ISSUE DEFINITION

Leasing of energy minerals has been an issue of varying intensity for most of the past century, as oil, gas, and coal became indispensable commodities in both U.S. and world commerce. When high-grade, relatively cheap fossil fuels were in abundant supply, there was little pressure on Federal lands to provide additional quantities. Eastern coal was of a higher quality and accessible to markets -- therefore, there was little interest in Western coal. Oil and gas from well-known locations on private lands -- mid-continent, California, Gulf Coast (onshore) was much more abundant and cheaper than oil and gas from isolated, mountainous public lands. Current interest in public lands reflects the depletion of the older, lower cost areas plus the high price of energy.

Lands previously withdrawn from leasing for a variety of public policy reasons are believed to contain large amounts of fuels which could reduce energy dependence on foreign sources, reduce the balance-of-trade deficit, and generate revenues for the States and the Federal Government. Increased development is opposed in many cases by environmentalists who fear that energy leasing and subsequent development on wilderness lands, parks, or areas withdrawn from leasing because of environmental considerations would do irreparable harm to these areas. Some also oppose leasing now because they doubt the existence of substantial economic resources sufficient to justify the likely adverse effects on the environment. Many Western States, the oil companies, and the Reagan Administration have actively promoted the rapid leasing of energy minerals on Federal land, as did the Carter Administration. Leasing on Federal lands has increased by over 30% over the past five years. The issue has many aspects and is very complex; and, as a result, it has so far proven difficult for the Congress and the President to avoid controversy over it. It is, and will probably continue to be, one of the major issues of the 1980s.

BACKGROUND AND POLICY ANALYSIS

The leasing policies of the Reagan Administration, as articulated by Interior Secretary James Watt, have generated both strong support and strong opposition. The pro-development rhetoric and policies of this Administration stand in stark contrast to those of its predecessor. Traditionally, the Interior Department has had a bias toward development, although rarely as strongly expressed as in 1981 and 1982. Although the Carter Administration stressed an increase in energy leasing, it also was more inclined to insist on environmental protection measures than its predecessors, and operating regulations proliferated and became more stringent. The Reagan Administration took a position which was diametrically opposed to the Carter policy, seeking not only to reverse the accommodations made to environmental interests, but also to make wilderness areas and other protected areas more accessible to development than they had ever been before.

The Reagan policy toward Federal lands is still evolving and is likely to change even more in response to political pressures, but the basic policy includes the following objectives: (1) to renew and to accelerate the leasing of energy minerals on Federal lands (through areawide environmental impact statements, streamlining of the permitting process through self-imposed time limits, and larger and more rapid lease sales; (2) to
transfer Federal lands to the States wherever feasible or to sell directly to individuals (privatization); (3) to end new land acquisitions by the Federal Government; (4) to deny further withdrawals without the sale or release of other Federal lands; (5) to reverse the Solicitor's 1979 opinion denying the Interior Department the right to reserve water; (6) to update the 1902 Reclamation Act to promote water conservation projects; (7) to implement financial incentives for mineral exploration; (8) to return to the Interior Department the leasing function transferred to the Department of Energy; and (9) to reduce the mineral examination backlog at the Bureau of Land Management.

Many of these objectives have yet to be fully realized, although efforts to achieve them are underway. Some of them have created considerable controversy. Secretary Watt's decision to lease several tracts on the Outer Continental Shelf in environmentally sensitive areas off the California coast generated heated opposition and was later rescinded. The decision to permit exploration in certain wilderness areas was also met with widespread disapproval, especially in the States affected; and it was later cancelled. In addition, the Interior Department announced an accelerated lease schedule that led many in the oil industry to question publicly its own ability to drill effectively the large acreages to be offered.

The need to generate revenues for both State and Federal Governments are a particular consideration of the Reagan Administration because of the income tax cuts, which have resulted in lower returns to the Treasury. The need to reduce the deficit was at least partly responsible for the Administration's acceleration of the pace of leasing for oil, gas, oil shale, coal, and geothermal resources on Federal lands. Opening to leasing areas that are considered to have high potential but which were previously withdrawn or not offered before would almost certainly generate substantial additional revenues through greater bonus bids, rentals, royalties, and corporate taxes. Whether or not the revenue gains will be as great as the Administration expects, however, is highly uncertain.

This issue brief provides an overview of the leasing issue. It is subdivided into topics which provide brief summaries of the major aspects of that subject, including: leasing of petroleum, coal, geothermal, and hardrock minerals; reorganization of Federal leasing functions; withdrawals of Federal land from mineral development; resource assessment; disposition of Federal lands, including leases to foreigners; and Federal lands as a source of Federal and State revenues. (David Lindahl, Environment and Natural Resources Policy Division)

PETROLEUM LEASING

Petroleum leasing became a major issue in the 1970s because of the need to increase domestic oil and gas production to reduce the demand for imported oil. Most of the major remaining prospects for commercial oil fields lie either on Federal lands in the Western United States, in Alaska, or on the Outer Continental Shelf (OCS). The high prices of crude, on which Federal royalties are based, have meant that the revenues from these sources were much greater than previously expected, which was welcome news to a succession of administrations that have used that "windfall" to partially offset budget deficits.

In addition to those economic and national security considerations, the leasing philosophy of the Reagan Administration is to maximize leasing so
that the benefits of production could be achieved as early as possible. This policy, which increases industry access to Federal lands and revenue to the Government, has drawn stiff opposition from environmentalists who fear environmental degradation in the form of oil spills, access roads in wilderness areas, and disruption of wildlife habitats. As a result, the ambitious leasing schedule announced by the Interior Department is facing some challenges. The Department has already backed down on plans to lease certain areas off the California coast and to permit exploration in wilderness areas.

