

STATEMENT OF
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UNITED STATES DEPARTMENT OF AGRICULTURE

Concerning
Energy Impacts of the Roadless Rule

Before the
SUBCOMMITTEE ON FORESTS AND FOREST HEALTH
AND
SUBCOMMITTEE ON ENERGY AND MINERALS RESOURCES
COMMITTEE ON RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

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**CHAIRMAN CUBIN, CHAIRMAN MCINNIS AND MEMBERS OF THE
SUBCOMMITTEES:**

Thank you for the opportunity to appear before you today to talk about the potential impacts of the roadless rule on energy mineral leasing from National Forest System lands. I am Randy Phillips, Deputy Chief for Programs and Legislation, and with me today is Larry Gadt, Director for Minerals and Geology Management of the Forest Service. I am here today to discuss with you the effects of the roadless rule based on the analysis in the Roadless Area Conservation Final Environmental Impact Statement (FEIS) that was released on November 9, 2000 and the final rule that was published on January 12, 2001.

As you know, on January 20, 2001, the Assistant to the President and White House Chief of Staff issued a memorandum to agencies requesting that all new rules and regulations not yet in effect be delayed 60-days to give the Administration time to review the rules. In accordance with that direction, the Secretary delayed the effective date of the Roadless Area Conservation final rule from March 13, 2001, until May 12, 2001.

The roadless rule is currently under review by the Department of Agriculture, so my comments today will be limited to the effects documented in the FEIS and the final regulatory impact analysis that was prepared in conjunction with the final rule.

In brief, the roadless rule would generally prohibit road construction and reconstruction in inventoried roadless areas (IRAs) on 58.5 million acres of national forests and grasslands. The prohibition of road construction and reconstruction is anticipated to have some impact on leasable energy minerals. The final rule would not affect road construction and reconstruction providing access to and development within existing mineral lease boundaries or access needed for existing rights, such as private or State owned mineral deposits. The prohibitions would likely prevent expansion of existing mineral lease areas into adjacent inventoried roadless areas or exploration and development of new mineral leases except in situations where development can be done without road construction.

Before I talk about the impacts of the rule on energy mineral leasing, I first want to briefly discuss energy mineral leasing on National Forest System lands.

BACKGROUND

Leasable mineral resources are those mineral resources that can be explored for and developed under one of several mineral-leasing acts. They include energy resources such as oil, gas, coal, and geothermal.

Exploration and development of oil, gas, coal, and geothermal resources are discretionary activities, meaning that leasing of them may or may not be allowed. The Bureau of Land Management (BLM) has the authority to lease minerals on National Forest System lands; however, they may only be leased subject to Forest Service concurrence.

Environmental impact statements are generally prepared before the issuance of mineral leases in inventoried roadless areas. The effects of any future lease exploration or development are also addressed in subsequent environmental analysis.

EFFECTS OF THE ROADLESS RULE

Locatable mineral access is a right granted by statute and therefore not materially affected by the road prohibition. Saleable minerals are subject to the road prohibition, and therefore generally eliminated as a permissible activity within inventoried roadless. However, the economic effect of eliminating saleable minerals is insignificant because saleable minerals (sand, gravel, limestone for aggregate, etc.) are not economic unless very close to market due to haul costs, therefore there is a minimal amount of this activity in inventoried roadless areas.

For leasable energy minerals, the road prohibition would not materially affect road construction and reconstruction providing access to and development within existing lease boundaries, even if those leases are extended beyond their current termination dates. However, the road prohibition would likely prevent expansion of existing mineral lease areas into adjacent inventoried roadless areas. In many cases, such expansion is more economically advantageous to the operator than developing new deposits.

Where reserves are known to occur in inventoried roadless areas, the road prohibition is likely to preclude future development, except in situations where development can occur without road construction. The economic impacts of precluding development of an area depends on a variety of external factors that would lead to development including market prices, transportation, access, plus other factors such as the availability of alternate resources in areas that may be available for leasing (either on other National Forest System lands or on other ownerships). Since mineral deposits tend to be concentrated in some geographic areas, it is likely that the impacts on mining jobs and income would also be concentrated in a few areas. The most immediate economic effects are associated with current proposals to expand existing leases into adjacent inventoried roadless areas for phosphate and coal mining.

Coal

In 1998, over 75 million tons of coal produced from Federal leases on National Forest System land accounted for almost 7 percent of total national production, and about 22 percent of production from Federal leases.

The final roadless rule could affect exploration for or development of known coal reserves on approximately 61,200 acres not currently leased in inventoried roadless areas. These reserves are estimated at between 237 million and 1.3 billion tons of coal near or adjacent to active mines. In addition, there are over 2.5 million acres

of inventoried roadless areas with varying levels of potential to contain coal resources suitable for commercial development.

Some of these reserves or resources would likely be developed within the next 5 years if offered for lease. There may also be other coal resources in inventoried roadless areas. However, the extent of the resource is not known and there is no demonstrated industry interest in these.

The mining of coal from inventoried roadless areas is not extensive, but there are active mines on the Grand Mesa, Uncompahgre and Gunnison National Forests (GMUG) in Colorado and the Manti-Lasal National Forests in Utah.

On the GMUG, Arch Coal is interested in expansion into a contiguous inventoried roadless area. Although the mine is an underground operation, expansion may require road access for exploration and development drilling, and construction of ventilation shafts. The mine currently produces about 7 million tons per year. If production cannot be expanded into inventoried roadless areas, the mine could close within two to five years, when current reserves are exhausted. Potential effects from closure of this mine could include the loss of 361 direct jobs and affect 2,119 total jobs.

