DEPARTMENT OF ENERGY
FY 2002 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES

Proposed Appropriation Language

For expenses necessary to carry out engineering studies to determine the cost of development, the predicted rate and quantity of petroleum recovery, the methodology, and the equipment specifications for development of Shannon Formation at Naval Petroleum Reserve Numbered 3 (NPR–3), utilizing a below-the-reservoir production method, [$1,600,000] *$17,371,000*, to remain available until expended: *Provided*, That the requirements of 10 U.S.C. 7430(b)(2)(B) shall not apply to fiscal year [2001] *2002* and any fiscal year thereafter: *Provided further*, That, notwithstanding any other provision of law, unobligated funds remaining from prior years shall be available for all naval petroleum and oil shale reserve activities. *(Department of the Interior and Related Agencies Appropriations Act, 2001.)*

DEPARTMENT OF ENERGY
FY 2001 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES
(Tabular dollars in thousands, narrative in whole dollars)

Program Mission

In accordance with the Naval Petroleum Reserves Production Act of 1976, the Naval Petroleum and Oil Shale Reserves (NPOSR) has historically managed, operated, maintained and produced the reserves to achieve the greatest value and benefit to the Government. From FY 1976 through FY 2000, NPOSR activities generated a net income of $21 billion for the U.S. Treasury. In addition, another $3.65 billion in gross receipts was generated from the sale of NPR-1 (or Elk Hills), a major Departmental initiative with far-reaching consequences to NPOSR, which was accomplished during FY 1998 as mandated by the National Defense Authorization Act for FY 1996.

In addition to the divestment, the National Defense Authorization Act for FY 1996 also directed that the Government finalize its Elk Hills equity interests with Chevron USA, co-owner of Elk Hills. In May 1997, the Department of Energy (DOE) and Chevron agreed to “decouple” the final equity determination from the actual sale so that the Department could offer uncontested title to the United States’ share of Elk Hills in the divestiture. So, although the sale was accomplished on February 5, 1998, final equity determination remains an ongoing programmatic activity. The Assistant Secretary for Fossil Energy is empowered to determine final equity shares, which will be based on exhaustive analyses by DOE, Chevron, and an independent petroleum engineering firm retained by the Assistant Secretary. It is an extremely complex analytical process worth hundreds of millions of dollars. Consequently, the process is slow, technically exacting, and contentious.

The National Defense Authorization Act for FY 1996 also directed the Department to conduct a study of the remaining properties (the three Naval Oil Shale Reserves, NPR-2, and NPR-3) to determine which of four options, or combination of options, would maximize their value to the United States. As a result of the subsequent study, and pursuant to recommendations by the Department, Congress included language in the National Defense Authorization Act for FY 1998 directing that administrative jurisdiction over Naval Oil Shale Reserves Numbered 1 and 3 (NOSR-1 and NOSR-3) be transferred to the Department of the Interior, and that those properties would then be made available for leasing. NOSR-1 and the undeveloped portions of NOSR-3 were transferred upon enactment. The developed portions of NOSR-3 were transferred to the Department of the Interior effective May 1, 1999, coinciding with the Department of the Interior’s leasing of those lands. Long term interagency agreements with the Department of the Interior were concluded that require future maintenance and oversight.

On January 14, 2000, the Department announced that DOE would return the 84,000 acres comprising the Naval Oil Shale Reserve No. 2 (NOSR-2) property to the Northern Ute tribe, upon Congressional approval. NOSR-2 is an undeveloped property located in Uintah County, Utah. The announcement was in response to a request from the tribe for a greater role in the management of the property. The Ute Indian Tribe owned approximately 40 percent of the surface rights, with the Government owning the remaining 60 percent, and 100 percent of the mineral rights. Legislation was introduced to effect the transfer and, on October 30, 2000, the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, which included the transfer language, was signed into law. The U.S. retains a 9% royalty interest in the value of any oil, gas, other hydrocarbons, and other minerals produced from the conveyed land, which will be applied to costs for remediation of the uranium mill tailings site near Moab, Utah. The Tribe will be responsible for protection of the Green River, which flows through the property, and sensitive resources on the land.

Two properties remain under the jurisdiction of the NPOSR program. NPR-2, located in Kern County, California, is a producing oil field from which NPOSR collects lease royalties of about $1.5 million to $2.5 million annually, depending upon levels of production and the price of oil. NPR-3, located in Natrona County, Wyoming, is a producing stripper oil field operated directly by DOE. It is estimated that NPR-3 will produce 550 barrels of oil per day and 1,500 gallons of natural gas liquids per day during FY 2002, generating gross revenues of about $5.0 million.

Although significantly reduced since the sale of Elk Hills, this program continues to be responsible for routine operation and maintenance of NPR-3, management of the Rocky Mountain Oilfield Testing Center, which is co-located with NPR-3, lease management at NPR-2, and environmental and conservation work for each of these remaining assets. NPOSR is also continuing environmental and cultural resource assessment and remediation work at Elk Hills that was a condition of the sale.

