inaccurate information will be subject to a penalty of up to \$25,000 per violation for each day such violation occurs.¹² Furthermore, severe abuse may be punished with imprisonment and additional fines.¹³

At Ryan, we have found that producers want to make accurate and timely payments to the government. The Royalty Resiliency Act, coupled with existing safeguards, achieves this.

Conclusion

The Royalty Resiliency Act addresses a decades' long problem that has plagued the Department, and provides certainty of payment to the government, while limiting over payments by the producer.

Ryan commends the introduction of this legislation and supports its full passage.

Mr. STAUBER. Thank you very much. Our next witness is Mr. Joe Uehlein, the Founding President of the Labor Network for Sustainability, based in Takoma Park, Maryland.

Mr. Uehlein, you are now recognized for 5 minutes.

STATEMENT OF JOSEPH UEHLEIN, FOUNDER AND PRESIDENT, LABOR NETWORK FOR SUSTAINABILITY, TAKOMA PARK, MARYLAND

Mr. UEHLEIN. Good afternoon, Chair Stauber, Ranking Member Ocasio-Cortez, and members of the Committee. My name is Joseph Uehlein, and I am the Founder and Board President of the Labor Network for Sustainability.

We are dedicated to making a living on a living planet. We believe that sustainability starts at the kitchen table, where working people every day worry about how they will secure health care, send their children to college, save for a family vacation, and maybe save for a pension.

I worked building the Texas Eastern Pipeline as it wound its way through the rolling hills of central Pennsylvania. I worked on the construction of the Three Mile Island nuclear facility near Harrisburg, and I worked in an aluminum mill in Mechanicsburg. As Secretary-Treasurer of the AFL-CIO's Industrial Division and Secretary to the North American Coordinating Committee of the International Chemical, Energy, and Mine Workers Federation, I

¹² 30 U.S.C. § 1719.

¹³ 30 U.S.C. § 1720.

have represented fossil fuel and manufacturing workers throughout my career.

In 1988, I began attending meetings of the United Nations first Global Warming Commission. At that time, 2C of warming was a level we never wanted to reach. Now it is a goal, and we are ushering in a world of hurt for a large number of people. This has to stop, and it has to be reversed.

I spent my life working on labor and environmental issues with climate change at the core. My experience tells me that climate change is the real job killer. Climate is as much an economic issue as it is an environmental issue. The impacts of unchecked global warming and climate change will decimate our economy and ecology. Whether you work on the ports, in agricultural fields, in a warehouse, transportation, manufacturing, health care, public employees will all suffer job loss due to unchecked global warming and climate change.

Climate change is a budget killer, and it is also a dagger pointed at our jobs. The fossil fuel industry and its allies love to spin the jobs versus environment frame. We not only can, but we must provide good jobs for our people and protect the only planet we know of that supports life.

Renewable energy is a big part of the solution for the climate and for working people. Geothermal energy is an essential part of the overall renewable energy mix, and provides clean, reliable, baseload power with minimal carbon emissions. This will help reduce our reliance on climate-destroying fossil fuels. And the beauty of geothermal is that job skills are readily transferable. Pipe fitters in an oil refinery or nuclear power plant, or pipe fitters that build pipelines like I did can do geothermal work. But it is more than pipe fitters. To do this work, we need operating engineers, truck drivers, laborers, carpenters, drillers, excavators, electricians, landscapers, depending on how deep the hole is, like for the fracking process of enhanced geothermal, which allows for more efficient extraction.

But we need to make sure that the Federal Government has the capacity to permit geothermal and other renewables responsibly as the industry grows. Rather than cutting environmental review and public input, we need to fund and staff our agencies appropriately.

Note that I say, "our agencies." If you believe in government of, by, and for the people, as I do, you have a responsibility to see to it that public input is sought and valued, and that environmental review is a sacred requirement. Public input from impacted communities and rigorous environmental review are the things we should want and value, not oppose and undermine.

Representative Ocasio-Cortez's Geothermal Cost Recovery Authority Act of 2024 will allow the BLM more flexibility to hire third-party environmental reviewers and specialists, charge for inspections, monitoring of geothermal, and otherwise charge cost recovery fees. This will help BLM's geothermal program without constraining the agency's limited budget.

Climate change is a job killer and a budget killer. You have heard it said, and I don't mind repeating it. This is the only planet we have, and the voices of the future are calling back to us and asking that we might see beyond our own time.

Thank you, and I look forward to your questions.
 [The prepared statement of Mr. Uehlein follows:]

PREPARED STATEMENT OF JOSEPH UEHLEIN, FOUNDER AND BOARD PRESIDENT,
 LABOR NETWORK FOR SUSTAINABILITY

ON H.R. 7422

Good afternoon Chair Stauber, Ranking Member Ocasio-Cortez, and Members of the Committee.

My name is Joseph Uehlein. I'm the founder and Board President of the Labor Network for Sustainability (LNS). We are dedicated to making a living on a living planet. We believe that sustainability starts at the kitchen table, where working people every day worry about how they will secure health care, send their children to college, save for a family vacation, and maybe save for a pension. Advanced industrial societies around the world provide many of these things to their people. We do not.

I worked building the Texas-Eastern Pipeline as it wound its way through the rolling hills of Central Pennsylvania. I worked on the construction of the Three Mile Island nuclear facility near Harrisburg. I worked in an aluminum mill in Mechanicsburg, PA. As secretary Treasurer of the AFL-CIO's Industrial Division, and Secretary to the North American Coordinating Committee of the International Chemical, Energy, and Mine Workers Federation, I have represented fossil fuel and manufacturing workers throughout my career.

In 1988 I began attending meetings of the United Nations first global warming commission. At that time 2c of warming was a level we never wanted to reach. Now it's a goal, and we are ushering in a world of hurt for a lot of people. This has to stop, and be reversed. I have spent my life working on labor and environmental issues, with climate change at the core of my endeavors.

My experience tells me that climate change is the real job killer, not the answers to climate change. Climate is as much an economic issue as it is an environmental issue. The impacts of unchecked global warming and climate change will decimate our economy and ecology. Whether you work on the ports, or in the agricultural fields, or in a warehouse, or in transportation, manufacturing, health care—even nurses and public employees will all suffer job loss due to unchecked global warming and climate change.

Before 2010 we would have one, maybe two, one-billion dollar weather events a year. Then we had a dozen such events in one year. The earth was waging its own public relations campaign. The costs of dealing with forest fires has increased dramatically over the past decade, and that's just fire. Hurricane Katrina destroyed 40% of the New Orleans economy. Over time, much of that has come back, but not all of it. Massive storms, massive fires, melting polar ice caps, melting glaciers, famine, water shortages, and more are ravaging the planet and the people on it are suffering and fleeing to find a more stable places to live. You think we have an immigration problem now? You ain't seen nothing yet. We will see mass migration of starving angry people. What do we do then? Wage war on humanity?

Climate change is a budget-killer, and is also a dagger pointed at our jobs. The fossil fuel industry and its allies love to spin the jobs v environment frame. We not only can, but we must, provide good jobs for our people, and protect the only planet we know of that can support life. The costs of fighting wild fires in the west has grown astronomically in the past 20 years. And this is just the tip of the proverbial iceberg.

Renewable energy is a big part of the solution, for the climate and for working people. Geothermal energy is an essential part of the overall renewable energy mix, and provides clean, reliable, baseload power, with minimal carbon emissions. This will help reduce our reliance on polluting and climate destroying fossil fuels. And the beauty of geothermal is that the job skills are readily transferable. Pipefitters in an oil refinery or nuclear power plant, or pipefitters that build big pipelines like I did, can do geothermal work. But it's more than pipefitters. To do this work we need operating engineers, truck drivers, laborers, and carpenters, depending on how the deep the hole is, like for the fracking process of enhanced geothermal, which allows for more efficient extraction of geothermal heat found deep in the ground. Conventional geothermal taps heat sources closer to the earth's surface. For both methods, the skills needed are all transferable.

