

## Activity: Energy and Minerals Management

### ACTIVITY SUMMARY (\$000)

Subactivity		2002 Actual Amount	2003 Estimate Amount	Uncontrollable & Related Changes (+/-) Amount	Program Changes (+/-) Amount	2004 Budget Request Amount	Inc(+) Dec(-) from 2003 Amount
Oil and Gas Mgt	\$	76,499	84,936	+706	+311	85,953	+1,017
	FTE	755	743	0	+8	751	+8
Coal Mgt	\$	8,815	9,588	+82	-132	9,538	-50
	FTE	76	74	0	0	74	0
Other Mineral Resources Mgt	\$	10,079	10,317	+111	+6	10,434	+117
	FTE	109	107	0	0	107	0
Totals	\$	95,393	104,841	+899	+185	105,925	+1,084
	FTE	940	924	0	+8	932	+8

### ACTIVITY DESCRIPTION

Energy and mineral resources generate the highest revenue values of any uses of the public lands. In 2002, energy and mineral development generated \$1.4 billion through royalties, rents, bonuses, sales, and fees. The total direct and indirect economic value of the mineral production from public lands is estimated at \$38 billion.

In 2002, the public lands produced 35 percent of the Nation's coal, 11 percent of the natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's fertilizer minerals, mineral materials, gold, silver, and other metals. In 2002, the BLM administered 312 coal leases and over 54,000 oil and gas leases, of which 21,000 oil and gas leases are producing. Federal geothermal resources produce over \$15 million of revenues and generate 5,700 gigawatt-hours of electric power per year. In 2002 the BLM will manage production of over 12 million cubic yards of sand, gravel, and other mineral materials. In addition to managing energy and mineral exploration and development on public lands, the BLM provides technical supervision of mineral development on Indian lands.

BLM supports the Resource Use mission goal from the Department's Draft Strategic Plan by managing energy and mineral resources to enhance public benefits, to promote responsible use and ensure optimal value. The management of energy and mineral resources on public lands is critical to achieving the President's National Energy Policy goals of modernizing the energy infrastructure, increasing energy supplies, and accelerating protection and improvement of the environment, as well as supporting the Secretary's Indian Trust responsibilities. In an effort to

meet the Nation's energy demands in 2004 and beyond, the BLM has developed a series of actions, schedules, and assignments outlining how the Bureau will efficiently and effectively implement the President's National Energy Policy. In 2004, emphasis in the energy and minerals activity will be directly tied to providing opportunities for environmentally sound commercial development and implementing the President's National Energy Policy.

## Activity: Energy and Minerals Management

### Subactivity: Oil and Gas Management

#### SUBACTIVITY SUMMARY (\$000)

	2002 Actual Amount	2003 Estimate Amount	Uncontrollable & Related Changes (+/-) Amount	Program Changes (+/-) Amount	2004 Budget Request Amount	Inc(+) Dec(-) from 2003 Amount
\$(000)	76,499	84,936	+706	+311	85,953	+1,017
FTE	755	743	0	+8	751	+8

#### 2004 PROGRAM OVERVIEW

The 2004 budget for the Oil and Gas Management program is \$85,953,000 and 751 FTE.

The Oil and Gas Management program includes both oil and gas activities and geothermal activities. This program supports the Resource Use mission goal from the Department's Draft Strategic Plan by managing energy resources to enhance public benefits, to promote responsible use and ensure optimal value of the public land fluid mineral resources. Primary outputs of this program are processing fluid minerals applications for permit to drill and conducting fluid mineral inspection and enforcement (see the Oil and Gas Management Performance Summary at the end of this subactivity discussion).

The Oil and Gas Management program provides funding for oil and gas as well as geothermal activities. This program is one of the major mineral leasing programs in the entire Federal government. Domestic production from over 94,000 Federal onshore oil and gas wells accounts for 11 percent of the Nation's natural gas and 5 percent of its oil. The sales value of the oil and gas produced from public lands exceeded \$13.6 billion in 2001. The BLM uses a significant portion of funding in the Oil and Gas Management program to fulfill its trust responsibilities to Indian Tribes and Indian mineral owners. In fulfilling this obligation, the BLM supervises operational activities on 3,700 Indian oil and gas leases, and provides advice on leasing and operational matters to the Bureau of Indian Affairs, Indian Tribes, and individual Indian mineral owners.

Oil, gas, and geothermal development on public lands generates revenues from filing fees, bonuses, rentals, and royalty payments. Generally, the receipts from Federal leasing (except filing fees) are divided among the Treasury, the Reclamation Fund, and the States or counties in which the leased lands are located. Receipts from Indian leases go to the Indian mineral owners. The BLM's inspection of lease operations, including production verification, on all active Federal and Indian leases is an important element in ensuring that proper royalty payments are made. A part of this function involves production accountability inspections. The Minerals

Management Service provides the accounting function for the Department and collects all onshore oil and gas receipts except bonus bid amounts, the first year's rental, and all rental payments for leases in the National Petroleum Reserve Alaska, and in the south half of the Red River, Oklahoma.

**Leasing** - Most onshore Federal oil and gas leasing is done under a competitive process, with parcels not leased becoming available under noncompetitive procedures. Leases are issued for a primary term of ten years. Federal onshore oil and gas leases incorporate all required stipulations set forth in BLM's resource management plans. Most of the parcels offered for competitive sale are generated by industry requests. If development is to occur, industry needs the BLM to offer the lands it requests for leasing. The BLM's ability to offer lands for oil and gas leasing depends upon an adequate land use planning base, National Environmental Policy Act analysis, and documentation to support the leasing decision. In 2004, the BLM expects to offer over 4,000 parcels at more than 35 competitive lease sales. This should result in the issuance of 3,450 leases. Industry demand is expected to remain high and may increase.

Rent, Bonuses, Royalties from Federal Oil and Gas Leasing (million \$)			
	2002 Actual	2003 Estimated	2004 Estimated
Filing Fees, Bonuses, Rentals	159	172	124
Royalty Payments	791	1,136	1,118
<b>Total</b>	<b>950</b>	<b>1,308</b>	<b>1,242</b>

**Oil and Gas Use Authorizations** - The BLM is responsible for issuing permits for post-lease actions that ensure timely production and development capability, compliance with the lease terms and the National Environmental Policy Act, and for protecting other resources present. These responsibilities include the review and approval of Applications for Permit to Drill, monitoring subsequent well operations through the end of a well's life, compliance reviews and inspections, and plugging and abandonment. Various types of production operations are also reviewed to ensure proper handling and reporting, for example, commingling, venting and flaring, and off-lease measurement. In 2004, the Oil and Gas Management program is expecting significant growth in applications to drill for natural gas. Much of this expansion is due to the current interest in coalbed natural gas in the Powder River Basin in Wyoming and San Juan Basin in New Mexico and Colorado, and the Uinta/Piceance basins in Utah. The most active drilling play is in the Wyoming portion of the Powder River Basin, where over 12,000 coalbed natural gas wells have been drilled in the last six years. The percentage of Federal ownership of the total mineral estate grows towards the center of the Wyoming portion of the Basin where future activity is planned. For this reason, BLM's APD workload is expected to increase in 2004. The new Powder River Basin Oil and Gas EIS was completed in January 2003 allowing even more drilling on Federal lands. In the San Juan Basin, continuing interest in coalbed natural gas will generate 30-35 percent of the BLM's national APD workload for 2004. Another area of significant natural gas exploration and development activity is anticipated in southwest Wyoming, where exploration continues for conventional natural gas. Increased activity

associated with tight-gas sand i.e., restrictive formation porosity and or permeability, reservoir development is also continuing in northwest Colorado. This is expected to result in the Bureau identifying and reviewing over 100 *Natural Gas Policy Act* well determination applications. Considerable in-field drilling activity is occurring in the San Juan Basin of northwest New Mexico due to well-spacing downsizing. Additionally, deep gas development is occurring in the Wind River Basin of central Wyoming. BLM's Montana State Office anticipates an increase in APDs, upon completion of the Statewide Oil and Gas EIS and Amendment of the Powder River and Billings Resource Management Plans. These high demands are expected to continue in 2004 through 2010.

