

Before getting into this first section of Oil and Gas for Managers, we should identify the statutory, or legal basis, ..... the mandate, if you will, for BLM'S oil and gas program. We only need to go back as far as 1987 to learn the current mandate .... the Leasing Reform Act of 1987.

This Act (FOOGLRA) is one of many amendments to the Mineral Leasing Act of 1920. The MLA and all of its amendments would make an epic novel of many pages. Fortunately, there have only been three amendments since 1970. The Federal Oil & Gas Royalty Management Act, the Federal Onshore Oil & Gas Leasing Reform Act and Federal Oil & Gas Royalty Simplification and Fairness Act are the more recent amendments.

Section 5102(a) of FOOGLRA contains the mandate for BLM. You might be asked whether BLM is required to lease Federal lands for oil and gas.

Section 5102(a) says that BLM shall hold lease sales where ever eligible lands are available for leasing.

# Federal Oil and Gas Leasing Reform Act FOOGLRA 1987

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## 5102(a)

(amending 17(b)(1)(A) Mineral Leasing Act)  
states that:

“lease sales shall be held for each  
State where eligible lands are  
available ....”

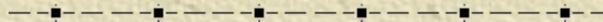
Determining the availability of lands is the subject of another Session on leasing. But, how does BLM determine whether lands are eligible for leasing?

This is our objective



# Planning for Oil and Gas

Managers will have an  
understanding of how and  
which lands should be made  
eligible for oil and gas leasing



Before getting into the Planning process itself, we need to go over exactly what we are doing when we decide to lease for oil and gas. What does it mean when we enter into an oil and gas lease contract?

The lessee gets the "exclusive right to extract and dispose of all the oil and gas together with the right to build and maintain necessary improvements". BUT, "Rights granted are subject to laws, regulations, stipulations, orders then in effect and later when not inconsistent with rights granted."

"Exclusive right" means that no other, not even the lessor, may enter the leased lands to attempt oil and gas development.

"All the oil and gas" is another important provision as well. This is construed to mean that a lease operator has the right to place a well point within each spacing unit so that all of the oil or gas may be produced, and not left in the ground.

And, what does it mean to BLM? It means that we have decided that its OK for an oil and gas field to be there.

# Deciding to Sell Oil and Gas Rights .... Or Not

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The meaning of oil and gas rights .... to the  
buyer (lessee) and to the seller (lessor)

**The lessee gets exclusive rights**

**The lessor has decided that an oil or gas  
field could be located there**

What are the terms that bind the parties to the lease contract?

Read the terms of the lease contract sometime. If you are a decision maker, you should know all of them. There are 14 terms in the current standard Federal lease instrument. Several will be discussed during the session on leasing which deal with rents, royalties, bonds, transfers and assignments. At least one term is germane to the session on Reservoir Management; diligent development. There is even one term for production accountability; section 5 of the lease. A copy of the current lease form is included in the handouts for this course.

Particular attention is given to section 6 which factors in environmental protection requirements. Section 6 says that lessees shall minimize adverse impacts (not eliminate them). And, that the lessee shall take reasonable measures deemed necessary by the lessor. Section 6 requires an APD process; saying "... lessee shall contact lessor prior to disturbing the surface to be apprised of needed procedures." (Conditions of Approval). These items will be discussed in the session on Environmental Protection -- Operations.

Balancing the uses of multiple resources is the subject of another session of this course; but, what does an oil and gas lease say about the subject: Section 6 says that the lessor may continue existing uses and allow future uses; but, "Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of the lessee." Does this mean the oil and gas rights dominate? After all, you've decided that an oil field should be there.

# Deciding to Sell Oil and Gas Rights .... Or Not

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Under what terms and conditions

**Read your contract before you sign**

Conduct of operations; Section 6

Allowances for multiple (balanced?) uses

Now we are ready to decide what needs to be done.

Do you already have an oil field in your planning area? Do you have a few, or many leases and a few, or many wells and facilities. Were many of these facilities around before NEPA?; before FLPMA?; before there was Planning? Do you anticipate that oil and gas leasing and development will continue in your planning area? Consider what documents currently exist to cover the existing leasing and development activity. Will this suffice for the future?

Likely, you already have a Planning document or at least an attendant NEPA document which covers your oil and gas activity. If you don't, you have been in NEPA violation since 1970; but likely, you are covered by something.

Next, consider whether any existing Plan or NEPA document "adequately" considers the oil and gas resource. "Adequately" in the sense of FOOGLRA and the supplemental program guidance which we will talk about later in this session. If you can answer a firm yes to all these questions, you are ready to move on to issuing leases and to permit oil and gas operations. If not, or if you need to assist other less fortunate Field offices, you need to Plan for Oil and Gas.

