DRILLING CONTRACTOR

DRILLING AHEAD

Access to western lands is a key element in good US energy policy

John Kennedy, Contributing Editor

CALLS FOR A US "energy policy" are frequent. They tend to follow quickly on the heels of either high prices or low, supply glut or shortage, or environmental controversy. Because a crisis—or perceived crisis—usually drives these calls, they reflect a particular view of what US energy policy should be.

That has always been one of the problems with energy policy—conflicting agendas. When administrations or circumstances change, many want a new US energy policy; few can agree on what it should be.

Consumer groups want an energy policy that provides some sort of a price ceiling; producer groups want a floor. Alternative energy providers want help competing with hydrocarbon fuels. Environmental activists want one thing; electric utilities have their own issues.

The shortage of electricity in California and the Bush Administration's expected energy strategy once again heightened interest in "energy policy."

But what is "good" energy policy?

The best energy policy is one that allows free markets to determine energy choices, optimizes the value of energy resources, and provides access to those resources for companies charged with meeting energy demand.

In the long term, that recipe will best serve the US energy consumer.

ACCESS IS KEY

Of these elements of good energy policy, access is the one in critical need of attention now in the US. Markets have been doing a good job of letting consumers make energy choices—granted, some of those choices are getting tough—and optimizing the value of oil and gas resources.

But the market can only do that as long as the resource that is available can be developed. Increasingly in the US, limited access to sizable oil and gas resources threatens to undermine the ability of markets to work.

The approach of the Bush Administration to the challenge is encouraging. Energy Secretary **Spencer Abraham** recently called for increased domestic drilling, citing the Arctic National Wildlife Refuge as one part of that plan. Mr Abraham said, "…I think we should look at all federal lands and determine where, in an environmentally sensitive fashion, we can produce more energy…."

Encouraging drilling to increase energy supply is a mark of "good" energy policy.

And it can't happen too soon. While concern grows about the adequacy of natural gas supplies, government lands with the best prospects for new gas discoveries are off limits to development.

According to the American Petroleum Institute, 100% of resources offshore on both coasts are off limits; 56% of the eastern Gulf of Mexico resources; and 40% of the Rocky Mountain region resources.

API estimates 346 tcf may lie in the Western states. But the recent report of the **National Petroleum Council** on natural gas estimates that 40% of that resource—137 tcf—is "subject to access restrictions." The report says 29 tcf of Rockies gas resources are closed to development and 108 tcf are "available with restrictions."

For perspective, remember that proved US gas reserves stand at about 167 tcf.

One example of the access problem is the designation of the Grand Staircase-Escalante Monument in Utah in 1996. That withdrew promising valid oil and gas leases on state lands without even notice to—or consultation with—state and local authorities, or affected communities, said **Mark Rubin**, General Manager, Upstream Segment, American Petroleum Institute, in early April testimony before the Senate Energy and Natural Resources Committee.

A more recent example is the recent ban of oil and gas exploration by the **US Forest**

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CAPITAL WIRELINES

Interior Secretary Norton makes key points about role of Sale 181

Brian T Petty, Senior Vice President-Government Affairs

GOM SALE 181 (Washington)—Florida Governor **Jeb Bush** surprised and dismayed the US offshore industry by expressing opposition to the scheduled MMS lease sale 181, located substantially offshore Alabama. IADC and its operator association allies have long worked to protect the sale planned for December 2001. IADC Government Affairs Chairman **Paul Kelly** offered testimony of support for the sale at public hearings in Florida in January, as reported in "Drill Bits."

After Governor Bush wrote the Secretary of the Interior indicating his position, IADC Vice Chairman **Sted Garber**, joined by **Shell** President **Steve Miller** and **Anadarko** CEO **Bob Allison**, met in February with Vice President **Dick Cheney** to urge him to intervene with President Bush to resist his brother's request for cancellation of sale 181. There has followed a successful campaign to enlist the Governors of the other GOM states to ask that the sale be kept on schedule, and in its entirety.

This thorny political problem was left to newly designated Secretary of the Interior **Gale Norton** to address. In a letter of reply to Governor Bush dated 9 April, she acknowledged his concerns but importantly added that:

"At the same time, I must consider our Nation's energy needs and appropriate management of the American public's natural resources. Because the energy resource potential of sale 181 is estimated to be 396 million barrels of oil and 2.9 trillion cubic feet of natural gas, it can play an important role in our national energy strategy....

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>
> **Gale Norton**
> **US Secretary of Interior**

"During development of the current 5-year OCS leasing program, the Department consulted extensively with officials of all potentially affected Gulf Coast states, and other interested parties, regarding a suitable area for leasing consideration in the Eastern Gulf of Mexico.

"The proposed Sale 181 area was selected from a number of alternatives. In letters dated October 6, 1995, and May 8, 1996, the State of Florida expressed its appreciation for our adherence to its request not to consider blocks within a 100 mile buffer off the state. We also accommodated requests from the State of Alabama that we not consider leasing within 15 miles of the Baldwin County, Alabama coast....

"I assure you that all comments submitted by you, your state agencies, and other affected parties will be given thorough and serious consideration throughout the remainder of the decision process. In accordance with the requirements of the OCS Lands Act, I will balance the potential for adverse impacts on the environment, the effects of the sale on the coastal zone, the potential contribution of the oil and gas resources to the Nation's energy supply, and the comments of Governors of affected states regarding the size, timing, and location of the sale."

Absent Congressional intervention, the process contemplates a final decision on sale 181 this October. ■

Service on promising government lands when it published rules to bar road building on nearly 60 million acres in the Forest System. The **US Department of Energy** says the area could hold 11 tcf of gas.

In the lower 48 states, a study by the **Cooperating Associations Forum** found that federal lease acreage available for oil and gas exploration and production in 8 Western states (California, Colorado, Montana, Nevada, New Mexico, North Dakota, Utah and Wyoming) decreased by more than 60% between 1983 and 1997.

In his testimony, Mr Rubin said getting a lease is often not the most significant problem for producers. "Difficulties in acquiring permits to drill wells on onshore government lands and overly restrictive lease stipulations are responsible for limiting natural gas production."

Almost half of the untapped natural gas on multiple-use government lands in the Rockies is in areas either off limits or restricted by this type of stipulation laid down by one federal agency or another, he said.

Mr Rubin emphasizes that the US oil and gas industry does not ask to drill on park lands or in wilderness areas set aside by acts of Congress. "Rather, we seek access to areas offshore, in Alaska and in the American West that have been designated as 'multiple-use' by Congress so that numerous activities can take place there."

THE RIGHT TRACK

Despite the appeal of some quick fixes, the best long-term solution to energy scarcity and the resulting high prices is always—always—more supply.

It's encouraging that the current discussion of energy policy focuses on increasing supply. The Bush Adminstration's call to open ANWR and its willingness to discuss the benefits of an eastern Gulf of Mexico sale are promising signs.

So is its proposal to resolve the status of 17 million acres of Bureau of Land Management land in 11 western states that are currently designated "wilderness study areas" to see if they can be opened for exploration.

The Administration's energy policy, said Mr Abraham in early April, will "…(balance) supply with conservation, (and) traditional energy sources against renewable and new sources."

Increasing supply is the most important thrust of an energy policy that fits the 21st century.

And in the US, access is arguably the most important element in a supply-oriented strategy. ■