***Oil and Gas Inspection and Enforcement*** – In 2004, the inspection and enforcement program will continue to be one of the most critical components of the Oil and Gas Management program because the potential for lost revenue is very high. Mishandling of production from Federal and Indian leases can result in significant underpayment of royalties. Furthermore, improper oil and gas operations can cause serious environmental impacts. When violations are detected, appropriate enforcement actions are taken to bring operations into compliance, including immediate assessments for serious violations. Monetary fines can range from \$250 per incident to \$25,000 per day for serious, knowing, and willful violations. Most operators, however, diligently comply with lease stipulations and operate effective, environmentally sound exploration and development facilities. To enhance its protection of Federal and Indian mineral resources and royalties, the BLM increased its production verification efforts in 2001. In 2001, 150 inspection personnel completed over 12,800 inspections, issued 4,500 incidents of non-compliance, and uncovered underreporting of over 172,000 barrels of oil and over 7.3 billion cubic feet of gas, equating to approximately \$23 million in royalties. Program objectives in 2004 are to hire and maintain a professional, fully-trained, and certified contingent of petroleum engineering technicians. Additionally, program goals include protecting the environment and health and safety, as well as ensuring the proper accounting of production from Federal and Indian lands. In addition, the BLM will emphasize accountability for royalty production, maintaining the current level of records review.

***Reservoir Management*** - Among the BLM's oil and gas reservoir management activities are the review and approval of operator agreements such as communitization, unitization, and underground gas storage agreements, as well as development contracts and well spacing orders. These agreements result in more efficient resource recovery while minimizing environmental impacts. The BLM is also responsible for reviewing 3,000 Federal and Indian drainage cases annually. Drainage is the migration of oil or gas, or associated resources, across lease lines, which results in a loss of Federal resources without compensation to the government. This is caused when wells begin production adjacent to a non-producing area, thereby causing drainage of oil and gas from the non-producing area. Due to the expected increase in non-Federal drilling activities, especially in areas of coalbed natural gas interest like the Powder River Basin, the BLM expects to identify 2,100 new potential drainage cases in 2003. Based on historical trends, 50 percent of these potential cases identified in the Basin will result in actual drainage. When drainage occurs on Federal lands BLM seeks to establish a royalty compensation agreement with the lessee for the lease adjacent to the lands being drained. Prevention of drainage of oil and gas from Federal leases will remain a high priority in 2004. The BLM is also responsible for ensuring that producing Indian leases are diligently developed.

**Indian Lands** - In fulfilling the Secretary's trust responsibilities to Indian Tribes and individual Indian mineral owners, the BLM works with the Minerals Management Service and the Bureau of Indian Affairs to ensure proper management of Indian oil and gas properties. The BLM's focus is on ensuring timely and proper development, maximizing economic resource recovery, and ensuring accurate production reporting. At the start of 2003, there will be 10,000 wells on Indian leases. Inspection and enforcement work on Indian leases is conducted both by the BLM and by tribal personnel through Self-Determination contracts, Self-Governance Agreements and three cooperative agreements under Section 202 of the *Federal Oil and Gas Royalty Management Act*. In addition to these FOGRMA agreements, the BLM has three Self-Determination contracts for oil and gas inspection and enforcement. Under the law, the BLM pays for 100 percent of tribal costs for work performed under these agreements. These programs, conducted under the provisions of the Indian Self-Determination Act, not only support the congressional direction of tribal self-determination but also result in technical training and long-term employment for tribal members. Although the Tribes carry out the on-the-ground inspection activities on tribal leases, the BLM is still actively involved in the oversight of these activities to ensure that the Secretary's trust responsibility is fulfilled. On an annual basis, the BLM reviews 20 percent of all producing Indian leases to determine if the operators are meeting diligence requirements.

**Geothermal Resources Management** - The President's National Energy Policy encourages renewable energy resources development as part of a strategy to diversify domestic energy supplies. Recent extensions of Federal tax credits and the passage of legislation in California and Nevada requiring between 10 and 20 percent of power to be derived from renewable sources is driving demand for access to Federal lands for exploration and development of renewable energy in the western States. The Geothermal Resources program manages the exploration, development, and oversight of geothermal resources on Federal lands. The BLM is responsible for leasing Federal geothermal resources, and then issuing permits and licenses for post-lease development for both electrical and direct-use heat applications, while ensuring compliance with lease terms and NEPA and the protection of other resources. These responsibilities include the review and approval of Geothermal Drilling Permits, site licenses and utilization permits for power plants, monitoring subsequent operations through the end of a field's life, compliance reviews and inspections, pluggings, and site abandonments.

The BLM managed 282 geothermal leases, with 55 leases in producing status at the end of 2002. During 2002, BLM leases generated over 5.7 billion Kilowatt-hours of electrical power and provided alternative heat sources for direct-use commercial endeavors. The BLM's Geothermal program generated \$15 million in revenues from filing fees, bonuses, rentals, and royalty payments in 2002. The electrical power generated was equivalent to at least 3.5 million barrels of oil, based on a standard BTU conversion table.

Many western States have enacted laws to provide incentives for the development of renewable energy thereby creating new demand for geothermal energy. In California, for example since September 2000, over 20 new lease applications covering a total of 29,000 acres have been submitted to BLM. Federal lands in California now account for over 2,200 megawatts of electrical capacity, and Nevada accounts for over 120 megawatts of capacity from geothermal

sources. In the next two years, over 300 additional megawatts of power generation are planned to come on line.

The proactive management of this program is critical to providing energy to the western States and achieving the President's National Energy Policy goals of increasing America's use of renewable and alternative energy. The Bureau's inspection of lease operations, including production verification and accountability inspections of producing facilities, is a vital element in ensuring that proper royalty payments are made.

## **2002 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

The Oil and Gas Management program in 2002 focused on:

***Energy Policy and Conservation Act Studies*** - The reauthorization of EPCA was signed on November 9, 2000. Section 604 of this act requires the Secretary of the Interior, in consultation with the Secretaries of Agriculture and Energy to conduct an inventory of all onshore lands to identify the reserves and resource estimates on those lands and any constraints to the development of these resources. The BLM, as lead agency, is working closely with the Department of Energy, U.S. Forest Service, and USGS to expedite the EPCA inventory. The study was completed and delivered to Congress in January 2003. This initial EPCA inventory focuses on five priority areas within the Rocky Mountain Region based on industry interest, resource potential and reserve ranking, and an oil and gas needs analysis. These areas include Uinta/Piceance/Ferron Coal Fairway (UT, CO), Powder River Basin (MT, WY), Montana Thrust Belt (MT), San Juan Basin and Paradox Basin (NM, CO, UT), and Greater Green River Basin (CO, WY).

***North Slope of Alaska*** - BLM completed biennial leasing in the northeast sector of National Petroleum Reserve-Alaska, in April 2002.

***Oil and Gas Leasing*** - BLM issued 3,000 new leases and processed 4,635 APDs, including 2,017 coalbed natural gas APDs. Fewer APDs were processed in 2002 than originally planned because the coalbed natural gas EISs in the Powder River were not released until January 2003. BLM has been working to expedite the process of approving Applications for Permits to Drill and expects to be able to process about 900 more APDs in 2003 than in 2002. For example, Wyoming has automated portions of its stipulations for oil and gas lease sales. Depending on available funding, Wyoming plans to input all the GIS data statewide to complete the project. BLM has also contracted for statewide biological assessments which will help to speed required consultations with the U.S. Fish & Wildlife Service.

BLM is taking advantage of opportunities to reduce liability for inactive wells. In California, BLM offered and sold in May 2002, two parcels which contain a total of 46 orphan wells in a marginally productive field. One of the parcels was relinquished, and subsequently sold in a December 2002 lease sale. The two parcels were sold with the full understanding that the new lessee and operator will be responsible for the ultimate disposition of the 46 wells, shifting a considerable amount of liability away from the Federal government and onto the lessee, and saving over \$300,000 in potential plugging and restoration costs.