Except for new authority of $1.6 million for engineering studies for a subterranean oil production facility, new appropriations were not required for either FY 2000 or FY 2001 because the sale of Elk Hills enabled NPOSR to deobligate a large amount of funds from the management and operating contract to use for ongoing programmatic needs. The remaining unobligated balance will be used to supplement program requirements for FY 2002 through the use of $5 million in prior year funds.

The FY 2002 budget request is necessary to cover requirements for the two remaining NPOSR properties and for completing the closeout work associated with the sale of Elk Hills. The closeout work includes reservoir engineering analysis to determine final equity percentages of Elk Hills; legal support for all sale-related issues; environmental remediation; and cultural resource activities. Responsibilities for the other properties include management and environmental compliance of NPR-2 leases, operation and maintenance of NPR-3; and oversight of the Rocky Mountain Oilfield Testing Center as it transitions toward privatization.

In addition to generating revenue through the sale of NPR-3 products, the program oversees 17 NPR-2 leases. As NPR-2's new leaseholders follow through with planned new development, royalty revenues from those leases will increase for the Government. Completion of an environmental assessment, to begin in FY 2001 as a result of the new development, is also anticipated. Assuming increased production from the lessees and favorable product prices, royalty receipts for FY 2001 are expected to be about $2.1 million. Approximately $1.8 million is anticipated for FY 2002.

For the five years preceding the $3.65 billion divestment of Elk Hills in FY 1998, NPOSR generated an average net cash flow to the Government of more than $200 million annually. By contrast, total program revenues during FY 2001 are estimated to be $7.8 million and, in FY 2002, $6.8 million.

Performance Measures

The success of NPOSR will be measured by the following performance measures during FY 2002:

NPR-3 production operations: Maintain a positive net cash flow.

NPR-3 production: Profitably produce 219,000 barrels of oil and related hydrocarbons from approximately 480 wells while reducing operating costs by 10 percent.

NPR-3 environmental remediation: Bring marginally productive or shut-in wells into compliance with Wyoming State regulations and perform related reclamation activities at a funding level of $1.2 million.

RMOTC: Provide a smooth transition of on-going projects to a privatized RMOTC.

NPR-2 Management: Assist owners and operators in NPR-2 to maintain or increase production, streamline administration and realize royalties of $1.8 million.

NPR-2 Environmental Management: Complete an environmental assessment.

NPR-1 Environmental Remediation: Work with the California Department of Toxic Substance Control and Occidental to close out responsibilities for active sites and sites previously closed by other regulatory agencies.

DEPARTMENT OF ENERGY
FY2002 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES
(Dollars in thousands)

Program Funding Profile

Activity	FY 2000 Comparable	FY 2001 Comparable	FY2002 Request	Program Change Request vs. Comparable: Dollar	Program Change Request vs. Comparable: Percent
Naval Petroleum Reserves Nos. 1 & 2					
Equity Finalization	$ 2,500	$ 1,600	$ 2,000	400	25%
NPR-1 Closeout Activities	3,300	2,135	1,300	-835	-39%
Environmental Remediation & Cultural Resource Assessment	800	800	1,294	494	62%
NPR-2 Management	300	300	550	250	83%
Subtotal	$ 6,900	$ 4,835	$ 5,144	309	6%
Naval Petroleum Reserve No. 3					
NPR-3 Production Operations	3,140	2,500	2,535	35	1%
Environmental Restoration	1,400	1,600	1,200	-400	-25%
Rocky Mountain Oilfield Testing Center	3,000	4,596	3,000	-1,596	-35%
General Operational Support	800	800	500	-300	-38%
Subtotal	$ 8,340	$ 9,496	$7,235	-2,261	-24%
Naval Oil Shale Reserves	0	0	0	0	0%
Program Direction	9,500	8,040	9,992	1,952	24%
Subtotal	$ 24,740	$ 22,371	$ 22,371	0	0%
Use of prior year balances	(24,740)	(20,775)	(5,000)	15,775	-76%
TOTAL	$ 0	$ 1,596	$ 17,371	15,775	988%
Staffing					
Headquarters FTEs	14	12	10		
Field FTEs	25	23	23		
Total FTEs	39	35	33		

DEPARTMENT OF ENERGY
FY 2002 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES
(Dollars in thousands)

