
The Department of the Interior (DOI) and many Members of Congress criticize industry for not producing on all federal leases, currently at about 38 million acres.¹ The implication is that leasing can be slowed or stopped because industry already has enough land. This criticism demonstrates a lack of understanding of the process of developing oil and natural gas on public lands.

According to a [Lease Utilization Report](#) from DOI, about 43% of leased acreage is in production or exploration, a much higher percentage than originally reported. Of the remaining acreage, Western Energy Alliance estimates that about half is undergoing preparatory work, and half will not be produced by the current leaseholder.

- Production cannot occur on a lease until all preliminary environmental analysis and permitting work is complete. DOI has control over this half of the non-producing acreage, as their processes, regulations, policies, and bureaucracy dictate how long it will take to jump through all the regulatory hurdles, although they are also slowed down by legal challenges from environmental groups.
- About half the non-producing acreage will not have production on it, at least by the current leaseholder using today's technology. A lease is only a rental agreement with no guarantee that the leased area contains recoverable quantities of oil or natural gas. In fact, after risking considerable capital performing exploratory work, a leaseholder may discover that there is not enough economically recoverable oil or natural gas. In that case, there is no surface disturbance, the government pockets the bonus bids and annual rentals, and the lease rights are surrendered.
- **43%** is in production or exploration, and returning royalties to the government.

Leasing is a classic Catch-22 situation...

- Whereby the government has created a cumbersome permitting and environmental review process that takes years to complete
- Environmental organizations exploit the process to throw up legal roadblocks
- And both turn around and blame the industry for not diligently developing

A natural gas and oil lease is a definite maybe....

- Maybe you'll get through all the environmental analyses and regulatory hurdles
- Maybe you'll get permission to drill
- Maybe your project won't be held up by legal challenges from obstructionist groups
- Maybe you'll find oil or natural gas.

¹ [Oil and Gas Lease Utilization – Onshore and Offshore](#), U.S. Department of the Interior, March 2011.

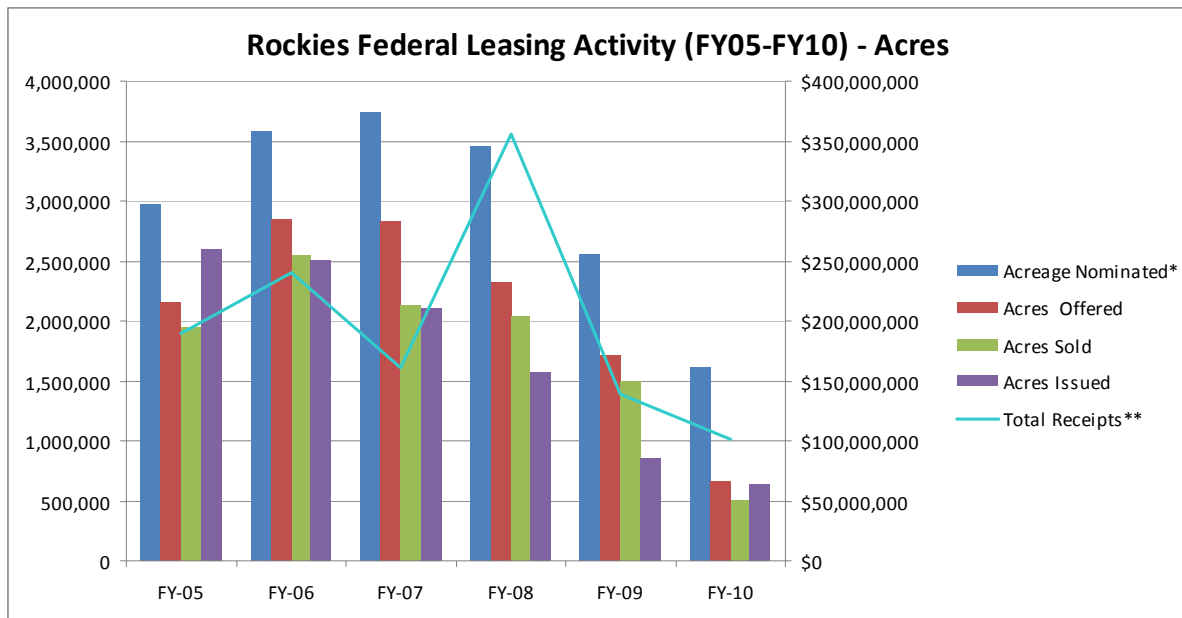
Current Policies Further Constraining Leasing

Unissued Leases: The terms of the Mineral Leasing Act unequivocally require BLM to issue leases within sixty days following the date a successful bidder makes the required lease payments for a federal natural gas and oil lease. A Government Accountability Office report found that BLM failed to issue leases with 60 days 91% of the time.² Western Energy Alliance has filed a lawsuit challenging DOI’s continuous violation of this unambiguous law.

Deferred Leases: DOI is deferring parcels for extra-procedural reasons throughout the West in contradiction of established law. Parcels in areas approved for leasing in existing RMPs are being deferred while new RMPs are being revised. By doing so, Interior circumvents the public participation and cooperating agency provisions of the National Environmental Policy Act (NEPA) and the Federal Land Policy Management Act (FLPMA) planning provisions. For example, parcels will also be screened based on BLM’s unilateral determination that they contain wilderness characteristics, without designation by Congress and in violation of FLPMA.

Reduced Lease Sales: DOI created new policies in 2010 that add three additional layers of regulation to the exploration and development of oil and natural gas on public lands. These regulations are in addition to the existing five levels of regulation and analysis that for decades have made development on federal lands more time-consuming and difficult than on private lands. All this redundant analysis has led to anemic lease sales – just a few parcels in many cases - cancelled lease sales, indefinite deferrals of leases, and indefinite delays from nomination to sale. This will be exacerbated by the new wild lands policy, whereby BLM will further delay the process while they reinventory for wilderness.

Leasing revenue in the West is down 71%, from \$365.4 million to \$101.6 million



² Onshore Oil and Gas: BLM’s Management of Public Protests to Its Lease Sales Needs Improvement, GAO-10-670 July 30, 2010. <http://www.gao.gov/products/GAO-10-670>.