**Geothermal Leasing** - As a result of new State requirements for energy companies to include renewable energy in their portfolios, BLM responded to growing demand for geothermal power. In Nevada, 100 lease applications were processed and BLM conducted a competitive lease sale. In implementing the State of Nevada's Renewable Energy Portfolio, Sierra Pacific Resources Company entered into sales contracts with geothermal developers which will involve geothermal well and electrical generation facilities development on Federal geothermal leases. These new sales contracts will lead to a 50 percent increase in Nevada's renewable electrical energy generation during the next year, resulting in a significant increase in permit activities, geothermal permits to drill, sundry notices, facility siting applications, rights-of-way for transmission lines, and related NEPA reviews.

**Inspection and Enforcement** - In 2002, BLM continued to meet the requirements of the Oil and Gas Inspection and Enforcement program as set forth in the National Inspection and Enforcement Strategy. High priority inspections were completed. These included drilling inspections, abandonment inspections, production inspections, and environmental inspections. Through these inspections, the BLM was able to assure production accountability, protection of the environment, protection of public health and safety, and the fulfillment of Indian Trust responsibilities. When violations were discovered, proper enforcement actions were taken.

### **2003 PROGRAM PERFORMANCE ESTIMATES**

In 2003, the BLM is continuing to implement the planned tasks in the BLM's National Energy Plan, consistent with the President's National Energy Policy. Funds are being used to focus on several key areas:

**Energy Policy and Conservation Act Studies** - In 2003, a new study of a second set of basins will be initiated. This phase will be completed in 2004. In addition, based on the EPCA inventory of the first five basins published in 2003, the BLM will review the findings, assess constraints on the availability of oil and gas resources, and consider modifications, as necessary, to improve access. The review of land and lease stipulations in areas covered by the EPCA study will provide the BLM with a better basis to ensure timely planning on Federal lands to allow for development of oil and gas resources with minimum restrictions while guaranteeing sound environmental protection. Internal guidance to address exceptions to existing stipulations will be issued. Any changes to stipulations will be considered with full public consultation, especially with residents of the region, through the land use planning process.

The cooperating agencies have agreed that BLM, as lead agency, would request the funding for this continuing effort in its budget.

**North Slope of Alaska** - The BLM is using funds appropriated in 2002 and funds requested in 2003 to accelerate leasing, exploration, and development activities authorized by Congress on the North Slope of Alaska. This area is the Nation's best prospect for substantial new oil and gas production capacity. In support of the President's National Energy Policy, the BLM

developed a series of National Energy Plan tasks that are specific to the North Slope. Two tasks are specific to leasing in the NPR-A area. Leasing in the NPR-A requires the BLM to undertake planning, prepare NEPA documentation, delineate tracts, prepare the draft and final lease sale notices, fulfill pre- and post-lease tract analysis obligations, issue leases, and collect revenues.

The BLM is actively pursuing a biennial leasing program in the Northeast Sector of NPR-A . The first lease sale was held in 2002. In 2003, the BLM plans to continue the steps started in 2002 that are required to hold a lease sale in the Northwest Sector of NPR-A in 2004. Critical pre-sale activities will be performed to ensure that the sale can be held in 2004. These activities include initiating planning activity, preparing the pre-sale tract assessment, completing a NEPA consistency review, and issuing an availability notice. The BLM will be working on completing the Final Integrated Activity Plan and associated Environmental Impact Statement in 2003.

Under the National Energy Plan, the BLM anticipates working on a full field development analysis for lease activity in the Northeast sector of NPR-A. These projects will require additional environmental analyses to comply with existing regulations and NEPA. Part of the task of supporting the full field development and additional leasing is to assess the potential impacts of the oil and gas development and production. The BLM needs to conduct and complete critical studies to implement a North Slope best practices leasing and development program. Additionally, the BLM will design and initiate the necessary inventory, monitoring and other studies in 2003.

Should Congress authorize oil and gas development in the Section 1002 area of the Arctic National Wildlife Refuge in 2003, BLM could use the Alaska North Slope funding to conduct the necessary pre-leasing planning activities necessary to support an environmentally sound leasing and development program in this area. Under current law, the Arctic National Wildlife Refuge is closed to oil and gas development. However, the 1.5 million acre Section 1002 area of the Arctic National Wildlife Refuge in Alaska is one of the best prospects for substantial new oil and gas resources for the Nation. Congress would need to enact legislation to authorize an oil and gas leasing program that would lead to the production of oil and gas within the Section 1002 Area of the ANWR coastal plain. If authorized, a portion of the additional funds requested in 2004 for Alaska oil and gas development will be available to begin the planning steps leading to an environmentally sound leasing and development program.

Finally, the BLM will continue coordination efforts and establish protocols with the State of Alaska and the Canadian government concerning a North Slope natural gas pipeline.

***Leasing and Lease Operations*** - The BLM is examining opportunities to improve and streamline the management of the NEPA process for all energy resource proposals with all surface-management bureaus, offices, and affected agencies. For 2003, work will continue in the modeling and deployment of a Bureau-wide automated competitive lease-sale system and will develop and improve the process for providing wildlife stipulation waivers and speeding up archaeology and special status species clearances.

As part of the President's National Energy Policy, the BLM is continuing to develop and implement common reclamation standards for oil and gas leases, and is instituting a reclamation monitoring policy to determine the efficacy of lease stipulations and conditions of

approval to achieve reclamation. The BLM will initiate changes in regulations with full public input and involvement. The BLM will also identify ways to expedite the process of approving APD. This includes identifying and implementing process improvements and using information technology to facilitate more efficient well permit processing through electronic commerce with industry and regulatory agencies. It also includes improved NEPA analysis capabilities by using geographic information systems.

**Coalbed Natural Gas Development** - The Montana and Wyoming Final EISs were issued in January 2003. The Montana Final EIS covered the entire State of Montana while the Wyoming Final EIS addressed only lands within the Powder River Basin. Estimates vary but data in the Final EIS indicates that 25 trillion cubic feet of coalbed natural gas may be present in the area of Wyoming covered by the Final EIS while as much as 17.7 trillion cubic feet may be present in Montana. In 2003, BLM plans to process 2,613 coalbed APDs. As a result of the funds spent in 2003 on the coalbed EISs, BLM expects to be able to process higher numbers of APDs in these areas in 2004. Many of these APDs were originally estimated for processing in 2002 and 2003.

The proposed action for 8 million acres in Wyoming includes drilling, completing, operating, and reclaiming 39,400 new coalbed natural gas wells and constructing, operating, and reclaiming various ancillary facilities needed to support the new wells. Drilling would continue for 10 years.

The Final EISs incorporated several improvements including refined air and water quality sections. The Final EIS's responds to 35,000 public comments on the draft EISs and were prepared cooperatively with the U.S. Environmental Protection Agency, the Montana Board of Oil and Gas Conservation, and the Wyoming and Montana Departments of Environmental Quality.

**Inspection and Enforcement** - In 2003, the Bureau will perform over 17,000 inspections of oil and gas operations to ensure compliance with applicable statutes; regulations; onshore operating orders; notices to lessees; lease terms and permit conditions of approval pertaining to drilling; production; well plugging and abandonment; and other requirements related to lease administration. The BLM's role in the President's National Energy Policy includes enhancing inspection and enforcement capabilities to ensure that inspections are completed and lessees and operators are notified of corrective action requirements in a timely manner, to ensure that Federal resources are protected. The BLM inspectors have broad responsibilities and authority with respect to protection of the environment and the public, proper disposition of production, accurate reporting of production, and adequate lease site security. When inspectors identify non-compliance, they are authorized to use a number of enforcement tools to ensure compliance, including issuing notices of violations, imposing assessments or civil penalties, ordering a shut-down of operations, and possibly canceling the lease.

