Land Letter
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3. OIL AND GAS: Interior agencies showing marked shift in leasing policies *(11/19/2009)*

Eryn Gable, special to E&E

Contrary to Interior Secretary Ken Salazar's pledge that the Obama administration is not "anti-oil and gas," energy producers say evidence is mounting that federal agencies intend to curtail energy development on public lands, especially in the fossil fuel-rich West.

"It does appear that there is more of a top-down approach from Washington to the field offices that is resulting in greater bureaucratic delays and slowing down the process," said Dan Naatz, vice president of federal resources for the Independent Petroleum Association of America.

Such assertions are backed by a **paper** released this week by the Independent Petroleum Association of Mountain States, or IPAMS, highlighting a number of "irregularities" in the federal onshore natural gas and oil program, including permitting backlogs, failure to issue permits using categorical exclusions, indefinite holds on environmental analyses, reduced lease sales, and deferred and withdrawn leases.

"There are lots of situations where DOI is seriously slowing down the natural gas and oil program," said Kathleen Sgamma, IPAMS's director of government affairs.

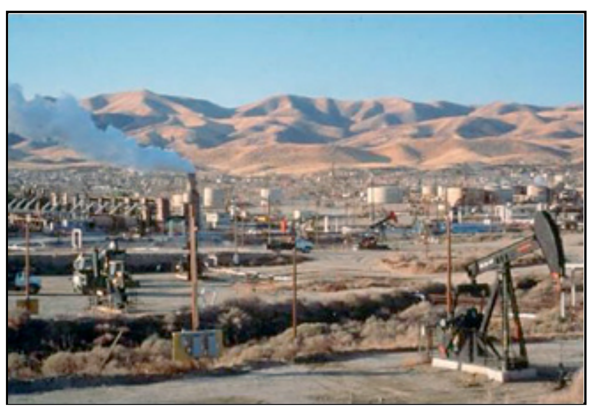
The IPAMS report points to a series of Interior Department decisions that it says has created uncertainty among federal leasing managers and inhibited the production of domestic oil and gas. For example, the report notes, Interior is holding approximately $100 million worth of unissued and suspended leases in Colorado, Utah and Wyoming because of unresolved lease protests.

The report also notes that Interior has reduced the amount of acreage available in lease parcels and issued only a small amount of the lease acreage sold over the last 10 months.

Early policy shift

Hints that the Obama administration would pursue a markedly different strategy with respect to domestic oil and gas production became evident early on, when Salazar in February withdrew 77 leases purchased at the December 2008 public auction in Utah. The decision was made even though issuance of the leases was authorized by three resource management plans developed under a seven-year, $35 million process.

After an exhaustive review of the Utah lease parcels, Salazar announced that not a single withdrawn lease would be reinstated to the lease purchasers, while 17 parcels would be leased in their current form at a future lease sale. Another eight parcels were withdrawn from leasing completely, and the remaining 52 parcels were "deferred indefinitely."



As a result of the review, the Interior Department is planning comprehensive reforms to the natural gas and oil program that will require additional review prior to leasing (*Land Letter*, Oct. 15).

Environmentalists, meanwhile, have pressed the Obama administration to begin implementing reforms to the leasing program based on the review's recommendations. "Interior needs to start translating those recommendations into long-term policies so everybody knows what the rules of the game are," said Mike Chiropolos, lands program director for Western Resource Advocates.

Industry statistics suggest the regulatory landscape has already shifted.

Data from IPAMS shows declines in leases and acreage offered in five of the highest-producing states in the Intermountain West. The biggest declines were seen in Wyoming, which had almost 1.1 million acres leased in 2006 and roughly 800,000 acres in 2007 and 2008, but less than 550,000 in 2009.

Industry groups say they are seeing a marked shift in the Obama administration's policies concerning oil and gas leasing, including tougher environmental reviews and less acres being offered for development. Photo courtesy of the Bureau of Land Management.

Compared to the first year of the Clinton administration, the Obama administration has issued 1,934 fewer leases and about 1.1 million fewer acres in the Intermountain West, according to IPAMS data.

But there is also evidence of less industry interest in federal lease sales. For example, the Bureau of Land Management's Colorado lease sale earlier this month garnered less than $115,000, with 11 parcels sold of the 58 offered.