The Planning Handbook provides guidance and information on determining whether to amend or revise a land use plan. This will not be repeated here, and we will assume that a planning document needs to be prepared.

# Deciding What Needs to be Done

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- ✦ Does a NEPA analysis cover oil & gas
- ✦ Is there a Plan in place
- ✦ Does the Plan adequately consider oil & gas resources per FOOGLRA

## What does FOOGLRA say about Planning?

The statutory basis for planning for oil and gas is not solely in FLPMA, but most recently stems from FOOGLRA.

The authors of the Leasing Reform Act must have believed that Planning and NEPA analysis were very important to the decisions that BLM must make. Section 5111 of FOOGLRA covers land use planning, and required a study of land use planning done by the Federal surface managing agencies.

In addition to the pressures to change the method of leasing, there were environmental concerns, NEPA compliance concerns, contemporaneous with developing a new leasing system. The act required an evaluation of planning to ensure that proper assessments were conducted, and that wise decisions could be derived from those assessments.

In a landmark District Court decision, the Court ruled that leasing was an irretrievable commitment of the resource and, therefore, the decision to lease must be supported by an appropriate NEPA document which assessed cumulative impacts of leasing and development.

# FOOGLRA of 1987

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## **5111. Land Use Study**

NAS and the Comptroller General shall conduct a study of the manner in which oil and gas resources are considered in land use plans and recommend improvements to ensure:

potential oil and gas resources are adequately addressed, social, economic, and environmental consequences are determined, and any stipulations to be applied to leases are clearly identified.

Before moving on with procedures, consideration must be given to the various land status and land ownership types for which you are responsible. While BLM is responsible for leasing all Federal minerals, you are not necessarily responsible for assuring that other surface management agency land use plans are adequate. However, you are responsible for approving operations on those other lands, and are responsible for any appropriate NEPA document needed to cover your authorization. The lack of a suitable planning or leasing document by the other SMA will probably affect the extent and detail of the NEPA document you must prepare when operations are proposed.

Mineral reserved land (former Public Domain patented under the Homestead laws) must be covered in the Planning document for oil and gas even though the surface is privately owned.

Forest lands are usually covered by a Forest Plan, and mention of this is given in FOGLRA.

For split estate and other SMA lands, the NEPA document must still assess the cumulative impacts of oil and gas development. If the other SMA plans exist, they may be used to develop lease stipulations.

Indian lands are rarely covered by a Planning document (BIA has Integrated RMP's); but are sometimes covered by a leasing NEPA document to which your operations (document) may be tiered. But remember, any NEPA document you adopt, or tier to, will have your signature attached to it on the decision record.

# Deciding What Needs to be Done

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- ✦ Does Federal oil and gas overlies other than BLM land
- ✦ How is private surface considered
- ✦ How is acquired lands of other agencies considered
- ✦ What about Indian oil and gas resources

Now, we need to decide which planning process should be used.

RMP -- no, not unless you are still stuck with an old Management Framework Plan.

RMP Revision -- only if your aged Plan has issues other than oil and gas.

RMP Amendment -- only where oil and gas is the only planning issue and decision.

An amendment can be covered by an EA or EIS depending on the level and significance of impacts.

Plan maintenance or Coordinated Activity Plan -- are narrowly focused; guidance would be in other training.

These last couple of Planning documents are mentioned because they are available for specific needs. They would not likely be used if the basic land use allocation decision were to be changed.

Are there any other planning types?

# Deciding What Needs to be Done

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Which Planning process would you use:

✦ RMP

✦ RMP Revision

✦ RMP Amendment

✦ Plan Maintenance

✦ Implementation or Coordinated Activity  
Plan

What do you do with your use authorizations while you are planning?

Proceeding with implementation and use authorizations during the NEPA process for a plan document is a contentious subject because of the premise that you don't proceed with actions before complying with NEPA. There is a section of the new Planning Handbook which offers guidance, and a more recent IM specific to oil and gas decisions. The new guidance says that lands open for leasing under the current RMP will remain open during the process.

Remember that existing land use allocations remain in effect during the processing of any new Plan. *Leasing should not be a new Proposed Action. The permitting of wells may continue* because the leases are already there, covered by the existing Plan, and BLM always has the authority to condition approvals with measures to reduce impacts. In either case, the guidance requires *reliance on a Determination of NEPA Adequacy (DNA)* for each individual decision. You may decide whether continuing to issue leases or approving oil and gas permits might preclude the selection of a viable alternative to the proposed Plan. For example; if you are considering new lease stipulations or new drilling requirements which would be intended to prevent impacts to a resource, then you might not want to make a leasing or drilling decision in an area where that sensitive resource exists. In such cases, the decision would be delayed pending completion of the NEPA process.

