



# New Energy Frontier

*What's happening in California is nothing short of a revolution – clean energy is creating jobs, powering our economies, and making believers out of skeptics.*

*Ken Salazar, Secretary of the Interior  
January 13, 2012*

*Putting these construction projects on a fast track will put people back to work and keep California a leader in renewable energy.*

*Edmund G. Brown Jr., Governor  
State of California  
January 13, 2012*

On January 13, 2012 Secretary of the Interior Ken Salazar and Governor Brown signed an agreement to expand a State and Federal partnership that has, over the last two years, paved the way for more than a dozen utility-scale solar energy projects and more than 130 renewable power projects in California. These projects, which underwent rigorous environmental review, will generate thousands of construction jobs and power local economies. If all of these projects were built today, California would have enough renewable power to meet the State's 33 percent renewable energy goal.

The Secretary's focus on building a new energy frontier encourages the production, development, and delivery of renewable energy as one of the Department's highest priorities. The Secretary directed Interior agencies to work collaboratively with other Federal agencies, States, Tribes, local communities, and private landowners to encourage the timely and responsible development of renewable energy and associated transmission, while protecting and enhancing the Nation's water, wildlife, cultural, and other natural resources.

As managers of one-fifth of the Nation's landmass and 1.7 billion acres of the Outer Continental Shelf, the Department of the Interior plays a significant role in meeting the President's challenge to man-

## **PRESIDENT OBAMA'S BLUEPRINT FOR A SECURE ENERGY FUTURE**

### ***Develop and Secure America's Energy Supplies***

*We need to deploy American assets, innovation, and technology so that we can safely and responsibly develop more energy here at home and be a leader in the global energy economy. To get there, we need to:*

- *Expand Safe and Responsible Domestic Oil and Gas Development and Production.*
- *Lead the World Toward Safer, Cleaner, and More Secure Energy Supplies.*

***Blueprint for a Secure Energy Future  
March 2011***

age America's resources to responsibly produce more energy at home. Oil and gas development on Federal public lands and waters presently account for about 24 percent of the Nation's energy supply. These public resources also hold vast potential for renewable energy production from wind, solar, geothermal, hydropower, and biomass that – together with conventional energy resources – can contribute to the Nation's energy security and to the clean energy economy of the future. These resources are also a significant source of economic development and employment. In 2010, the Department estimates that development of energy resources and other minerals on Federal lands produced roughly 1.3 million jobs and \$246 billion in economic activity. Nearly \$5.5 billion in economic impacts are associated with

renewable energy activities, a growing economic sector that supports high paying jobs that will help to increase employment and offset declines in other sectors of the economy.



**Renewable Energy** – President Obama’s *Blueprint for a Secure Energy Future* identifies the Nation’s primary energy challenge as the need to achieve a balance between conventional and renewable energy sources. America’s oil and natural gas supplies are critical components of the Nation’s energy portfolio. Their development enhances energy security and fuels the Nation’s economy. Recognizing that America’s oil supplies are limited, the Nation must develop domestic resources safely, responsibly, and efficiently, while taking steps that will ultimately lessen America’s reliance on oil and move towards a clean energy economy.

Since 2009, the Interior Department has moved aggressively toward the responsible development of renewable energy resources such as wind, solar, geothermal, and sustainable hydropower. As the conventional energy industry addresses the environmental impacts of development and works to achieve higher standards, renewable energy developers are working to create a new energy industry, incorporating clean, safe standards from the outset. In delivering new energy to America, Interior, working with Federal partners, States, and local communities, is guided by the fundamental belief that renewable energy development, where promoted and sited in a thoughtful way, can fully contribute to conservation and protection of the environment.

**Responsible and Accountable Energy Development** – In 2013, the Department will continue the work undertaken in response to the Deepwater Horizon oil spill to enhance the safety with which

## RENEWABLE ENERGY PRIORITY GOAL

In 2010, the Department established a priority goal to deliver tangible results in promoting the development of renewable energy resources. The Department’s 2013 budget continues to aggressively support achievement of this goal to:

**Increase the approved capacity for production of energy from domestic renewable resources to support a growing economy and protect the national interests while reducing U.S. dependence on foreign oil and climate-changing greenhouse gas emissions.**

The metric to measure achievement of this goal is:

**By September 30, 2013, the Department of the Interior will increase the approved capacity for production or transmission of power generated from renewable (solar, wind, geothermal, and hydropower) energy resources, while ensuring full environmental review, by at least 11,000 megawatts since the 2009 cumulative level of 1,530 megawatts.**

the Nation’s energy resources are developed. The Department has completed the reorganization of its offshore regulatory responsibilities. The newly-established Bureau of Ocean Energy Management is now responsible for managing development of the Nation’s offshore resources in an environmentally and economically responsible way. The Bureau of Safety and Environmental Enforcement ensures improved safety and environmental regulations. The BSEE is responsible for offshore regulatory programs, research, oil spill response, and all field operations including permitting and inspections. The revenue collection and disbursement functions of the former Minerals Management Service are now conducted separately by the Office of Natural Resources Revenue within the Office of the Secretary.