SUMMARY OF CHANGES

FY 2001 Comparable	$22,371
Non-Discretionary, Estimated Statutory Pay Increase	300
FY 2002 Base	22,671
Naval Petroleum Reserve Nos. 1&2	
S NPR-1 Equity Finalization - Increase due to extensions to process and additional reservoir engineering studies at the field level.	400
S NPR-1 Closeout Activities - Reduction is due to decrease in business closeout support needs.	-835
S NPR-1 Environmental Remediation & Cultural Resource Assessment - Increase due to increased remediation activity prior to completion of various environmental closeout activities	494
S NPR-2 Management - Increase due to resource and environmental assessment and increased management activity from field redevelopment by new lessees.	250
Naval Petroleum Reserve No. 3	
S NPR-3 Production Operations - No significant change	+35
S Environmental Restoration - Decrease due to arrested decline in production and increased pricing allowing field to remain profitable	-400
S Rocky Mountain Oilfield Testing Center - Decrease due to completion of subterranean engineering study	-1,596
S General Operational Support - Decrease due to efficiencies and move to privatization	-300
Naval Oil Shale Reserves	
S No change. Monitoring of Shale Pile at NOSR-3. NOSR-2 transferred to the Ute Indian Tribe during Fiscal Year 2001	0
Program Direction	
S Increase due to additional headquarters costs brought about by delays in the schedule for equity finalization which were agreed to in FY 1998/1999	+1,652
Use of prior year balances	$-5,000
FY 2002 Congressional Budget Request	$17,371

NAVAL PETROLEUM AND OIL SHALE RESERVES
NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA)
(Dollars in thousands)

I. Mission Supporting Goals and Objectives:

NPR-1

Pursuant to Public Law 104-106, the National Defense Authorization Act for FY 1996, DOE offered Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills) for sale. On October 5, 1997, DOE accepted Occidental Petroleum Corporation's bid for $3.65 billion, and the new owner assumed operation of the field in early February 1998. Unlike FY 2000 and 2001, a new appropriation is requested for FY 2002 due to the near exhaustion of the large prior year balance that was created by the sale of Elk Hills. The funds are required to continue closeout activities, most significantly the settlement of equity shares with Chevron, for which geologic, petrophysical and reservoir engineering services are required to prepare and support the Government's equity position before an Independent Petroleum Engineer and the Assistant Secretary for Fossil Energy (ASFE). The $2 million funding level for the equity contractor is proposed to be funded using unobligated balances.

Under the *Equity Redetermination Process Agreement*, the ASFE is to impartially determine final equity shares between Chevron and the Department of Energy. The final equity determinations could result in a combined financial impact worth several hundred million dollars for the total of all four of the NPR-1 producing zones. Because of the high stakes for the Department as well as for Chevron, the equity redetermination process is exacting and contentious. Several extensions to the timetable have already occurred, which has increased the estimated costs for settlement significantly since the sale. Financial settlements resulting from the equity redetermination process will occur after final decisions have been made for all four zones, sometime during FY 2004.

In accordance with agreements with Occidental Petroleum, Chevron USA, Inc., and several California State offices, a significant number of inactive waste sites at NPR-1 must be assessed. Depending upon the results of the assessments, some sites may require clean up in order to comply with various Federal and State regulations. Environmental remediation analysis is continuing and discussions are being held to close out findings for several of the sites. Due to State demands for additional analysis, the Government's environmental legacy responsibilities for Elk Hills will likely continue until FY 2004.

NPR-2

The program will continue managing 17 leases on NPR-2. Due to renewed interest in NPR-2 by several independent oil companies, approximately 65 percent of the existing lease tracts were sold by current leaseholders to new owners in FY 2000. The new leaseholders have stated their intentions to accelerate production, thus increasing the number of permits processed by the program. A site-wide environmental assessment will be completed to accommodate renewed field development and a resource assessment will be performed. Royalty receipts are estimated to be $1.8 million in FY 2002, depending upon leaseholder activity and market dynamics.

II. A. Funding Table: Naval Petroleum Reserve Nos. 1 & 2 (California)

Program Activity	FY2000 Comparable	FY 2001 Comparable	FY 2002 Request	$ Change	% Change
Equity Finalization	2,500	1,600	2,000	400	25%
NPR-1 Closeout	3,300	2,135	1,300	-835	-39%
Environmental Remediation & Cultural Resource Assessment	800	800	1,294	494	62%
NPR-2 Management	300	300	550	250	83%
Total Requirements	6,900	4,835	5,144	309	6%
Use of Prior Year Balances	-6,900	-4,835	-2,000	2,835	71%
Total, Naval Petroleum Reserve Nos. 1 & 2	0	0	3,144	3,144	

II. B. Laboratory and Facility Funding Table: Naval Petroleum Reserve Nos. 1 & 2 (California)

Naval Petroleum Reserves in California	6,900	4,835	5,144	309	6%
Use of Prior Year Balances	-6,900	-4,835	-2,000	2,835	
Total, Naval Petroleum Reserve Nos. 1 & 2	0	0	3,144	3,144	