**Geothermal** - The BLM will significantly increase the number of geothermal leases issued and nearly double the number of geothermal permits to drill in 2003. In 2003, the BLM expects to manage 400 geothermal leases. Emphasis will be directed to meeting industry demands in Nevada, California, and Utah. Funds are also being used to support the BLM's role in geothermal development in the President's National Energy Policy.

## JUSTIFICATION OF 2004 PROGRAM CHANGES

### 2004 PROGRAM CHANGES

	2004 Budget Request	Program Changes (+/-)
\$(000)	85,953	+311
FTE	751	+8

The 2004 budget request for Oil and Gas Management is \$85,953,000 and 751 FTE, a program change of +\$311,000 and +8 FTE from the 2003 requested level.

In support of the Department's Draft Strategic Plan mission goal to Manage Resources to Enhance Public Benefit, Promote Responsible Use and Ensure Optimal Value, the BLM requests five program increases:

**North Slope of Alaska, (+\$425,000)** - The North Slope of Alaska is one of BLM's best prospects for substantial new oil and gas production. The Bureau has completed 50 percent of the energy actions identified as tasks in the BLM's National Energy Plan for oil and gas development and production in the North Slope of Alaska and plans to evaluate additional actions, which will support proposed and existing energy activities. The BLM is continuing to pursue a biennial leasing strategy for the Northeast sector of the National Petroleum Reserve-Alaska, with a proposed sale in 2004. The BLM is also pursuing the expansion of the area offered for lease to include the northwest and southern sections of NPR-A. The BLM is continuing efforts on the preparation of an integrated activity plan and EIS and anticipates completion in 2003, with the first lease sale for the northwest sector in 2004. In addition, BLM will initiate preliminary work in 2004 to support a lease sale in the southern sector of NPR-A in 2007. The BLM anticipates receiving a full-field development proposal for the Northeast sector of NPR-A in 2003, which would require the preparation of an EIS that would be completed in 2004.

An additional \$425,000 is requested to address the pre-planning requirements and the coordination required between all involved agencies for leasing and development. The increase will support planning for 2004 sales in the NPR-A and the Arctic National Wildlife Refuge. Congressional authorization will be required for a lease sale to be conducted in ANWR. In addition, BLM will continue to perform inspection and enforcement work, APD processing, and BLM's partnership obligations with the Minerals Management Service. Additionally these funds would cover monitoring of permits for geophysical compliance, subsistence monitoring (which is also part of the EIS and activity plan for NPR-A and tied to energy development), and legacy-well assessment needs related to previous government drilling.

**Coalbed Natural Gas Development, (+\$350,000)** - BLM will use the additional funds to contract for NEPA assistance to process backlogged APDs in Utah and other states; to develop a baseline coalbed natural gas resource assessment in Colorado; and to add seasonal biologists and archaeologists to work on threatened and endangered species and cultural clearances for oil and gas APDs, sundry notices, seismic projects, and energy rights-of-way in New Mexico and Wyoming. As a result of these projects and processing costs funded in 2003, BLM expects to be able to approve 4,512 coalbed APDs in 2004.

**Inspection and Enforcement, (+\$2,000,000)** - To ensure effective lease and permit management, BLM will concentrate additional inspection and enforcement efforts in response to a growing level of APDs in the Powder River Basin in Wyoming and Montana, the Uinta and Piceance Basin in Colorado and Utah, the Permian Basin in New Mexico, and in California and the eastern States. Additional funds will be used to hire and train additional inspectors, provide equipment and vehicles and other support for existing inspectors to increase BLM's overall inspection and enforcement capability in these targeted areas.

Oil and gas operations on Federal and Indian lands generate more than \$500 million in royalties each year to the U.S. Treasury. The inspection and enforcement program is one of the most critical programs in the BLM; the potential for fraud or theft is very high. Mishandling or lack of documentation of production from leases can result in significant underpayment of royalties. Furthermore, environmental degradation from oil and gas operations can cause serious impacts. Program objectives include verification of proper accounting of production, protection of the environment, and enforcement for public health and safety.

**Geothermal, (+\$550,000)** - The BLM is requesting additional funds to respond to industry demand for geothermal power. More than half of the funds will be used to process lease applications as well as post-lease permits and licenses. Efforts with the U.S. Forest Service will concentrate on 30 U.S. Forest Service applications in California and 80 U.S. Forest Service applications in Oregon. BLM lands will also be cleared for additional leasing in Utah, New Mexico, Idaho and Arizona. In 2004, BLM expects to process and approve double the number of geothermal permits to drill that are expected to be approved in 2003 and conduct 100 more inspections than are expected in 2003. In Nevada and California, BLM's processing, reviewing and approving of site licenses and utilization permits as well as the processing of supporting sundry notices and development applications will result in a 15 percent increase in geothermal power plants. Exploration actions and unit reviews will also be conducted in Nevada, California, Oregon, Utah and New Mexico. BLM will complete unit agreements to protect public geothermal resources through better exploration and development controls.

**Resource Monitoring, (+\$500,000)** - To effectively manage energy development, BLM requests funding for additional resource monitoring to increase its ability to assess the cumulative impact of oil and gas development, especially on cultural resources and species at risk. The BLM recognizes that systematic resource monitoring has not been a sufficient priority in the past, and OMB's recent Program Assessment Ratings Tool of BLM's restoration function highlighted this insufficiency. BLM plans to use the additional funds to address impacts to T&E and sensitive species in the eastern plains of Colorado where energy development is occurring, and to develop programmatic wildlife monitoring and protection plans to protect species such as black-tailed prairie dog, mountain plover, long-billed curlew, and burrowing owl in other States where coalbed natural gas development is occurring.

Funds will also be used to develop alternative strategies to meet the BLM’s National Historic Preservation Act’s Section 106 responsibilities on a larger scale than individual oil and gas APDs in New Mexico. Based on site types and feature types, priorities will be established for when cultural data recovery should be required and how it should be carried out. A decision tree/matrix to determine which sites/features are most significant, and survey recommendations will assist BLM’s efforts to streamline its review of APDs.

**Energy Policy and Conservation Act Studies, (-\$1,000,000)** – BLM has a reduced need for EPCA funding since studies in the 5 highest priority provinces have been completed. In 2004, the next portion of the inventory phase will be underway in lower priority provinces.

**Information Technology, (-\$2,514,000)** - The Department and BLM are undertaking significant information technology reforms to: improve the management of IT investments, enhance the security of IT systems and information, and realize short and long-term efficiencies and savings. The Department is taking a corporate approach that will include consolidated purchases of hardware and software, consolidation of support functions including helpdesks, email support, web services, and training. Savings will be possible by reducing, but not eliminating, IT support services at Bureau field offices and consolidating these services at the national level.

Reductions to specific BLM IT systems are also proposed. These reductions are possible because of deferring or canceling system enhancements on the Management Information System; the Federal Human Resource Information System; the Smart Card program; the Corporate Metadata Repository; the IT Enterprise Information Portal; LAWNET, which tracks law enforcement incidents and responses; Tivoli, a management tool that permits updates of software from remote locations; and Nobility, which standardizes the Bureau’s efforts to automate the NEPA process and in the case of this program the eGov initiatives within the Automated Fluids Management Support System.