Since the oil spill, the Department has raised the bar for safety and environmental responsibility by setting standards and certification protocols for drilling well design, testing, and control equipment and establishing rigorous performance standards to

reduce workplace error and to require operators to maintain comprehensive safety and environmental management programs. Deepwater operators must show they have the capability to contain a subsea discharge of similar size and scope as the Deepwater Horizon oil spill. These standards set a clear, achievable path for responsible offshore exploration, development, and production.

As the steward for the development of the Nation's oil and gas resources, Interior is keenly aware of its responsibilities to the American taxpayer. In 2011, Interior collected \$11.2 billion from energy production on public and tribal lands and offshore areas – a \$2.0 billion increase over the previous year – and disbursed those revenues among Federal, State, and tribal governments.

To promote accountable energy production worldwide, Secretary Salazar is leading the Administration's effort to implement the Extractive Industries Transparency Initiative. The EITI requires governments to publicly disclose their revenues from oil, gas, and mining assets, and for companies to make parallel disclosures regarding payments. The Interior Implementation Team is developing a timeline and project plan to ensure completion of the EITI application requirements. Working with industry and the public, the Department will establish a multi-stakeholder group to oversee the design and implementation of EITI. Signing onto the global standard that EITI sets will help ensure that American taxpayers are receiving every dollar due for the extraction of these valuable public resources.

**ONSHORE OIL AND GAS  
DEVELOPMENT  
NEW PRIORITY GOAL FOR 2013**

**GOAL:**  
Improve production accountability, safety, and environmental protection of oil and gas operations through increased inspection of high-risk oil and gas production cases.

**METRIC:**  
By September 30, 2013, the Bureau of Land Management will increase the completion of inspections of Federal and Indian high risk oil and gas cases by nine percent over 2011 levels, the equivalent of covering as much as 95 percent of the potential high risk cases.

The 2013 budget includes a new priority goal targeting onshore oil and gas operations to ensure taxpayers are receiving revenues owed for production and that operations are safe and environmentally responsible. Although the priority goal focuses on the onshore inspection and monitoring program, milestones and deliverables will be used to gauge the reduction of risks in other areas of production and revenue collection. Interior has established this goal to produce tangible results in an area identified by the Government Accountability Office for improvement.

<b>NEW ENERGY FRONTIER</b>			
(dollars in millions)			
	2012	2013	Change
<b>RENEWABLE ENERGY</b>			
BLM.....	19.7	26.8	+7.1
BOEM.....	33.0	34.4	+1.4
RECLAMATION .....	0.0	2.0	+2.0
USGS .....	5.6	6.6	+1.0
FWS .....	7.0	10.7	+3.8
BIA .....	6.0	6.0	0.0
<b>Subtotal.....</b>	<b>71.2</b>	<b>86.5</b>	<b>+15.2</b>
<b>CONVENTIONAL ENERGY AND COMPLIANCE</b>			
BLM.....	126.5	147.4	+21.0
BOEM.....	127.8	129.8	+2.0
BSEE.....	197.4	222.2	+24.8
USGS .....	25.2	37.4	+12.2
FWS .....	3.1	3.4	+0.3
BIA .....	2.5	2.5	0.0
ONRR.....	119.4	119.6	+0.2
<b>Subtotal.....</b>	<b>601.9</b>	<b>662.3</b>	<b>+60.4</b>
<b>TOTAL .....</b>	<b>673.1</b>	<b>748.7</b>	<b>+75.6</b>

**2013 BUDGET SUMMARY**

The 2013 budget request for the New Energy Frontier initiative totals \$584.4 million in current funding. This is an increase of \$25.3 million over the 2012 level. In addition, the Department will manage \$164.4 million in funding for conventional energy activities from fees and permanent sources, including fees charged for inspections, and applications for permits to drill, and funding from the Permit Processing Improvement Fund established by Section 365 of the Energy Policy Act. Spending from fees

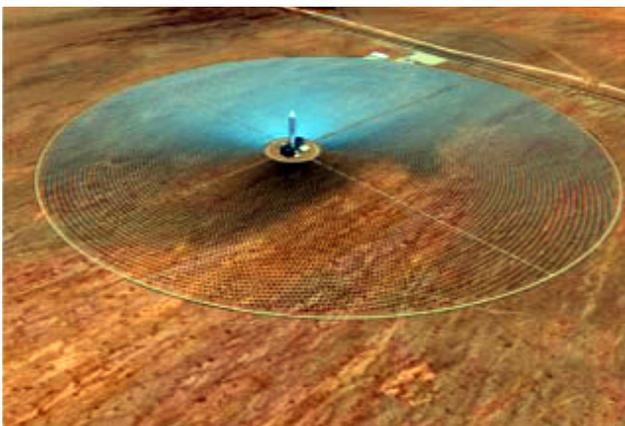
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and permanent funding is increased \$50.4 million from the 2012 level, reflecting a proposal to expand onshore oil and gas inspection activities and offset the Bureau of Land Management's inspection program costs to the taxpayer with fees from industry. Total funding for the New Energy Frontier initiative in 2013 is \$748.7 million, an increase of \$75.6 million over the 2012 level.