Environmental issues banging on your door, inadequacies that may be found with existing plans or NEPA analysis, or public sentiment alone may influence your DNA. The new policy implies that area-wide or blanket moratoria on leasing or permitting are no longer allowed; but instead, the policy fosters the concept that all decisions must be made on a case-by-case basis.

Keep in mind the *lease rights* for operations on existing leases. The new policy suggests that any BLM action that may appear to reduce a lessee's rights to develop a lease should be cleared through the Solicitor. But remember, valid existing rights are not adversely affected as long as the Bureau is proceeding without delay to make a NEPA-based decision.

# Deciding What Needs to be Done

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What do you do with Decisions while you are  
Planning; H-1601-1, Chapter VII

IM No. 2001-191

✦ Leasing

✦ Drilling (Permits)

✦ Determine NEPA Adequacy (DNA)

✦ Remember valid existing rights

Decisions on oil and gas well permits are not and cannot be made at the plan level. Even decisions to issue leases are not made until lease sales occur. So just what decisions are made in an RMP?

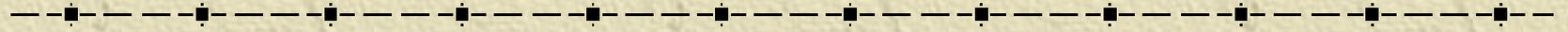
Standards for public land health should already be appended to BLM land use plans all across the country. They represent the minimum acceptable condition for the public lands, and apply to all uses. Guidelines were found necessary and have been published for the Range program, but not the for oil and gas program.

Land use allocations are decided at the Plan level and determine the kinds of resource and land uses that can occur, where they can occur, and under what conditions or constraints (stipulations) they can occur. This is the type of decision you make when you open areas for leasing and you develop lease stipulations.

Establishing criteria for resource use levels in an RMP does not affect oil and gas. This decision is intended to guide development among competing uses of the public lands. In light of the rights granted by a lease, this is done automatically at the time decisions are made as to lease constraints and the lease is issued. Establishment of oil and gas resource use level is covered by section 4 of the lease. (Section 5 of older leases) Read section 4.

Implementation and activity level decisions are the same for oil and gas and occur when lease operations are authorized.

# Planning Decisions made by BLM



- ✦ Standards for public land health
- ✦ Land use allocations
- ✦ Criteria for Resource use levels
- ✦ Activities

What are the land use allocation decisions affecting oil and gas?

First you identify areas open for leasing and development where the terms of the standard oil and gas lease form would be sufficient to protect other resource values. Recall that Section 6 of the lease provides for attaching mitigation to well permits.

Next, you identify areas where more restrictive measures are needed to mitigate potential impacts. These restrictive measures may alter the rights granted by the lease to the extent a lessee may not be able to exercise those rights during certain times of the year, or at certain locations on the lease. These are called seasonal and site location restrictions. A reference copy of the regulation on surface use rights is in the student handouts. If you plan to impose requirements affecting lease rights, they must be established as stipulations and be attached to the lease at the time of sale. Also, this includes prescribing the potential requirement to use directional drilling procedures at the discretion of the lessor. In many cases, these stipulations actually identify the resource to be protected.

Then, you identify those areas where stipulations effectively preclude any surface disturbing activity year-around; but that an alternative to closure is available. In certain specific instances a no surface occupancy stipulation is valid. There will be more discussion later in this session about establishing stipulations especially the NSO.

The last type of oil and gas allocation decision is to identify areas closed to leasing for discretionary or nondiscretionary reasons. The regulations describe nondiscretionary closure areas: cities, parks, wilderness or WSA's. Discretionary closures are where BLM does not want surface occupancy and NSO is not appropriate. We will discuss more on this issue later.

# Land Use Allocations for Oil and Gas



- ✦ Open for leasing subject to standard terms
- ✦ Open for leasing subject to constraints
- ✦ Open for leasing subject to NSO
- ✦ Closed for leasing

Continuing on with the process. The preplanning phase for oil and gas is the same as for any other planning document, and won't be discussed here. In conducting the analysis, there are three factors which must be considered in arriving at the oil and gas determinations we have just talked about. If you recall from FOOGLRA § 5111, the sense of Congress was that the oil and gas resource needed to be better assessed. In addition to published mineral resource assessment data, real-time measuring sticks are found in the level of public interest. These include: the numbers of lease applications being filed, the level of geophysical activity, the amount of bonuses being paid at recent lease sales, and input from the industry itself. Don't forget that the local oil and gas industry must play a role in scoping the Planning document.

