



U. S. Department of the Interior
Bureau of Land Management



Federal Land Manager: Perspective on Natural Gas Supply

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Washington, DC

Natural Gas Technologies II
Phoenix, Arizona
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Energy is the foundation of America's quality of life

Economy - stabilizing jobs and prices

Security – self-sufficiency

Reliability – it's there when we need it

Mobility – it gets us where we want to be.

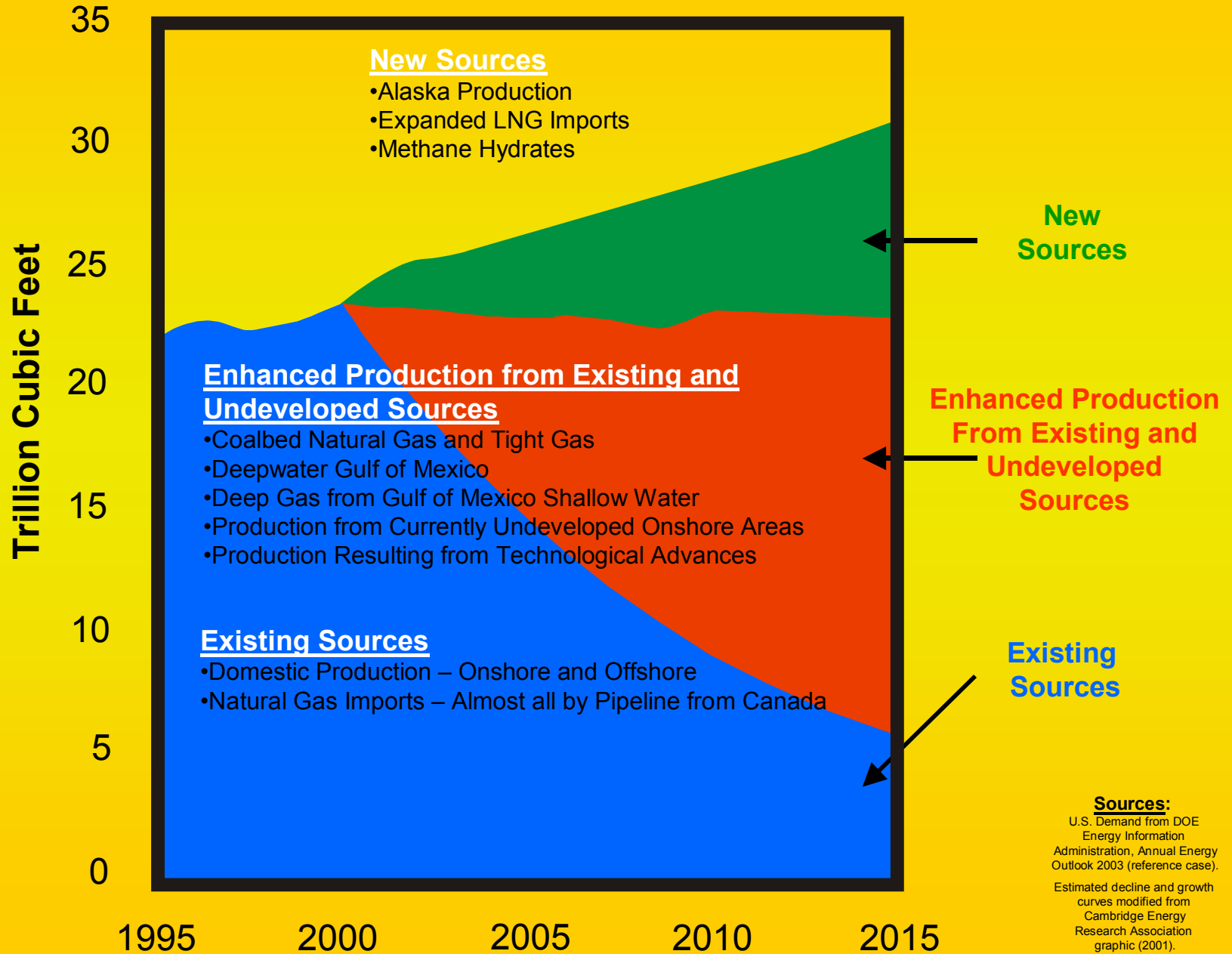


NATURAL GAS SUPPLY CRUNCH

We are feeling the supply crunch now:

- natural gas prices are high and volatile
 - at or above \$5.00 per million cubic feet (mcf) from average prices of \$2.03 in 1990's
- low level of natural gas storage for winter peak demand
- domestic production is flat *"We are running hard to stay in place"*
- gas production from mature fields is slowing
- new gas discoveries are smaller
- Canadian's using more gas and exporting less to U.S.