The 2013 budget request for New Energy Frontier programs includes \$86.5 million for renewable energy activities, a \$15.2 million increase over the 2012 level. Funding for conventional energy and compliance activities, both current and permanent, totals \$662.3 million, an increase of \$60.4 million over the 2012 level. New Energy Frontier funding supports strategic investments to advance renewable energy development, enhance environmental enforcement functions, expand training and electronic inspection capabilities, and fund operational safety improvements.

The budget also assumes several legislative proposals related to energy programs described fully in the Departmental Overview to:

- Charge a fee on non-producing oil and gas leases issued in the future.
- Share the costs of administering Federal energy and minerals programs with the States that receive a share of program revenues.
- Repeal, beginning in 2014, Energy Policy Act provisions that divert mineral leasing receipts from Treasury to onshore oil and gas operations.



- Terminate Energy Policy Act payments to counties from Federal geothermal development.
- Eliminate unnecessary Energy Policy Act deep gas royalty relief production incentives for future leases.

## DEVELOPING RENEWABLE ENERGY

*The development of new renewable energy sources need not come at the expense of the Nation's natural and cultural heritage. If promoted and sited in a thoughtful way, new energy development can, instead, contribute to conservation and protection of the environment.*

***New Energy Frontier: Balancing Energy Development on Federal Lands***  
***May 2011***

In 2011, 38.5 million acres of onshore Federal lands were under oil and gas lease, with about 12.1 million acres in production. Yet until 2010, when Secretary Salazar approved nine new solar projects on Federal lands, representing approximately 3,700 megawatts of electric generating capacity, there was not a single commercial solar energy project on or under development on Federal lands. The right-of-way grants for these solar projects encompass approximately 36,000 acres. Offshore, a similar historic imbalance exists between renewable and conventional energy development, with over 35 million acres under oil and gas lease and 6.2 million in production, and no Federal offshore wind or marine hydrokinetic energy production.

As part of the Administration's New Energy Frontier initiative, Secretary Salazar approved 29 commercial-scale renewable energy projects on public lands or the transmission associated with them since 2009. This includes 16 solar, five wind, and eight geothermal projects. Together, these projects represent more than 6,500 megawatts and 12,500 jobs and when built, will power about 1.3 million homes.

In addition, the Department has identified more than 3,000 miles of transmission lines for expedited review. In October 2011, Secretary Salazar announced Interior would accelerate the permitting and construction of seven proposed electric transmission lines. These projects will serve as pilot



demonstrations of streamlined Federal permitting and increased cooperation at the Federal, State, and tribal levels. Federal coordination for this effort is unprecedented, involving nine Federal entities who have committed to accelerate responsible and informed deployment of these seven key transmission facilities that will cross 12 States.

In 2011, the Department made significant achievements to advance responsible development of renewable energy on the public lands. The Department:

- Issued a joint report to Congress with the Department of Agriculture entitled *New Energy Frontier: Balancing Energy Development on Federal Lands*, which highlighted the potential for responsible renewable energy development and laid out a plan for interdepartmental coordination.
- Created a roadmap for solar energy development in six western States – 285,000 acres across 17 solar energy zones – identifying for the first time ever Federal public lands for the specific purpose of developing utility scale solar energy development.
- Identified four Wind Energy Areas off the shores of Delaware, Maryland, New Jersey, and Virginia, and one proposed WEA off Massachusetts and Rhode Island for potential development for wind energy facilities, as part of the Department’s Smart from the Start Atlantic Offshore Wind initiative.

- Approved the construction and operations plan for the Cape Wind Energy Project off the coast of Massachusetts, the next step toward construction of the Nation’s first-ever offshore commercial wind operation.
- Issued a public notice requesting competitive interest in constructing renewable transmission facilities in response to a request for a right-of-way for an offshore transmission line running from Virginia to New York.
- Authorized 198 rights-of-way for the use of public lands for wind energy site testing or development.
- Streamlined policies to allow non-Federal hydropower development at its facilities through Lease of Power Privilege in cases where the Bureau of Reclamation has authority to develop hydropower, and Federal Energy Regulatory Commission licensing where Reclamation does not. At the end of 2011, nine Lease of Power Privilege projects and 13 FERC License projects were in progress at Reclamation facilities. Three FERC license plants became operational in 2011.



The Department’s New Energy Frontier initiative includes \$86.5 million for renewable energy activities, an increase of \$15.2 million above the 2012 enacted level. The funding requested is critical to advance development of vast wind resources along the Atlantic coast and to conduct the necessary environmental work to allow responsible construction of renewable energy power generation and transmission facilities on the public lands.

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**Bureau of Land Management** – The BLM has identified 20.6 million acres of public land with wind energy potential in 11 western States, 20 million acres with solar energy potential in six southwestern States, and 111 million acres of public land in western States and Alaska as open for geothermal leasing. Lands managed by BLM can provide corridors for energy transmission infrastructure, a function that is vital to the Nation’s overall ability to efficiently and effectively utilize energy and power.

The 2013 BLM budget includes \$26.8 million for renewable energy activities, an increase of \$7.1 million over the 2012 level, including \$5.1 million in new funds and a shift of \$2.0 million in base geothermal energy funding from the Oil and Gas Management program. The 2013 request continues development of renewable energy resources and related transmission infrastructure in a timely, yet environmentally sound manner, avoiding or minimizing conflicts with other important public land values and uses.