But we need to make sure that the federal government has the capacity to permit geothermal, (and other renewables), responsibly as the industry grows. Rather than cutting environmental review and public input, we need to fund and staff our

agencies appropriately. Note that I say “our” agencies. If you believe in government of, by and for the people, as I do, you have a responsibility to see to it that public input is sought and valued, and that environmental review is a sacred requirement. Public input from impacted communities, and rigorous environmental review, are things we should want and value, not oppose and undermine.

Rep. Ocasio-Cortez’s Geothermal Cost-Recovery Authority Act of 2024 will allow the Bureau of Land Management to have more flexibility to hire third-party environmental reviewers and specialists, charge for inspections and monitoring of geothermal, and otherwise charge cost-recovery fees. This will help enhance BLM’s geothermal program without constraining the agency’s limited budget.

Climate change is a job killer, and a budget killer. You’ve heard it said, and I don’t mind repeating it, that this is the only planet we have, and the voices of the future are calling back to us and asking that we see beyond our own time.

QUESTIONS SUBMITTED FOR THE RECORD TO JOE UEHLEIN, FOUNDING PRESIDENT,
LABOR NETWORK FOR SUSTAINABILITY

Questions Submitted by Representative Huffman

Question 1. While it is critical that the U.S. ramps down fossil fuel production and reliance and scales up clean energy deployment, we must still do so responsibly. Over the last year, the National Environmental Policy Act, NEPA, has been consistently under threat. That is something we cannot support, even when it’s for renewable energy. Why is it important to you and the Labor Network for Sustainability more broadly that we maintain justice and equity in all our transition policies?

Answer. Given the planetary boundaries we’ve already crossed, and those we will soon cross, it is critical that environmental review be strengthened so that further harm to the natural world can be reduced and eliminated. This will benefit the natural world, and our working families. We need more robust transition policies that protect working people and the planet we inhabit. We cannot allow this to be an either/or proposition. No worker, and no community, should be the roadkill on the path to a better world.

The Labor Network for Sustainability is dedicated to “Making a Living On a Living Planet.” We view these goals as equal to one another; one is not more important than the other. We can have an ecologically sustainable and economically just future. If we fail at either, we fail working families. Workers have always cared about their communities, and about the environment. The first Earth Day would not have happened without the active support and financial assistance from the UAW (auto workers), and AFSCME (state, county and municipal employees). The link between workplace rights and environmental justice is clear. What good is an extra week vacation we negotiate, if the lake we take our kids to is polluted and they can’t swim in it? More broadly, there are no jobs on a dead planet. The fossil fuel industrial complex has worked hard to spin false tales and false solutions designed to divide workers from the environment, and the environment from workers. At the Labor Network for Sustainability we reject such false divisions. We believe that an injury to one is an injury to all, and we believe that we are linked organically to this planet, so an injury to the natural world is an injury to working people.

As the environment around us deteriorates, so does the economy. Environmental degradation, and global warming, represent the biggest threat to our economy. The economic impacts of environmental degradation will be far worse than the Great Depression. Justice and equity goals in all transition policies must be strengthened. The transition ahead of us offers the opportunity to right the wrongs of the past, to save our natural world, and to provide good jobs for everyone. Moving forward with renewable energy absent the protections of the National Environmental Policy Act places not only our natural world but also our working families at risk. We can have both a healthy environment and good jobs for our people.

Mr. STAUBER. Thank you very much. Our final witness is Mr. Dan Naatz, the Executive Vice President and Chief Operating Officer of the Independent Petroleum Association of America, based here in Washington, DC.

Mr. Naatz, you are now recognized for 5 minutes.

**STATEMENT OF DAN NAATZ, CHIEF OPERATING OFFICER,
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,
WASHINGTON, DC**

Mr. NAATZ. Good afternoon, Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Subcommittee. My name is Dan Naatz, and I am the Chief Operating Officer of the Independent Petroleum Association of America (IPAA). I am here today to testify in support of H.R. 7375, sponsored by Representative Hageman; and H.R. 7377, the Royalty Resiliency Act, sponsored by Representative Hunt.

IPAA is a national trade association representing thousands of American independent oil and natural gas producers. Our members, who operate in 33 states, as well as offshore, are the primary producer of the nation's oil and natural gas, and account for 83 percent of America's oil production and 90 percent of its natural gas output. These independent producers are a driving force in our economy, and support roughly 4.5 million jobs in the United States.

Furthermore, our average member company employs 20 people. These small businesses are unique, and are best served by having a cooperative Federal regulatory system with input from the states and the Federal Government, rather than a one-size-fits-all structure coming from Washington, DC.

H.R. 7375, offered by Congresswoman Hageman, amends a provision of the Mineral Leasing Act that was changed as part of the Inflation Reduction Act of 2022. The IRA included a new provision to assess an additional fee on companies for nominating parcels to be included in upcoming lease sales. Currently, every nominating company must pay the non-refundable Expression of Interest fee, regardless of the outcome of the lease sale. In effect, companies who do not have the highest bid and thus do not win the lease are still beholden to pay the Expression of Interest fee.

While IPAA maintains that a pay-to-play Expression of Interest fee in general is a bad idea, we strongly oppose assessing a non-refundable fee on a company who is not even successful in their bid to lease a particular parcel.

In addition, multiple operators can end up paying a fee for submitting the same acreage. From a policy perspective, IPAA believes the new language included in the IRA will negatively change the competitive bidding process on Federal lands.

Furthermore, this fee only applies to oil and natural gas development. There is no similar equivalent for the expression of interest for wind or solar leases.

IPAA also supports language in the bill that designates a 5-year term for the Expression of Interest fee to remain active, unless the land covered by the fee is included in a lease sale.

Rather than placing additional fees and burdens on American oil and natural gas explorers and producers operating on multiple use Federal lands, Congress should look for ways to enhance production to provide the nation with much-needed energy resources.

IPAA also supports H.R. 7377, the Royalty Resiliency Act offered by Congressman Hunt. The legislation requires the Department of the Interior to make a timely determination regarding the amount of production operators pay royalties on to the Federal

Government, so that producers aren't paying excess royalties while they wait for a BLM communitization agreement approval.

Current law states that the Secretary shall issue a determination for allocation of production for unit and communitization agreements within 120 days. However, it also gives the Secretary flexibility to exceed the 120-day deadline by waiving interest due on obligations until a determination is made. H.R. 7377 closes that exemption loophole.

The legislation also assumes that the pending plan for communitization is correct, rather than the other way around. This change will save companies from overpaying royalties that ONRR collects interest on while the agency determines approval.

It is worth noting that the Federal Government does not live by these same rules. Interest is not repaid the company when communitization plans are finally issued.

Furthermore, current law states that ONRR gets to collect 100 percent of the royalty rate on production, even if the Federal Government does not own 100 percent of the land used during the operation. The patchwork nature of landownership in the West makes this a complicated issue. It is common for Federal land to mingle with private or state-owned land on parcels in the West. However, the Treasury should only get the percentage of royalty that is rightfully owned by the Federal Government. H.R. 7377 corrects these flaws, and provides a more equitable system, where Federal royalties are only collected on land owned by the Federal Government.

IPAA member companies are committed to finding creative solutions to problems that exist within the scope of oil and natural gas production on Federal lands. We commend the House Natural Resources Committee for seeking innovative solutions to these issues that will enhance the ability of America to continue to have a robust onshore oil and natural gas program.