The method of leasing has also been a subject of concern. Federal lands that are known to contain oil, or are next to producing sites, are classified as "known geological structures" (KGSs); along with all OCS tracts, these KGSs must be leased on a competitive basis. The tract is awarded to the applicant who offers the highest bonus bid, which entitles him to five years in which he can find oil and commercially produce it. If he does find oil, he keeps the lease indefinitely and pays a royalty of 16 2/3% of the production value to the Treasury. Only 3% of the total tracts offered each year are leased in this manner, but they produce most of the oil.

Onshore lands that have never been offered before or previous leases which have been abandoned or returned are leased on a noncompetitive basis. New offerings are made on an over-the-counter basis in which the lease is awarded to the first applicant. The previously leased lands are offered through a lottery in which one application is chosen at random from all of those made for each tract; all of the applications in the lottery are considered to have been filed simultaneously for lottery purposes. The royalty rate for noncompetitive leases is 12 1/2%.

The petroleum leasing program, which is administered by the Interior Department's Bureau of Land Management and the Minerals Management Service, normally generates about $8 billion per year, although the Administration plans to double that in FY83. The Interior Department almost always collects more money than it spends, making it one of the few departments to actually make a profit each year. Because this revenue is so important in reducing budget deficits, numerous suggestions have been made to increase it. These have included increasing the royalty rate on noncompetitive leases, raising the royalties on all leases, accelerating the leasing schedule so more tracts are offered each year, making all leases competitive, offering desirable tracts in KGSs that had been previously withdrawn from leasing, and by raising the application and rental fees.

Another leasing consideration, and one that often conflicts with the goal of maximizing revenue from energy leasing, is the question of equitable access to KGS leases, particularly on the OCS. The high bonus bids for such leases tend to favor the major oil companies because they generally have more available capital. Participation in OCS leasing by independent oil companies has been limited to a great extent by this bidding system and by the high cost of operating offshore. In recent years, new joint OCS ventures by the major oil companies have been banned and alternative bidding systems have been approved for about 20% of OCS lease sales.

Onshore, the main concern of both the major and the independent oil companies is access to the most promising areas. Some of these, like the Douglas Arctic Wildlife Range in Alaska, may well contain upwards of 10 billion barrels of oil -- the equivalent of Prudhoe Bay, which adjoins on its western boundary. Because it and other areas, such as parts of the Rocky Mountain Overthrust Belt and the North and Central California Coast, have
been withdrawn from leasing, a large potential supply of oil and gas cannot be tapped. Even when lease sales are held, legal challenges, often on environmental grounds, can delay actual drilling for years. Despite the opposition to the existing system, however, there has been considerable reluctance on the part of a succession of Congresses and Administrations to substantially alter the leasing program because of entrenched industry support of it. (David Lindall, Environment and Natural Resources Policy Division)

**OIL SHALE LEASING**

The Secretary of the Interior has the responsibility for leasing and managing the publicly owned oil shale lands. Thus far, only 20,000 acres (or 1%) of these lands, which contain the thickest and richest U.S. oil shale deposits, have been leased to the private sector through the Department of the Interior's (DOI) Prototype Oil Shale Leasing Program. DOI is currently considering the lease of additional tracts under its prototype program as well as the creation of a permanent oil shale leasing program.

In addition to these executive actions, several oil shale leasing bills have been introduced. The House of Representatives has passed, and the Senate Energy and Natural Resources Committee has reported, legislation -- H.R. 4053 and S. 1484, respectively -- both of which are designed to expedite shale oil production on federally owned lands. The principal concerns associated with oil shale leasing are: (1) the appropriate extent and timing of future oil shale leasing activities, (2) State and local governmental concerns regarding future leasing, and (3) the environmental protection of the areas where oil shale extraction would occur. (Paul Rothberg, Science Policy Research Division)

**COAL LEASING**

In 1971, after discovering that a substantial amount of Federal coal had been haphazardly leased, the Department of the Interior established a moratorium on all long-term leasing, pending the development of a new and comprehensive coal management program. About 16 billion tons in 565 leases had been awarded, but little development of these leases was taking place. The first attempt by the Department was thwarted by litigation in which environmental interests charged that the Department had failed to consider "no leasing" of Federal coal as one of the available options in the array of leasing levels. In 1976, Congress enacted the Federal Coal Leasing Amendments Act (FCLAA) to solve the major leasing problems identified by the Department of the Interior. Major provisions included the development of "logical mining units" out of the hodgepodge of individual lease tracts; the leasing of Federal coal by a competitive bidding process only, the diligent development of Federal coal leases (under penalty of forfeiture) to discourage speculation in Federal coal by nonmining interests; and the establishment of a percentage royalty payment to the Federal Government to more accurately reflect the value of the coal, with an increased percentage returned to the States to ameliorate the socio-economic impacts of development.

The establishment of the diligence requirements, however, has created new issues for the Congress to address. A number of lessees holding pre-FCLAA leases will obviously not be able to produce the required amounts of coal to avoid forfeiture. Interior has tried to solve the problem at the regulatory level through its own interpretation of the law. This may lead to a
challenge in the courts. Mining interests have charged that diligent development should not concern the government since it is assured a percentage royalty of the coal's value, regardless of when it is mined. Furthermore, mandating coal development on a preset schedule disregards market conditions and could result in an oversupply situation. Proponents of diligent development, however, have expressed fears that eliminating the requirement would lead to renewed speculation in coal leases. In response to the industry's oversupply charge, they counter that prospective lessees should not actively bid for Federal coal unless the entire output of the mine is committed over its life.