The 2013 request will enable BLM to conduct additional studies to accelerate identification of prime renewable energy resource areas for utility scale wind and solar development in areas with minimal environmental conflicts.

The BLM requested increase of \$7.1 million will support environmental studies for utility-scale renewable energy project development and allow BLM to continue effective management of the Department’s geothermal energy program. Over the last several years, BLM’s geothermal energy program relied extensively on permanent funding in the Geothermal Steam Act Implementation Fund, established by the Energy Policy Act of 2005. This permanent funding source has expired and remaining balances in the special fund will be exhausted during 2012. The requested increase will maintain program capacity to allow BLM to keep up with the demand and workload associated with geothermal and other renewable energy development. Activities

include performing requisite environmental studies, conducting lease sales, performing inspections, and other activities needed to ensure development is conducted in an environmentally sound manner and taxpayers receive a fair return on this national resource.

**Bureau of Ocean Energy Management** – In 2010, Secretary Salazar launched the Smart from the Start initiative to accelerate the leasing and development process for wind energy projects on the OCS. The initiative calls for the preparation of detailed environmental analysis only where it is needed, allowing lease sales to proceed under environmental assessments, while requiring a detailed environmental impact statement only when a lessee proposes to develop and install a wind energy project. This enables BOEM to issue leases far earlier than originally anticipated and will accelerate the time line for the ultimate installation of commercial-scale wind energy projects on the OCS.

The 2013 BOEM budget includes \$34.4 million for renewable energy development, including an increase of \$1.4 million to support renewable energy leasing. The increase will fund critical contract support for future lease auctions as well as the acquisition of wind resource data to support the sales. With these additions, BOEM anticipates a substantial increase in commercial renewable energy leasing activity on the OCS in 2013.

**Bureau of Reclamation** – The 2013 budget request includes \$2.0 million to increase renewable energy generation at Reclamation facilities. Reclamation has been exploring how technologies including solar, small hydropower, and hydrokinetics can be integrated into its water projects. In 2013, Reclamation will work to optimize hydropower projects to produce more energy with the same amount of water, investigate hydro pump-storage projects



that can help integrate large amounts of a variety of renewable resources such as wind and solar into the electric grid, and assist Tribes with the development of renewable energy resources.

**Fish and Wildlife Service** – The 2013 FWS request includes \$10.7 million, an increase of \$3.8 million over the 2012 level, to expand capability to fulfill endangered species consultation requirements for renewable energy projects. The request includes \$1.5 million in the Endangered Species Consultation program to conduct environmental reviews to facilitate development of renewable energy projects, and \$1.5 million, split between Conservation Planning Assistance and Migratory Bird Conservation and Monitoring. The 2013 funding will enable FWS to cooperate with Federal, State, tribal, and local governments and the renewable energy industry to ensure priority landscape level planning considers the impacts on wildlife and habitat. Pro-active consultation and cooperation will limit lengthy delays as project planning nears completion and should minimize legal challenges that might hinder project development.



The request also includes a program increase of \$750,000 for law enforcement activities that address the impact of energy development on wildlife and habitat. These efforts will help ensure that the Nation's energy development occurs in an environmentally responsible manner that reflects the Department's long standing commitment to wildlife conservation. The issuance of voluntary guidelines by FWS for the wind power industry in 2012 will set the stage for increased outreach and investiga-

tive efforts by special agents to address impacts on wildlife. The recommended conservation measures featured in these guidelines enable the FWS to apply the long standing enforcement model that has successfully been used to ensure compliance with Federal wildlife laws by companies operating in traditional energy sectors.

**Indian Affairs** – The budget provides \$6.0 million, the same as the 2012 level, for renewable energy projects. This program supports development of renewable energy projects to provide a reliable renewable energy resource for use in manufacturing and industrial processes on Indian Trust lands. Renewable energy development on Indian lands has the advantage of attracting outside investment, enabling Native American business ownership, and

### INDIAN EDUCATION RENEWABLE ENERGY CHALLENGE

The Indian Education Renewable Energy Challenge competition promotes careers in green and renewable energy for students attending Bureau of Indian Education high schools, tribal colleges, and universities. This contest is sponsored by Indian Affairs in partnership with the Department of Energy's Argonne National Laboratory.

The 2011 challenge was for Indian high school and college students to address issues concerning the practical use of renewable energy resources. The 2011 challenge involved preparing bio-diesel fuel and establishing purity and performance characteristics, using a portable electric bio-diesel powered generator.

The two top entries this year were from the Southwestern Indian Polytechnic Institute and the Oneida Nation High School. Each team submitted a video showing their bio-diesel fuel production process, a video of their bio-diesel generator in operation powering an appliance, and a 100 milliliter sample of their fuel for analysis. Representatives from these schools were invited to attend a two-day series of meetings with Argonne scientists and an award ceremony at Argonne's National Laboratory in Chicago.

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spurring job creation on reservations that often have double the unemployment rate compared to the rest of the United States.