U.S. NATURAL GAS SUPPLY EXISTING AND FUTURE SOURCES



Sources:
 U.S. Demand from DOE
 Energy Information
 Administration, Annual Energy
 Outlook 2003 (reference case).
 Estimated decline and growth
 curves modified from
 Cambridge Energy
 Research Association
 graphic (2001).



FUTURE GAS SUPPLY IN U.S.

- 50 years supply at current consumption
- 1100 trillion cubic feet (tcf) of technically recoverable undiscovered natural gas



FEDERAL NATURAL GAS RESOURCES

- **50% of future supply is from Interior-managed resources.**



FY 2002 Statistics

- **BLM manages 261 million surface acres & 700 million subsurface acres**
- **Leasing: issued 2,319 leases, 2.2 million acres**
- **Approved: 3,727 APDs**
- **Wells completed: 2,922**
- **Produced: 2.1 TCFG**
- **61,835 wells in producing status**
- **21,529 leases in producing status, 11.4 million acres**



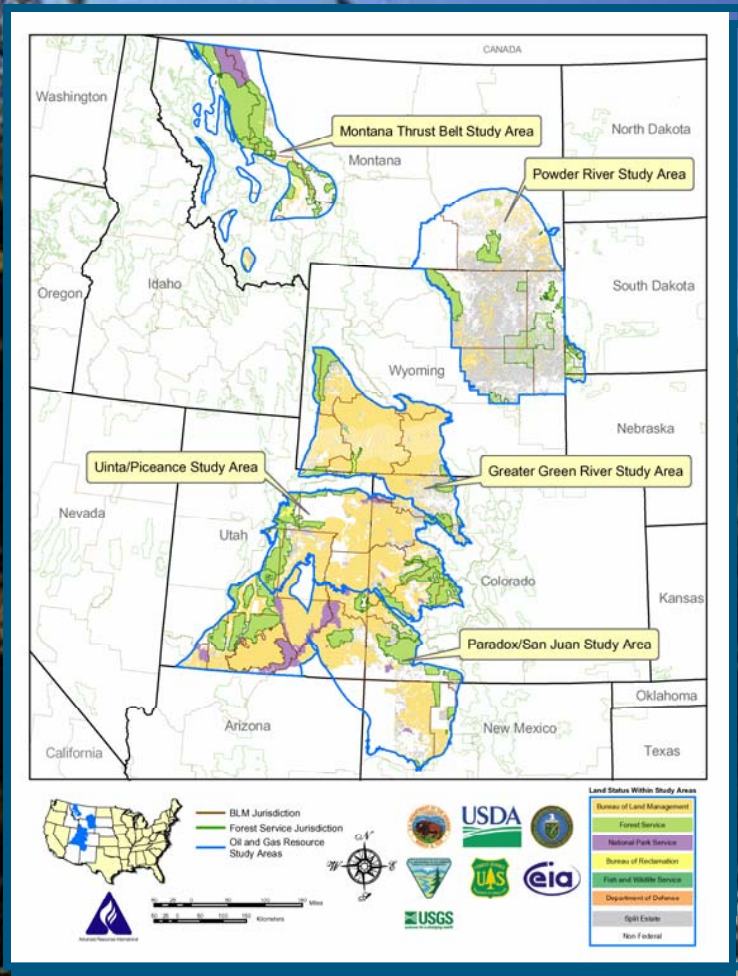
BLM'S EMPHASIS IN OIL AND GAS

- EPCA
- Time Sensitive Plans
- Lease Stipulations
- Improve APD Process
- Addressing Split Estate Issues



EPCA Phase I

- Montana Thrust Belt
- Powder River Basin
- Green River Basin
- Uinta/Piceance Basin
- Paradox/San Juan Basin





Summary of EPCA Phase I Inventory

- **39 % (23 million acres) of federal lands available for leasing with standard lease terms; 63% of gas, 86.5 TCF**
- **25 % (15 million acres) of federal lands available for development with additional “Conditions of Approval”; 25% of gas, 36.0 TCF**
- **36 % (21 million acres) of federal lands not available for development; 12 % of gas, 15.9 TCF**