Federal coal ownership, over the last decade, has definitely tilted toward the large energy companies, primarily the oil producers and the electric utilities. The profile of total reserve ownership (both Federal and non-Federal) must include the railroads, particularly the Burlington Northern and the Union Pacific. Railroad reserves were originally procured during the 1800s via land grants and, although they are considerable, they are configured in a checkerboard that complicates the formation of "logical mining units." The railroads have offered a solution, now being considered by Congress, that they be permitted to lease the missing "checkers" of Federal coal. Such an action would permit the leasing of these particular reserves which would otherwise be difficult to develop. It could, however, exclude other interested parties from competitively bidding for the Federal portion of the reserve. Opponents of the proposal (otherwise known as the repeal of section 2-C of the 1920 Minerals Leasing Act) include the independent coal mining companies who state that this proposal would require them to compete with the railroads for customers when they are already in an untenable "captive-shipper" relationship with the railroads. (Duane Thompson, Environment and Natural Resources Policy Division)

GEOTHERMAL LEASING

The major legislative focus on geothermal energy development in the 97th Congress is in the area of leasing reform. The basic authorizing legislation for the leasing of Federal or public lands for geothermal resources development is the Geothermal Steam Act of 1970, P.L. 91-581. This Act authorizes the Secretary of the Interior to issue leases for geothermal resources development and provides for the size of the lease, conversion rights, rents and royalties, duration of the lease, readjustment of lease terms, beneficial uses of water, and ownership of geothermal steam in surface patents. In addition to establishing lease terms and conditions, this Act defined two kinds of areas: Known Geothermal Resource Areas (KGRAs) which are leased to the highest bidder, and all other areas (leased by application). However, the implementation of this Act and the geothermal leasing of Federal lands have not proceeded in a timely fashion. Leasing reform legislation passed both Houses in the 96th Congress but failed to reach conference before adjournment. Similar measures, introduced into the 97th Congress, address a number of concerns including: increasing the acreage limitation per State from the present level of 20,480 acres per lessee to 51,200 acres; revising the definition of KGRAs to eliminate the competitive interest aspect; providing for declassification of KGRAs on which there are no bids in a lease sale; extending lease renewals from 10 to 20 years; and specific provisions for protecting the thermal features of national parks. Meanwhile in consonance with congressional concerns over the management of geothermal leasing of Federal lands, the Secretary of the Interior has announced actions to expedite lease applications and the holding of lease sales. Currently there are over 2,000 lease applications still pending.
although 1,750 non-competitive leases have been issued over the past 7 years. 
(James Mielke, Science Policy Research Division)

LEASING OF HARDROCK MINERALS

The disposal of many nonfuel minerals on public lands comes under the jurisdiction of the General Mining Law of 1872, which provides that, in instances where minerals on Federal public lands have been located in commercial quantities, a claim to those lands may be awarded to the claimant through the local land office by the Bureau of Land Management. The claim, once properly located, filed and recorded, conveys to the claimant the exclusive possessory right to remove the mineral from the property.

The only Government requirement of the claimant is that $100 worth of work be performed on the claim annually. The Government receives neither an annual rental on the property nor a royalty on the production value of the public minerals. In addition to obtaining the right to extract the minerals within a claim, a claimant may apply for a "patent" or deed to the claimed area. A patent conveys title to the land, but the United States may reserve certain rights for itself.

An important issue arising from the claim/patent system for the disposal of minerals on public lands is the fairness of return to the public for the rights of removing and marketing the minerals. Unlike coal leasing, in which the royalty is a function of the value of the coal, under the claim/patent system there is no return to the Federal Government for the minerals that are removed. Concern has also been expressed over the title transfer of public lands to private parties when these lands will eventually be abandoned following mineral development. The General Accounting Office has documented several instances of gross abuse to the mineral patent system. Included among these were instances where the land was never used for mineral extraction, but for other, non-related purposes. Critics also maintain that patent issuance can also result in "islands" of privately owned land in an otherwise uninterrupted "sea" of public domain land with possible adverse consequences for subsequent land use.

During the 94th and 95th Congresses, legislation was introduced to address many of these problems by changing the claim/patent system to a leasing system. However, it was introduced during the time of acute depression in the copper industry and was abandoned following severe opposition from interest groups in some of the key western mining States. Among other reasons, the mining industry has objected to the imposition of a hardrock leasing system on the grounds that royalties would further add to total production costs that are now considerably higher than those of foreign competitors. Furthermore, it claims that to change from absolute ownership of the mineral deposit to a royalty arrangement would encourage the mine operators to engage in "high-grading," or removing only the best ore and leaving the marginal ore that otherwise could economically be developed without a royalty. (Duane Thompson, Environment and Natural Resources Policy Division)

ENERGY AND MINERALS MANAGEMENT ON FEDERAL LANDS

Three agencies in the Department of the Interior have major energy and minerals management responsibilities. The Bureau of Land Management has responsibility for administering leasing on all federally owned lands,
including those managed by other agencies, as well as on the 1.1 billion acres of the Outer Continental Shelf; the U.S. Geological Survey has responsibility for assessing the resources on the public lands; and the newly formed Minerals Management Service carries out royalty collection for leased land and enforcement of regulations governing the leases. All three of these agencies have been reorganized within the past year in order to effect changes in policy or direction under the Reagan Administration.

This Administration has given the energy resources on public lands a central position in its energy policy. In the July 1981 report on the National Energy Policy Plan, required annually by law, the Administration stated, "The Federal Government's most direct impact on America's energy future arises from its position as the steward of the Outer Continental Shelf and of the 762 million acres of publicly controlled land, one-third of the land area of the United States. These lands contain an estimated 85% of our tar sands, 80% of our oil shale, and 50% of our geothermal resources. The Federal role in national energy production is to bring these resources into the energy marketplace, while simultaneously protecting the environment."

The report observed that these are rough estimates of the figures, and the full extent of these resources are unknown, but it indicated that it is the Administration's policy to inventory the Federal lands and waters "to determine the quantities of energy resources so that wise resource decisions can be made."