III. Performance Summary: Naval Petroleum Reserves 1 And 2 (California), (New BA in thousands of dollars)

Program Activity	FY 2000	FY 2001	FY 2002
Equity Finalization	Carneros Zone: The Chevron appeal of the final decision was denied by the DOE Office of Hearings and Appeals. The ruling, according to the *Equity Redetermination Process Agreement*, is final. Stevens Zone: The Independent Petroleum Engineer issued its final Stevens Zone recommendation on March 2, 2000. Shallow Oil Zone: The Independent Petroleum Engineer will continue to work on the preliminary recommendation. (Program level of $2,500,000 to be funded from prior year balances.)	Stevens Zone: A preliminary Principal Deputy Assistant Secretary/Fossil Energy decision is expected by the second quarter of FY 2001. Parties will submit comments on the preliminary decision. Shallow Oil Zone. The Independent Petroleum Engineer will continue to work on the preliminary recommendation. (Program level of $1,600,000 to be funded from prior year balances.)	Stevens Zone: A final Principal Deputy Assistant Secretary/Fossil Energy decision will be issued. Shallow Oil Zone: The Independent Petroleum Engineer is scheduled to issue a preliminary recommendation in the third quarter of FY 2002. The parties will prepare and submit comments on the provisional recommendations. (Program level of $2,000,000 to be funded from prior year balances.)
	$0	$0	$0

III. Performance Summary: Program Direction III. Performance Summary: Naval Petroleum Reserves 1 and 2 (California) (Contd.)

Program Activity	FY 2000	FY 2001	FY 2002
NPR-1 Closeout Activities	Completed the transfer and archiving of the majority of Elk Hills records. Continued business closeout activities; administrative and technical support; and provided funding for post retirement medical and dental benefits for former Elk Hills M&O contractor employees. Also, continue defending against existing litigation deriving from the M&O's performance. (Program level of $3,300,000 to be funded from prior year balances.)	Continue business management closeout activities; administrative and technical support; funding post retirement medical and dental benefits for former Elk Hills M&O contractor employees and, to the extent possible, dispose of existing litigation deriving from the former M&O's performance. (Program level of $2,135,000 to be funded from prior year balances.)	Continue business management closeout activities; administrative and technical support; and post retirement medical and dental benefits for former Elk Hills M&O contractor employees. Fund to the extent possible any remaining litigation deriving from the former M&O’s performance.
	$0	$0	$1,300

III. Performance Summary: Program Direction III. Performance Summary: Naval Petroleum Reserves 1 and 2 (California) (Contd.)

Program Activity	FY 2000	FY 2001	FY 2002
Environmental Remediation & Cultural Resource Assessment	Continued to work the California Department of Toxic Substance Control to close out sites as required under the Purchase and Sale Agreement between DOE and the State. Continued cultural resource evaluations of Occidental's Elk Hills projects. (Program level of $800,000 to be funded from prior year balances.)	Continue efforts to close findings as required by the agreement between DOE and the California Department of Toxic Substance Control. Gather information for the curation of NPR-1 artifacts. (Program level of $800,000 to be funded from prior year balances.)	Continue efforts to close remaining findings as required by the agreement between DOE and the California Department of Toxic Substance Control. Gather information for the curation of NPR-1 artifacts.
	$0	$0	$1,294

III. Performance Summary: Program Direction III. Performance Summary: Naval Petroleum Reserves 1 and 2 (California) (Contd.)

Program Activity	FY 2000	FY 2001	FY 2002
NPR-2 Management and Revenue	DOE administers 17 lease agreements which will generate an estimated $2 million in royalty revenue, depending on production levels and crude oil prices. Royalty payments are deposited into the General Fund of the U.S. Treasury. Activities include invoicing, witness metering, operational and environmental oversight, historic preservation requirements, royalty evaluation, and resource assessment. (Program level of $300,000 to be funded from prior year balances.)	DOE administers 17 lease agreements which could generate up to $2.1 million in royalty revenue, depending on new development and increased production levels and crude oil prices. Royalty payments are deposited into the General Fund of the U.S. Treasury. Activities include invoicing, witness metering, operational and environmental assessment and oversight, preservation requirements, royalty evaluation and resource assessment. (Program level of $300,000 to be funded from prior year balances.)	DOE administers 17 lease agreements which could generate up to $1.8 million in royalty revenue, depending on new development and increased production levels and crude oil prices. Royalty payments are deposited into the General Fund of the U.S. Treasury. Activities include invoicing, witness metering, operational and environmental oversight, completion of an environmental assessment, historic preservation requirements, royalty evaluation and resource assessment.
	$0	$0	$550
Total, Planned Obligations	$6,900	$4,835	$5,144
Use of Prior Year Funds	($6,900)	($4,835)	($2,000)
Total, NPR-1 & NPR-2	$0	$0	$3,144

NAVAL PETROLEUM AND OIL SHALE RESERVES
NAVAL PETROLEUM RESERVE 3 (WYOMING)
(Dollars in thousands)

I. Mission Supporting Goals and Objectives:

The primary objective at NPR-3 is to operate and produce the Reserve to maximize profitability while preparing for the eventual abandonment of the oil field. Unlike FY 2000 and FY 2001, a new appropriation is requested to fund ongoing conventional oil field management and operations such as operating, maintaining and repairing facilities and equipment; well work overs; engineering support; financial management; administrative support; technical support; purchase of field equipment; and environmental, safety, and quality assurance support.