For example, in 2011, the Oneida Tribe of Wisconsin through its tribally-owned corporation, Oneida Seven Generations Corporation, is pursuing development of a five megawatt waste-to-energy power plant and recycling center, utilizing municipal solid waste generated in Green Bay, Wisconsin. This project will divert 188 tons of municipal solid waste per day from landfills and will recover an estimated 13 tons per day of recycled materials. The Indian Affairs staff provided technical assistance and advice for the energy recovery facility that will use pyrolysis/gasification technology. The Oneida Seven Generations Corporation also received grant funding from Indian Affairs to complete various engineering and design studies.

**U.S. Geological Survey** – The 2013 USGS budget includes \$6.6 million, an increase of \$1.0 million over the 2012 level, for renewable energy activities. The increase will be used to understand and assess the impacts of existing and projected large-scale development of wind farms. The USGS will work to develop a methodology to assess the impacts of wind energy development that can be applied nationwide. Research and development of the assessment methodology will take place in 2013 and 2014.

## CONVENTIONAL ENERGY DEVELOPMENT

*Over the last two years, domestic oil and natural gas production has increased. In 2010, American oil production reached its highest level since 2003, and total U.S. natural gas production reached its highest level in more than 30 years. Much of this increase has been the result of growing natural gas and oil production from shale formations as a result of recent technological advances. These resources, when developed with appropriate safeguards to protect public health, will play a critical role in domestic energy production in the coming decades.*

*Blueprint for a Secure Energy Future  
March 2011*

Despite projected growth in renewable energy, fossil fuels, mostly petroleum and natural gas, are

expected to remain a significant source of energy used in the United States for some time to come. As part of the Administration's national energy strategy, the Department is working to advance the safe development of conventional energy sources within the United States.



Offshore conventional energy development continues with the reforms initiated following the Deepwater Horizon oil spill. The Gulf of Mexico is a prized resource development area and Interior's reform efforts will ensure development is a safe and environmentally sound activity. The reforms establish rigorous standards for well safety including the consideration of worst case discharge scenarios and demonstration of the ability to contain discharges in the event an operator loses well control. The Department's offshore regulators continue to work with industry to implement the reforms, improve efficiency, and advance the development of domestic resources. These reforms will help to protect the men and women who work offshore as well as the coastal and marine environment while securing development of abundant oil and gas resources. The Department anticipates a record number of deepwater drilling facilities will be operating in the Gulf of Mexico by the end of 2012.

The waters offshore of Alaska also hold significant potential for conventional energy development. In 2011, BOEM conditionally approved exploration plans from Shell for multiple well activities in the Beaufort and Chukchi Seas. A second multiple well plan in the Chukchi Sea Planning Area is anticipated from ConocoPhillips in 2012. Operators in the Beaufort and Chukchi Seas will also adhere to rigorous standards for well safety including the consideration of worst case discharge scenarios. The BOEM is coordinating with FWS and the National Oceanic and Atmospheric Administration to ensure compliance with all environmental laws. In Alaska, BOEM will continue to focus on foundational re-

search in the Beaufort and Chukchi Seas and the Cook Inlet Planning Area to help ensure that any future development is supported by the best information and is as safe and environmentally responsible as possible.

### FOREIGN OIL AND GAS IMPORTS ARE DECLINING

Even as the Nation responded to the Deepwater Horizon oil spill in the Gulf of Mexico in 2010, total U.S. crude oil production was higher than in any year since 2003. Overall, imports of oil and gas have fallen by nine percent since 2008, and net imports as a share of total consumption have declined from 57 percent in 2008 to less than 50 percent in 2010.

*New Energy Frontier Report  
May 2011*

In support of the President's *Energy Blueprint*, BOEM is expanding safe and responsible oil and gas development and production to harness America's energy potential. Progress to reduce the Nation's dependence on foreign oil and gas is evident – in 2010, America produced more oil than it had in the last seven years. Interior is taking steps to encourage more offshore oil exploration and production—as long as it is safe and responsible. In December 2011, BOEM resumed leasing in the Gulf of Mexico with Western Gulf of Mexico Oil and Gas Lease Sale 218, covering an area of more than 21 million acres. The sale attracted 20 companies submitting 241 bids totaling over \$712 million. The BOEM recently announced plans to hold another lease sale in the Central Gulf of Mexico this June.

In November 2011, the Department announced the proposed OCS Five-Year Oil and Gas Leasing Program for 2012-2017, which continues the responsible development of conventional energy. Informed by lessons learned from investigations into the Deepwater Horizon incident, the five year lease program makes more than 75 percent of the undiscovered technically recoverable oil and gas resources estimated in Federal offshore areas available for leasing. The proposed program offers substantial acreage in six offshore planning areas with currently active leases and exploration and known or anticipated hydrocarbon potential. This proposed program schedules 15 potential lease sales

Outer Continental Shelf Oil and Gas Development Process



during the five year period: 12 in the Gulf of Mexico and three off the coast of Alaska in the Cook Inlet and the Beaufort and Chukchi Seas. These Alaska sales are scheduled late in the five-year period to facilitate further scientific study and data collection, long-term planning for spill response preparedness and infrastructure, and protection of sensitive environmental resources including those accessed by Native Alaskans for subsistence uses.