On July 21, 1981, the Director of the Bureau of Land Management announced a reorganization of its functions, stating, "One of our primary objectives is to increase the availability of Federal lands and resources for energy and mineral development." The position of Deputy Director for Energy and Minerals was established, "to elevate the role of energy and minerals issues in multiple-use management." Major priorities were listed as streamlining existing energy and mineral leasing programs, accelerating development and implementation of new programs for leasing programs, accelerating development and implementation of new programs for leasing oil shale, tar sands and Alaskan onshore oil and gas; increasing availability of Federal lands for exploration and development activities, particularly for oil and gas and strategic minerals; streamlining and coordinating decisionmaking for energy and mineral-related uses of Federal lands, and improving the energy and minerals management capabilities of BLM professionals. The BLM reorganization memorandum states, "Our emphasis on energy and minerals recognizes the critical national interest in orderly economic development of these resources, while maintaining our commitment to environmental quality and balanced resource management."

At present, the U.S. Geological Survey is engaged in an accelerated evaluation of the potential of the Federal lands for oil, gas, and minerals. The preliminary assessment is based on overlaying the percentage of federally owned land on the estimated undiscovered resources in each area, and coming up with the estimated percentage of the resource that is federally owned. This method results in only a very crude estimate, and will be refined over the coming several years.

The U.S. Geological Survey maintains a large scientific staff which carries out energy resource assessments, along with its other responsibilities for mapping and other resource evaluations. Until January 1982, it also included a Conservation Division which was responsible for enforcement of leasing regulations after BLM issued the leases, and also was responsible for royalty collections. The divergence between these scientific
and regulatory functions in USGS, and the findings of problems in royalty collections by the Fiscal Accountability Commission appointed by Secretary of the Interior Watt, led to a decision in January 1982, to remove the Conservation Division from the USGS and place these functions in a Minerals Management Service which reports through a Mineral Management Board to the Secretary. The Board is composed of an Undersecretary and two Assistant Secretaries of the Interior. However, the staff and operations of the Minerals Management Service at present remain in the same location in the USGS facilities in Reston, Virginia. (Susan Abbasi, Environment and Natural Resources Policy Division)

WITHDRAWALS OF LAND FROM MINERAL DEVELOPMENT

A strong clash of values is evident in the controversies over whether or not adequate amounts of the public lands are available for oil, gas, and mineral leasing. The energy and mining companies frequently complain that large areas containing oil, gas, and minerals on the public lands are off limits to commercial development because of restrictions imposed at the urging of "environmental extremists." Environmentalists argue that plenty of Federal land is available for development without disturbing wilderness areas, that the energy and minerals industry do not fully explore the public land currently under lease, and that a crisis atmosphere in the public lands debate has been created for the purpose of acquiring leases on those lands. The fact is, no one really knows how much energy and mineral resources exist on public lands or how much of the acreage is actually open to development. Estimates of the amount of Federal land withdrawn from oil and gas exploration range from 16% to 78%. A withdrawal review effort is underway in the Interior Department, and it has found that many areas are subject to more than one withdrawal, and have been double or triple-counted. This means that the actual acreage withdrawn is probably less by up to 50% than was originally thought.

The leasing system itself is being criticized as an inadequate tool in determining how the Nation should exploit its natural resources, since it provides no way of determining if a leaseholder is really interested in development or merely a speculator. It is not clear, therefore, whether more leasing will necessarily increase the production of energy resources. The mineral leasing methods also make it difficult to determine the mineral potential of an area without damaging certain characteristics. This results from the requirement that the Government must contract with mineral development companies to explore the public lands, yet the companies are reluctant to commit their resources to exploration if they cannot be guaranteed that they will be permitted to extract what they find.

The issue of increased availability of Federal lands for energy and mineral development is focused to a great degree on wilderness areas. To date, 80 million acres of Federal lands (10%) have been designated as wilderness. Another 44.5 million acres of BLM and Forest Service lands are being considered for such designations by Congress and/or the land management agencies. That leaves 76% of Forest Service lands and 94% of BLM lands open to development. Under the Wilderness Act of 1964, land designated as wilderness is protected from the construction of roads, dams, buildings, and other permanent structures; from logging; from coal mining; and from the operation of motorized equipment and vehicles. Grazing is allowed, as is hunting and fishing in some instances. The law allows oil, gas, and mineral companies to explore in nonpark wilderness areas until midnight of Dec. 31, 1983.
Oil and mining companies complain that their activities in designated wilderness areas have been effectively excluded as a result of excess government restrictions. Indeed, there has been almost no mining and very little oil exploration allowed on either BLM designated wilderness areas (12,000 acres) or on the 25 million acres of national forest wilderness. Oil and gas leasing, however, is occurring on Forest Service and BLM lands which are being studied for inclusion in the wilderness system. Industry and wilderness advocates disagree on the compatibility of exploration activities with wilderness values. They further disagree on the value of focusing the access debate on wilderness areas which make up only 3% of the Nation's land. Environmentalists cite a recent study by the Oak Ridge National Laboratory of the oil and gas potential in the 23 million acres of BLM land under wilderness review which says that this land represents less than 1% of the Nation's potential energy resources.

