



BALANCING USE WITH CONSERVATION

We Americans can conserve our environment—and benefit from it, too. We can preserve America’s wild places while protecting jobs and doing our part to help preserve America’s prosperity.

Secretary Gale A. Norton, February 15, 2001

Federal lands administered by the Department of the Interior play an important role in ensuring domestic energy security, while providing important opportunities for the public to experience the Nation’s natural heritage. As steward of many of the Nation’s public lands and treasures, Interior must balance access to those lands for recreation and energy and mineral resources development, while protecting our natural resources from damage caused by inappropriate or excessive use.

Oil and gas resources on Federal lands are administered by the Bureau of Land Management (onshore) and the Minerals Management Service (offshore), with the U.S. Geological Survey providing geological and geophysical data to support planning. The BLM also regulates coal leases and related activities on Federal and Indian lands. These bureaus jointly are responsible for assessing likely resource availability and making public lands available for energy production where appropriate. The BLM and MMS hold auctions of leases on tracts of Federal land, administer inspection programs, audit production, and oversee retirement of wells.

The 2002 budget proposes program increases totaling \$22.1 million for BLM to update land use plans and improve BLM’s capability to lease and develop energy and mineral resources. The budget includes a program increase of \$14.7 million for MMS to support energy programs in the Gulf of Mexico and to provide computerized tools for management of the royalty-in-kind program.

BLM LAND USE PLANNING

The BLM has developed 162 land use plans that govern the management of the public lands administered by BLM. The plans are the primary tool for building consensus and providing opportunities for public participation in BLM’s land and resource management programs. Many of the

BLM land use plans were completed prior to 1989 and are scheduled to be updated to reflect current conditions, as well as new statutory, regulatory, and policy requirements. Updating these plans will address changes in the use and condition of public lands. Updated plans will also facilitate



better decisions on sustainable use; the processing of expanded use requests; and the resolution of land use conflicts without costly and time-consuming litigation.

For 2002, the budget requests an increase of \$7.1 million to support improvements in land use planning and accelerate the multi-year process of updating management plans. The 2002 increase will provide for the assessment, revision, or amendment of 42 existing or new plans. Seventeen of the new plan revisions are related to energy and minerals development, including seven in Wyoming.

BLM ENERGY AND MINERALS PROGRAMS

The BLM energy and minerals programs cover leasing and development on 700 million acres of onshore Federal lands, including lands no longer owned by the Department, but for which the United States retains mineral rights. In 2000, BLM administered 50,000 oil and gas leases, of which 21,000 were producing. Anticipated growth in onshore production of natural gas will increase the demand for BLM's services. In 2000, production from BLM-administered lands was about five percent of annual domestic oil production, and 11 percent of domestic gas production. In 2002, BLM expects to offer more than 39 sales on 4,000 parcels.

The 2002 budget includes a program increase of \$15.0 million for BLM to expand energy and mineral activities, including \$11.8 million for oil and gas programs, \$1.2 million for coal programs, \$600,000 for other mineral development, and \$1.5 million for land and realty processing of additional energy rights-of-way.

The increase for oil and gas programs will support a number of activities, including energy resource surveys, Alaska North Slope oil and gas exploration, coalbed methane permits processing, and oil and gas inspections.

ENERGY RESOURCES SURVEYS

The BLM will work with USGS, U.S. Forest Service, and Department of Energy to survey onshore oil and gas reserves on Federal lands as required by the Energy Policy and Conservation Act of 2000. These partner agencies agreed to a joint request for funding to identify and evaluate by the end of 2002: the extent of oil and gas resources and reserves on public lands; and impediments and restrictions to access and development. An increase of \$3.0 million will enable BLM to identify and evaluate most of the oil and gas resources and reserves on public lands, including the Rocky Mountain Front in Montana, San Juan Basin in Colorado and New Mexico, Piceance/Uinta Basin in Colorado and Utah, and Wind River and Bighorn Basin in Wyoming.

