Federal Lands Leasing Policy in the Second Reagan Administration

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FEDERAL LANDS LEASING POLICY
IN THE SECOND REAGAN ADMINISTRATION

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PUBLIC LANDS MINERAL LEASING:
ISSUES AND DIRECTIONS

A short course sponsored by the
Natural Resources Law Center
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Ladies and gentlemen, it gives me great pleasure to be with you here today. This conference is important for two reasons; because of its theme -- public lands mineral leasing -- and because of the outstanding calibre of its participants. I am honored to find myself in such company.

As I travel around the country, whether to meet with industry groups, local organizations, or with members of the BLM family, I constantly stress that the work we do is important. That ours is more than just a job and a paycheck. I firmly believe that.

We are privileged to administer laws, develop policies and take actions that have meaning far beyond the ordinary. In our day-to-day activities, we are not simply issuing leases, approving mining plans, or managing natural resources. What we do has a greater meaning, now and for the future.

Presented before University of Colorado School of Law, Natural Resources Law Center's "Public Lands Mineral Leasing: Issues and Directions," Conference, in Boulder, Colorado, on June 10, 1985
I mention this, not to impress you with our importance, but rather to let you know that we are mindful of our role in the overall scheme of things.

With that introduction, let me now turn to the subject I am called upon to deal with here today, "Federal lands leasing policy in the second Reagan Administration"

I have taken the liberty of rephrasing that theme, in the form of the following question -- "What kind of leasing policy does America need?" That's the real issue we must deal with.

President Reagan referred to this question in his state of the union address, when he called for "A nation renewed -- stronger, freer and more secure." I'd like to suggest to you that our leasing policies should be designed to achieve the goals which the President spelled out for us.

Our leasing policies must:

- promote the domestic economy and the creation of jobs here at home;
- reduce our dependence on unstable foreign sources of fuels; and,
- promote domestic production of minerals important to our National defense.

Interior's mineral resources policy recognizes the role of the private sector in finding and developing oil, gas, coal and other mineral resources. It also commits the federal government to making public lands available for exploration, to the maximum
extent possible. That means we are wedded to a cooperative approach to mineral development.

Tomorrow, BLM Deputy Director John Latz will discuss our coal leasing program in light of that partnership. I intend to focus on our approach to oil and gas leasing.

The past several years have brought us stop-and-go leasing programs. The kind of program where companies have to call up the BLM every morning to see if they're accepting applications -- and then call again in the afternoon to find out if they're going to issue the lease.

That's not the kind of program the industry needs. It's not the kind of program we want. It's not the kind of program the American people deserve.

What kind of a leasing program should we have?

The Congress answered that question once, in the 1920 Mineral Leasing Act. The act mentions but one objective; to promote mineral development.

Since that time, other legislation has come about, and other priorities have emerged. And events have given us reason to revisit the question -- to ask if the original goal is still valid, or if it should be abandoned or modified. Should our leasing program continue to promote exploration, or should it emphasize up-front bonus revenues?
Right now, federal oil and gas leasing is a two-tiered system. Lands within the known geologic structure of a producing field are offered competitively. Lands outside a KGS are leased noncompetitively. These are the only options available to us under the law, and I believe they have served us well. Competitive sales tend to assure high initial return, while noncompetitive leasing promotes exploration and development, especially by the small, independent producers.

Still, who is to say that we cannot find other combinations that might serve us even better? I am not suggesting that we change the present leasing program simply to mollify its critics. But the subject is fair game for discussion.

In the past several years, a number of options and alternatives to the present leasing system have surfaced. These range from the all-competitive leasing program supported by some in Congress, to a continuation of the present system. In between, there are such options as a true lottery -- where people could file as many applications as they wish, instead of just one per parcel -- and Wyoming Governor Ed Herschler's three-tiered leasing proposal.

Frankly, we have wasted a great deal of effort in weighing these proposals individually, without first agreeing on the basic goals and objectives I spoke of earlier.

The results have been disappointing.
One proposal might look good from the standpoint of administrative efficiency, but would decrease revenue. Another might produce more revenue, but discourage exploration. Still another that would spur development might be an administrative nightmare.