Representative James Santini, chairman of the Mines and Mining Subcommittee has a bill (H.R. 3364) that would extend the 1983 deadline on mineral exploration in wilderness areas for 10 years. The measure is currently lodged in the Interior Committee. Last year, the House Interior Committee withdrew several wilderness areas in Montana from oil and gas leasing and passed a resolution requesting a moratorium on further leases after the three leases were approved in the Capitan Wilderness in New Mexico. Secretary Watt agreed not ot issue any more leases until the end of the 97th Congress. At first, the Administration favored a 20-year extension of the 1983 deadline but its latest proposal includes a ban on oil and gas leasing in most wilderness areas in the lower 48 States until the year 2000. H.R. 5603 allows the President to open any wilderness area if he finds there is an urgent national need for specific mineral resources; gives Congress until the end of 1984 to act on the Forest Service's "RARE I" wilderness recommendations and rules out any further wilderness review of national forest lands; and allows the Interior Department to release without congressional approval BLM lands studied for wilderness designation but found unsuitable. Conservation groups strongly oppose the bill. They argue that it provides less protection than the current law and would severely restrict later wilderness additions for national forest and BLM lands. (Cynthia Huston, Environment and Natural Resources Policy Division)

RESOURCE ASSESSMENT

The resolution of problems stemming from human habitation or use of land involves all levels of government. Competition and conflicts are the primary stimulus behind local zoning, State land-use plans, or Federal land management legislation. Minerals and energy usually occupy a prominent position in these considerations. It is customarily recognized as rational in choosing among the alternatives to examine the public interest in terms of the benefits to be gained by one form of use (or uses) over another. Exclusive or irreversible land commitments prove particularly difficult to make. Thus, our legislative history is characterized by specifications to "inventory" or "evaluate" resource values as part of the decision process.

The Wilderness Act of 1964 states:

...in accordance with such program as the Secretary of Interior shall develop and conduct in consultation with the Secretary of Agriculture, such areas shall be surveyed
on a planned, recurring basis consistent with the concept of wilderness preservation by the Geological Survey and the Bureau of Mines to determine the mineral values, if any, that may be present...

The Federal Land Policy and Management Act of 1976 continues this pattern of requiring appraisal of mineral resource potential by specifying a Bureau of Land Management Study:

This section extends the Wilderness Act to the public lands. It directs the Secretary to review...tracts of Bureau of Land Management land...and to submit recommendations on wilderness suitability or nonsuitability...within 15 years. The review must include mineral surveys.... Once a tract is designated as wilderness by the Congress...Administration will include periodic mineral surveys....

The desire to inventory continues to appear in current legislative proposals. But concern also appears about how much review is necessary and for how long. Thus in the purposes of H.R. 5603, introduced on Feb. 24, 1982, we find directives that:

resource values in wilderness and wilderness study areas be properly inventoried, in order that informed land use and resource allocation decisions will be fostered...

and...

wilderness study lands judged not suitable for designation as wilderness...not be retained in indefinite or repetitious wilderness study processes.

This continuing call for mineral inventorying is likely to be considered by many as comparable to the evaluation of public land for grazing, timbering, water supply, or various developmental purposes. While these kinds of appraisals are not free of difficulties, to gather information about hidden mineral and energy resources values is significantly more costly, time-consuming, and imprecise at best. Despite advances in modern electronic gear, the sensing instruments currently available to us rarely identify the presence of mineral values in any sort of specific fashion. It is not possible for a designated Federal agency merely to fly over, or traverse on, a surface and make a judgment as to the mineral resource potential that may exist. This kind of reconnaissance can provide only the most elemental identification of the geologic and petrologic characteristics of the large areas that are involved.

The U.S. Forest Service in its January 1979 Final Environment Statement (RARE II Report) rated the mineral and energy potential of 2,919 individual study areas covering 62 million areas. This effort was made in 11 months by a small group of USFS geologists and mining engineers. The General Accounting Office reports that Congress is currently making decisions based upon information that "implies a substantially firmer knowledge of mineral presence (or non-presence) than actually exists...." In contrast, U.S. Geological Survey and Bureau of Mines spent 10 years examining 5.5 million acres of primitive wilderness with uncertainty remaining about the quality of the results. One 230,000-acre area was subjected to the scrutiny of 15 staff
people for over four years. GAO estimates that the USGS/USBM assessments required by the Wilderness Act would cost an estimated $320 million. This work would have to be interspersed with other demands placed on the two agencies.

It is well recognized among resource specialists that none of the methods available to the Federal agencies for inventorying known resources or assessing future mineral potential is satisfactory. Usually, the work is based on limited observation, biased data, and a reliance on analog drawn from past experience. Highly subjective judgments are then made on a crude scale ranging from areas being not very promising to those being "highly mineralized." Such estimates are not specific as to individual minerals, commodities, exact locations, or quantities likely to be found. This is far from the kind of site-specific exploration process used by individual firms which involves laborious examination of small, favorable areas through seismic work, drilling, excavation, and other means not suitable for regional assessments and likely to intrude on the wilderness.

Given the current interest in our domestic capability to produce key energy and mineral supplies, much of which may rely on the public land areas, the need for resource assessment will continue. It is not likely that any significant advancement will be made in the near future to make that task quicker, better, or cheaper. The key problem then becomes how is the Congress and the Administration to make allocation decisions given this pervasive uncertainty. (John Schanz, Senior Specialist Division)

DISPOSITION OF FEDERAL LANDS

Since the 1970s, the Federal Government has operated under a policy of retaining and managing public land and other property. It is to acquire property only when needed to support its various programs and to dispose of the same when a determination has been made that the property is surplus to the Government's needs, or, in the case of public lands, that the national interest would best be served by the sale or exchange of particular tracts of land. Today approximately one-third of the land area of the 50 States belongs to the Federal Government—over 90 percent of this land is located west of the Rockies in the 11 western contiguous States. Three hundred forty million acres of the federally owned land—that which is unreserved and unappropriated—is the responsibility of the Bureau of Land Management (BLM) within the Department of the Interior. In 1976, the Federal Land Policy and Management Act ratified BLM's practice of management under multiple use—the responsibility to find ways of accommodating insofar as feasible and compatible, the full range of beneficial uses of the land. Grazing, timber production and mineral extraction, in that order, are the three major economic uses of the public domain lands. In FY 78, leases issued through the public land onshore oil and gas program supplied approximately 5.6 percent of domestic oil production and 5.4 percent of domestic gas production. These lands are also used for recreational purposes, protection of wildlife, rights-of-way, and as a source of water for downstream communities.