Thank you for the opportunity to join you today.

[The prepared statement of Mr. Naatz follows:]

PREPARED STATEMENT OF DANIEL T. NAATZ, CHIEF OPERATING OFFICER AND
EXECUTIVE VICE PRESIDENT,
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA
ON H.R. 7375 AND H.R. 7377

Good afternoon, Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Subcommittee on Energy and Mineral Resources. My name is Dan Naatz. I am the Chief Operating Officer of the Independent Petroleum Association of America (IPAA), and I am here today to testify in support of H.R. 7375 sponsored by Representative Hageman, and H.R. 7377, the "Royalty Resiliency Act" sponsored by Representative Hunt.

IPAA is a national trade association representing thousands of American independent oil and natural gas producers. Our members, who operate in thirty-three states as well as offshore, are the primary producers of the nation's oil and natural gas and account for 83 percent of America's oil production and 90 percent of its natural gas output. These independent producers are a driving force in our economy and support roughly 4.5 million jobs in the United States. IPAA member companies are innovative leaders that broke the code to usher in the shale oil and natural gas revolution in the United States. Furthermore, our average member company employees 20 people. These small businesses are unique and are best served by having a cooperative federal regulatory system with input from the states and the federal government rather than a one-size-fits-all structure coming from Washington.

I want to thank the Chairman for holding this hearing today on two commonsense legislative proposals that will positively impact IPAA members who operate on federal lands. H.R. 7375 and H.R. 7377 bring much-needed changes and clarifications to the leasing and royalty gathering process for oil and natural gas exploration and development activities on federal lands, providing greater equitability to the lessees.

H.R. 7375, offered by Congresswoman Hageman, amends a provision of the Mineral Leasing Act that was changed as part of the Inflation Reduction Act of 2022 (IRA). The IRA included a new provision to assess an additional fee on companies for nominating parcels to be included in upcoming lease sales. Currently, every nominating company must pay the nonrefundable expression of interest fee regardless of the outcome of the lease sale. In effect, companies who do not have the highest bid and thus do not win the lease are still beholden to pay the expression of interest fee. While IPAA maintains that a “pay to play” expression of interest fee in general is a bad idea; we strongly oppose assessing a nonrefundable fee on a company who was not even successful in their bid to lease a particular parcel.

From a policy perspective, IPAA believes the new language included in the IRA will negatively change the competitive bidding process on federal lands. Furthermore, this fee only applies to oil and natural gas development. There is no similar equivalent for the expression of interest for wind or solar leases.

IPAA also supports language in the bill that designates a 5-year term for the expression of interest fee to remain active unless the land covered by the fee is included in a lease sale. Rather than placing additional fees and burdens on American oil and natural gas explorers and producers operating on multiple use federal lands, Congress should look for ways to enhance production to provide the nation with much needed energy resources.

IPAA also supports H.R. 7377, the “Royalty Resiliency Act” offered by Congressman Hunt. The Office of Natural Resources Revenue (ONRR) is a little-known agency with a bureaucratic regulatory structure that is largely unchecked and has little oversight. While IPAA believes a complete overhaul of the ONRR is desperately needed, the legislation before us today aims to fix a reporting issue dealing with communized agreements.

The “Royalty Resiliency Act” requires the Department of the Interior to make a timely determination regarding the amount of production operators pay royalties on to the federal government, so that producers aren’t paying excess royalties while they wait for a BLM communization agreement approval.

Current law states that the Secretary shall issue a determination for allocation of production for units and communization agreements within 120 days, however, it also gives the Secretary flexibility to exceed the 120-day deadline by waiving interest due on obligations until a determination is made. H.R. 7377 closes the exception loophole. The legislation also assumes that the pending plan for communization is correct rather than the other way around. This change will save companies from overpaying royalties that ONRR collects interest on while the agency determines approval. It is worth noting that the federal government does not live by these same rules, interest is not repaid to the company when communization plans are finally issued.

Furthermore, current law states that ONRR gets to collect 100 percent of the royalty rate on production even if the federal government does not own 100 percent of the land used during operation. The patchwork nature of landownership in the west makes this a complicated issue. It is common for federal land to mingle with private or state-owned land on parcels in the west, however, the treasury should only get the percentage of royalty that is rightfully owned by the federal government. H.R. 7377 corrects these flaws and provides a more equitable system where federal royalties are only collected on land owned by the federal government.

IPAA member companies are committed to finding creative solutions to problems that exist within the scope of oil and natural gas production on federal lands. We commend the House Natural Resources Committee for seeking innovative solutions to these issues that will enhance the ability of America to continue to have a robust onshore oil and natural gas program.

Thank you for the opportunity to join you today.

Mr. STAUBER. Thank you very much for all the witnesses and your testimony. We will now recognize Members for 5 minutes of questioning, and I will recognize myself for 5 minutes.

Dr. Jones, turning to H.R. 6482, the bill exempts geothermal exploration wells from having to undergo the NEPA process. Under this legislation, the NEPA review is not totally waived, this only applies to the drilling of exploratory wells. Is that correct?

Dr. JONES. Yes, that is correct.

Mr. STAUBER. So, contrary to what my colleagues on the opposite side of the aisle may claim, the project is still required to undergo the full NEPA review at multiple different points in the process. The bill only exempts one activity, the drilling of exploratory wells, as long as they meet the proper standards outlined in the bill.

Mr. Jones, now turning to H.R. 7409, do you believe states have adequate permitting processes to ensure geothermal operations are carried out safely and environmental concerns are considered?

Dr. JONES. Yes, I do.

Mr. STAUBER. And very quickly, just to address some misconceptions again about the bill from some of my colleagues, nothing in this bill would allow a geothermal project to move forward without proper environmental reviews. The reviews would simply adhere to state processes in the cases outlined in the bill. Is that correct?

Dr. JONES. That is correct, yes.

Mr. STAUBER. For everybody listening, if you want to know what removal of a complete NEPA review is, just look at Floyd Bennett Field in the City of New York. That is Park Service land where illegal immigrants have been housed without any sort of review. That is a concern for many of us.

Mr. Uehlein, you mentioned environmental review is sacred. Did you realize there was no environmental review on the Floyd Bennett Field, the National Park Service land to house immigrants? Yes or no.

Mr. UEHLEIN. No.

Mr. STAUBER. Mr. Naatz, is access to capital a significant issue that IPAA's members who are small, independent oil and gas producers typically face?

Mr. NAATZ. Yes, it is a constant challenge to increase access to capital.

Mr. STAUBER. If your members had increased access to capital, would it be safe to say that they would likely utilize that capital to increase oil and gas production here in the United States?

Mr. NAATZ. Yes, Mr. Chairman. Again, there have been a lot of studies on this, and our membership continually looks to roll capital in and look for new opportunities.

In fact, Raymond James did a study not long ago that said that independent producers reinvest 150 percent of their cash-flow back into their operations. So, it is a very real issue, and important to our members.

Mr. STAUBER. It is no secret that energy demand, both in the United States and around the world, is going to continue to increase for decades to come. As we have discussed, we are going to need to take an all-of-the-above approach to energy production to address that increased demand. And, yes, that includes more responsible oil and gas production here in the United States.

And I would like to point out that it is not just something Republicans agree on. It is bipartisan. In fact, President Biden has even called for more oil and gas development here in the United States.

In an October 2022 speech from the White House, the President called on U.S. oil and gas companies to increase production in order to increase energy supply and, in turn, lower prices for Americans.

