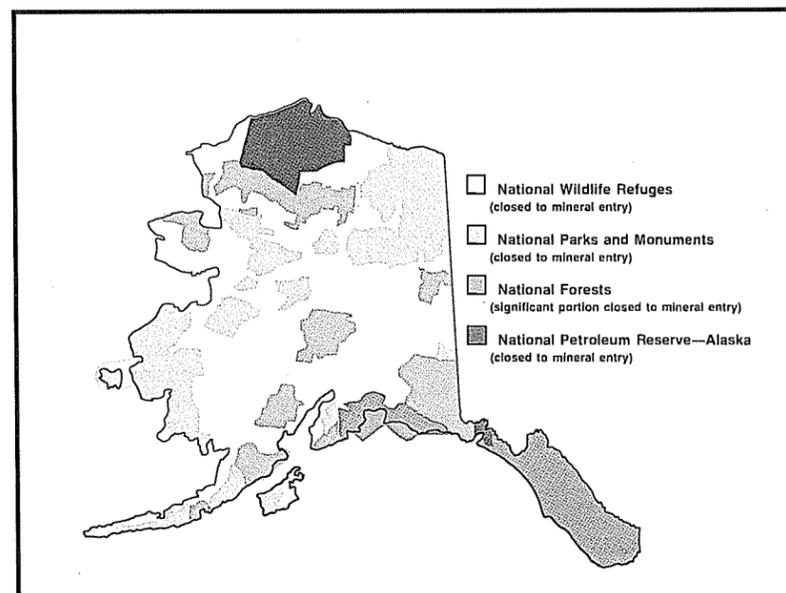


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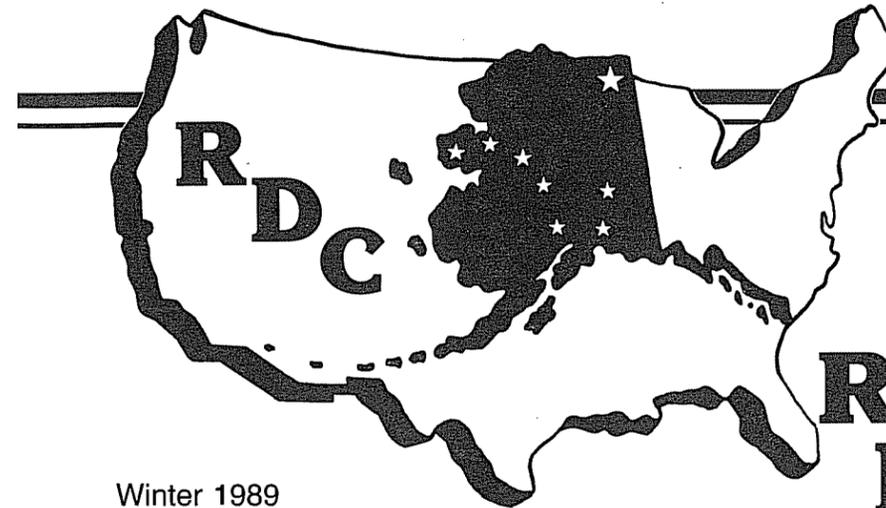
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Resource Review

Winter 1989

Wilderness

Part III

Federal withdrawals endanger future U.S. energy supplies

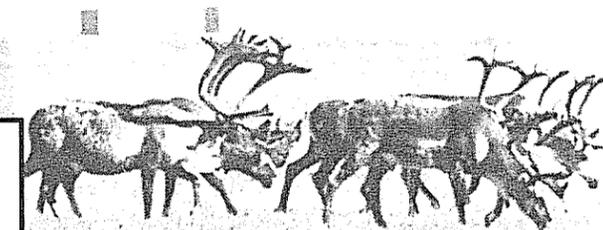
by
Carl Portman

Approximately two out of every five barrels of oil consumed in the United States are imported, a portion of which comes from the highly unstable Persian Gulf region. Unless new domestic oil supplies are discovered and placed into production, the United States could be dependent on foreign sources for two-thirds of its energy needs by the end of the next decade.

