

More exploration access to land in the future?

ACCESS TO PUBLIC lands for oil and gas exploration has been sharply scaled back. In many cases wildlife restrictions placed on leases make it impossible to drill although technically the land is available for lease. While state and local governments in some areas continue to try to regulate or restrict oil and gas activities, the national energy bill presently in Congress, could provide much for domestic producers in terms of land access.

"The trends are overwhelming," said **Diemer True**, a partner in **True Companies** and Chairman of the **Independent Petroleum Association of America (IPAA)**. "The industry is going to become more important, not less important, to the security and prosperity of the US."



Diemer True

However, Mr True noted 30% of the US land is federally managed and 52% of the US land in the west is owned by the federal and state governments. The USGS estimates that 95% of undiscovered oil and 40% of undiscovered gas is on these lands.

"The American Association of Petroleum Landmen did a study a few years ago," Mr True said. "and since 1983 access to mineral reserves in the west has declined 65%. Less than 17% of the total federal mineral estates are leased today compared to 72% in 1983. And less than 6% of the total US offshore acreage is available now for leasing."

"Policy makers have been made aware of this," he noted. "Some of them have frankly chosen to ignore it."

"At least a quarter of all estimated natural gas reserves are, in my opinion, artificially and unnecessarily placed off limits to exploration in this country."

Mr True cites OCS Lease Sale 181 off the coast of Florida that was scaled back significantly. In its original configura-

tion, according to Mr True, the sale would have denied access to 24 tcf of natural gas reserves. That number is significantly higher due to reducing the number of blocks available during that lease sale.

"What is being misunderstood by the public, by many policy makers, and certainly misrepresented by the environmental extremists," Mr True said, "are the stipulations that limit exploration."

For example, he noted a lease available in the Green River Basin in Wyoming that, due to wildlife restrictions that ban drilling activity during certain times of the year, there is insufficient time to drill a well on the lease.

"This is a Bureau of Land Management (BLM) lease available for leasing but the reality of it is the industry can't fit drilling activity among the bans."

NATIONAL ENERGY POLICY

In May of 2001, the Bush Administration issued its national energy policy. Mr True said that a number of people say that only about a quarter of the recommendations, just under 200 recommendations, can actually be implemented by the Department of Interior (DOI).

"They are moving ahead with that," Mr True said.

The DOI created a national energy office that coordinated the inter-bureau for energy related activities that works closely with other federal and state agencies. They collect and analyze information on energy related proposals with recommendations and they oversee the implementation of the national energy policy in the BLM.

In the 1999 Energy Policy and Conservation Act there was an amendment that called for the DOI and the Forest Service to work with the USGS to provide information on the actual barriers to leasing in a number of major basins. The DOI is on track to provide all of this basin information by November 2002.

"I think we are going to be stunned by the magnitude of the restrictions that are imposed in these specific basins."

Mr True also said that in many of these basins energy land use plans need to be

implemented and written before the industry can move forward with exploration and development. The government is putting a high priority on that, he explained, by prioritizing time sensitive energy land use plans.

Additionally, the Minerals Management Service (MMS) is implementing royalty suspensions for new leases and they are looking at providing incentives for gas production for new wells with a draft rule undergoing DOI review at this time.

ENERGY BILL

"Many people have told me there is not much in the energy bill but let me say to you there is a lot in the energy bill for domestic producers," Mr True said.

Among the items, the House is calling for an assessment of impediments to onshore leasing.

"This is going to be a substantive provision because I think the impediments that exist can't stand the glare of sunshine," he explained.

Also in the House is a requirement to eliminate unwanted denials in states for federal leases

The Senate has funding for the timely processing for leasing, permitting and inspections. There is an exemption for "held by production" acreage in the Senate that came about because of the huge coal bed methane play in the Powder River Basin in Wyoming.

There is a credit against royalties for preparing environmental analyses. The environmental community has come out strongly against this saying it is a subsidy to the industry.

"That is absolutely not accurate," Mr True emphasized. "These studies are required by law to be done by the federal government, and they are not being done by the federal government."

"By dragging their heels and saying they are not going to do these studies, they are in essence blocking us from going in and exploring for oil and gas," he continued. "So it seems prudent and reasonable that the industry has to do it, and we ought to get a credit against royalties for doing their work for them." ■