**OIL AND GAS MANAGEMENT PERFORMANCE SUMMARY**

<b>DOI Strategic Goal: Resource Use</b>						
<b>End Outcome Goal: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value - energy.</b>						
<b>End Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Provide for Access: Number onshore acres available for energy resource exploration/development consistent with applicable management plans or permitting requirements. (1000's)	171,000	171,000	171,000	171,000	171,000	+0
Responsible Use: Reduce by X the acreage disturbed during energy exploration and development activities through the implementation of best management practices.	1,896	2,000	2,516	2,400	2,600	+200

<b>End Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Report production for energy resources (oil, gas, geothermal) produced from DOI managed or influenced lands: (BLM Measure)						
Oil (MBL)	99	--	95	100	100	+0
Gas (MMCF)	3,866	--	2,135	4,500	4,500	+0
Geothermal (GWhr)	5,385	--	5,720	5,800	6,300	+500
Annually report revenues collected through royalties, bonuses, rents and sales for energy resources (oil, gas, geothermal) produced from DOI managed or influenced lands: (BLM Measure)						
Oil (\$M)	253	--	209	202	189	+0
Gas (\$M)	1,247	1,250	741	1,106	1,053	-53
Geothermal (\$M)	21.0	--	16.0	17.0	17.0	+0
Optimal Value: Percent of onshore acres offered receiving acceptable price or number of bids per tract.	49%	--	55%	55%	55%	+0

**Intermediate Outcome Goal 1: Effectively manage and provide incentives for access and development.**

<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Permit Processing: Reduce to X the actual number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APD's), solid energy minerals (LBA's) and rights -of-way:						
APD Backlog *	2,845	--	2,386	2,500	1,700	-800
Energy-related ROW Backlog	1,400	1,600	1,620	1,740	1,860	+120

\* Most of BLM's APD and ROW backlog is in areas with pending coalbed natural gas EISs.

**Intermediate Outcome Goal 2: Enhance responsible energy use management practices.**

<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Reduce Sources of Degradation from Onshore Oil and Gas Operations: Reduce the number of undesirable incidents per 1000 wells for on-shore oil and gas operations.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Improved Use of Conservation Practices: Amount of additional oil and gas resources recovered due to royalty relief actions (barrels of oil; tons of coal).	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Restore and Mitigate Damage from Onshore Oil and Gas Operations: Increase by X the number of orphan and temporarily abandoned wells plugged each year.	25	40	42	55	55	+0

<b>Intermediate Outcome Goal 3: Effective lease and permit management.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Drainage Protection: Increase production volume and value of oil and gas produced under drainage protection program (includes income from wells drilled, agreements established as a result of the drainage program, and from compensatory royalty assessments:						
Production Increase (MBL)	1	--	1	1	1	-0
Production Value (\$M)	\$20	--	\$23	\$25	\$25	+0
Geothermal Production Inspections (#)	150	--	150	200	300	+100
<b>Intermediate Outcome Goal 4: Improve information base, resource management and technical assistance.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Management Plans: Increase % of areas with energy resources available for exploration and development that are covered by current management plans based on land use plan evaluations.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Baseline Information: Increase % of energy resources areas with adequate information (energy resource assessments, soil surveys, vegetation mapping, site surveys, hydrologic assessments, archeological inventories, wildlife and habitat assessments) to support management decisions. (fluid energy)	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Satisfaction Rating: Improve stakeholder satisfaction rating with energy resources permitting process. (fluid energy)	Not Measured	Not Measured	47.3%	No Survey in FY 2003*	52.3%	+5%
<b>Primary Outputs funded by this subactivity:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Develop and Issue Fluid Mineral Leases. (number)	2,875	3,000	2,970	3,450	3,450	+0
Process Fluid Minerals Applications for Permit to Drill. (number)	4,437	5,500	4,635	5,500	7,000	+1,500
Process Realty Permits/Licenses/Easements (geophysical). (number)	630	400	380	400	400	+0
Process Oil and Gas Reservoir Management Agreements. (number)	2,500	2,300	2,280	1,500	1,500	+0
Process Fluid Minerals Post Lease Administrative Changes. (number)	23,400	20,500	29,500	27,000	27,000	+0
Process Fluid Minerals Sundry Notices. (number).	34,400	29,200	29,500	30,000	30,000	+0
Process Indian Pre-Lease Actions (number).	400	270	480	450	450	+0
Conduct Fluid Mineral Inspection and Enforcement. (number)	16,250	15,000	16,350	17,050	18,700	+1,650
Resolve Fluid Mineral Drainage Cases. (number)	1,125	1,200	1,085	1,500	1,500	+0
Conduct Realty Inspections (geophysical). (number)	65	55	85	100	100	+0
<i>*Permitting process survey for fluid energy resources will be conducted biennially.</i>						

## Activity: Energy and Minerals Management

### Subactivity: Coal Management

#### SUBACTIVITY SUMMARY (\$000)

	2002 Actual Amount	2003 Estimate Amount	Uncontrollable & Related Changes (+/-) Amount	Program Changes (+/-) Amount	2004 Budget Request Amount	Inc(+) Dec(-) from 2003 Amount
\$(000)	8,815	9,588	+82	-132	9,538	-50
FTE	76	74	0	0	74	0

#### 2004 PROGRAM OVERVIEW

The 2004 budget request for the Coal Management program is \$9,538,000 and 74 FTE.

The Coal Management program supports the Resource Use mission goal from the Department's Draft Strategic Plan by managing or influencing Federal coal resources to enhance public benefit, promote responsible use, and ensure optimal value. Key intermediate outcome measures include increasing the number of coal resource compliance and production inspections and reducing unauthorized resource extraction. (see the Coal Management performance summary at the end of this subactivity discussion).

The BLM manages 35 percent of all coal resources in the United States and indirectly affects the use of at least an additional 10 percent. Sixty percent of western coal is federally owned and an additional 20 percent is managed or affected by the Federal government. Coal produced from the Powder River Basin in Montana and Wyoming accounts for over 80 percent of Federal coal production.

Nationally, 90 percent of the coal produced is consumed by electric utilities for the generation of electricity. Coal provides the base fuel for 56 percent of the electricity generated in the United States today. Of all the coal consumed for electric generation in the United States, one-third is mined from Federal coal leases managed by the BLM.



Wyoming Surface Mine

As of September 30, 2002, there were 312 Federal coal leases covering 469,000 acres of Federal lands or subsurface mineral ownership. Production from these leases amounted to 438 million tons with a market value of \$3.3 billion. These leases generated \$342.6 million in Federal royalties during 2002. In 2004, the program will focus on continuing to lease coal, gathering data to be used in

updating BLM's activity plans for coal leasing, improving BLM's customer services, reducing future liabilities created by unauthorized uses, and providing technical support to Tribes and Indian mineral owners.

**Coal Leasing** - At present, Federal coal leasing relies solely on the Lease by Application process, in which the initiative to lease is taken by industry and driven by industry demand. On average, BLM receives 9 LBAs per year from the coal industry. Most coal leases are issued in response to the need for additional reserves for existing operations.

**Post-Lease Actions** - The BLM's coal operations workload involves mandatory administrative actions for existing leases, encompassing all exploration and development activities that occur on Federal and tribal lands after the issuance of a coal exploration license or lease. BLM actions include production verification, coal conservation through oversight of diligent development, bonding, and approval of the resource recovery and protection plan for federally owned coal. Other post-lease actions, which are typically initiated by the lessee, include lease modifications, royalty rate reductions, formation of logical mining units, assignments, relinquishments, and readjustments. Timely completion of post-lease actions is critical to assure compliance with the statutory goals of diligent development, continued operation, maximum economic recovery, and conservation of the coal resource.

**Technical Assistance on Indian Lands** - The BLM is responsible for providing technical expertise to Indian mineral owners in developing and producing their coal resources. The BLM reviews mine plans, and provides inspection, enforcement, and production verification on Indian leases. BLM also provides oversight to contracts under the *Indian Self-Determination Act*.

The BLM is active in the Indian Minerals Steering Committee. The Bureau provides support to a number of IMSC initiatives each year.

**Inspection and Enforcement Activities** – In order to ensure effective lease management, the BLM performs inspection and enforcement on both producing and inactive coal leases. This on-the-ground inspection is required to detect unauthorized activities (drilling, exploration, trespass, or production).

The BLM conducts quarterly inspections and production verifications on producing Federal and tribal coal leases. In addition, the BLM inspects non-producing leases at least annually. Emphasis continues to be placed on (1) inspection and enforcement activities on tribal and Federal producing leases and (2) independent calculation of production and production verification.