The cumulative impact assessment is based on the reasonable foreseeable development scenario. The RFD may vary between alternatives depending on the areas open for leasing and the level of constraints, but each alternative must include an assessment of impact to the RFD. The RFD is usually expressed in terms of numbers of wells and fields. We will be talking in more detail about the RFD later in this session.

If closure or constraints are discretionary within BLM, the analysis must show that less restrictive measures were considered, but were found to be inadequate to protect resources. A note of emphasis from the guidance: The lack of oil and gas potential is not considered a basis for closing lands to leasing or for imposing constraints. The entire planning area must be covered.

# Oil and Gas Factors

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- ✦ Potential for oil and gas occurrence
- ✦ Cumulative impact of the RFD
- ✦ Necessity for constraints

This session is not intended to present training in land use planning or NEPA compliance, there are other NTC courses for those. Refer to the two-page handout in the student notebook on the RMP process. The process for Planning for Oil and Gas begins and ends the same way as for any other program.

The supplemental program guidance (SPG) is contained in Manual Handbook H-1624-1, Planning for Fluid Mineral Resources (the Handbook includes geothermal as well as oil and gas). The emphasis in the SPG is taken from the Leasing Reform Act, which directs that the Secretaries of Interior and Agriculture must adequately address the potential for oil and gas in their land use plans.

In the remaining portion of this session, I will talk about specifics and details in the planning guidance that either are unique to oil and gas, or are important to an understanding of the oil and gas resource.

Click through the eight steps listed on the following slide. They are taken directly from the SPG. I will go into more detail on the four steps underlined on the next slide.

# Procedures for Oil and Gas

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- ✦ Assemble Data
- ✦ Identify existing management practices
- ✦ Analyze resource capability and potential
- ✦ Project reasonable foreseeable development
- ✦ Analyze impacts
- ✦ Identify problems and opportunities
- ✦ Formulate alternatives
- ✦ Project RFD for each alternative

The identification of *existing management practices* is the first of the four steps we will discuss more extensively. This step is very important to oil and gas planning, and planning in general because there is no Proposed Action upon which to base impact analysis in the NEPA document which supports the RMP. Arguably, the proposed action and no action are the same; but, more on that concept later in the session.

The *operation of the oil and gas program* is a description of your local permitting and procedural requirements. It is based on existing policies, rules, oil and gas orders, and the existing Plan; whether an RMP, a prior RMP Amendment (or even an MFP).

The *existing management areas* identify lands currently open for leasing and development under standard terms and conditions, the lands open for leasing with constraints and the lands closed for both discretionary and nondiscretionary closures.

The *entire planning area* should be described regardless of surface and mineral ownership. Because of the mixing and intermingling of land status, the oil and gas resource and the environment will be common across jurisdictional boundaries. This facilitates the NEPA analysis. The description can be based on land use plans or programs of the other state and federal land managing agencies. This jurisdictional delineation plays a pertinent role the RFD projection later on.

# Existing Management Practices

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- ✦ Describe how your oil and gas program operates
- ✦ Identify existing management areas (current land use allocations)
- ✦ Describe oil and gas management for the entire planning area

The discussion of the second step, a *projection of a reasonably foreseeable development scenario* (RFD), will take the next two pages. The RFD projects oil and gas leasing, exploration, development, production and abandonment activity. The level of detail depends on the amount of data available and the nature of the resource conflicts that could occur.

At a minimum, the planning area should be separated into four *categories of potential*: high, medium, low and none. An estimate of the number of wells that might be drilled during the life of the Plan in each of the four categories is prepared along with an estimate of the production that would occur. For illustration purposes, the RFD should include a map comparing lands eligible for leasing with a map showing potential for oil and gas.

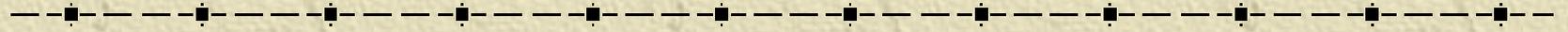
Again, this description would cover the entire planning area regardless of land and mineral ownership. The RFD projection would include an estimate of the percent of activity likely to occur on BLM land and land managed by other surface managing agencies.

The *description of development* is really a "proposed action" in that the the activity itself is described.

*Land use requirements* are the amounts of acreage to be disturbed by oil and gas activities. The RFD must include an estimate of acres of surface disturbance by well pads, roads, pipelines, disposal, or other facilities. And it should include an estimate of how long this land use would go on.

An RFD after all is a very rough estimate; intended only to characterize the direct impacts of typical development, and to serve as a basis for the discussion of cumulative impacts. In practice, these estimates have been used to attack the credibility of the Plan itself. The RFD is not a part of the Plan, merely a scenario in the EIS/EA.

# R F D



- ✦ Delineate areas of potential
- ✦ Describe typical development
- ✦ Identify land use requirements

The SPG has further guidance on the RFD.