Currently, there are two movements calling for the disposition of large portions of Federal land and/or property. The "Sagebrush Rebellion" is an effort at the State and Federal level to provide the cession and conveyance of federally owned, unreserved, unappropriated lands to Western States, including the mineral rights on or underlying such lands and appurtenant water and access rights. It is a legal challenge as to who rightfully owns
and is the more competent administrator of these lands. Supporters of this cause say that the States are the logical public lands manager since they are in a better decision-making position, being close to the lands and its people, than the Federal landlord on the Potomac. They list a potential for increased production of renewable resources and increased mineral royalties to the States if the land transfer were to occur. It is unclear, however, whether the States could actually absorb the job of managing a mineral leasing program for the amount equivalent to the 10 percent now being deposited in the U.S. Treasury--50 percent of the royalties go directly back to the States under the Mineral Leasing Act and 40 percent goes to the Bureau of Reclamation for use on a wide range of water projects in Western States. Concern about the "rebellion" also stems from what many perceive to be conflicting premises of the proposal and overwhelming barriers of continued balanced management of the public lands. Shared management of resources has been suggested as an alternative to the Sagebrush Rebellion--some say it will only be achieved through legislation, others hope it is possible through procedural changes at BLM as part of Secretary Watt's "good neighbor" policy and through the Administration's support for the drive to reduce Federal control over regional land-use policies.

Even more recently, public land disposition and the sale of Federal property are being discussed as a management initiative to raise revenues and help reduce the national debt. Advocates of "privatization" say that historically the Federal Government has not managed its real property assets in a manner that saves costs to the Federal Government or promotes the highest and best use of the Nation's real property. The Administration has taken the first steps necessary toward development of a comprehensive Federal policy encompassing all phases of public lands management from acquisition to disposal by establishing a Federal Real Property Review Board to identify and evaluate high value holdings not developed to their optimum economic use and to recommend alternative practices to accelerate General Services Administration sales and improve marketing techniques. The Administration is proposing to extend the Federal land sales and asset management program to the Departments of the Interior and Agriculture, but with land review in that phase to focus on not on national treasures such as parks, but lands already used for commercial purposes such as grazing and mining. Lands likely for disposal would be residual BLM land with patterned ownership problems; small tracts of land which cannot be managed due to its size or location; land in urban/suburban areas which hinders local economic development, etc. Resolutions in the House and Senate emphasize the need for the Federal Government to estimate the current market value of its land and property holdings, to identify likely sales, and to streamline the sale process--focus at this point is on nonpublic land properties and small parcels in or near urban areas. Some of the many questions raised by the proposal include: exactly which Federal lands would be targeted for sale? What are Federal lands really worth? On what scale would the sale of Federal property be cost/beneficial? How would a large-scale Federal property disposal program impact on State/local communities, the real estate market, current users of the land, and the environment? Opponents of the Federal property review program, such as the Sierra Club, the Wilderness Society, and others, fear that it is a disguise for massive land disposal. Alternatives for reduction of the national debts and increased revenues which these groups propose include stricter control by the Federal Government of its land management program; an increase in royalties on oil/gas leases and the creation of a leasing/royalty system for hardrock minerals; sale of land uses rather than of the land itself. The appeal as a public land policy of large-scale land/property disposal lies in the fact that resource users would achieve security of land tenure with added freedom to pursue their own plans for the
FOREIGN INTERESTS IN FEDERAL MINERAL LEASES

Section 1 of the Mineral Lands Leasing Act of 1920, as amended, limits the interests foreign individuals or corporations can hold in leases of minerals on the Federal public domain lands in the United States:

Deposits of ...(minerals)...and lands containing such deposits owned by the United States,...shall be subject to disposition in the form and manner provided by this chapter to citizens of the United States, or to associations of such citizens, or to any corporation organized under the laws of the United States, or of any State or Territory thereof, or in the case of coal, oil, oil shale, or gas, to municipalities. Citizens of another country, the laws, customs, or regulations of which deny similar or like privileges to citizens or corporations of this country, shall not by stock ownership, stock holding, or stock control, own any interest in any lease acquired under the provisions of this Act.

This language establishes the concept of reciprocity in the holding of mineral leases -- only nationals from countries that grant our citizens similar or like privileges may hold or own any interest in a mineral lease of Federal public domain lands. In 1947, the provision was made applicable to mineral leases for "acquired" federal lands as well.

This reciprocity provision for leased minerals is in contrast to the law with respect to the development of locatable or hardrock minerals on the Federal public domain lands. In the latter instance, the right to claim and develop minerals technically is limited to United States citizens and corporations, but a foreign firm may qualify by incorporating a subsidiary company under the laws of any state.

The determination as to which other nations allow our nationals reciprocal rights is made by the Secretary of the Interior. In practice, this list is developed in consultation with the State Department. Obviously, there could be substantial differences of opinion as to what constitutes "similar or like privileges." In addition, other foreign policy concerns may enter into the determination. Therefore, the final list of reciprocal nations is likely to be controversial. Most recently, for example, controversy has surrounded the determination that Canada is a reciprocal nation. Many observers feel that recent changes in the laws of that country deny our citizens and corporations many privileges still enjoyed by Canadians in our country, so much so that Canada no longer should be designated as a reciprocal nation, regardless of other, arguably extraneous, policy concerns. (Susan Abbasi and Cynthia Huston, Environment and Natural Resources Policy Division)

A sizeable portion of the energy production in the Western State is from Federal lands. For example, over one-half of Wyoming's oil and natural gas
production, along with one-third of its coal production is from Federal land. For New Mexico, one-third of its oil and coal production and half of its natural gas is from Federal lands. Hence, the Federal royalties received from this production, along with the revenues from the State-imposed severance taxes, are significant. In FY 1980, Wyoming and New Mexico received 223 and 200 million dollars respectively from oil, natural gas, and coal leases on public lands. Wyoming received and addition 1 million dollars from production of oil and natural gas from acquired lands.