The nation's increasing dependency on foreign sources of oil will make it more vulnerable to petroleum price increases and oil supply disruptions. The inherent risks will only grow larger with the continued withdrawal of hundreds of millions of acres of federal lands from petroleum exploration and development.

America's oil industry is struggling to replace the petroleum now being produced from domestic oil and gas fields. Most of these fields are in a declining state of production and require new technology to enhance recovery. Land withdrawals are

Continued to page 2



Withdrawals may lock-up 60% of America's oil reserves

(continued from cover)

limiting new operations to areas that have already been heavily worked over. Bans on petroleum leasing, administrative decisions and other government actions are preventing exploration on federal acreage with high oil and gas potential.

While American consumers may look upon the worldwide oversupply of crude and tumbling oil prices with a smile, most are unaware of an accelerating domestic energy crisis which could leave America at the mercy of foreign producers. The best opportunity for reversing the nation's increasing reliance on foreign oil is finding more domestic oil. But only a fraction of federal lands are being leased while millions of acres are being withdrawn into federal designations prohibiting development.

Federal government is largest landowner

Onshore, the federal government owns some 727 million acres nationally, approximately 32 percent of America's total land mass. In Alaska, the federal government owns some 220 million acres, a 60 percent chunk of the state. These federal lands in Alaska alone are comparable in size to the combination of 15 Northeast and Mid-Atlantic states stretching from Maine to South Carolina, including all of New York, Ohio and Pennsylvania. A large portion of this federal block in Alaska has been withdrawn into conservation system units (CSUs) which severely restrict or prohibit development activity of almost every human kind.

Offshore, the federal government has jurisdiction over 1.4 billion acres of land. Those federal offshore tracts comprise almost 98 percent of the lands the government considers as potentially leaseable for oil and gas operations.

According to the U.S. Department of Energy, federal onshore and offshore lands together may contain as much as 85 percent of the nation's remaining oil reserves. Yet only 93 million onshore acres are opened to oil leasing, about 13 percent of the federal lands. The situation offshore is even more grim with only 30 million acres opened to leasing, representing a mere two percent of the offshore acres. Moreover, proposals in Congress would significantly reduce the leaseable acreage by "temporarily" deferring leasing in some areas and by permanently withdrawing tens of millions of additional acres from resource exploration and development.

Approximately 15 billion barrels of oil lie beneath 261 million acres of land that is already off-limits to development. Some 60 percent of all known U.S. oil reserves may lie beneath closed areas.



Common sense and experience suggest Americans must continue to develop its homefront energy resources to maintain a stable supply of petroleum. The economic hardships and gas shortages of the 1970s were clear examples of what can happen when a nation becomes so dependent on foreign oil.

API photo

Onshore land withdrawals

According to the American Petroleum Institute (API), more than 40 percent of federal onshore lands have been placed off limits to energy exploration. Of the remaining lands open to leasing, about 20 percent have been effectively closed by severe operating restrictions which government regulatory agencies have placed on the leases.

The closed lands include some 90 million acres that have been placed in the National Wilderness Preservation System, 43 million acres in national parks, 13 million acres in national wildlife refuges and tens of millions of acres closed by administrative action.

"The petroleum industry recognizes that there are legitimate reasons for setting aside certain lands for special use, and for restricting or preventing petroleum exploration and development in these areas," stated an API "Background Paper." API noted that national parks are a good example of such single-use designation of federal lands where the national interest has been well-served. But not all of the lands set aside by the government have met that national interest test.

The petroleum industry is not seeking to open designated Wilderness areas to oil and gas exploration and development. However, it is deeply concerned with proposals to add millions of acres of federal lands across the western states and Alaska into the wilderness system.