As reserves in existing wells and fields are depleted, a steady demand for energy resources will result in a need for more discoveries, not just more drilling. Unless you have hard data to prove otherwise, you should assume the *oil and gas activities will remain steady* or will even increase over the life of the Plan.

While we know that BLM Headquarters is planning on releasing a final "comprehensive" oil and gas rule which would change both the appearance and the content of the operating regulations, the decisions made in the Planning document should not be affected. The leasing process would not change. *The statutes themselves; the MLA and its amendments and the various environmental laws would not change.* There could be exceptions to this if the National Energy Security Act were to pass in the form proposed by oil and gas industry proponents. Further clarification of the intent and use of the RFD is provided in a forthcoming policy IM from BLM Headquarters.

For planning purposes and NEPA analysis, we assume that the lease operator will comply with lease terms, stipulations and conditions of approval. And that *these terms will be effective in mitigating impacts.* The only way to change this last assumption is through effective post-RMP and post-permit monitoring.

And, we have to assume that reclamation requirements will be completed in a timely manner, and that *the reclamation process will be successful* as intended in the Plan. You might fail to plan; but, you must not plan to fail.

# RFD Assumptions

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- ✦ Drilling activity will be steady
- ✦ Laws and regulations won't change
- ✦ Stipulations and COA's will be effective
- ✦ Reclamation will be successful

The third step we will expand upon is *Impact Analysis*.

There is no Proposed Action in the NEPA analysis for a Planning document. Instead, the *No Action* alternative is the baseline from which any other alternative is compared. The RFD in the NEPA document, upon which the RMP is based, *assesses impacts, including cumulative impacts, assuming the continuation of existing management practices*. This is why the description of existing management practices is so important. For NEPA analysis purposes, this No Action alternative serves as a "Proposed Action". The No Action impact analysis is a description of what would happen if your current planning decisions did not change.

The No Action impact analysis is based on the RFD and *the mitigation already provided* by existing lease stipulations and other existing constraints as described in your current planning document.

One other important aspect of the SPG is that the impact assessment must include an analysis of the *impacts of existing management of other resources and land uses on the leasing and development of oil and gas*. This analysis is also supposed to address the potential production that is foregone by BLM's management of other resources. But, the analysis may take into account the development that will occur from existing leases. Recent guidance in IM No. 2002-53 requires this assessment, it is called a "**Statement of Adverse Energy Impact**".

# Analysis of Existing Management (Analyze Impacts)

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## The No Action alternative

- ✦ Describe impacts
- ✦ Assess existing mitigation
- ✦ Assess impact of other resource management on oil and gas

And, lastly, we will talk about the formulation of alternatives.

Based on the analysis of the baseline No Action alternative, the alternatives will be *alternatives to existing management*.

Thus, the alternatives are directed towards resolving any *problem with existing management* that can't be resolved through existing lease terms and stipulations.

If an unresolved issue or conflict with existing management is identified, at least one alternative needs to be formulated which *varies from the No Action* alternative in terms of where, when and how oil and gas would be developed.

A significant variance from the manner in which oil and gas is currently managed would vary the amount of development and/or the number of wells that might be drilled. If the alternatives vary significantly from No Action, then *a separate RFD must be prepared for those alternatives*.

A word about the *recent guidance* related to Jack Morrow Hills CAP. In developing the Plan for a large unleased area, the BLM dismissed restrictive alternatives because they conflict with multiple use mandates. Resulting policy says that a narrow interpretation of multiple use concepts cannot be used to limit the range of alternatives or analysis. And, that apparent conflicts with existing laws or land use plans do not render an alternative unreasonable, although the conflicts must be addressed.

# Formulate Alternatives

Alternatives to existing management

- ✦ Based on problems with No Action
- ✦ Vary the where, when and how
- ✦ RFD for each alternative
- ✦ Jack Morrow Hills guidance

Moving on with the SPG, even though decisions on lease operations (permits) are not made in the Plan, the Plan should also serve as a guide for lease operations; in other words the activity phase.

The new constraints, identified in the Plan, will apply to all new leases; but the Plan must also describe how, if at all, the constraints would be *applied to existing leases*. New stipulations can't be added to existing leases; but, newly developed constraints, or conditions of approval (COA's), can be applied to new authorizations on existing leases if they conform to section 6 of the lease, and lease rights granted. COA's will be discussed in more detail in the session on Operations.

*Stipulations are protective constraints* which substantially delay, change or deny operations on the lease. They become part of the lease contract, and supersede any inconsistent provision in the lease terms.