Mr. Naatz, if your members were not required to overpay for their Federal royalties as they wait for the Department of the Interior to approve communitization agreements, is it safe to say they would likely utilize that freed-up capital to increase their production?

Mr. NAATZ. Yes, Mr. Chairman. Again, I think it is really important to understand our member companies aren't publicly traded, by and large, they are small producers. They have to access that capital. And when their capital is tied up for these situations that the bills address, it is going to have a negative impact on their ability to get out, operate, and produce.

And really, I also want to stress the importance of what independent producers did in the shale revolution. They were the only ones that went out and took the chance, put the resources in that ushered in this opportunity that has been so beneficial for the country.

Mr. STAUBER. Thank you very much. It is clear that this capital could be put into much better use than being held in escrow by the Department of the Interior. It could be used to help lower energy prices.

With that, my time is running out. I want to thank you all for being here, and I really support every one of these pieces of legislation that are before us today.

I am now going to turn it over to Representative Huffman from California for 5 minutes.

Representative Huffman.

Mr. HUFFMAN. Thank you, Mr. Chairman, and good afternoon, everyone. I would like to start briefly with the oil and gas part of the agenda.

I am not necessarily opposed to Representative Hunt's bill, but I do want to point out that we need to look at both sides of the story here when it comes to this royalty program.

From our oil and gas perspective that we have heard, the Federal Government is made out to be a bit of a bad guy here, and nobody wants to see anybody overpay royalties or gratuitously jerked around by the government. But the Federal Government is also there for an important reason: to protect American taxpayers and the American people to make sure we get a fair return for oil and gas companies extracting a public resource. And right now, those taxpayer protections don't even account at all for climate change, which, for those of you that get all your information from right-wing media or have been cryogenically frozen for the last couple of decades, it is a real thing.

I will tell you something else that is a real thing: taxpayers getting ripped off by fossil fuel operators. Just last week, Federal prosecutors indicted a New Mexico woman on several wire fraud charges and violations of the Federal Oil and Gas Royalty Management Act. She has consistently under-reported oil and gas production on Federal leases and on Navajo and Apache land. And this comes just days after the Department of Justice announced that Hilcorp San Juan LP, an oil company based in New Mexico and

Texas, agreed to pay \$34 million to resolve allegations that it knowingly underpaid Federal royalties.

So, we want to be fair to everyone in a program like this. No one wants to see people overpay the royalties that are owed, but it is just as important that we hold people accountable and make sure that they pay the royalties that they do owe to the U.S. Treasury.

Now, regarding the transition to geothermal energy, which I support and I am enthusiastic about, And I am glad to see us talking about in this hearing. The new technological advancements in geothermal do involve some techniques that have been honed in the oil and gas industry, including hydraulic fracturing, and that has caused some concerns among some stakeholders because we know from fracking in the oil and gas context that it can be risky. There can be impacts and risks to water. So, there is seismic activity that needs to be considered, and other things.

Mr. Jones, I just want to ask you straight up, since we have heard some of these concerns and there is that association, at least in some people's mind, can you explain the difference between using this technology for enhanced geothermal versus the way it is used for fracking oil and gas?

Dr. JONES. Yes, thank you for the question.

It is important to think about well stimulation in two different ways. There is the physical and the chemical, and that is a big differentiation between how enhanced geothermal systems use well stimulation versus hydraulic fracturing, which is used in the oil and gas industry.

So, geothermal is using the physical action of making the subsurface more permeable so that water can flow through the hot rock, then can be pumped out, and then spin a turbine to generate electricity, or provide thermal or air conditioning to local hospitals or schools. So, that is the physical aspect of it.

But geothermal does not use the proppants and the chemicals that are used in the oil and gas industry, because the oil and gas industry is trying to take out mass from that subsurface, and that is not what the geothermal industry is doing. In fact, it is counter to what the geothermal industry and developers are doing. And if geothermal developers have an imbalanced ecological ecosystem, it is undermining their own business model. So, the water that is pumped out to spin that turbine for geothermal is then injected right back into the reservoir, creating that balanced ecosystem.

So, that is a really pivotal distinction between the two.

Mr. HUFFMAN. Thank you for that distinction. I want to just follow up and ask you about water use.

Conventional geothermal is often sited in locations of water scarcity in the West. For example, in my district I have a large geothermal project that we like a lot. What advancements have there been in improving water use efficiency to address concerns about water scarcity?

Dr. JONES. Yes, another really great question. And that is where these new geothermal technologies are expanding the map of where geothermal can be, so that geothermal doesn't only have to be in places where there is water scarcity. So, enhanced geothermal systems and closed-loop systems are allowing geothermal energy

production to happen in North Dakota, West Virginia, Texas, places where we don't traditionally think of it.

Now, for geothermal projects that are in places with water scarcity, there is a lot of really involved and creative solutions that geothermal operators are deploying.

And also, I want to mention that, again, it gets back to geothermal developers don't want to have an imbalanced reservoir, so it is important for them to maintain the balanced ecosystem.

Mr. HUFFMAN. All right. Thank you very much.

I yield back.

Mr. STAUBER. Thank you very much. The next questioner will be Representative Tiffany from Wisconsin for 5 minutes.

Mr. TIFFANY. Thank you, Mr. Chairman.

Mr. Jones, do you oppose hydraulic fracturing?

Dr. JONES. I am not in the oil and gas industry, so I don't oppose it, no.

Mr. TIFFANY. OK, so you don't have a position, in other words.

Dr. JONES. I don't have a position on it, yes.

Mr. TIFFANY. Yes, because one of the concerns that I heard from the gentleman from California is he brought up seismic activity that some have claimed results from hydraulic fracturing. And it seems to me if you are pushing any liquid, and this is not a question, just a statement, it seems like if you are pushing any liquid down there, that if that is actually the case, you could have seismic activity, regardless of what the liquid is.

Mr. Gruber, where does your agency stand in regards to hydraulic fracturing for geothermal?

Mr. GRUBER. Thank you for the question. I don't know that the BLM has a position on that. I haven't seen that presented in the legislation today, and I am not aware of a position that the Administration has taken.

Mr. TIFFANY. So, the Bureau of Land Management does not have a position whether they support hydraulic fracturing for geothermal purposes?

Mr. GRUBER. I am not aware of a position that the Agency has.

Mr. TIFFANY. Mr. Uehlein, I read your testimony, and thank you for helping build America. It is really appreciated, all the work that you have done. Do you support fracking for, regardless of what it is, geothermal, oil, gas, whatever?

You do not support it?

Mr. UEHLEIN. Not regardless of whatever it is for. I am excited about it for geothermal.

Mr. TIFFANY. In here, it was stated in regard to third-party environmental reviewers, and you mentioned it in your testimony, do you have any concern that the third-party environmental reviewers might make it harder to be able to get these geothermal projects completed?

Mr. UEHLEIN. No, I am not concerned about that.

Mr. TIFFANY. So, you are confident that it is not going to put any additional constraints in place?

Mr. UEHLEIN. Right.

Mr. TIFFANY. To the point that the Chairman made earlier, do you think there should have been a NEPA process done in regards

to the Floyd Bennett Field, where they put the illegal aliens, before they put them there?

Mr. UEHLEIN. I don't know enough about that to really answer.

Mr. TIFFANY. And that is a fair answer, Mr. Uehlein. Perhaps I will have my staff follow up with a question and give you more context in regards to that.

Mr. UEHLEIN. Great, thank you.

Mr. TIFFANY. You referenced climate change throughout your testimony. How many lives have been lost as a result of climate change in, like, the last 100 years?

Mr. UEHLEIN. I don't know the answer to that.