Without a consensus on the objectives, we were unable to choose among them; we were playing games before we had agreed on the rules.

Under the leadership of Interior Secretary Don Hodel, that has changed. The focus within the Department has shifted for the moment, away from these specific options -- which are simply methods -- and back to the question of basic objectives. I don't expect that Secretary Hodel will recommend any changes in leasing methods until he decides what those objectives ought to be.

Interior, however, is not the only player in this game. The Congress has a role to play.

Up on Capitol Hill, hearings have already started to consider whether legislative changes might be needed. West Virginia Congressman Nick Rahall, who heads the Interior Subcommittee on Energy and Mining held the first such on May 7 of this year.

Unlike other legislators we've heard from recently, Rahall's approach is encouraging. He set the tone by calling attention, not only to alleged problems with the present system, but to its strong points as well.
Congressman Rahall said, and I quote:

"...In the Mineral Lands Leasing Act, the Congress set up a program to emphasize oil and gas resource development. That is what the present law attempts to enhance, through a system where lands of unknown potential are less expensive to get and have longer terms than competitive leases."

Let us hope that other legislators understand this point as well.

Let us hope they will approach this issue with the same degree of objectivity.

Let us hope they will not devise short-sighted solutions, before they have defined the long-range goals.

So far, I have described Interior's role in forging a leasing policy for the future. I have also mentioned the role of Congress. But there is still another element in the equation -- the public.

Neither the Interior Department nor the Congress can operate in a vacuum. Both need the benefit of private views as well. The minerals industry, state and local governments, environmental groups and other organizations, as well as the general public, also have a stake in our efforts. Everyone in this room has the right -- and an obligation -- to make his or her views known.

That is your role. Government's role is to listen to those views -- and to respond.
Those of us who are responsible for administering federal leasing programs have an obligation to preserve the highest degree of public confidence in those programs. We are doing everything possible to achieve this goal.

In the past several years, we have made many improvements in the leasing process. For example, we improved both the procedures and the staffing devoted to geologic evaluation. This means there is less likelihood of issuing leases noncompetitively that should be offered competitively.

The changes we made in the simultaneous leasing system have drastically reduced the opportunity for fraud. Two years ago, there were hundreds of bogus, "boiler-room" operators, offering their services to an unsuspecting public. Today, I can count the number on my fingers and toes -- without removing my shoes.

The Interior Department will continue to monitor its leasing program. We will make whatever future adjustments are needed to preserve its integrity, to warrant the public's confidence, and to meet our Nation's needs. That is our challenge to ourselves, and our commitment to the public.

Now, let me once again review the roles that others must play.

I call upon the industry to give thoughtful attention to any changes that might be proposed in the leasing program, whether advanced by the Interior Department, or by the Congress. America needs your best thinking on this subject. Oil and gas spokesmen have not been bashful in the past about offering advice, and I'm sure they won't let me down now.
I call upon the Congress to consider carefully any legislation it might propose in this area. And to weigh any such legislation on the scales of America's need for a vigorous and healthy exploration program.

I call upon all of you to share your views with us. The issue is too important to be left to bureaucrats and politicians. Every lawyer, teacher, housewife, and the children of every lawyer, teacher and housewife, has a stake in our leasing policies.

Some of you may have flown in to take part in today's conference. Some came by automobile. Some may have traveled by train, or by streetcar. Some made at least part of the trip by taxi. But, no matter how you got here, energy is the bird that brought you.

So, let me again ask the question. What kind of leasing policy does America need?

America needs a leasing policy that promotes exploration.
A leasing policy that is fair to the taxpayer.
America needs a leasing policy that is simple to administer.
A leasing policy that is environmentally acceptable.
America needs an energy policy that produces energy.
One that works, and will keep Americans working
One we can count on - so we don't have to count on others.
One that is secure, and will keep America safe.

America needs a leasing policy that will fulfill President Reagan's dream for "a nation renewed -- stronger -- freer -- and more secure.

Ladies and gentlemen, I welcome your help, your support, and your prayers as we seek to develop such a policy.

Thank you.