ENERGY POLICY AND CONSERVATION ACT (EPCA) INVENTORY

Study Results:

- Public Lands are Not Over-stipulated
- There are Some Inconsistencies

USGS Oil and Gas Assessment Provinces

- 1 - Northern Alaska
- 1a - National Petroleum Reserve - Alaska
- 1b - Arctic National Wildlife Refuge 1002 Area
- 10 - San Joaquin Basin
- 19 - Eastern Great Basin
- 20 - Uinta/Piceance Basin
- 21 - Paradox Basin
- 22 - San Juan Basin
- 27 - Montana Thrust Belt
- 33 - Powder River Basin
- 34 - Big Horn Basin
- 35 - Wind River Basin
- 36 - Wyoming Thrust Belt
- 37 - SW Wyoming (Green River Basin)
- 39 - Denver Basin
- 41 - Raton Basin - Sierra Grande Uplift
- 44 - Permian Basin
- 45 - Bend Arch - Fort Worth Basin
- 50 - Florida Peninsula
- 63 - Michigan Basin
- 65 - Black Warrior Basin
- 67 - Appalachian Basin

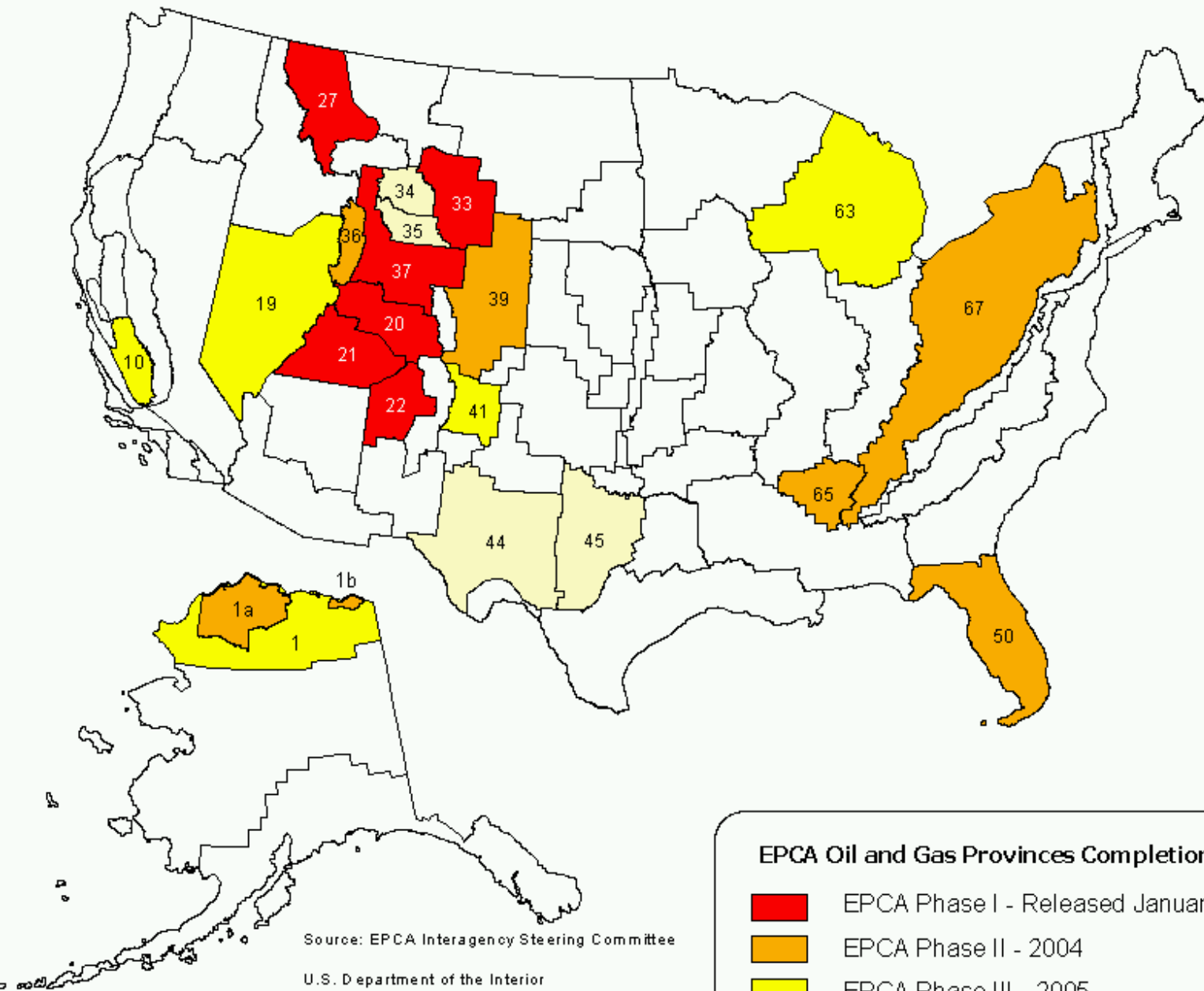
EPCA Oil and Gas Provinces Completion Schedule*