Mr. TIFFANY. Do you know that as a result of modern-day society over the last 100 years, we have actually reduced the number of deaths by, like, 98 percent because of putting in place technologies that actually protect people? We have actually seen a savings of life as a result of this tremendous oil and gas revolution that we have had in America over the last 150 years or so, ever since it was found in Pennsylvania.

You cited melting polar ice caps. Do you know that some of the polar ice caps are gaining ice at this point?

Mr. UEHLEIN. I know that it varies.

Mr. TIFFANY. And you cite, "We will see mass migration of starving, angry people," and then you cite renewable energy as a big part of the solution. Do you support the conversion of productive farmland to these so-called renewables when you are concerned about starving, angry people?

I will cite in the state of Wisconsin, some of the most productive farmland we have in the state is in Dane County, which is near Madison, Wisconsin. And they have been converting farm fields to these wind and solar facilities. Isn't it a concern if we are going to have starving, angry people, that we are converting productive farmland in the name of climate change?

Mr. UEHLEIN. Well, the mass migration is coming because of climate change, so I am not sure that I can fully answer your question. I know why we are going to be looking at it.

Mr. TIFFANY. Under the previous administration, we did not have a mass migration coming into our country just 4 years ago.

Mr. UEHLEIN. Well, we are at 1 C of warming right now.

Mr. TIFFANY. I will just close with this final question, Mr. Chairman.

While we unilaterally disarm by going to intermittent sources of power like wind and solar, and China and India are now going to baseload power and they are building coal plants, natural gas plants, and all the rest, aren't we putting ourselves at a competitive disadvantage to the countries, in particular China, that seek global hegemony?

Mr. UEHLEIN. I don't think so. I think we are improving the lives of Americans by doing it.

Mr. TIFFANY. Mr. Chairman, I yield back.

Mr. STAUBER. Thank you very much. The Chair now recognizes the Ranking Member, Representative Ocasio-Cortez.

Ms. OCASIO-CORTEZ. Thank you so much, Mr. Chair.

Mr. Gruber, thank you for being here today. I would like to ask a little bit about geothermal cost recovery. Right now, other renew-

able energies like solar and wind have the same cost recovery authority that we are currently proposing for geothermal. Oil and gas also have a similar authority, as well. While BLM can currently charge some fees for processing geothermal permits, how do you expect this cost recovery authority to help improve capacity at BLM for geothermal deployment?

Mr. GRUBER. Thank you for that question.

FLPMA, the Federal Land Policy and Management Act, does provide the BLM with some authority to establish fees with respect to transactions, but the authority provided by H.R. 7422 would provide the Department the comprehensive authority to establish a cost recovery program for geothermal energy development from leasing to development, production, and inspection enforcement.

Ms. OCASIO-CORTEZ. Fabulous, thank you.

And Mr. Uehlein, thank you for being here, as well. An essential part of the clean energy transition is making sure that no community or worker is left behind. And that means that the transition to renewable energy must be just, and that includes supporting fossil fuel workers through that transition to renewables.

Geothermal also presents an exciting opportunity to put what have traditionally been fossil fuel industry skill sets to work towards building out renewable energy. From your perspective, how can we ensure that geothermal energy development actually benefits transitioning fossil fuel workers?

And kind of the same question flipped, how can labor and the fossil fuel workforce benefit from geothermal energy?

Mr. UEHLEIN. Well, to answer the second part first, if you think about what it is like to work in the skilled trades, construction, outdoor work, you only get your pay, your health care, and your pension based on hours worked. So, we need that work, and we can help the industry because we have the best apprenticeship and training programs anywhere.

We have to open up pathways to people who have not had access to these skilled jobs in the past. And that has been a real problem. And we have a chance to address it with renewable energy.

Ms. OCASIO-CORTEZ. Thank you. Your organization, the Labor Network for Sustainability, supports taking science-based climate action by building a labor and climate movement. Can you talk to us a little bit more generally about why organized labor is central to solving the climate crisis?

Mr. UEHLEIN. Well, organized labor is central to solving it because many of our energy unions have opposed the answers to climate change. And our mission is to change that, to talk about how addressing climate is in the core self-interest of working people and the labor movement because of the impact it is going to have on our economy and jobs.

Ms. OCASIO-CORTEZ. Thank you very much.

And Mr. Jones, can you tell us how the geothermal industry views the relationship with the fossil fuel workforce?

And how do you see geothermal as being able to support workers in transition?

Dr. JONES. Yes, the oil and gas industry workforce is essential for the continued commercialization and scaling up of the geothermal industry. We need drillers, we need subsurface reservoir

managers, we need geoscientists, geologists, engineers, mechanics that are currently being employed in the oil and gas industry. And we could use that workforce with little to no training in the geothermal industry.

Ms. OCASIO-CORTEZ. Fabulous. Thank you very much. I yield back to the Chair.

Mr. STAUBER. Thank you very much. The Chair now recognizes the Chair of the Full Natural Resources Committee, Chairman Westerman, for 5 minutes.

Mr. WESTERMAN. Thank you, Chairman Stauber, and thank you for the witnesses here today. It has been a busy day on Capitol Hill, but I am glad I had a chance to make it over and ask a few questions.

Dr. JONES, why does it make sense to specify that geothermal exploration activities are not Federal actions under NEPA?

Dr. JONES. Sorry, what was the question?

Mr. WESTERMAN. Why does it make sense to specify that geothermal exploration activities are not major Federal actions under NEPA?

Dr. JONES. Can I get back to you on that?

Mr. WESTERMAN. Yes. I don't think the answer is that hard, but it is a low impact surface analysis, and it is not required for oil and gas.

Along that line, is it true that two NEPA reviews are done prior to exploration activities?

Dr. JONES. It is actually around six NEPA reviews that are needed. So, when a geothermal developer begins exploration activities for a traditional hydrothermal site system, for example, that is when they start their first NEPA process. But then, if the developer finds a promising subsurface heat anomaly, they must go through a second NEPA process. And then they have to go through a third process to drill a slim hole or a confirmation well of that resource, and then a fourth NEPA review, and these are all full NEPA reviews, by the way, which include the ESA and National Historic Preservation Act reviews. So, that fourth NEPA review is required to develop the well field. Then a fifth one for the development of the power plant, and then, if this is speculative exploration on lands that have not already been leased, then BLM will do another NEPA review. So, that could be up to six full NEPA reviews.

Mr. WESTERMAN. Do you think there is any overkill in that?

Dr. JONES. Yes, definitely.

Mr. WESTERMAN. Could one NEPA review cover most of that?

Dr. JONES. Yes, because the subsequent ones are all redundant and, actually, probably tying up BLM's limited resources to do work they have already done.

Mr. WESTERMAN. And how much time and financial resources are we talking about to do all of those?

Dr. JONES. Six to eight years' delays for geothermal projects. I don't know the dollar amount of how much those delays cost off the top of my head.

Mr. WESTERMAN. But no better environmental outcome?

Dr. JONES. No, they have already conducted Endangered Species Act reviews and migratory bird paths, and National Historic

Preservation cultural site reviews have already been conducted, as well, during that first NEPA review.

Mr. WESTERMAN. Thank you.

Mr. Dudgeon, how often does the BLM find errors in the communitization agreements upon approval?

Mr. DUDGEON. In my experience, very rarely.

Mr. WESTERMAN. Mr. Gruber, do you concur with that?

Mr. GRUBER. I don't have an analysis of that, but I don't have a basis on which to contest it.

Mr. WESTERMAN. So, given the fact that these are correct most of the time, it makes sense to pay by the initial apportionment instead of arbitrarily charging 100 percent or 0 percent, which only creates more work and hassles for everyone on the back end. Mr. Dudgeon, what do you think about that?