A combination of favorable oil prices and stabilization of production leaves the Department optimistic about the continued profitability of NPR-3 at least through FY 2005. Efforts will continue toward maintaining a positive net cash flow through normal operations. Management initiatives which have contributed to cost savings in prior years will be continued, and new initiatives evaluated. After oil and gas operations are abandoned at NPR-3, DOE may dispose of the property by sale, lease, or transfer to another Federal agency as provided for in the Strom Thurmond National Defense Authorization Act for FY 1999 (Public Law 105-261, section 3404). DOE anticipates that any transfer of the property will follow the completion of the well abandonment program so that the associated environmental liabilities will not be passed on to the new owners.

FY 2002 is the first year of transition for the privatization of Rocky Mountain Oilfield Testing Center (RMOTC), a facility established in 1995 at NPR-3 for the purpose of demonstrating, testing and evaluating new technologies and equipment in an operating oil field environment and to serve as a training center for industry, academia and minority groups. The facility was established in accordance with the Department's Domestic Natural Gas and Oil Initiative. Besides DOE, funding for the center is received through cost and resource sharing arrangements with industry, Federal, State and local governments, Native American tribes, trade associations, technology centers, national labs and academia. During FY 1999, the program began a series of meetings to develop plans for privatizing RMOTC in FY 2001, in part to increase industry participation and fully recover the Federal Government's project participation costs. Although privatization efforts are currently underway, the form that privatization will take has not yet been determined.

NPR-3, also called Teapot Dome, is located near Casper, Wyoming. Production is estimated to be 600 BOPD in FY 2001 and 550 BOPD in FY 2002.

III. Performance Summary: Program Direction

II. A. Funding Table: Naval Petroleum Reserve No. 3 (Wyoming)

Program Activity	FY 2000 Comparable	FY 2001 Comparable	FY2002 Request	$ Change	% Change
NPR-3 Production Operations	$ 3,140	$ 2,500	$ 2,535	$ 35	1%
NPR-3 Environmental Restoration	1,400	1,600	1,200	-400	-25%
Rocky Mountain Oilfield Testing Center	3,000	4,596	3,000	-1,596	-35%
General Operational Support	800	800	500	-300	-38%
Total Requirements	$ 8,340	$ 9,496	$ 7,235	$ -2,261	-24%
Use of Prior Year Balances	-8,340	-7,900	0	7,900	100%
Total, Naval Petroleum Reserve No. 3	$ 0	$ 1,596	$ 7,235	$ 5,639	353%

II. B. Laboratory and Facility Funding Table: Naval Petroleum and Oil Shale Reserves in Colorado, Utah and Wyoming

Naval Petroleum and Oil Shale Reserves in Colorado, Utah and Wyoming	$ 8,340	$ 9,496	$ 7,235	$ -2,261	-24%
Use of Prior Year Balances	-8,340	-7,900	0	7,900	100%
Total, Naval Petroleum Reserve No. 3	$ 0	$ 1,596	$ 7,235	$ 5,639	353%

III. Performance Summary: Program Direction

Program Activity	FY 2000	FY 2001	FY 2002
NPR-3 Production Operations and Revenues	Continued routine O&M activities for production facilities, well maintenance, electricity and utilities, buildings, roads, heavy field equipment, motor vehicles and capital projects to be undertaken provided oil prices warrant such expenditures. Also provided for petroleum geology, production engineering, and reservoir studies. Crude oil production averaged 708 barrels of oil per day. Natural gas liquids (NGL) production averaged average 1,596 gallons per day. Revenues were $7.5 million. All revenues are deposited into the General Fund of the U.S. Treasury. (Program level of $3,140,000 funded from prior year balances.)	Continue routine O&M activities for production facilities, well maintenance, electricity and utilities, buildings, roads, heavy field equipment, motor vehicles and capital projects to be undertaken provided oil prices warrant such expenditures. Also provides for petroleum geology, production engineering, and reservoir studies. Crude oil production is estimated to average 600 barrels of oil per day. Natural gas liquids (NGL) production is estimated to average 1,500 gallons per day. Estimated revenues are $5.7 million. All revenues are deposited into the General Fund of the U.S. Treasury. (Program level of $2,500,000 funded from prior year balances.)	Continue routine O&M activities for production facilities, well maintenance, electricity and utilities, buildings, roads, heavy field equipment, motor vehicles and capital projects to be undertaken provided oil prices warrant such expenditures. Also provide for petroleum geology, production engineering, reservoir studies and, as required, upgrade facilities to support gas storage agreements with GSA. Crude oil production is estimated to average 550 barrels of oil per day. Natural gas liquids production is estimated to average 1,500 gallons per day. Estimated revenues are $5.0 million. All revenues are deposited into the General Fund of the U.S. Treasury.
	$2,250	$0	$2,535