## **2002 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

In 2002, major accomplishments in the Coal Management program included the following:

- The BLM issued three leases for coal development: one each in New Mexico, Utah, and Wyoming. These three coal leases produced over \$391 million in bonus bids. On average, BLM receives 9 LBAs per year from the coal industry. These LBAs are requested to supplement existing private reserves associated with active operations. In 2002, because of

the complexity and time periods required for each step in the leasing process, more applications were received than processed. A request for additional funds to process more leases was made for 2003. Responding to a higher level of coal industry activity on existing operations than planned, BLM completed 2,180 lease inspections to verify production and insure compliance and completed 290 post-lease actions such as the review and approval of mining or exploration plans and lease assignments.

- Well documented inspection and production verification, and timely accomplishment of related lease administration responsibilities for Federal leases is an important component of this program. At the Centralia coal mine in Washington State, for example, two leases produced more than 3,000,000 tons of Federal coal and over \$6 million Federal royalties in the last two years. The Centralia Coal Mine and associated mine mouth power plant generates sufficient electricity (1300 MW) to power a city nearly the size of Seattle, WA. This operation is the primary employer in the community of Centralia, which employs 550 at the mine and another 200 at the power plant. BLM manages the associated Federal coal leases that make up 25 percent of the mine's reserves and is involved with a MMS royalty audit of this operation which will commence during the second half of 2002 and is continuing into 2003.

**Indian Trust Actions** – In 2002, the BLM completed 7 post-lease actions and 119 enforcement and production verification inspections on Indian leases.

### **2003 PROGRAM PERFORMANCE ESTIMATES**

**Coal Leasing and Operations** - A \$500,000 increase for coal leasing and operations was requested in 2003 to implement BLM's tasks included in the President's National Energy Policy. The BLM has committed to the following actions:

- To complete more coal lease sales per year, BLM is reviewing the Lease By Application process to determine if modifications of processes and regulations can be made to further expedite the processing of coal lease applications.
- To enable BLM to respond expeditiously to rapidly changing lease conditions and encourage the greatest recovery of coal, BLM is reviewing possible revisions of the royalty rate guidelines to encourage the greatest ultimate recovery of coal. Revising this process could result in completing more post-lease actions per year.
- A comprehensive review of the coal post-leasing processes has not been conducted in many years. Application of new technologies, changes in procedures, or the removal of legal and regulatory impediments may offer the opportunity to reduce unnecessary burdens on coal lessees and result in increased production. BLM is reviewing current procedures and policies to streamline the completion of post-lease actions.
- BLM is identifying opportunities to more effectively resolve conflicts between coalbed natural gas and coal development. Conflicts can occur if the coalbed is fractured by drilling or if coal mining operations could be delayed while waiting for natural gas developments to

conclude. The ability to effectively manage these conflicts is needed to protect the health and welfare of underground miners and maximize recovery of the public's energy resources.

- To provide necessary funding to support BLM priorities and meet industry requirements, a portion of the requested increase in 2003 is for processing an additional 4 coal leases and a total of 190 coal post-lease actions.



*Underground Personnel Transport in Federally Leased Coal Mine*

**Indian Trust Actions** – In 2003, a \$750,000 increase was requested to support the BLM's Indian Trust outreach and actions in Arizona, Montana, and New Mexico. The BLM plans to complete 15 Indian post-lease actions such as the review and approval of mining or exploration plans, lease assignments, and bonding modifications with these funds and complete all required enforcement and production verification inspections.

### JUSTIFICATION OF 2004 PROGRAM CHANGES

#### 2004 PROGRAM CHANGES

	2004 Budget Request	Program Changes (+/-)
\$(000)	9,538	-132
FTE	74	0

The 2004 budget request for Coal Management is \$9,538,000 and 74 FTE, a program change of -\$132,000 from the 2003 requested level.

**Information Technology, (-\$132,000)** - The Department and BLM are undertaking significant information technology reforms to: improve the management of IT investments, enhance the security of IT systems and information, and realize short and long-term efficiencies and savings. The Department is taking a corporate approach that will include consolidated purchases of hardware and software, consolidation of support functions including helpdesks, email support, web services, and training. Savings will be possible by reducing, but not eliminating, IT support services at Bureau field offices and consolidating these services at the national level.

Reductions to specific BLM IT systems are also proposed. These reductions are possible because of deferring or canceling system enhancements on the Management Information System; the Federal Human Resource Information System; the Smart Card program; the Corporate Metadata Repository; the IT Enterprise Information Portal; LAWNET, which tracks law enforcement incidents and responses; Tivoli, a management tool that permits updates of software from remote locations; and Nobility, which standardizes the Bureau's efforts to

automate the NEPA process and in the case of this program the eGov initiatives within the Automated Fluids Management Support System.

**COAL MANAGEMENT PERFORMANCE SUMMARY**

<b>DOI Strategic Goal: Resource Use</b>						
<b>End Outcome Goal: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value - energy.</b>						
<b>End Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Provide for Access: Number onshore acres available for energy resource exploration/development consistent with applicable management plans or permitting requirements. (1000's)	171,000	171,000	171,000	171,000	171,000	+0
Report production for energy resources (coal) produced from BLM-managed or influenced lands. (million tons) (TRST not included) (BLM Measure)	394	--	438	428	438	+10
Annually report revenues collected through royalties, bonuses, rents and sales for energy resources (coal) produced from BLM managed or influenced lands. (\$M) (excluding TRST) (BLM Measure)	\$437	--	\$511	\$523	\$552	+\$29
<b>Intermediate Outcome Goal 1: Effectively manage and provide incentives for access and development.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Permit Processing: Reduce to X the actual number of pending cases of permits and lease applications that in backlog status for fluid energy minerals (APD's), solid energy minerals (LBA's) and rights-of-way. [LBA's in backlog]	19	--	18	15	10	-5
<b>Intermediate Outcome Goal 2: Enhance responsible use management practices</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Improved Use of Conservation Practices: Amount of additional energy resources recovered due to royalty relief actions (tons of coal).	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
<b>Intermediate Outcome Goal 3: Ensure effective lease and permit management.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Production Verification: Increase number of energy resource compliance inspections and production inspections. (coal)	1,800	--	2,180	2,200	2,300	+100
Unauthorized Use or Trespass of Energy Resources: Increase the number of actions taken on reported violations of fraud and unauthorized resource use. (coal)	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A

**COAL MANAGEMENT PERFORMANCE SUMMARY**

<b>Intermediate Outcome Goal 4: Improve information base, resource management and technical assistance.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Management Plans: Increase % of areas with energy resources available for exploration and development that are covered by current management plans based on land use plan evaluations.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Baseline Information: Increase % of energy resources areas with adequate information (energy resource assessments, soil surveys, vegetation mapping, site surveys, hydrologic assessments, archeological inventories, wildlife and habitat assessments) to support management decisions. (coal)	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Satisfaction Rating: Improve stakeholder satisfaction rating with energy resources permitting process. (coal)	50%	--	61%	65%	65%	+0
<b>Primary Outputs funded by this subactivity:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Process Coal Leases.	4	8	3	25	25	+0
Process Coal Post Lease Actions.	230	270	290	190	190	+0
Inspect and Verify Solid Minerals Production	1,800	1,750	2,180	2,200	2,300	+100

## Activity: Energy and Minerals Management

### Subactivity: Other Mineral Resources Management

#### SUBACTIVITY SUMMARY (\$000)

	2002 Actual Amount	2003 Estimate Amount	Uncontrollable & Related Changes (+/-) Amount	Program Changes (+/-) Amount	2004 Budget Request Amount	Inc(+) Dec(-) from 2003 Amount
\$(000)	10,079	10,317	+111	+6	10,434	+117
FTE	109	107	0	0	107	0