Mr. DUDGEON. I completely agree.

Mr. WESTERMAN. Mr. Gruber, how do you plan to get the BLM into compliance with the Geothermal Steam Act by holding lease sales in each state with nominations every other year?

Mr. GRUBER. Thank you, Mr. Chairman. The BLM has held lease sales every year of this Administration. We have plans for a lease sale later this year in Nevada, and we are exploring additional lease sales in other states.

Mr. WESTERMAN. Have you done it in every state that you are supposed to do lease sales in?

Mr. GRUBER. I am not familiar with the details of that provision, so I would have to go back and get you that information for the record.

Mr. WESTERMAN. Well, I know the answer, and it is no. So, you are still not in compliance with the law. But I hope there is a plan to get in compliance.

And Mr. Chair, I yield back.

Mr. STAUBER. Thank you very much. The Chair now recognizes Representative Kamlager-Dove for 5 minutes.

Ms. KAMLAGER-DOVE. Thank you, Mr. Chair. These recent geothermal energy breakthroughs, I think, offer really exciting opportunities to develop clean and always available energy in communities that have previously hosted fossil fuel development. And I had a constituent meeting earlier today with some clean tech incubators who talked about how exciting the opportunities are, but also really referenced how it was still a big boys game.

Mr. Jones, how can geothermal energy be leveraged to revitalize local economies in communities that have historically relied on fossil fuel extraction?

Dr. JONES. That is a great question, and communities like Colstrip, Montana or Page, Arizona, parishes in Louisiana where a lot of our conventional energy comes from transition to geothermal production, and the existing infrastructure could be utilized for geothermal. That is grid connections, that is power plants, so those assets don't become stranded during the clean energy transition.

And then you have an existing workforce that already knows how to operate those power plants.

There are some concerns that need to be addressed, like the pollution from coal power plants, like who takes on the legal liability of the coal ash that is there, for example, but geothermal

developers could potentially explore geothermal resources in some of these energy communities that are where the energy transition is moving the industry and the economy away from them.

Ms. KAMLAGER-DOVE. Thank you. I think repurposing fossil fuel infrastructure to make clean energy instead seems like a win-win for everyone involved. And like I said, when I was having my constituent meetings earlier today, I think they are also hopeful that at some point they can be included in this.

Mr. Jones, again, as enhanced geothermal systems begin to be built, what measures can be taken to ensure the benefits of that clean energy development reach communities affected by the transition?

I think environmental justice communities who have been the brunt of fossil fuel pollution tend to be sort of the same. So, we would love to just have you expand on and provide a response to that question.

Dr. JONES. Yes, one of the downsides, but also positives of geothermal is that we are the invisible energy technology. We don't have large turbines or fields of power smokestacks or large infrastructure. We have the smallest environmental footprint of all energy technologies, and the smallest carbon footprint of all renewable energy technologies. So, we can also site geothermal power plants close to the load center, and geothermal developers, they are very rigorous and take a lot of caution around seismicity.

And to some of the questions earlier, a CRS report that came out last year noted that there is little to no seismic concern when it comes to enhanced geothermal systems. And we can recirculate that report from the Congressional Research Service.

Ms. KAMLAGER-DOVE. Can you also talk about how the geothermal energy industry is working with the communities? Because you mentioned it is sort of seen as the invisible energy. Oftentimes, testing is taking place in the very same communities that have felt the brunt of all sorts of energy testings and innovations, failures, and successes. So, can you talk about your industry's approach to sort of threading that needle?

Dr. JONES. Yes, a good question. Community engagement is critical, and that is one of our missions at Geothermal Rising, to engage communities, whether that is urban, rural, tribal communities, to help them become more familiar with what geothermal offers, from power to heating and cooling applications.

So, an example of what Geothermal Rising is doing is we are having a geothermal Indigenous forum later this year, where Indigenous populations from the United States, North America, all around the Pacific Rim are coming to talk about how they are utilizing geothermal resources, and the audience are other Indigenous and Native populations and communities. So, that is Indigenous people hearing from other Indigenous people how they are utilizing geothermal. That is just an example of community engagement that the geothermal industry is promoting.

Ms. KAMLAGER-DOVE. Great, thank you.

With that, Mr. Chair, I would like to yield back.

Mr. STAUBER. Thank you very much. The Chair now recognizes Representative Duarte for 5 minutes.

Mr. DUARTE. Thank you, Mr. Chair.

Mr. Gruber, in your testimony, you mentioned H.R. 7049, the HEATS Act, would “remove the Secretary’s ability to ensure that geothermal operations are conducted safely and are following all applicable environmental laws.” Mr. Gruber, I am sure you are aware California already has very strict environmental laws and, in some cases, stricter than what the Federal Government has imposed on citizens, EV mandates, et cetera, by 2030.

What are you trying to imply, that if this bill were to be enacted into law, that California geothermal operators would not continue to follow Federal and state laws?

Mr. GRUBER. Thank you for that question. The Secretary has a duty under FLPMA to ensure that Federal resources are managed according to Federal law, and H.R. 7409 would take the Secretary’s oversight out of the process.

Mr. DUARTE. So, even though we have state governments that regulate geothermal, and part of the conjunctive use of state lands is energy, as well as oftentimes these forest lands, logging, harvest, habitat, watershed, you are afraid that, it sounds like one of the most innocuous energy development types of projects there is, are some threat to the Secretary’s mission to protect these state lands?

Mr. GRUBER. Again, under FLPMA, the Secretary of the Interior has the responsibility to ensure the responsible management of Federal resources, and H.R. 7409 would change that.

Mr. DUARTE. Sure. And please tell me a horror story that would frighten me in terms of some mishap that has occurred with geothermal energy development recently that requires the Secretary’s involvement to protect such Federal interests.

Mr. GRUBER. Thank you. I am not aware of any example at this moment, but I can tell you that public safety and environmental responsibility are priorities of the Administration, and ensuring safe operations on Federal lands and involving Federal resources is a priority for the Department.

Mr. DUARTE. So, this is Federal priority to, I call it regulation by imagination. If you can’t show me an example of what risk we are curing, why is there a Federal Government process that protects the Federal interest? What is the interest you are protecting if you can’t identify a risk?

Mr. GRUBER. Ultimately, we are protecting the interests of the American people. These are federally managed resources that are owned and managed for the public.

Mr. DUARTE. Yes. Dr. Jones, what are we doing here?

I mean, the American people want this sustainable, clean, safe energy that seems to be one of the most free things we can get. What are the disadvantages of having a Federal regulatory load on this energy source that doesn’t seem to be founded in any real-world experience?

Dr. JONES. I think some of the disadvantages are that we are slowing down our ability to address climate change and progress the clean energy transition.

And to your question about any negative consequences of geothermal, the only one that I can think of is when the Boise, Idaho district use had a leak in it over New Year’s Day, and hot water was coming out onto the streets, and it was New Year’s Eve night, and people were just walking around, took their shoes off and

walked around in the hot water. And it was sort of steaming up. And you can see pictures on the City of Boise's website about people sort of experiencing a special New Year's Eve treat of hot water in downtown Boise. And that is an example of a consequence that might happen.

Mr. DUARTE. It is a pretty broad panel here. Can any of you otherwise tell me why we need to regulate geothermal at a very involved Federal level to protect some Federal interest in regulating what might be imagined?

[No response.]

Mr. DUARTE. So, it seems to me that we are talking about making available one of the easiest energy sources possible that we should be expanding.