- EPCA Phase I - Released January 2003
- EPCA Phase II - 2004
- EPCA Phase III - 2005
- EPCA Phase IV - 2006

*Preliminary - Subject to Available Funding

Source: EPCA Interagency Steering Committee

U.S. Department of the Interior
Bureau of Land Management
Geological Survey
U.S. Department of Agriculture
Forest Service
U.S. Department of Energy
Office of Fossil Energy

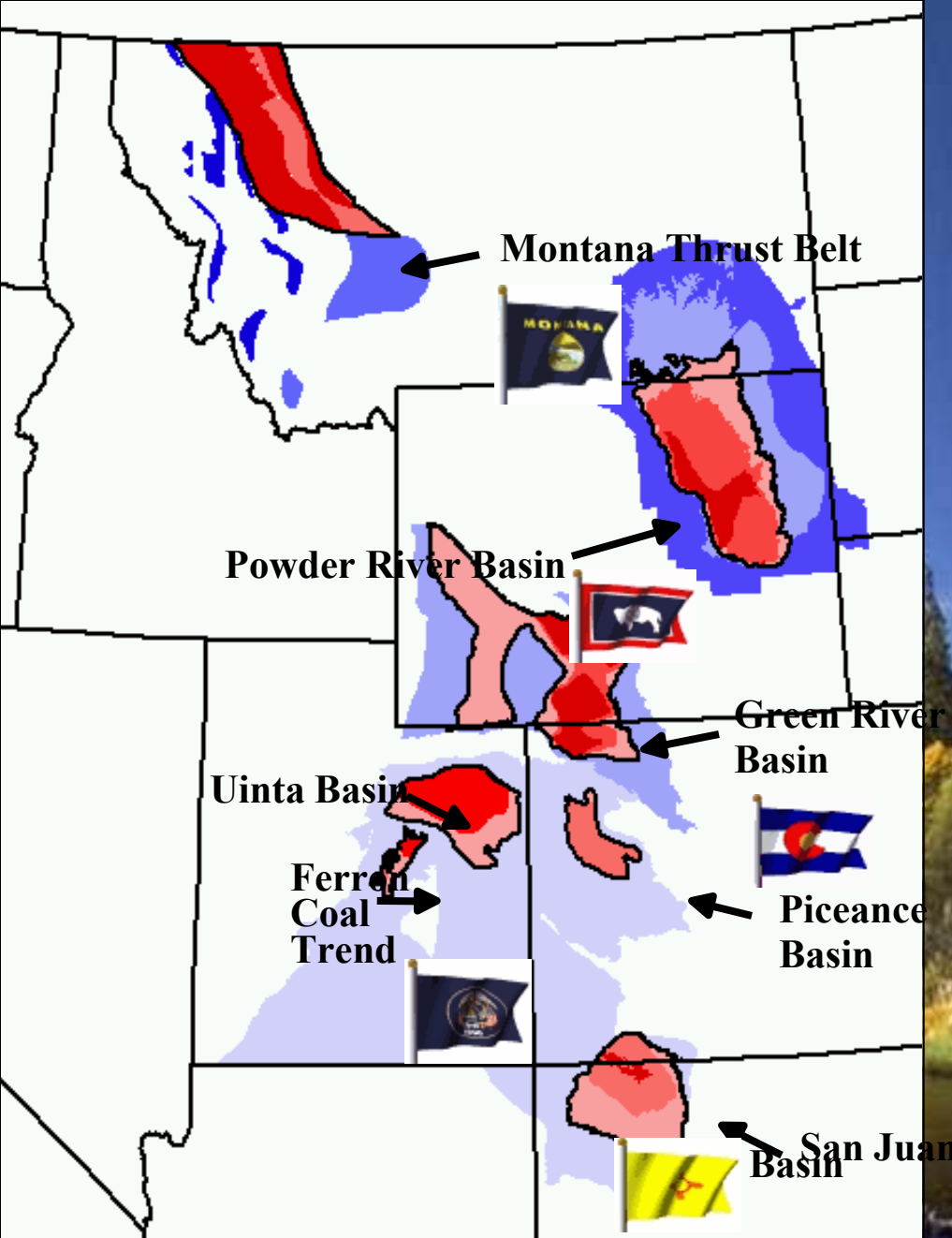




EPCA IMPLEMENTATION

Strategy:

- Gather the Most Up-to-date Wildlife Data – NatureServe
- Overlay Existing Leasing Stipulations
- Determine Where We Lack Protections or Have Unnecessary Protections
- Evaluate Effectiveness of Leasing Stipulations
- Amend or Maintain Plans



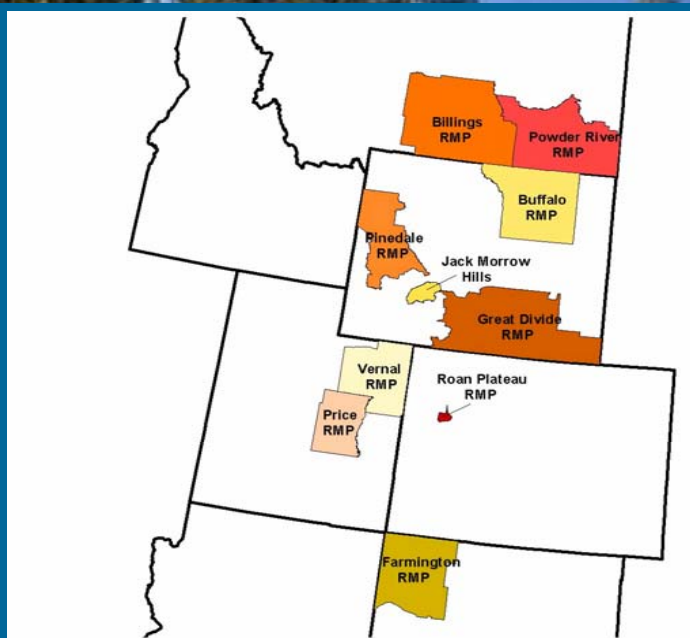
7 EPCA Focus Areas:

“Those areas within the EPCA Study basins which contain an undiscovered, technically recoverable oil and gas resource density greater than the mean for each basin.”



Time-Sensitive Land Use Plans in Natural Gas Rich Basins

- The first step for any leasing and permitting decisions
 - National Petroleum Reserve-AK Northwest Sector Integrated Activity Plan (AK)



- Powder River RMP (MT)
 - Buffalo RMP (WY)
 - Billings RMP (MT)
 - Pinedale RMP (WY)
- Jack Morrow Hills RMP (WY)
 - Great Divide RMP (WY)
 - Vernal RMP (UT)
 - Price RMP (UT)
- Roan Plateau RMP (CO)
- Farmington RMP (NM)

Time Sensitive Energy Plans





LEASE STIPULATION EXCEPTIONS, WAIVERS, AND MODIFICATIONS

- Exceptions: One-time exemption. Most Frequently Used
- Waivers: Permanent exemption. Seldom Used
- Modification: Stipulation Provision Change. Infrequently Used



WHY GRANT SO MANY EXCEPTIONS, WAIVERS, AND MODIFICATIONS?

- Conditions Change Over 15 – 20 Year Life of the Plan.
- Leasing Decisions are **Adaptive Management** Decisions.
- Recent Mild Winters. New Drilling Technology.
- The Other Side of the Story: Adding Conditions of Approval to the APD.



Improving the Application for Permit to Drill Process

- Address the backlog of applications
- Work with CEQ's Rocky Mt. Regional Energy Council
- Issued new Instruction Memoranda
- Instituted Quality Assurance Evaluations



APD PROCESS IMPROVEMENT STRATEGIES

- Multiple APDs
 - Buffalo Field Office, WY has 70 PODs containing 1643 APDs
- Field Development Planning
- Standard Operating Practices
- Best Management Practices/ Gold Book Update
- Onshore Order No. 1 Update
- Early Submission of Cultural Block Surveys
- Streamlined Section 7 Consultation