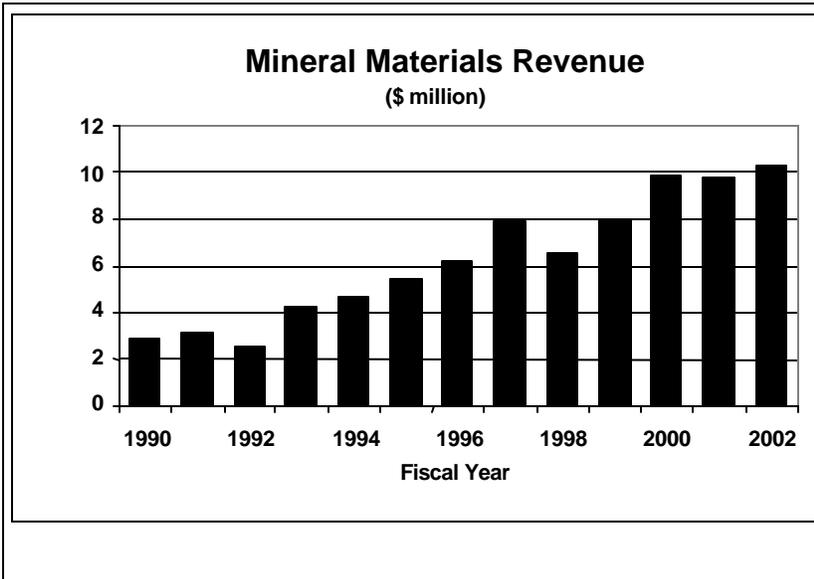
#### 2004 PROGRAM OVERVIEW

The 2004 budget request is \$10,434,000 and 107 FTE.

The Other Mineral Resources Management program supports the Resource Use mission goal from the Department's Draft Strategic Plan by managing or influencing Federal mineral resources other than fluid minerals and coal (primarily for non-energy uses) to enhance public benefit, promote responsible use, and ensure optimal value. End outcome measures include reporting production for non-energy mineral resources (leasable / saleable) produced from BLM-managed or influenced lands. (see "Other Minerals Resources Management Performance Summary" at the end of this subactivity discussion).

This program also funds technical assistance in these areas to the Indian Tribes and allottees.

Federal lands are the source of important mineral resources for the Nation, including potassium, phosphorus, sodium, potash, lead, zinc, sand and gravel. During 2002, the production of leasable minerals such as phosphate, potash, sodium, and certain hard rock minerals had a market value of \$684 million and generated \$38 million in revenues from Federal lands. The number of leases and prospecting permits for all minerals currently authorized under this program are shown in the following table.



Mineral materials include common materials such as sand, gravel, stones, and clays that provide the bulk of the materials needed for construction of houses, highways, railroad tracks, airports, bridges, pipelines and other developments. Providing mineral materials in a timely and environmentally sensitive manner is critical for accessing and developing well and drill pads, as well as constructing railroad spurs and pipelines for transporting coal, oil, and gas.

Sand, gravel and other mineral materials are provided to State and local governments and nonprofit organizations at no cost. BLM also sells these materials for private and commercial uses on a contract basis. The public and private sectors are increasingly looking to BLM lands for these resources in the growing communities of the West, as more and more private resources are being depleted or made unavailable through zoning because of other competing demands for non-Federal lands. In areas of high demand the public lands are an important source of these materials.

Commodity	Leases	Prospecting Permits
Phosphate	100	0
Potash	137	2
Sodium (inc. Trona)	110	1
Lead/Zinc	35	8
Other Minerals	64	13
<b>Total</b>	<b>446</b>	<b>24</b>

*Other Mineral Resources Leases and Prospecting Permits (as of September 30, 2002)*

Federal lands are an important source for mineral materials in many rapidly expanding communities in the West. In the fast-growing Las Vegas, Nevada, metropolitan area, the public lands are the source of more than 25 percent of the sand and gravel used in area construction.

**Authorization and Leasing** - The BLM issues authorizations (permits, contracts, leases, and licenses) for extraction of mineral resources other than coal, geothermal, oil shale, oil and gas from public lands under this program. The BLM is responsible for classifying the land as prospectively valuable or as containing known value for these minerals. The Bureau also determines fair market value in support of leasing non-energy minerals on public lands, National Forest lands, and other lands for which the Federal government owns all or a portion of the mineral estate. This includes ensuring compliance with the requirements of the NEPA and ensuring that the terms of leases or authorizations minimize future liabilities to the government. Examples of post-lease actions are the review and approval of mining or exploration plans,

lease assignments, royalty rate reductions, lease renewals, lease modifications, lease readjustments, permit extensions, bonding modifications, lease terminations and relinquishments and review and approval of mining reclamation plans and licenses.

**Technical Support of Indian Minerals** - To support the Secretary's trust responsibilities, the BLM provides technical support to Tribes and Indian mineral owners for mineral resources other than coal, geothermal, oil, or gas. The BLM is responsible for overseeing all solid mineral operations on BIA-issued leases on tribal and allotted lands. This responsibility includes sand and gravel when Tribes authorize removal through a lease. The BLM's responsibility includes approval of plans of operations, as well as inspection and enforcement activities. The Bureau also pursues opportunities for contracting the minerals workload with interested Tribes.

The BLM is active in the Indian Minerals Steering Committee which is composed of members from five Departmental bureaus that manage Indian mineral leases, and members from the Office of the Secretary. The BLM provides support to a number of IMSC initiatives each year, such as "listening forums" where tribal leaders express their concerns.

**Inspection and Enforcement and Production Verification** - Inspection and enforcement actions, including verification of production, are conducted at least quarterly to ensure that all revenues from Federal and tribal leases are accurately reported, that operations are following the approved mine plan, and that the correct royalty rate is being applied. Annual on-the-ground inspections of non-producing, non-energy mineral leases, licenses, contracts, and permits are also conducted.

Mineral material permits and contracts are inspected to verify production and evaluate compliance with NEPA and other requirements. When routine compliance inspections, or other information, indicate an unauthorized removal of mineral materials, the BLM investigates the alleged minerals trespass and takes action to resolve these cases.

In various western counties, population expansion has greatly increased the demand for mineral materials to support community growth. Existing mineral material sources are rapidly being depleted; in some instances, the BLM is closing material sites. This has resulted in an increase in mineral material trespasses and enforcement actions on public lands.

Priorities for the Other Minerals Resource Management program in 2004 will include:

- Responding to increased demand by the public for minerals, roads and other infrastructure in high growth areas of the West and in areas with energy development.
- Emphasizing mineral materials inspection and enforcement to ensure accurate accounting for the mineral materials removed and compliance with environmental protection stipulations.
- Processing non-energy and other mineral post-authorization actions.

## **2002 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

In 2002, major accomplishments in the Other Mineral Resources Management program included the following:

- The BLM met or exceeded all its projected goals in the Other Mineral Resources Management program including the number of mineral material disposals, the number of non-energy leases processed, and the number of non-energy inspections and production verifications completed. This was also true on Indian lands. BLM's estimate of planned accomplishments is based on past history and current indications of the market demand. Actual disposals are processed in response to the actual public demand. Actual disposals in 2002 were much higher than the planned projections because of increased applications, mainly due to increased construction activity and energy operations.
- The BLM emphasized mineral materials inspection and enforcement to ensure accurate accounting for the mineral materials removed and compliance with environmental protection stipulations. The number of inspections is based on volume produced, with larger operations being inspected more frequently. This helps to prevent the loss of Federal revenues by deterring illegal removals. In California, a targeted pilot project on production verification and trespass detected unauthorized removals of minerals from BLM lands. A total of 4 trespasses were discovered netting the government \$500,000 in trespass payment. BLM was able to curb the illegal removal of Federal resources from BLM lands while ensuring appropriate compensation to the American people for use of public resources.
- The BLM completed 145 non-energy post-lease actions, completed 5,018 mineral material disposals, closed 40 mineral materials trespass cases, and conducted 596 solid mineral and 3,099 mineral material inspections. Additionally, the BLM completed 20 non-energy post-lease actions, 281 solid mineral inspections, and 29 inspections on mineral materials sites on Indian lands. BLM issued 214 free use permits for over 5.4 million cubic yards of materials valued at over \$6.8 million. The BLM's leases for minerals and materials disposals are important to energy and transportation projects in the West. For example, in Montana, one long-term, competitive mineral materials sale contract for the sale of railroad ballast is one of the few sources of material supplying railroad lines through 6 States. This BLM material source generates 100,000 tons per year.