NORTH SLOPE OF ALASKA

The President is committed to increasing domestic energy supplies from a variety of sources. To this end, Interior is prepared to explore opportunities to develop oil and gas on Federal lands in an environmentally sensitive manner. The energy resources of the North Slope of Alaska, including those of the National Petroleum Reserve - Alaska and the 1002 area of the Arctic National Wildlife Refuge, are national assets that can contribute significantly to the Nation's energy security. The expected production from this region will increase domestic petroleum production and lessen U.S. dependence on foreign oil. Conducting a lease sale in the 1002 area will require congressional authorization.

To support this goal, the 2002 budget includes an increase of \$5.0 million to initiate planning and associated environmental studies in the 1002 area to meet the goal of holding the first lease sale in 2004 and support expanded exploration and development of the NPR-A. For the 1002 area, funds will be used to obtain regional seismic and geologic data, and to staff an analytic team to evaluate seismic data and perform other necessary studies.

Activities in the NPR-A include holding a second lease sale in the existing planning area; initiating

an environmental impact statement to support additional lease sale offerings in other areas of NPR-A; and preparing any additional environmental documentation needed to assess plans for full-field development.

The budget assumes a lease sale in the Arctic National Wildlife Refuge in 2004 that will generate \$2.4 billion in anticipated bonus bids. Of this amount, the Federal government's \$1.2 billion share will be dedicated to research and development projects on solar power, wind energy, biomass power and fuels, geothermal energy, and other alternative energy technologies. The research and development program will be administered through the Department of Energy.

COALBED METHANE

Coalbed methane is a natural gas that is found in some coal seams. Commercially viable deposits, such as those in the Powder River Basin in Wyoming and Montana, have generated strong industry interest as these deposits are a promising source of clean fuel for electricity generation. The BLM has experienced a significant increase in requests for leases in coalbed methane areas and in applications for permits to drill already-leased coalbed methane. About 60 percent of BLM's total projected APD workload in 2001 is related to the interest in coalbed methane. Currently, BLM has 3,500 APDs for coalbed methane that will be processed upon completion of land use planning and environmental clearances. With an additional \$2.0 million in 2002, BLM will increase leasing by 15 percent and process an additional 1,000 to 2,000 APDs in areas of high coalbed methane demand.



COAL

Federal lands contain 60 percent of western coal reserves. The budget proposes an additional \$1.2 million to increase coal leasing on Federal and Indian lands.

MMS ENERGY PROGRAMS

To help meet the challenge of increasing energy production from Federal lands, the budget includes a program increase of \$7.4 million to support MMS energy programs on the Outer Continental Shelf. These additional funds will ensure that the MMS leasing and regulatory program in the Gulf of Mexico keeps pace with public demand



for energy, industry requests for services in processing permits, and the need to review development plans and conduct inspections at offshore operations. This increase will help minimize any backlog of permit applications and development plans and ensure that MMS is well positioned to meet future demand for OCS services. The MMS will continue to support the use of innovative and environmentally sound technologies that meet the challenges of oil and gas production, particularly in deep water, and to support the extraction of other economically important resources, such as sand and gravel, from the OCS.

In 2002, MMS will continue its commitment to exploring innovative mechanisms to collect Federal royalties by acquiring management systems necessary to support taking some Federal royal-

ties on oil and gas production in kind, rather than in value. In 2001, MMS continues to administer four pilot projects in various markets to determine under what circumstances this royalty option will achieve the best results for the Treasury and the operators. Under this royalty option, volumes of oil or gas are taken in lieu of payment of cash royalties; MMS then sells this production at market centers and sends the net revenue from this sale to the Treasury. The MMS preliminary evaluation of the pilot in Wyoming suggests that under certain favorable production and transportation

situations, taking oil from some producers in kind results in increased certainty about royalty value to be paid and increases net revenues.

The MMS will invest \$7.3 million to purchase computerized gas management tools to continue longer term royalty-in-kind pilots. Because royalty-in-kind requires MMS to manage quantities of products received in kind, MMS's royalty-in-kind pilot programs will adopt the business processes, organizational structures, and technology solutions utilized by the oil and gas industry.