Any stipulation (or COA for that matter) should *include provisions for waiver, exception or modification* to the constraint. And, of course, the Plan is the vehicle for explaining the conditions under which they might be granted. Definitions:

Waiver -- permanent

Exception -- one time only on a case-by-case basis

Modification -- changes the content either permanent or temporary

On the next slides we will discuss stipulations in more detail.

The SPG reminds field offices to *include seismic operations* and geophysical NOI in the analysis.

# Management Direction

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- ✦ Existing leases and operations
- ✦ Lease stipulations
- ✦ Stipulation waivers
- ✦ Include geophysical operations

The NEPA document, upon which the Plan is based, identifies mitigating measures as part of the impact analysis. Any mitigating measure, if *more restrictive* than can be imposed under the standard lease terms (§ 6) must be translated into lease stipulations.

The Plan should connect the stipulations with the desired resource condition objective. The need for the *stipulations must be supported by the analysis* in the Plan.

The *least restrictive stipulation* that effectively accomplishes the resource objective should be used. If, for example, a two-month seasonal restriction will preserve a nesting or breeding season; don't go for three just to provide a buffer. The same applies to site area location buffers.

The stipulation should have an *enforceable performance element* that can be monitored. This is obvious in most cases, but, in wording a stipulation, think about how you would go about checking for compliance.

If you have multiple stipulations in the same area, you should *evaluate the effects of overlaps or duplication*. For example, multiple seasonal restrictions may add up to preclude activities most of the year. Lease closure or NSO may be in order instead.

Included in the course notebook material is a photocopy of the regulation on stipulations and lease notices.

# Stipulations

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Mitigation in excess of 6 of the lease

- ✦ Justified in the Plan
- ✦ Least restrictive to accomplish the task
- ✦ Enforceable
- ✦ Don't overlap or duplicate each other

Timing or location *restrictions are valid*, but affect lease rights. Any such restriction that is known at the time the lease is to be issued should be included as a stipulation. Those in excess of 3101.1-2 must be made stipulations in order to pass muster of the regulations. This will be explained in more detail in the session on Operations. **Refer to a copy of "Uniform Stipulation Format" guide in the student notebook**

*Invalid stipulations* are those that are unenforceable, are contingent rights stipulations, or are unnecessary. **Examples** . Contingent right stipulations are against policy and their use is forbidden. A contingent right stipulation provides that the lessor "may or might" restrict or prohibit certain operations and that terms and conditions for such restrictions would be determined at some future date after the lease is issued. This generally occurs when the Plan analysis is insufficient to justify a desired constraint.

**The handout in the notebook on the regulation in 3101.1-3** discusses lease notices. The intent of *lease notices* is to convey information about potential COA's. Even though the regulation uses the word "requirements", it goes on to provide that notices have no legal consequence, and cannot be used to deny operations. Hence they provide information on "COApproval." You are approving the permit under that condition, not denying the permit because of the condition. We don't have Conditions of Disapproval.

There are specific circumstances where the *NSO stipulation is valid*. If those circumstances do not exist, then NSO is not valid and lease closures should be considered. We will discuss two examples in an attempt to demonstrate valid versus invalid NSO scenarios.