I mean, we are subsidizing windmills to a point of a trillion dollars. We are subsidizing solar panels across the landscape. But here, this seems to be one of the safest, most benign energy sources possible that we could—what do you think, Dr. Jones? What are the potentials for expanded geothermal development if we relieve some of these bureaucratic constraints?

Dr. JONES. They are huge. We could power 16 million homes in the United States with geothermal. We could decarbonize the built environment. Dairy farmers and ranchers could use geothermal to process their products. We could dehydrate onions, potatoes, and all sorts of other vegetable and food processes. We could make beer, and we can use geothermal heat for all of those. And we can decarbonize the grid, as well.

Mr. DUARTE. Are the wrong people making money on this, or what is wrong here?

I mean, we are subsidizing solar and wind, but we won't let geothermal just take its course through a rationalized regulatory framework. This is regulation by imagination. This is the worst waste of Federal resources that I can imagine.

And thank you much, I yield back.

Mr. STAUBER. Thank you very much.

Before we conclude here, I want to enter into the record, without objection, the American Exploration and Production Council letter stating their support for H.R. 7377, the Royalty Resiliency Act; and H.R. 7375, which is a bill to amend the Mineral Leasing Act to improve the assessment of Expression of Interest fees, and other purposes.

Without objection.

[The information follows:]

American Exploration & Production Council

March 6, 2024

Hon. Pete Stauber, Chairman
 Hon. Alexandria Ocasio-Cortez, Ranking Member
 House Natural Resources Committee
 Subcommittee on Energy & Mineral Resources
 1324 Longworth House Office Building
 Washington, DC 20515

Re: Support for H.R. 7377 the “Royalty Resiliency Act”, and H.R. 7375, a bill to amend the Mineral Leasing Act to improve the assessment of expression of interest fees, and for other purposes.

Dear Chairman Stauber and Ranking Member Ocasio-Cortez:

The American Exploration and Production Council (AXPC) appreciates this opportunity to provide a letter of support for the above-referenced legislation. AXPC is a national trade association representing the leading independent oil and natural gas exploration and production companies in the United States. AXPC companies support millions of Americans in high-paying jobs and invest a wealth of resources in our communities. Dedicated to safety, stewardship, and technological advancement, our members strive to deliver affordable, reliable energy to consumers while positively impacting the economy and the communities in which we live and operate.

As part of this mission, AXPC members understand and promote the importance of ensuring positive environmental and public welfare outcomes and responsible stewardship of the nation’s natural resources. AXPC’s members are committed to being good stewards of federal and Indian resources and operating in compliance with all federal requirements.

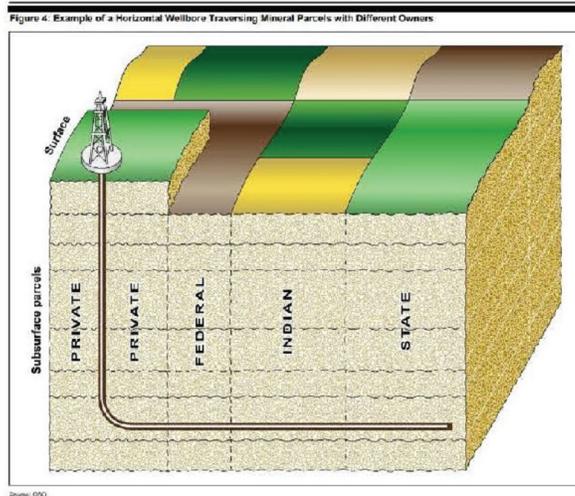
AXPC member companies produce more than half of U.S. onshore production each year, including many active operations developing federal minerals that require compliance with federal laws administered by the Department of Interior (DOI), which includes working with the Bureau of Land Management and the Office of Natural Resources Revenue. Our members work hard every day to fulfill our obligations to develop oil and gas resources prudently and responsibly on public lands. Federal oil and natural gas exploration and production activities contribute billions of dollars to federal and state governments, support millions of jobs and local economies, and are conducted under some of the most stringent safety and environmental regulations in the world.

AXPC writes this letter in strong support of both: Congressman Wesley Hunt’s H.R. 7377 the “Royalty Resiliency Act”, and Congresswoman Harriet Hageman’s bill H.R. 7375, To amend the Mineral Leasing Act to improve the assessment of expression of interest fees, and for other purposes.

I. H.R. 7377 the “Royalty Resiliency Act” is narrowly designed to rectify a very specific technical problem resulting in wrongful overpayments to the Federal Government.

Development of onshore oil and gas resources from public and Indian lands is complex. Domestic onshore oil and gas development is governed by a framework of federal, state, tribal, and local laws and regulations. Several federal agencies—including Interior’s Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA), and the Office of Natural Resources Revenue (ONRR)—and state regulatory agencies have responsibility for oversight and management of oil and gas development on federal or Indian lands. Oftentimes an oil and gas well will obtain production from several different leases located adjacent to one another, particularly through the use of horizontal drilling. The following illustration provided by the Government Accountability Office helps illustrate this situation:¹

¹Government Accountability Office (2014). Oil and Gas. Updated Guidance, Increased Coordination, and Comprehensive Data Could Improve BLM’s Management and Oversight. Retrieved at GAO-14-238, OIL AND GAS [hereinafter GAO-14-238].



Wells are drilled in conformance with state rules governing well spacing and density. Many oil and gas producing states have issued minimum acreage requirements for oil or gas wells, which dictate the amount of acreage typically drained by the well from the producing formation.² Congress recognized the importance of state conservation statutes, and state expertise on these matters, and accordingly amended the Mineral Leasing Act to allow federal lessees to conform to state well spacing orders through the issuance of what is commonly called a “communitization agreement”.³

In effect, communitization is the federal equivalent of pooling the lands contained in a spacing/proration unit under state law. The common thread of all federal communitization agreements is that at least one federal or Indian lease or tract must be covered by the communitization agreement.⁴ The production from that federal or Indian lease is then “communitized” (i.e., pooled) with production from other leases that may be federal, Indian, state, or fee.

The purpose of the communitization agreement is to manage how the production revenues are shared from a well that develops multiple leases. The agreement identifies production allocations among mineral rights owners for the distribution of royalties and should be approved before operators can correctly distribute royalty payments for federal and Indian leases.⁵ The communitization agreement typically defines an individual’s or entity’s share of the revenue from the area covered by the agreement as an acreage-based pro-rata calculation. This is accomplished by the use of a recapitulation chart contained as an exhibit of the agreement. The recapitulation exhibit lists each lease (shown as a separate tract) included within the boundary of the communitized area. The recapitulation exhibit then shows the number of acres included in each tract and states what percentage of acres each tract contributes to the entire communitized area. For example, for a communitization agreement that covers a total of 1280 acres that is encumbered by two different leases, one fee/private lease consisting of 1120 acres and one federal lease consisting of 160 acres, the recapitulation formula would be:

² See Angela L. Franklin, *Communitization Agreements in the 21st Century*, Federal Onshore Oil and Gas Pooling and Communitization, Paper 3-4 (Rocky Mt. Min. L. Fdn. 2006) [hereinafter *Communitization Agreements*].

³ See Mineral Leasing Act, Pub. L. No. 696, § 17(b), 60 Stat. 952 (1946).

⁴ *Id.* at 3-5.

⁵ *Id.*

RECAPITULATION:

<u>Tract No.</u>	<u>No. of Acres</u>	<u>Committed Percentage of Interest in Communitized Area</u>
1 Fee/Private Lease	1120.00	87.5000%
2 Fed Lease	160.00	12.5000%
	1280.00	100.0000%

The operator of the wells within this 1280-acre communitized area would calculate and pay royalties using the recapitulation formula. The operator would pay royalties to ONRR on the federal lease by multiplying the federal lease royalty rate by 12.5% of the oil production that is sold or removed from the 1280 acres, and it would pay royalties on the fee/private lease *to the private lessor* by multiplying the fee/private lease royalty rate by the remaining 87.5% of the production from the 1280 acres. This formula is not difficult to calculate, and BLM reviews and approves many communitization agreements without requesting changes to the proposed allocation of production contained in the recapitulation exhibits.