The 2013 budget request for current and permanent conventional energy and minerals programs is \$662.3 million, an increase of \$60.4 million above the 2012 level, to support environmentally sound and safe development of conventional energy resources on public lands and the OCS. This includes an increase of \$26.8 million to continue aggressive implementation of reforms within BOEM and BSEE.

**Bureau of Land Management** – Federal onshore oil and gas resources are vital components of the Nation's energy portfolio and will continue to play an important role in the Administration's comprehensive energy strategy. The Administration has placed a premium on making sure oil and gas development proceeds in an environmentally sound manner and that production is properly accounted for, ensuring the American people are fully compensated for the development of these energy resources. In 2010, BLM implemented onshore leasing reforms to establish a more orderly, open, and environmentally sound process for developing oil and gas resources on public lands.

In an effort to reduce protests, BLM is conducting planning, engaging the public, and evaluating environmental concerns earlier in the leasing and development process. In areas where significant new oil and gas development is anticipated, BLM

now works with the public to develop Master Leasing Plans that help guide industry to lower conflict areas for development.



These new leasing policies and practices ensure protection of important natural resources on BLM-managed lands, while aiding in the orderly development of onshore oil and natural gas deposits and reducing the Nation's dependence on imported oil. Since implementation of the reforms, the number of protests has declined and the protests that have been received can now be resolved more quickly. In 2011, 36 percent of BLM's oil and gas leases were protested – down from 47 percent in 2009.

#### DEPARTMENT OF THE INTERIOR ONSHORE OIL AND GAS DEVELOPMENT

- In calendar year 2011, BLM held 32 lease sales covering 4.4 million acres, including three of the largest sales in the bureau's history in Montana, Utah, and Wyoming. The BLM projects 32 more lease sales for calendar year 2012.
- In 2011, there are 38.5 million acres of public lands under lease for oil and gas development, of which 12.1 million acres were producing.
- In 2010, BLM processed more than 5,200 applications for permits to drill on Federal and Indian lands. In 2011, BLM processed another 5,200 APDs.

The 2013 BLM budget includes a total of \$147.4 million for conventional current and permanent energy programs, an increase of \$21.0 million above the 2012 level. Current funding for BLM's conventional oil and gas activities totals \$48.1 million, a decrease of \$26.4 million below the 2012 level, reflecting a proposal to shift the costs of onshore oil and gas inspections from the taxpayers to industry. The 2013 BLM budget includes important increases needed to implement the oil and gas leasing program in a timely manner responsive to industry demand, and with an effective inspection and enforcement program that safeguards the environment and protects the American taxpayers' interests through proper reporting and accounting of production.

The budget includes a \$5.0 million program increase to restore BLM's leasing and oversight capacity to the 2011 enacted level, as it was reduced in 2012 appropriated funding. The BLM is also requesting an additional \$3.0 million in 2013 to conduct large regional studies and environmental impact statements for conventional energy issues.

A \$5.0 million program increase is requested to enable BLM to effectively implement its 2010 leasing reforms without sacrificing other program goals, such as providing industry with timely access to Federal oil and gas resources. This funding increase will allow BLM to provide additional public participation and conduct additional, timely, and defensible environmental reviews, with the goal of further reducing protests on lease sales.

The 2013 budget also proposes to expand and strengthen BLM's oil and gas inspection capability through the collection of industry fees for inspections. The fee schedule included in the budget is estimated to generate \$48.0 million in collections, offsetting a proposed reduction of \$38.0 million in



appropriated funds currently supporting inspection and enforcement activities. This provides a net increase of \$10.0 million in funds available for this critical BLM management responsibility. The increased funding is aimed at correcting deficiencies identified by the Government Accountability Office in its February 2011 report, which designated Federal management of oil and gas resources, including production and revenue collection, as high risk.

A \$10.0 million increase will improve BLM's capability to achieve the priority goal of increasing the completion of inspections on Federal and Indian high risk oil and gas cases by nine percent over 2011 levels. The BLM will also complete more environmental inspections to ensure environmental requirements are being followed in all phases of development. The BLM will pursue the use of automated monitoring technology along with the addition of inspectors and surface compliance staff to improve efficiencies as it strengthens the inspection and enforcement program in 2013.

The 2013 request for Oil and Gas Management also reflects a shift of \$2.0 million to the Renewable Energy subactivity. Beyond this shift of funding and the proposed increases in the request for appropriations and offsetting inspection fees, the BLM budget request assumes \$18.9 million in permanent funding remains available for the oil and gas program from the Permit Processing Improvement Fund in 2013. As noted in the Overview Section, the budget proposal to terminate this permanent fund would take effect in 2014.

**Bureau of Ocean Energy Management** – The 2013 BOEM budget includes \$129.8 million for conventional energy activities, an increase of \$2.0 million over the 2012 level. The total BOEM request for 2013 provides \$62.9 million for environmental assessments. This includes a \$700,000 program increase to support necessary baseline environmental characterization and monitoring activities in the Gulf of Mexico following the Deepwater Horizon incident. These studies will provide critical data regarding physical oceanography, deep sea ecology, social science, and the assessment of coral and chemosynthetic communities to support decisionmaking related to leasing programs and permitting activities.