Idle lands

Despite industry complaints about shrinking access to federal lands, environmentalists note that there are hundreds of thousands of acres of public lands currently under lease but not under development. For example, 70 percent of the more than 5 million acres BLM has leased in Colorado are not in production.

"The bottom line is, so much of the West has already been leased for oil and gas development that you could stop all leasing tomorrow and there would be no impact on the nation's energy supplies or the amount of oil and gas drilling out there for 20 years," said Erik Molvar, a wildlife biologist with the Biodiversity Conservation Alliance.

Corey Fisher, energy field coordinator for Trout Unlimited, noted that much of the land offered at recent lease sales is in exploration zones that do not have proven reserves, making it a riskier proposition, especially given the poor economy.

"There's only so much federal land and minerals to go around, and most of the high- and medium-potential minerals have been leased up at this point," Fisher said.

Fisher also noted that the slowdown in leasing reflects the Obama administration's efforts to better balance energy development against other public lands uses. "There's been a definite shift from a single use -- oil and gas development -- to a more multiple-use philosophy that looks at the value of lands for fish and wildlife, as well as hunting, angling and recreation," he said.

One reason for the changes to the leasing program appears to be the Interior Department's push to carefully evaluate environmental impacts. "In terms of oil and gas leasing, I think there is greater scrutiny of the environmental impacts that may result from oil and gas activity," said BLM spokesman Tom Gorey.

But such scrutiny worries energy producers who believe the administration is being too cautious about development. They point to recent leasing decisions made by the Interior Department that have deferred parcels based on pending revisions to resource management plans or wilderness proposals.

For example, BLM deferred 7,750 acres near the McInnis Canyons National Conservation Area from its lease sale in Colorado earlier this month because of pending resource management plan revisions (*Land Letter*, Nov. 6).

Other parcels have been deferred because of wilderness concerns, even if the parcels are not actually located within a proposed wilderness area or Congress has not taken action to protect the area's wilderness characteristics. The deferred parcels include:

- 7,300 acres deferred from BLM's October sale in New Mexico because of the parcels' proximity to the proposed Organ Mountains and Desert Peaks wilderness area.
- At least 7,000 acres that were deferred from the March and June sales in Utah because of the parcels' inclusion in the Red Rocks Wilderness Act.
- More than 14,000 acres that have been deferred from Wyoming's December lease sale because of the parcels' proximity to the Adobe Town Wilderness Study Area.

Roan Plateau

Environmental groups are also pressuring the administration to reconsider other leasing decisions, notably 55,000 acres on Colorado's Roan Plateau that are the subject of a lawsuit. Critics contend that BLM's environmental analysis of drilling in the area is inadequate, especially given current plans by Bill Barrett Corp. to drill as many as 3,200 wells on top of the plateau -- 15 times what the federal government considered in its analysis.

BLM has agreed to suspend the leases while settlement talks in the lawsuit are ongoing, and environmental groups are hoping regulators will revoke the leases and take a fresh look at the environmental impacts. Salazar had opposed the lease plan as a senator from Colorado, but he has indicated that he is bound to respect the property rights of those who purchased the leases.

Mike Freeman, an attorney with Earthjustice, said Salazar is taking a much more cautious approach to mineral leasing than his predecessors under the Bush administration, but his record so far is mixed, given his defense of the Roan Plateau leasing decision and Interior's inability to correct what he sees as problems with the resource management plans that govern leasing in Utah.

In addition to concerns about leasing, energy producers are also concerned about the permitting process.

EnCana Corp. spokesman Doug Hock said it is too early to tell whether there has been much difference in permitting under the Obama administration, but other industry representatives noted that it is taking more than a year for BLM to process permits in some field offices.

Additionally, there are concerns that a recent increase in the fee for drilling permit applications from $4,000 to $6,500 could hurt small producers (*Land Letter*, Nov. 12).

BLM spokesman Tom Gorey said the fee increase, which is expected to generate an additional $9.1 million, would help BLM recover some of the costs of processing those applications. The fee increase is not expected to have a significant effect on the number of drilling permit applications submitted to BLM, he said.

But some energy industry representatives are concerned that the fee increase could have an effect on small producers that are already operating with tightened budgets, thanks to current economic conditions.

Cheryl Sorenson, vice president of the Petroleum Association of Wyoming, said the new fees could push more operators onto private lands. "Our concern is that we have so much federal land, it may push them out of the Rockies," she said.

Click here to read IPAMS's report.

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