Disposition of royalties from mineral leases to the States is delineated by sections of the 1920 Minerals Leasing Act, as amended. Under the law, one-half of the revenue collected from leases on public lands are returned to the State of mineral production with the recommendation that priority be given to local impact assistance. The disposition of royalties from acquired lands is less specific. Royalties from acquired lands are distributed by the agency having jurisdiction over the lands in the same manner as prescribed from other receipts from the same lands.

Federal leasing expressly does not interfere with the right of States to tax "improvements, output of mines, or other rights, property, or assets of any lessee of the United States." Since minerals, once served from the land, are considered the property of the lessees, States are permitted to tax oil, natural gas, and coal production from Federal lands. Wyoming, for example, imposes a 10.5 percent severance tax on all coal produced in the State. Similar taxes exist for oil and natural gas, and are applied by most producing States. The OCS lands, seaward of the three-mile extension from the coast, comprise a special category of public lands on which the minerals are leased by the Federal Government. The principal sources of revenue from these lands are leases of crude oil and natural gas although sulfur and salt provide some small amounts of revenue.

The OCS Lands Act of 1953, as amended in September 18, 1978, requires that revenues from OCS minerals to be deposited in the U.S. Treasury as miscellaneous receipts. The requirement of the OCS Lands Act not withstanding, two other laws provide channels through which revenues from minerals from the OCS reach the States. The Historic Preservation Act of 1966 established a fund which has the objective of protecting, rehabilitating, restoring, and reconstructing districts, sites, buildings, structures, and other objects significant in American history, archeology, architecture, or culture. This law designates revenues from the OCS as the source of funds. The Historic Preservation fund received $300 million in FY81. The Land and Water Conservation Fund Act established a fund to assist the States in planning, acquiring, and developing needed land, water areas, and facilities for certain Federal acquisitions. The fund is maintained at a level of $900 million, and to the extent that this level is not maintained by funds from other sources, revenues from OCS minerals are used. This fund received over $867 million from OCS revenues in FY81. The States adjacent to OCS production have asked that they be given a greater share of OCS revenue. This is an issue that could be difficult to resolve because of the need to maximize Federal revenue from the OCS to reduce the budget deficit. (Larry Parker, and William Hymes, Environment and Natural Resources Policy Division)

FEDERAL LANDS AS A SOURCE OF FEDERAL REVENUES

The Congressional search for sources of revenue, in the context of large projected budget deficits, has led to examination of options for deriving more money from the minerals and other natural resources on Federal lands.
Options that may be considered include increases in royalty rates, sales of property, and resource development by the Federal Government itself. Each option, however, has consequences that run counter to other Federal policy goals, such as optimal development of domestic natural resources, control over publicly owned resources, and increased health of domestic mineral industries. (Bernard Gelb and James Bickley, Economics Division).

LEGISLATION

H.R. 64 (Albosta), H.R. 1267 (Penetta et al.)

Directs the Secretary of the Interior to retain specified lands within the Outer Continental Shelf extending from Point Concepcion in the south to the California-Oregon border in the north and extending seaward as a national reserve for oil or gas production development.

H.R. 399 (Pickle), H.R. 2990 (Hammerschmidt et al.) H.R. 459 (Roth et al.), S. 859 (Bumpers et al.)

Amends the Mineral Leasing Act for Acquired Lands to require receipts received from leases on lands set aside for military or naval purposes, except the Naval Petroleum Reserves and National disposed of in the same manner as similar receipts under the Mineral Leasing Act of 1920.

H.R. 1409 (Marriott et al.)

Amends the Mineral Lands Leasing Act to authorize holders of leases of oil shale lands to lease additional acreage for operational purposes and prohibits mining of oil shale on those additional lands.

H.R. 2826 (Emerson et al.)

Amends the Mineral Lands Leasing Act to prohibit, for a specified period, any foreign person from acquiring more than 25 percent of the voting securities in a U.S. mineral resource corporation.

H.R. 2844 (Marriott et al.), H.R. 2897 (Santini et al.), H.R. 4053 (Mariott et al.), S. 1032 (Jackson), S. (Hart), and S. 1484 (Warner et al.)

Amends the mineral Leasing Act to revise the authority of the Secretary of the Interior to lease lands containing oil shale deposits.

H.R. 3092 (Marriott et al.), H.R. 3114 (Santini et al.) H.R. 3975 (Santini et al.) S. 1575 (Wallop et al.)

Amends the Mineral Lands Leasing Act of 1920 and the Mineral Leasing Act for Acquired Lands to expand the application of such Acts to include gilsonite and all vein-type solid hydrocarbons, and it authorizes the Secretary of the Interior to establish a lower aggregate acreage limitation for leases in designated tar sand areas.

H.R. 3313 (Udall et al.)

Amends the Mineral Leasing Act of 1920 to prohibit major oil companies from directly or indirectly acquiring any coal lease or locating and recording any claim for uranium or other fissionable materials, and it allows any holder of a mineral lease to modify or revise a lease to include a
limited amount of contiguous lands.

H.R. 4035 (Yates)

Makes appropriations for the Department of the Interior and related agencies for fiscal year 1982.

H.R. 4053 (Marriott et al.)