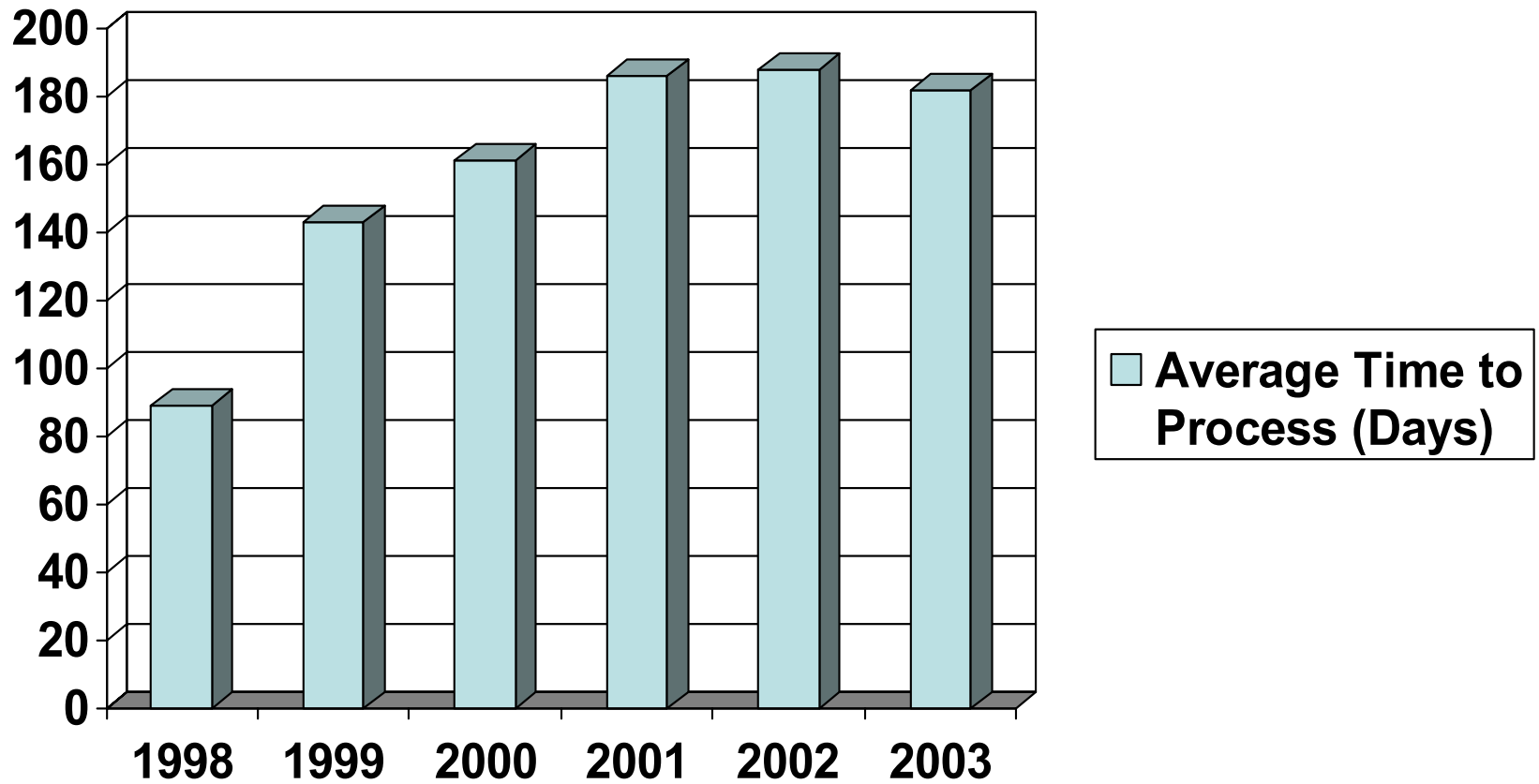
ONSHORE OIL AND GAS ORDER NO. 1

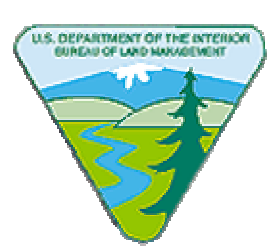
- Approval of Operations
 - This Order summarizes the Application for Permit to Drill (APD) process and the Sundry Notice (SN) process when additional surface disturbance will occur
- Describes procedures for drilling on public lands, Indian lands, split estate, and on lands administered by the USFS
- Describes the required content of Surface Use Plan of Operations
- Energy Task 8 requires revision of this order
 - Revised order will be published for comment in the Federal Register.