III. Performance Summary: Program Direction

Program Activity	FY 2000	FY 2001	FY 2002
Environmental Restoration	Continued plugging and abandonment of uneconomic wells. Continued closing surface facilities that are no longer required to support production operations. (Program requirements of $1,400,000 funded from prior year balances.)	Continue plugging and abandonment of uneconomic wells. Continue closing surface facilities that are no longer required to support production operations. The Pollution Prevention and Energy Efficiency Leadership Goals are reduction of hazardous wastes by decommissioning and restoring 3 tank batteries; remediating the area surrounding 50 well sites being plugged and abandoned; reducing toxic chemicals subject to Toxic Chemical Release Inventory reporting by 18 percent; and reducing electrical energy consumption by 18 percent. (Program level of $1,600,000 funded from prior year balances.)	Continue plugging and abandonment of uneconomic wells. Continue closing surface facilities that are no longer required to support production operations. Remove dry hold markers from wells plugged prior to 1998 and replace with underground markers; then rehabilitate the sites. Decrease due to the arrest of the decline in production and favorable oil prices, allowing the field to remain profitable.
	$0	$0	$1,200

III. Performance Summary: Program Direction

Program Activity	FY 2000	FY 2001	FY 2002
Rocky Mountain Oilfield Testing Center	RMOTC continued to develop partnerships and conduct tests, demonstrations and training programs while pursuing privatization of the facility. Goals of the RMOTC program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and establishing partnerships with other Government programs to better utilize the facility's resources. FY 2000 goals were completion of partner search and providing privatization options to the Department and Congress that will provide the greatest return to the taxpayer for the assets associated with RMOTC.	RMOTC will continue to develop partnerships and conduct tests, demonstrations and training programs until the facility is privatized. Goals of the RMOTC program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and establishing partnerships with other Government programs to better utilize the facility's resources. RMOTC will also participate in the Department's initiative for the oil shale technology exchange with the Baltic states. New funding was provided for engineering studies for feasibility of application of a subterranean production method at NPR-3. The major goal for FY 2001 is to provide ongoing service to industry testing and demonstration while initiating privatization.	Continue operations at RMOTC during the period of transition to a privatized organization with a priority placed upon funding of projects that will increase domestic oil reserves on public lands in an environmentally friendly manner. Projects conducted will be subject to suitable industry partners and funding arrangements. Examples of potential projects are: completion of a flow assurance facility, produced water bioremediation, single entry inclined reservoir drainage concepts and other drilling concepts that will reduce impacts on the environment. RMOTC will also complete other projects initiated in 2001 and continued testing of environmental remediation projects to reduce the Department's long term environmental liabilities. RMOTC requires funding to support the cost of transition to a privatized organization and core operations. RMOTC will also continue to participate in the Department's initiative for oil shale technology

III. Performance Summary: Program Direction

Program Activity	FY 2000	FY 2001	FY 2002
Rocky Mountain Oilfield Testing Center, continued	(Program level of $3,000,000. $1,000,000 funded from prior year balances.)	(Program level of $3,000,000 to be funded from prior year balances and $1,596 from new BA.)	exchange with the Baltic States.
Rocky Mountain Oilfield Testing Center, continued	$0	$1,596	$3,000

III. Performance Summary: Program Direction

Program Activity	FY 2000	FY 2001	FY 2002
General Operational Support	Provided general operational and administrative support. Supported activities to close out the M&O contract, planning and analytic support, scheduling petroleum deliveries, quality assurance, invoicing and payment, human resources for continued field operations, financial management, NOSR-2 oversight, and RMOTC management. Continued with plans for the privatization of RMOTC. (Program level of $800,000 funded from prior year balances.)	Provide general operational and administrative support. Support activities include planning and analytic support, scheduling petroleum deliveries, quality assurance, invoicing and payment, human resources for continued field operations, contract and financial management, NOSR-2 oversight, and RMOTC management. Continue with the activities to complete the privatization of RMOTC. (Program level of $800,000 funded from prior year	Provide general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities include planning and analytic support, scheduling petroleum deliveries, quality assurance, invoicing and payment, human resources for continued field operations, contracting and financial management, and RMOTC transition. Reduction due to decrease in administrative and operational support due to privatization of RMOTC.
	$0	$0	$500
Total Planned Obligations	$8,340	$9,658	$7,235
Use of Prior Year Funds	($8,340)	($7,900)	$0
Total, NPR-3	$0	$1,596	$7,235

NAVAL PETROLEUM AND OIL SHALE RESERVES
NAVAL OIL SHALE RESERVES (COLORADO & UTAH)
(Dollars in thousands)

I. Mission Supporting Goals and Objectives:

The National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85) required the transfer of administrative jurisdiction over NOSR-1 and 3, adjacent properties located in Garfield County, Colorado, to the Department of the Interior for commercial leasing. The transfer of the undeveloped properties (all of NOSR-1 and portions of NOSR-3) was completed upon enactment of the law. The developed portions of NOSR-3 were transferred to the Department of the Interior effective May 1, 1999. A continuing responsibility exists to maintain oversight of the interagency agreements with the Department of the Interior related to the transfer of NOSRs 1 and 3, particularly environmental monitoring of the shale pile at NOSR-3.