# Stipulation Examples



Valid

Invalid

Lease Notices

N S O

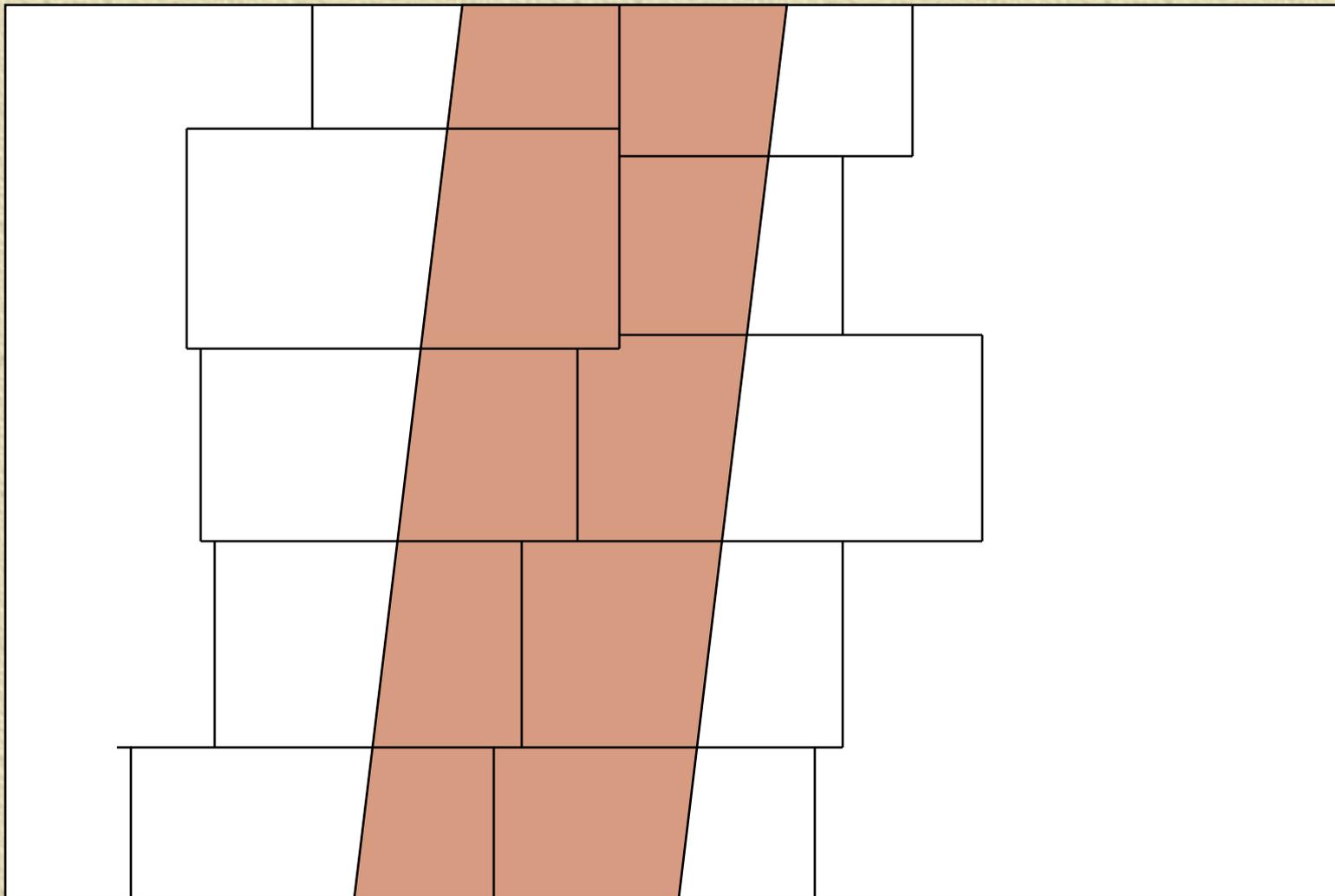
The following slide demonstrates one of two circumstances where a NSO stipulation is appropriate and valid. In this diagram the sensitive area is linear and is narrow enough to where the subsurface under any part of the sensitive area can be reached by "conventional" directional drilling techniques. There will be some discussion of slant or horizontal drilling techniques in the session on Petroleum Engineering. In any case, the ability and limits for directional drilling are technical calls on which your interdisciplinary Petroleum Engineer will have to guide you.

In this example, lease parcels may be arranged on either side of a relatively wide area ( and where lease acreage limitations are a factor).

Examples of this scenario may be the protection of a watershed, scenic trail, historic trail, or other linear feature. Or maybe the sensitive area is just highly localized.