APD Process Improvement

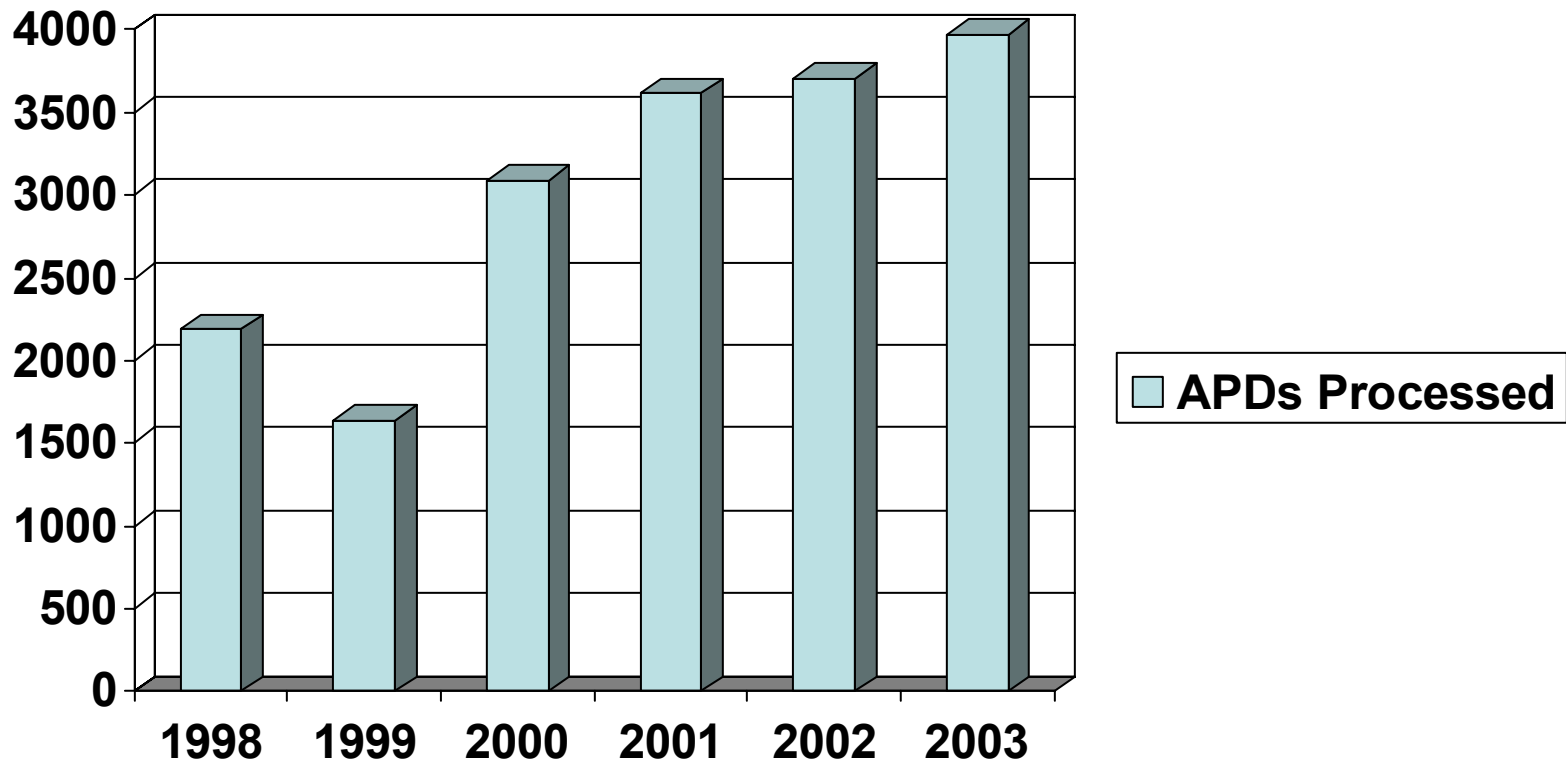
Processing Time





APD Process Improvement

Number of APDs Processed

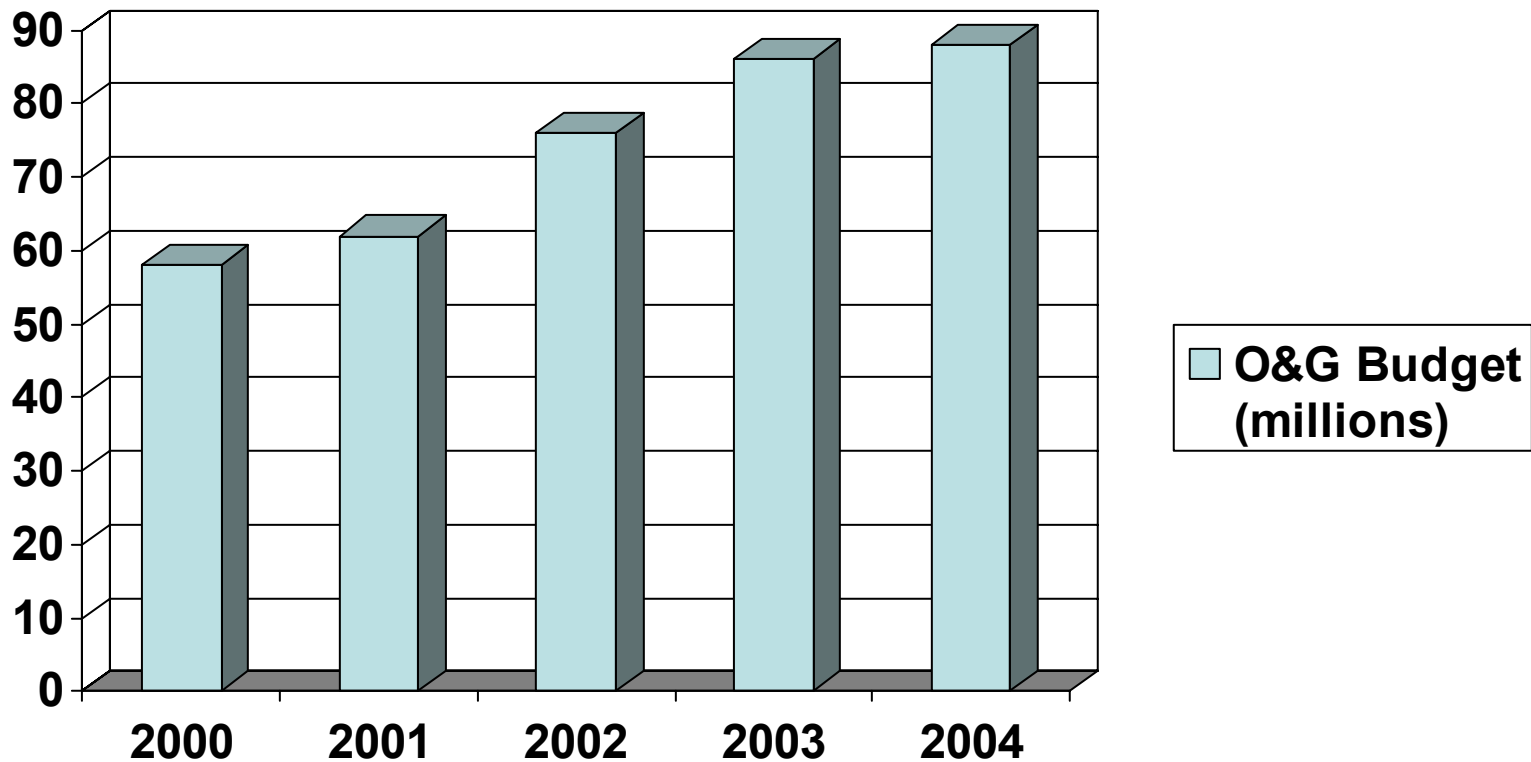


Approx. 7% reduction of APD backlog during first quarter of FY2004



APD Process Improvement

BLM Oil & Gas Budget





SPLIT ESTATE – SURFACE OWNER RIGHTS

- Use of surface for stock raising purposes
- Subservient to Mineral Estate
 - Mineral entrant has the right to enter and develop mineral estate without consent of the surface owner
- Compensation for losses resulting from mineral development are restricted to those relative to stock raising purposes only
 - Based on Congressional Intent, Case Law, and Solicitor Opinions
- BLM policy is stated in Instruction Memorandum WO2003-131, April 2, 2003.



Conclusion:

Land Use Plans are being updated and will be reviewed for adequacy.

EPCA Inventory Phase II has commenced with projection completion date of December 2004.

EPCA Integration efforts are underway to effect long-term changes in the way BLM does land use planning.

APD process improvements and increased budget have started to show results.