H.R. 4463 (Williams)

Amends the Mineral Leasing Act of 1920 to repeal the limitation on the acquisition of a coal lease or permit by a railroad, and it requires a railroad leasing public lands adjacent to grant lands to use at least 33 1/3 percent of the revenues from resource development for the operation and maintenance of the railroad.

H.R. 4597 (Jones)

Amends the Outer Continental Shelf Lands Act and other Acts to revise provisions concerning permits and oil gas leases for exploration, development, or production on the OCS.

H.R. 4712 (Conyers et al.) Establishes the Federal Oil and Gas Development Corporation to exercise sole control over oil and gas exploration and extraction operations on Federal land.

H.R. 5121 (Markey et al.)

Provides for a comprehensive accounting system of Federal mineral interests by amending the Mineral Leasing Act of 1920 to require 50 percent of all money collected in connection with public land sales and rentals to be paid to the State within which the land is located, except that the rate shall be 90 percent for Alaska.

H.R. 5260 (Kogovsek et al.)

Amends the Mineral Leasing Act of 1920 to provide that beginning with fiscal year 1983, the balance of money received from sales and rentals of public land shall be credited to a Payment in Lieu of Taxes Trust Fund which shall be established in the U.S. Treasury.

H.R. 5263 (Marlenee)

Prohibits the issuance of mining leases in the Bob Marshall Wilderness Area in Montana.

H.R. 5282 (Burton et al.)

Withdraws lands within the national forest system designated as wilderness or wilderness study areas and lands recommended for wilderness designation or further planning from appropriation or disposition under the mining and mineral leasing laws.
H.R. 5295 (Hertel)

Prohibits, under the Mineral Leasing Act of 1920, the issuance of any oil or gas lease in the Great Lakes.

H.R. 5603 (Lujan et al.)

 Withdraws the national wilderness preservation system and other lands from operation of the general mining and mineral leasing laws.

H.R. 5770 (Markey)

Modifies the royalty rates applicable to oil and gas leases.

S. 60 (Bumpers)

Amends the Mineral Leasing Act of 1920 to authorize competitive oil and gas leasing and to modify leasing procedures for onshore Federal lands.

S. 669 (Jackson)

Amends the existing geothermal leasing and permitting laws, and for other purposes. Bill would modify the Geothermal Steam Act of 1970 to facilitate and require accelerated exploration and development of geothermal steam resources on Federal lands. The bill contains provisions designed to assure competition in the geothermal industry and protect nationally significant geothermal features in national parks and monuments.

S. 1073 (Armstrong et al.)

Amends the Mineral Lands Leasing Act to authorize the Secretary of the Interior to lease additional lands to the holder of an oil shale lease for purposes that the lessee demonstrates are necessary for the oil shale operation. Permits the lessee to use the land to, among other things: (1) dispose of oil shale waste; and (2) build plants, reduction works, and other needed facilities.

S. 1138 (Chiles), S. 1633 (Hawkins), and S. 1873 (Chiles)

Prohibits the issuance of phosphate leases in the Osceola National Forest, Florida.

S. 1484 (Warner)


S. 1516 (Warner); H.R. 4067 (Santini et al.) similar bill

Amends the Geothermal Steam Act. Redefines "known geothermal resource area" (KGRA) to remove the economic test of competitive interest in a tract as an indicator of the geologic presence of geothermal potential in an area. Provides for automatic declassification of KGRA lands where there are no competitive bids. Provides royalties of not less than 10% or more than 15% for electrical generation, and of not less than 5% or more than 10% for
nonelectrical utilization. Increases the maximum acreage a single lessee can hold in any one State from 20,480 to 51,200 acres, and authorizes the Secretary to increase the limitation to 115,200 acres in 1985. Extends the periods of review and adjustment of lease terms and conditions from 10 to 20 years. S. 1516 compares identically with H.R. 4067, with the exception that S. 1516 does not direct the Secretary of the Interior to establish and maintain a 15-mile-wide buffer zone around Yellowstone National Park and a one-mile-wide buffer zone along the southern border of Lassen Volcanic National Park.

S. 1542 (McClure et al.)

Amends the Mineral Lands Leasing Act of 1920 to repeal a provision which prohibits a company operating a common carrier railroad from holding a coal lease under the Act unless the coal is used for its own railroad purposes.

S. 1732 (Hart et al.)

Amends the Mineral Leasing Act concerning prepayment of rentals and royalties.

S. 1774 (Baucus)

Amends the Wilderness Act to exempt certain wilderness areas in Montana from mining and mineral leasing.

S. 2083 (Sasser et al.)

A bill to discourage the violation of mineral leasing laws, and to improve the collection of Federal royalties and lease payments derived from certain natural resources under the jurisdiction of the Secretary of the Interior.

HEARINGS

"Serial no. 96-47"
LRS80-16202

"Serial no. 97-6"
LRS81-13347

Publication no. 97-57

Publication no 97-57

"Publication no. 97-39"
LRS81-12266

"Publication no. 97-25"
LRS81-9085

"Publication no. 97-42"
LRS81-12621

"Publication no. 97-43"
LRS81-13824

"Publication no. 97-36"
LRS81-11974

"Publication no. 96-89"
LRS80-2607

"Publication no. 96-100"
LRS80-5030

----- Oil shale leasing. Hearing, 96th Congress, 2d session on


REPORTS AND CONGRESSIONAL DOCUMENTS


Facilitating and encouraging the production of oil from tar sand and other hydrocarbon deposits; report to accompany
LRS80-7224

LRS81-6343

LRS80-9143

LRS81-10227

LRS80-7866


LRS80-13561


LRS80-4619

----- Providing for reinstatement and validation of U.S. oil and gas lease numbered M-15450 (ND); report to accompany S. 466.