DOI is responsible under existing law to approve these revenue-sharing agreements. The BLM is responsible for reviewing and approving communitization agreements for the development of federal leases and oftentimes both BIA and BLM review communitization agreements for the development of Indian leases. ONRR is then responsible for enforcing the payment of royalties of communitization agreements that cover federal or Indian royalties. Proposed agreements are typically submitted to BLM by the operator prior to the date of first production or first sales. The Federal Oil and Gas Royalty Management Act (FOGRMA) of 1982 (30 USC § 1701 et seq.) provides that DOI must then issue all determinations of allocations of production for communitization agreements within 120 days of a request for determination.⁶ However, in reality, BLM frequently take one–two years to review and approve communitization agreements and in some cases much longer than that. This is particularly the case in BLM's busier state offices. As a result of these delays, approval of a communitization agreement may delay production and historically delayed royalty payments to the federal government, tribal nations, and individual Indian oil and gas resource owners.⁷ Once approved, the communitization agreement is backdated under BLM guidance to be effective on the date of first production or first sales.⁸

FOGRMA does not provide oil and gas operators with any real remedy if BLM fails to meet its 120-day deadline to issue a determination on the allocation of production contained within a proposed communitization agreement. In contrast, FOGRMA allows ONRR to assess significant penalties against operators if they fail to timely pay royalties on production from federal and Indian leases. And ONRR uses its authority under FOGRMA aggressively to ensure that operators are aware of potential penalties. The statute sets forth civil penalties of up to: (1) \$500 per violation for each day any individual refuses to comply with any mineral leasing law requirement, refuses to comply with the terms of any lease, or fails to permit an authorized inspection or a lease; (2) \$5000 per day per violation if corrective action is not taken within 40 days after due notice of a violation; (3) \$25,000 per violation for each day any individual either knowingly prepares misleading reports, knowingly diverts oil or gas resources from any lease site without authority, or deals with any oil or gas resource having reason to know that the resource was stolen or unlawfully divested. The Act provides for the imposition of criminal penalties in addition to the civil penalties and it also requires the Secretary to charge interest on late royalty payments or on any underpayment due the Secretary.

In past years, ONRR has sometimes asked that operators pay 8/8th (i.e., 100%) of the value of production coming from federal leases proposed to be included in a communitization agreement until BLM eventually approves the proposed communitization agreement. More recently, ONRR is demanding even more—that it receives 100% of the production from the *entire communitized area*. So, in the above example, ONRR would demand that it receive 100% of the royalties for the entire 1280-acre tract, even though the federal lease only makes up 12.5% of the communitized area. Again, some BLM offices are taking two years to review these

⁶ 30 U.S.C. § 1721(l).

⁷ GAO-14-238, p. 37.

⁸ See BLM Policy Manual 3160-9 Communitization, at 1(1)D.

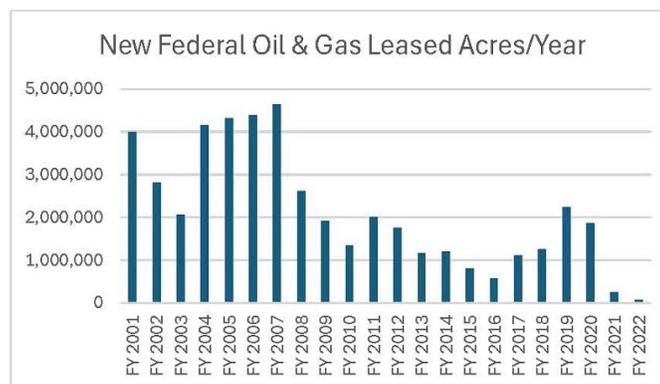
proposed agreements. Whereas, had the communitization agreement been approved, the operator would have been responsible for paying only the applicable federal royalty percentage (i.e., 12.5% of the production from the federal lease contained in the communitized area). This results in a gross overpayment to the federal government that can take several years to recoup.

Once BLM finally approves the communitization agreement, the operator may then pursue a repayment or offset for the overpaid amount from ONRR. This has resulted in the BLM taking longer and longer to approve proposed communitization agreements, allowing the federal government to hold money that it is not actually entitled to obtain under the terms of the federal and Indian oil and gas lease agreements or the communitization agreements. The amount of money at issue is not inconsequential and can amount to hundreds of millions of dollars for some of the most active operators on federal lands. This ties up capital that operators could otherwise use for their operations.

As a result of this unfair situation, AXPC strongly supports the proposed legislative fix which properly incentivizes BLM and BIA to timely review communitization agreements in and which would allow operators to pay royalties on the proposed communitization agreement payment formula without penalty until BLM officially approves the proposed communitization agreement. As proposed, the legislation would amend Section 1721(j) of FOGRMA to specifically allow operators to report and pay royalties on the proposed allocation formula contained in the communitization agreement submission until BLM makes a determination on the submission. After BLM makes a determination, the operator would have three months to amend its royalty reports without additional interest accruing. This is a reasonable solution to a grossly unfair stance currently taken by DOI and would better incentivize BLM to meet the 120-day statutory deadline to review these agreements already enacted by Congress.

II. AXPC supports Congresswoman Hageman's H.R. 7375, To amend the Mineral Leasing Act to improve the assessment of expression of interest fees, and for other purposes.

The Inflation Reduction Act broadly requires entities to pay a \$5 per acre fee for the acreage they nominate for oil and gas lease sales, regardless of whether the acreage is ever offered for sale by the BLM. This provides an odd incentive for the BLM to encourage acreage nominations for upcoming lease sales but then fails to provide any incentive for the BLM to follow through with actually offering the acreage at the sale. Over the past several years, we have seen extreme reluctance from BLM to hold lease sales. BLM published data shows that the number of new acres leased by the BLM significantly decreased in fiscal years 2021 and 2022:⁹



A better solution is to require BLM to collect the expression of interest fee at the time the acreage is offered for sale. This would incentivize BLM to actually hold lease sales after acreage is nominated by interested parties.

⁹Data obtained from Oil and Gas Statistics/Bureau of Land Management (blm.gov).

Moreover, the company that nominates the parcel is not guaranteed to receive that parcel at the end of the lease sale process. If the expression of interest fee is required to be paid at the time of sale, this would help ensure that the company that gets the benefit of obtaining the lease also pays the expression of interest fee associated with the leasing process. It is fundamentally unfair to compel one party to pay for property that another party receives.

As a result, AXPC supports the proposed legislation which seeks to make these narrow edits to the express of interest fee provisions contained in the Mineral Leasing Act following the passage of the Inflation Reduction Act.

AXPC appreciates the opportunity to submit this letter of support. Please do not hesitate to contact me if you have any questions or would like additional information.

Sincerely,

ANNE BRADBURY,
President & CEO

Mr. STAUBER. I want to thank all the witnesses for their time today. I appreciate you all.

The members of the Subcommittee may have some additional questions for the witnesses, and we will ask you to respond to these in writing. Under Committee Rule 3, members of the Committee must submit questions to the Committee Clerk by 5 p.m. on Monday, March 11. The hearing record will be held open for 10 business days for these responses.

If there is no further business, without objection, the Committee stands adjourned.

[Whereupon, at 3:30 p.m., the Subcommittee was adjourned.]