### **2003 PROGRAM PERFORMANCE ESTIMATES**

In 2003, significant planned accomplishments will include the following:

Primarily in response to increased demand by the public for minerals, roads and other infrastructure in high growth areas of the West and in areas with energy development, in 2003 BLM expects to complete 143 non-energy post-lease actions, 3,943 mineral material disposals, 1000 solid mineral inspections, and 2,108 mineral material site inspections on public lands. The BLM also expects to complete 28 non-energy post-lease actions, 216 solid mineral inspections, and 30 inspections on mineral materials sites on Indian lands.

The following are examples of collaborative and cooperative management activities and projects that have and will continue to be funded in the Other Mineral Resources Management program.

**Mineral Materials** -The BLM continues to make mineral materials available for collaborative uses by local governments and non-profit groups. They are issued as free use permits to Federal agencies and State and local governments, and also limited amounts to non-profit organizations. These materials are used mainly for road construction, and maintenance and other uses such as lining for ditches and canals.

**Selenium Contamination in Idaho's Phosphate Mining District** - The BLM is a participant in two Memoranda of Understanding that are designed to coordinate the activities of regulators as the BLM works to identify and mitigate selenium contamination in the phosphate mining district. The State of Idaho is the lead regulator for an area-wide investigation designed to identify the location and source of selenium contamination. This area-wide investigation is fully funded by the phosphate mining industry. The BLM is also a participant in an MOU with the other Federal agencies that have a role in mitigating selenium contamination. The U.S. Forest Service has closely coordinated the activities related to the need to issue Administrative Orders on Consent with the BLM, including one for the South Maybe Canyon selenium investigation and is considering the need to issue several more.

### JUSTIFICATION OF 2004 PROGRAM CHANGES

#### 2004 Program Changes

	2004 Budget Request	Program Changes (+/-)
\$(000)	10,434	+6
FTE	107	0

The 2004 budget request for Other Mineral Resources Management is \$10,434,000 and 107 FTE, a program change of +\$6,000 from the 2003 requested level.

**Mineral Materials, (+\$184,000)** - The BLM will use the increased funding to make additional mineral materials available for projects such as access roads, drill pads, and railroad ballast for exploration, development, and production of energy minerals and mineral materials for transportation and utility corridors.

Special emphasis for the increased funding will be on serving needs of rapidly expanding communities and identifying and resolving trespass in Arizona, California, and Utah and maintaining the high levels of program service in Colorado and Idaho. These funds support BLM efforts to provide at least \$2 million of mineral materials from public lands for high growth areas of Arizona and Nevada, such as Phoenix, Tucson and Las Vegas. In Idaho, funds will be used to provide an estimated 1,000 community support disposals of all types, including providing materials for infrastructure for alternative energy projects.

The BLM will process an additional 50 mineral material disposal permits over the 2003 planned level, maintain the high emphasis on resolving trespass issues, and continue to conduct a higher level of mineral material inspections and production verification.

These funds support the long-term goals of completing non-energy and other mineral authorization actions, processing non-energy and other mineral post-authorization actions, and completing non-energy and other mineral compliance, inspection, and enforcement actions on Federal lands. Local supplies of mineral material are needed for building access and infrastructure to develop energy minerals and bring them to the market. There are often no other viable substitutes for mineral materials, and suitable materials are increasingly imported to high demand areas from adjoining States at higher cost.

**Information Technology, (-\$178,000)** - The Department and BLM are undertaking significant information technology reforms to: improve the management of IT investments, enhance the security of IT systems and information, and realize short and long-term efficiencies and savings. The Department is taking a corporate approach that will include consolidated purchases of hardware and software, consolidation of support functions including helpdesks, email support, web services, and training. Savings will be possible by reducing, but not eliminating, IT support services at Bureau field offices and consolidating these services at the national level.

Reductions to specific BLM IT systems are also proposed. These reductions are possible because of deferring or canceling system enhancements on the Management Information System; the Federal Human Resource Information System; the Smart Card program; the Corporate Metadata Repository; the IT Enterprise Information Portal; LAWNET, which tracks law enforcement incidents and responses; Tivoli, a management tool that permits updates of software from remote locations; and Nobility, which standardizes the Bureau's efforts to automate the NEPA process and in the case of this program the eGov initiatives within the Automated Fluids Management Support System.

**OTHER MINERALS MANAGEMENT PERFORMANCE SUMMARY****DOI Strategic Goal: Resource Use**

**End Outcome Goal: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value -- non-energy minerals.**

<b>End Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Access: Number of acres available for non-energy mineral resource exploration and development consistent with applicable management plans.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Responsible Use: Increase number of acres reclaimed to appropriate land condition and water quality standards or acres of disturbance avoided through use of best management practices.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Report production for non-energy mineral resources (leasable / saleable) produced from DOI managed or influenced lands: (excluding TRST) (BLM Measure)						
Leasable (million tons)	1.8	Not Set	1.5	1.5	Not Set	N/A
Saleable (million tons)	29.8	Not Set	30.0	30.0	Not Set	N/A
Annually report revenues collected through royalties, bonuses, rents and sales for non-energy mineral resources (leasable, locatable, saleable) produced from DOI managed or influenced lands: (excluding TRST) (BLM Measure)						
Leasable (\$000s)	\$57.1	Not Set	\$38.0	Not Set	Not Set	N/A
Saleable (\$000s)	\$9.8	Not Set	\$10.3	Not Set	Not Set	N/A

**Intermediate Outcome Goal 1: Provide access to and incentives for non-energy minerals production.**

<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Permit Processing: Reduce the average time by X for review and approval of saleable, leasable, and locatable minerals processing actions.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A

**Intermediate Outcome Goal 2: Enhance responsible non-energy mineral use management practices.**

<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Maximum Recovery: Additional non-energy resources recovered due to royalty relief actions.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A

**OTHER MINERALS MANAGEMENT PERFORMANCE SUMMARY**

<b>Intermediate Outcome Goal 3: Ensure effective lease and permit management.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Production Verification and Accountability: Increase number of actions taken on unauthorized resource use.	N/A	24	40	40	40	+0
Production Verification and Accountability: Increase # of non-energy mineral resource compliance inspections and production inspections. (leasable, saleable) (BLM Measure)	3,870	2,690	3,695	2,708	2,708	+0
<b>Intermediate Outcome Goal 4: Improve information base, resource management and technical assistance.</b>						
<b>Intermediate Outcome Measures:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Management Plans: Increase % of areas available with non-energy mineral resources exploration and development that are covered by current management plan based on land use plan evaluations.	Not Measured	Not Measured	Not Measured	Establish Baseline	Establish Initial Target	N/A
Customer Satisfaction: Improve industry satisfaction rating with non-energy mineral resources permitting process. (# score) (BLM Measure)	50%	--	61%	65%	65%	+0
<b>Primary Outputs funded by this subactivity:</b>	2001 Actual	2002 Plan	2002 Actual	2003 Plan	2004 Proposed	Change in Performance (2003 to 2004)
Process Non-Energy Mineral Licenses, Permits or Leases.	12	28	33	28	14	-14
Process Non-Energy Mineral Post Lease Actions.	180	140	145	143	143	+0
Process Mineral Material Disposals.	4,260	3,800	5,018	3,943	3,993	+50
Inspect and Verify Solid Minerals Production.	1,000	830	1,042	1,000	1,000	+0
Inspect and Verify Mineral Materials Production*	2,870	1,860	3,099	2,108	2,108	+0
* Mineral material disposals and associated inspections are highly variable between years. BLM plans for an average annual level of 3,800 to 4,000 disposals and about 1860 to 2100 inspections. Depending on construction activity and other factors, in any one year, the number actually performed will vary from the average.						