The 2013 budget for environmental assessment supports BOEM's increased workload across scientific disciplines for both conventional and renewable energy development. In 2011, the Department established a Scientific Integrity Policy to ensure and

maintain the integrity of scientific activities used in decisionmaking. The BOEM has fully adopted this policy and is committed to securing independent, peer-reviewed environmental research, which is critical during every stage of lease sale and permit review processes.

#### DEPARTMENT OF THE INTERIOR OFFSHORE OIL AND GAS DEVELOPMENT

In calendar year 2010, Interior offered 37 million offshore acres in the Gulf of Mexico for oil and gas exploration and production. In 2011, more than 21 million offshore acres were offered. The Central Gulf of Mexico lease sale, including lease sales 216 and 222, will occur in June 2012.

At the end of 2011, 35 million acres of the OCS were under active lease, of which 6.2 million acres were producing.

The proposed OCS Oil and Gas Leasing Five-Year Program for 2012-2017 would make more than 75 percent of undiscovered technically recoverable oil and gas resources estimated in Federal offshore areas available for exploration and development.

**Bureau of Safety and Environmental Enforcement** – The 2013 BSEE budget includes \$222.2 million for conventional energy activities, an increase of \$24.8 million over the 2012 level. The request advances reforms initiated following the Deepwater Horizon oil spill to increase the safety and environmental responsibility of offshore oil and gas development. The request increases program funding for operational safety by \$4.5 million. This will support efforts identified as critical to the success of BSEE to strengthen regulatory and oversight capability in the aftermath of the 2010 oil spill. This funding will increase the capacity in existing offices in multiple disciplines to adequately staff Regulatory Programs, Safety Management, Structural and Technical Support, and the Oil Spill Response Division.

The Environmental Enforcement Division was established in 2012 to foster environmental compliance, inspection, investigation, and enforcement programs that will assure the highest level of environmental

standards for all offshore energy activities. In 2013, the development of this important function will benefit from a program increase of \$4.2 million that will be used to hire, train, equip, and support personnel to conduct environmental inspections, Safety and Environmental Management System audits, and investigations; take enforcement actions; and evaluate the effectiveness of environmental mitigation measures.



The Deepwater Horizon incident revealed the risks associated with drilling high-pressure wells in deep water and the importance of well design to ensure the safety of offshore operations. The 2013 request includes a program increase of \$1.4 million to research requirements for well structure integrity. This will ensure tests can be conducted for well design, cementing programs, and well structure to identify weaknesses in well integrity and allow remediation to occur. This increase will be complemented by a program increase of \$2.0 million used to research offshore safety systems and operations. As the industry pushes into deeper water and drills more high-pressure/high-temperature wells, BSEE's safety

and enforcement protocols must be kept up-to-date. The BSEE will use this increase to keep pace with industry's advancement and ensure the integrity of state-of-the-art equipment and operations. These increases are partially offset by a \$3.0 million increase in estimated inspection fee collections.

A program increase of \$2.3 million will launch BSEE's e-Inspection program. Using a multi-faceted approach, BSEE will support development of a modern electronic system for conducting offshore inspections to replace the outdated paper-based inspection process. This funding will advance more timely and accurate collection of inspection data, enhance the tools available to inspectors while conducting inspections, and reduce data processing costs associated with transferring inspection data from paper forms to BSEE's database.

Inspection activities also will benefit from a program increase of \$3.7 million to support the new National Offshore Training and Learning Center. This increase will provide contemporary learning and development opportunities to BSEE's inspectors and engineers. Courses are designed to enhance safety and environmental stewardship by using the best science and technology to evaluate, protect, and preserve the human, marine, and coastal environments.

The reorganization of the former Minerals Management Service has separated the conflicting missions and strengthened oversight of offshore energy development. The request includes a program increase of \$5.0 million to sustain the necessary level of support services for the new safety regulator as operations expand. The funding will be used to support recruitment and retention of new inspectors, engineers, and scientists and conduct additional environmental and technological studies.

**Office of Natural Resources Revenue**—The Interior Department seeks to ensure the full and fair return of royalties and other monies owed to the American people from the production of energy and mineral resources both onshore and on the OCS. This includes ensuring that revenue due to the public is received, accounted for, and appropriately distributed. The means of collecting royalties, rents, and other revenues must be transparent and robust.

The request for ONRR in 2013 includes \$119.6 million, essentially the 2012 level, to collect, distribute, account for, and audit revenues from energy leases on the OCS and Federal and Indian lands. The request

### STATUS OF OCS PERMITTING

The BSEE approved 1,381 of the 1,413 requests to extend deepwater Gulf and Alaskan offshore leases after the Deepwater Horizon oil spill, or 97.7 percent, received from companies. Thirty-two requests did not meet the extension criteria and were denied or withdrawn.

By late January 2012, BSEE approved 250 deepwater permits for 71 unique wells that require subsea containment, and 59 permits for deepwater activities not requiring subsea containment.

By late January 2012, 100 new shallow water well permits were issued.

includes a reduction of \$2.3 million for information management system initiatives for which development and implementation will be completed in 2012. The ONRR will complete efforts to develop technical capabilities to streamline and enhance production and natural gas plant accountability. The ONRR will also complete a two-year initiative to enhance capabilities and integration of compliance tools. Both system upgrades directly address recommendations from the Government Accountability Office and the Department's Inspector General.