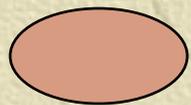
Narrow N S O sensitive area



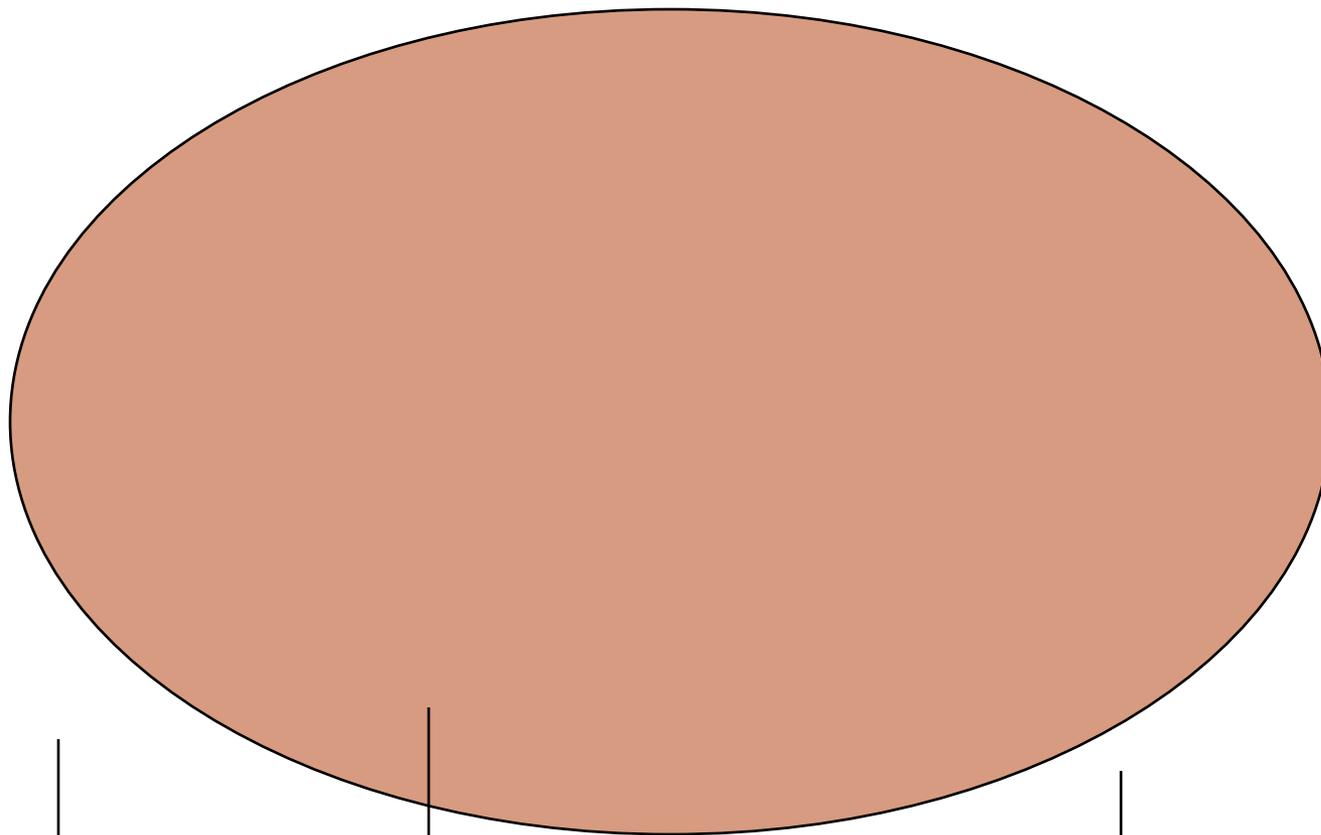
This following slide illustrates a highly diagrammatic second case for a valid NSO. In this case, a large sensitive area has been identified where lease closure is the preferred land use allocation. At least the edge or fringe of the sensitive area can be developed through directional drilling techniques. Again, lease parcels can be arranged to take optimum advantage of the ability to directionally drill.

In both this and the previous example, the NSO acreage under lease may not see any directional drilling at all. If the well spacing unit fits the NSO boundary, the NSO area may be included in the proration unit for a well located just outside the boundary. Or a combination of the two will serve to develop more of the sensitive acreage.

In this example there is acreage that could not reasonably be reached with directional drilling. This area should be closed to leasing if the impact is so severe that surface access would be denied. Don't raise the expectation of a waiver by leasing an area under NSO that you know cannot be developed by current technology. To do otherwise would be construed as a contingent right.



Large scale N S O sensitive area



This concludes the session on Planning for Oil and Gas. When your Plan is up to speed, it will identify those lands eligible for leasing. Other sessions will show how eligible lands are made available for leasing.

But first, we will end this discussion with an introduction into the session on Operations. By far and away the most common inquiry received from Field Managers and staff is the question "What is the limit of our authority on lease?" What can BLM do or not do? What is our limit? These questions are answered by the regulation in 3161.2. Everything in this regulation is listed on the next three slides and on a **Handout in your notebook designed for you to keep as a desktop reference**. Most important, realize that all of these authorities apply to Indian oil and gas leases as well as Federal unless specifically excluded. Some of the items on the list cover Reservoir Management and the I&E program areas as well as Operations; therefore I wanted to cover this subject now instead of waiting until the Operations session. Click through and review these 18 responsibilities prior to moving on past the session on Leasing. The very last item tells the authorized officer how to process a well permit.

# Authority of the A.O.

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- ✦ Approve units and CA's for Federal
- ✦ Assess compensatory royalty
- ✦ Approve lease suspensions for Federal
- ✦ Issue NTL's
- ✦ Approve drilling and development

# Authority of the A.O.

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- ✦ Perform administrative reviews
- ✦ Impose assessments and penalties
- ✦ Provide technical information on oil and gas
- ✦ Enter into cooperative agreements
- ✦ Approve, inspect and regulate operations subject to 43 CFR 3160

The last item on this list of authorities is a statement that tells the authorized officer how to approve lease permits. This single sentence sets the stage for the APD process. Please refer to the regulation itself for the complete text of this sentence.

# Authority of the A.O

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- ✦ Require compliance
- ✦ Require protection of other resources, environment, life and property
- ✦ Require maximum recovery with minimum waste or impact on other minerals
- ✦ Issue written and oral orders
- ✦ Specific guidance on approvals