On January 14, 2000, the Department announced that DOE would return the 84,000 acres comprising the Naval Oil Shale Reserve No. 2 (NOSR-2) property to the Northern Ute tribe, upon Congressional approval. NOSR-2 is an undeveloped property located within the boundaries of the Uintah and Ouray Reservation in Utah.

The announcement was in response to a request from the Tribe for a greater role in the management of the property. The Tribe was also encouraging some forms of development on its land. In response, the Department worked with the Tribe, the Department of the Interior, and other stakeholders to develop future management strategies for this property. The Ute Indian Tribe owned approximately 40 percent of the surface rights, with the Government owning the remaining 60 percent, and 100 percent of the mineral rights. Legislation was introduced to effect the transfer and, on October 30, 2000, the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, which included the transfer language, was signed into law. The U.S. retains a 9% royalty interest in the value of any oil, gas, other hydrocarbons, and other minerals produced from the conveyed land, which will be applied to costs for remediation of the uranium mill tailings site near Moab, Utah. The Tribe will be responsible for protection of the Green River, which flows through the property, and sensitive resources on the land.

The transfer was completed during FY 2001.

II. A. Funding Table: Naval Oil Shale Reserves ($000)

Program Activity	FY 2000 Comparable	FY 2001 Comparable	FY 2002 Request	$ Change	% Change
Naval Oil Shale Reserves (Colorado & Utah)	$ 10	$ 10	$ 16	$ +6	60%
Total Requirements	10	10	16	+6	60%
Use of Prior Year Balances	~~-10~~	~~-10~~	~~-16~~	~~-6~~	N/A
Total, Naval Oil Shale Reserves	$ 0	$ 0	$ 0	$0	N/A

II. B. Laboratory and Facility Funding Table: Naval Oil Shale Reserves (Colorado & Utah)

Naval Oil Shale Reserves	$ 10	$ 10	$ 16	$ 6	60%
Use of Prior Year Balances	-10	-10	16	6	N/A
Total, Naval Oil Shale Reserves (Colorado & Utah)	$ 0	$ 0	$ 0	$ 0	N/A

III. Performance Summary: Naval Oil Shale Reserves (Colorado & Utah)

Activity	FY 2000	FY 2001	FY 2002
Naval Oil Shale Reserves (Colorado & Utah)	Limited surface management consisting of road, fence, and sign maintenance. (No activity was originally planned in this area in the FY 2000 Budget. However, less than $10,000 of prior year balances were used for the above activities.)	Surface management primarily consisting of road, fence, and sign maintenance. Work with Ute Indian Tribe, Department of the Interior, and other stakeholders on transition activities due to P.L. 106-298 which transferred land to the Utes. Fund real estate title search, legal property description, and reports to execute transfer. Continue to monitor shale pile at NOSR-3. ($10,000 of prior year balances will be used to pay for the above activities.)	NOSR-2 property was transferred to the Ute Indian Tribe during FY 2001. Continue environmental monitoring of the shale pile at NOSR-3. (Estimated costs of $16,000 of prior year funds will be used.)
Total, Planned Obligations	$10	$10	$16
Use of Prior Year Funds	($10)	($10)	($16)
Total, Naval Oil Shale Reserves	$0	$0	$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

PROGRAM DIRECTION

(Dollars in thousands)

I. <u>Mission Supporting Goals and Objectives</u>:

This activity provides funding to support 33 FTEs required to produce, manage, operate, and maintain the NPOSR properties retained by the Government (NPR-3 and NPR-2) in a manner to achieve the greatest value and benefits to the Government, and to provide for the transition requirements of the Rocky Mountain Oilfield Testing Center co-located with NPR-3. An additional activity funded from this account is support for the Independent Petroleum Engineer in the matter of final determination of equity shares for the Elk Hills oil field, discussed below.

Headquarters personnel are responsible for overall direction of the program, implementing DOE policy, communicating guidance to the field consistent with that policy, establishing program objectives, developing and defending budget requests to the Office of Management and Budget and to Congress, reviewing procurement plans, monitoring profitability, and interfacing with other Departmental offices. The field offices are responsible for managing production operations, closing out contracts, and directing, monitoring and evaluating the performance of supporting contractors. Specific areas of oversight include planning, financial management, administrative and personnel support, engineering and geology, ADP, procurement, environment, cultural resources, safety and quality assurance. Program direction also includes administrative services under the working capital fund.