The request supports the completion of the transition of royalty-in-kind activities to royalty-in-value. A program increase of \$1.2 million will replace the use of receipts from RIK sales that were previously used for the administration of the program. In 2013, the Administration proposes to expand the RIK reforms by repealing existing authorities for Interior to accept royalties-in-kind.

The request preserves funding for process and system enhancements that will increase the accuracy and assurance that all revenues from energy development due to the American people are collected. The ONRR will continue development of data mining capabilities that will identify erroneous reports

from energy producers and enhance auditing and collection abilities.

**U.S. Geological Survey** – The 2013 USGS budget request is \$12.2 million including a decrease of \$800,000 for conventional energy programs. The request includes an increase of \$13.0 million to support an interagency research and development effort with the Department of Energy and the Environmental Protection Agency aimed at understanding and minimizing potential environmental, health, and safety impacts of energy development through hydraulic fracturing. Hydraulic fracturing is a process that uses high pressure fluid to create fractures in rock layers to produce petroleum, natural gas, coal seam gas, or other substances. The energy from the injection of a highly-pressurized fluid creates new channels in the rock, which can increase the extraction rates and ultimate recovery of unconventional fossil fuels. The 2013 budget supports the science to understand and address potential impacts on water quality and quantity, ecosystems, induced seismicity or earthquakes, and support characterization of natural gas resources.

**Fish and Wildlife Service** – The 2013 FWS request includes a program increase of \$250,000 to complement renewable energy funding for law enforcement activities that help address the impact of energy development on wildlife and habitat. These efforts

#### **ENSURING FULL AND FAIR RETURN TO THE AMERICAN TAXPAYER**

In May 2011, Secretary Salazar initiated an evaluation of the potential for streamlining regulations governing the calculation of billions of dollars in royalties owed to the U.S. from oil and gas produced offshore and onshore from Federal lands. The evaluation focuses on determining where geographically based market prices may be used as the presumptive value of oil and gas produced in that region, thus removing, in those cases, the need to undertake a transaction-by-transaction, source documentation based evaluations of contract amounts as well as transportation and gas processing costs. These changes have the potential to improve compliance and reduce administrative costs for industry and the government, as well as to better ensure the American taxpayer is properly compensated for the use of the Nation's public resources. Interior will continue to assess this concept in 2012.



will help ensure that the development of oil, gas, and electricity transmission is consistent with wildlife and habitat conservation. Specific efforts will include educational outreach to energy developers and land management agencies, compliance assistance and monitoring, and investigative work to document violations of law in circumstances where known mitigation measures have not been adopted.

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**Indian Affairs** – The Office of Indian Energy and Economic Development is working closely with numerous tribal nations to explore and develop conventional energy resources on Indian Trust lands. Together, the Office and Tribes are further defining, quantifying, and developing their energy resources for industrial scale energy production. These projects help spur job creation and economic activity on reservations by assisting Tribes to develop their energy and mineral resources. Energy and mineral development on Indian lands in 2010 had an estimated economic impact of over \$12.3 billion or 85 percent of Indian Country’s trust resources. Further, this economic activity produced an estimated 120,000 jobs related to trust resources. In the last three years, the Office of Indian Energy and Economic Development has assisted Indian mineral owners in the negotiation of 48 leases for oil, gas, renewable energy, and aggregate materials development on approximately 2.8 million acres.

The 2013 budget request includes \$2.5 million for conventional energy and audit compliance, the same as the 2012 enacted level, to support leasing activities on the Fort Berthold Reservation. Until recently, the Three Affiliated Tribes of the Fort Ber-

thold Reservation had not leased any of their lands for oil and gas exploration for over 25 years. At the request of the Tribes, Indian Affairs staff have been evaluating the oil and gas potential for the Tribes. From 2005 to 2008, the Office of Indian Energy and Economic Development assisted the Tribes in the negotiation of lease agreements with oil and gas companies. These lease agreements have allowed the Tribes to share in the success of the oil and gas leasing boom in the Bakken Formation in the Williston Basin. Increased focus from Indian Affairs to approve leases in a timely fashion and a hands on approach to technical assistance helped to stimulate oil and gas development in the area.

In 2011, over 200 drilling permits and associated rights-of-ways were approved in the area. It is expected over 300 drilling permits and associated rights-of-ways permits will be approved in 2012. Drilling activity is expected to increase through 2013, with the development rate leveling off to 100 wells per year over the next five years. Approximately 1,000 wells are expected to be drilled to initially develop the Bakken Formation with an additional 1,000 wells drilled to complete full development of the Bakken and Three Forks Formations over the next ten to 20 years.



In order to provide better coordination and collaboration among interagency staff to respond to increased demand for oil and gas permits in certain regions, Indian Affairs is developing strike teams to provide technical staff to assist as demand increases. The teams include expert specialists in realty services and environmental compliance, as well as petroleum engineers. The first team created is already working on the Fort Berthold Reservation and has provided a solution to the increased workload. This concept will be used at other reservations where the Office of Indian Energy and Economic Development is seeing an increase in energy development activity.