Two other operating mines adjacent to roadless areas on the GMUG could also be affected. Data was not available on when current reserves may be depleted for these mines, but together the two mines produce about 9 million tons per year and employ 368 people. If future expansion of these operations is precluded by the road prohibition, and no alternative sources of production are economically attractive, then these mines could be closed after current reserves under lease are mined.

There are also three tracts with known recoverable coal reserves on the Manti-Lasal National Forest that currently are not under lease. Two of the potential tracts have relatively small recoverable reserves, but the third tract has an estimated 135 million tons of recoverable reserves, of which 50 million tons is within inventoried roadless areas. Included in the recoverable reserve estimate are about 22 million tons of recoverable reserves owned by the State of Utah. Access to coal owned by the State of Utah would be guaranteed, as would access to any privately held rights. This tract would require development facilities in an inventoried roadless area, which may preclude development of the rest of the tract once the State's portion of the reserve is extracted.

Oil and Gas

Federal leases are an important source of oil and gas production, but most of the production is from off-shore leases. Production from national forests and grasslands currently accounts for only 0.4 percent of total U.S. oil and gas production. However, interest may increase in response to increasing prices and demands. Although much of the increased development is expected to be off-shore, a number of national forests and grasslands either have current leases, or have applications for permits to explore for natural gas.

Currently over 6 million acres of National Forest System land is under lease for oil and gas. This includes approximately 759,000 acres of inventoried roadless areas considered to have high oil and gas potential under lease. The areas currently under lease will not be materially affected by the roadless rule.

Near the completion of the Roadless Area Conservation FEIS, the Department of Energy (DOE) raised additional concerns about the potential impacts on production of coal, oil, and gas resources if the final roadless rule did not allow road building in support of exploration and development of these leasable minerals. After being informed about these concerns, the Forest Service evaluated the information provided by DOE, in accordance with agency procedures under the National Environmental Policy Act for new information. After careful review of the information provided, the agency concluded that there was no change in the magnitude of the effects as disclosed in the FEIS. The Forest Service included the DOE information in the regulatory impact analysis that accompanied the final rule.

Department of Energy undertook an analysis that focused on the potential impacts to undiscovered oil and gas resources in the two U.S. Geological Survey (USGS)-defined Rocky Mountain regions. Overlaying USGS oil and gas "play" areas on Forest Service maps of IRAs, DOE estimated the acres of IRAs in each of the play areas. (A play is a USGS-designated area with common geologic characteristics that have potential to produce oil or natural gas.) The calculations of oil and gas resources that are estimated to occur beneath inventoried roadless areas are tied to these acreage estimates.

Using information from the Department of Energy, an estimated (mean) 11.3 trillion cubic feet of natural gas and 550 million barrels of oil could potentially underlie inventoried roadless areas. (Estimates range from 3.5 trillion cubic feet to 23.1 trillion cubic feet of natural gas and from 119 million barrels to 1,212 million barrel of oil.) They also estimate that between 63 percent and 78 percent of these potential reserves may be economically recoverable. DOE estimates that historically about one-third of the oil-in-place of known reservoirs is recovered. At

the assumed prices (\$3-4 per Mcf), the value of the economic activity for these natural gas resources would range from \$23 to \$34 billion dollars, which would be realized over a number of years.

In addition, on the Los Padres National Forest in California the prohibition of road construction or reconstruction in inventoried roadless areas could affect exploration and possible development of five high potential oil and gas areas and preclude possible future development of up to an estimated 21.4 million barrels of oil.

Based on DOE's figures of total undiscovered resources within the 208 Rocky Mountain play areas examined, estimated resources beneath IRAs account for about 3 percent of undiscovered gas and almost 7 percent of undiscovered oil resources in these play areas. DOE estimates that 2.7 million acres of inventoried roadless acres contain 83 percent (9.3 trillion cubic feet) of the natural gas resource in all inventoried roadless areas. Based on information from the National Petroleum Council this is less than 1 percent of the nation's natural gas resources.

If exploration and development did occur, it would be 5 to 10 years before any production is likely because oil and gas leasing is typically a lengthy process. The value would not be realized in the near future and any production would be spread over multiple years in the future. It is unlikely that exploration in IRAs would be a high priority because of issues independent of the Roadless Area Conservation Rule, such as access limited by rugged terrain, low probability of occurrence of oil and gas resources, distance to markets, and potential restrictions of other environmental laws.

Transmission lines

There is nothing in the final roadless rule that would prohibit construction of new power lines or oil and gas lines in inventoried roadless areas. However, having to construct these facilities without the use of roads would generally increase the construction and maintenance costs.

Hydropower and Geothermal Energy

The roadless rule FEIS also did not identify any impacts to existing or proposed hydropower or geothermal energy projects.

SUMMARY

While the roadless rule does not impact existing mineral leases and outstanding rights it could impact expansion of existing leases and exploration and development of new mineral leases on National Forest System lands that require road construction or reconstruction in inventoried roadless areas.

Outside of known reserves such as the active coal mines in Colorado, the actual impacts can only be estimated. However, in those identified communities with a history of mining dependence, prevention of existing mining expansion due to the roadless rule could likely have a significant impact.

Predicting the impact on undiscovered resources is difficult since it is unknown how much of these potential reserves are actually underneath inventoried roadless areas or how much of the reserves will be economically recoverable in the future, or what future prices will be.

It is reasonable to assume, under the current demand conditions, that there will be increased interest for development of natural gas resources on Federal lands and elsewhere. However, while it is unlikely that inventoried roadless areas would be a significant contributor at current prices, since exploration in inventoried roadless areas may not be a high priority because of existing rugged terrain and access issues independent of the roadless rule, at higher market prices development of gas resources on Federal lands could increase.

This concludes my statement. I would be happy to answer any questions.