On February 5, 1998, the Department successfully concluded the divestiture of the Government's share of NPR-1 (or Elk Hills). With the divestiture of NPR-1 complete, the program entered a "closeout" period in which a variety of business issues will be settled. The most important outstanding requirement is the finalization of equity interests with Chevron, USA. The Assistant Secretary for Fossil Energy is empowered to determine final equity shares. That determination will be based on exhaustive analyses by DOE, Chevron, and the independent petroleum engineering firm retained by the Assistant Secretary. Although all Headquarters divestment costs for the independent petroleum engineering firm are being paid from NPOSR carryover funds through FY 2001, most of those carryover funds will be exhausted and a new appropriation is being requested. A small amount of carryover will be used to support equity finalization, which has increased in cost due to extensions to the equity redetermination process and legal challenges.

II. A. Funding Table: Program Direction

Program Activity	FY 2000 Comparable	FY 2001 Comparable	FY 2002 Request	$ Change	% Change
Program Direction	$ 9,500	$ 8,040	$ 9,992	$ 1,952	24%
Total Requirements	9,500	8,040	9,992	1,952	24%
Use of Prior Year Balances	-9,500	-8,040	-3,000	5,040	-63%
Total, Program Direction	$ 0	$ 0	$ 6,992	$ 6,992	-100%

II. B. Laboratory and Facility Funding Table: Program Direction

Program Activity	FY 2000 Comparable	FY 2001 Comparable	FY 2002 Request	$ Change	% Change
Naval Petroleum and Oil Shale Reserves -- all sites	$ 9,500	$ 8,040	$ 9,992	$ 1,952	24%
Use of Prior Year Balances	-9,500	-8,040	-3,000	5,040	63%
Total, Program Direction	$ 0	$ 0	$ 6,992	$ 6,992	-100%

III. Performance Summary: Program Direction (new BA in thousands of dollars)

Program Activity	FY 2000		FY 2001		FY 2002	
Program Direction	Funding by Object Class ($000):		Funding by Object Class ($000):		Funding by Object Class ($000):	
	Personnel Compensation:	$3,013	Personnel Compensation:	$2,877	Personnel Compensation:	$3,338
	Benefits:	1,156	Benefits:	584	Benefits:	801
	Travel:	258	Travel:	300	Travel:	343
	Contractor Services:	5,073	Contractor Services:	4,279	Contractor Services:	5,510
	Subtotal	$9,500	Subtotal	$8,040	Subtotal	$9,992
	Use of Prior Year Balance	-9,500	Use of Prior Year Balance	-8,040	Use of Prior Year Balance	(3,000)
	Total Budget Request	$0	Total Budget Request	$0	Total Budget Request	$6,992

III. Performance Summary: Program Direction (cont'd) (new BA in thousands of dollars)

Program Activity	FY 2000	FY 2001	FY 2002
Program Direction (continued)	Provided for 39 FTEs; 14 at Headquarters and 25 in the field. FTEs were used in the following areas: policy and planning, equity determination, petroleum engineering, financial management, ADP, procurement, personnel, environment and safety, administration of NOSR-2, administration of reimbursable work programs for RMOTC, and development of plans and activities related to the privatization of RMOTC. Also provided for expenses associated with finalizing NPR-1 equity shares between DOE and Chevron. (Program level of $9,500,000 funded from prior year balances.)	Provide for 35 FTEs; 12 at Headquarters and 23 in the field. FTEs are be used in the following areas: policy and planning, equity determination, petroleum engineering, financial management, ADP, procurement, personnel, environment and safety, complete transfer of NOSR-2, and administration of reimbursable work programs for RMOTC. It also includes development of plans and activities related to the privatization of RMOTC. ($5,040,000) Provide for the expenses associated with finalizing NPR-1 equity shares between DOE and Chevron ($3,000,000). (Program level of $8,040,000 to be funded from prior year balances. Increase is due to extensions in the schedule for finalizing equity.)	Provide for 33 FTEs: 10 at Headquarters, 23 at the field. FTEs will be used in the following areas: policy and planning, equity determination, petroleum engineering, financial management, ADP, procurement, personnel, environment and safety, and administration of reimbursable work programs for RMOTC. It also includes support for transition activities for the privatized RMOTC and to support the DOE Baltic initiative. The increase is due to rising estimated costs for equity finalization ($4,200,000, of which $3,000,000 will come from prior year balances). An appropriation sufficient to pay for these activities, should they become necessary, is required since carryover funds, available in past years, may no longer be available.
	$0	$0	$9,992

Program Activity	FY 2000	FY 2001	FY 2002
Total, Planned Obligations	$9,500	$8,040	$9,992
Use of Prior Year Funds	($9,500)	($8,040)	($3,000)
Total, NPR Program Direction	$0	$0	$6,992