API stressed these lands should be thoroughly inventoried for energy and mineral values to determine their best use be-

fore they are withdrawn from resource exploration and development under such a restrictive status as Wilderness.

Tapping Alaska's vast potential

The powerful national environmental

lobby is applying pressure on Congress to prevent leasing of federal lands in the flat and treeless Coastal Plain of the frigid and remote Arctic National Wildlife Refuge in northeast Alaska. The Coastal Plain, 65 miles east of the huge Prudhoe Bay oil deposit, is considered the most outstanding onshore petroleum prospect in North America. Only this small strip of land along the northern edge of the refuge has the recognized potential for the discovery of new supergiant oil fields.

The Department of the Interior, the State of Alaska and some 80 percent of the state's residents — including Eskimos who live on the North Slope — favor oil and gas exploration and development of the Coastal Plain. They point to a 20-year record of energy exploration and development in the Arctic which has demonstrated that carefully planned North Slope oil operations can exist in harmony with the environment.

Moreover, constantly evolving arctic oil technology has been applied at each new North Slope oil field to improve environmental science and management that most consider quite excellent. Advancing technology and environmental regulations, combined with lessons learned from the pioneering development of Prudhoe Bay, can be applied in ANWR to eliminate harmful impacts.

It would take up to 15 years after a lease

is acquired before an oil field in ANWR's remote environment can be brought into production. During that period, environmental studies would continue and further advances in technology would help ensure development takes a cautious and environmentally-sound approach.

Once the potential energy resources underlying the small Coastal Plain area are brought to market, ANWR could be contributing up to 25 percent of America's domestic oil production. Currently, North Slope operations account for nearly one out of every four barrels of domestic oil production, but the super-producing Prudhoe Bay field is nearing its predicted steady decline.

Delays serve only to make more difficult the complex and time-consuming task of finding the energy reserves the nation needs to help reverse its increasing reliance on foreign oil.

The real issue: Wilderness

Nearly half of ANWR is already closed to development under a Wilderness designation. When combined with similarly managed lands within the refuge, some 92 percent of ANWR is off limits to exploration, production and development. At least one congressional proposal would designate the remaining 8 percent of the refuge Wilderness, including the Coastal Plain oil reserves.

If several major oil fields were discovered in ANWR, petroleum operations would affect fewer than 15,000 of ANWR's 19 million acres, which is less than one-tenth of one percent of the refuge. Development would not occur in existing Wilderness areas.

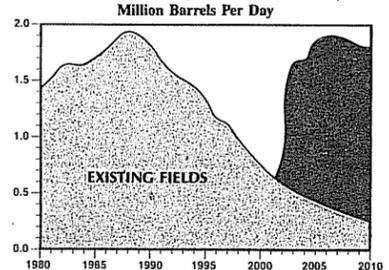
But with as much conviction as those favoring energy development in ANWR, preservationists are fighting to ban oil rigs from what they consider "one of Alaska's last pristine wilderness areas." To some, it doesn't matter whether development can exist in harmony with the environment, the issue is pristine, uninhabited wilderness. Compromise is not an alternative, even though development activity would consume less than one-tenth of one percent of the refuge. The preservationists claim they are making a stand, drawing a line from which no development of any kind may cross.

However, an examination of Alaska land use patterns clearly shows Alaska has no shortage of designated Wilderness, land that is permanently closed to development. In fact, at 56 million acres, Alaska has 62 percent of the nation's designated Wilderness. The state also has 70 percent of America's national parks and 90 percent of its wildlife refuges.

In addition, the state has tens of millions of acres of land outside the federal designations which are wild in nature because of their uninhabited status. Most of these lands are unlikely to be developed because of severe access constraints and harsh environmental conditions.

Despite a great deal of opposition from the State of Alaska, its various resource industries and long-time residents, federal

Potential Alaska North Slope Production (With ANWR)



Graph shows the decline of North Slope oil production to about 300,000 barrels per day after the year 2000, and how production of ANWR could potentially offset that decline.

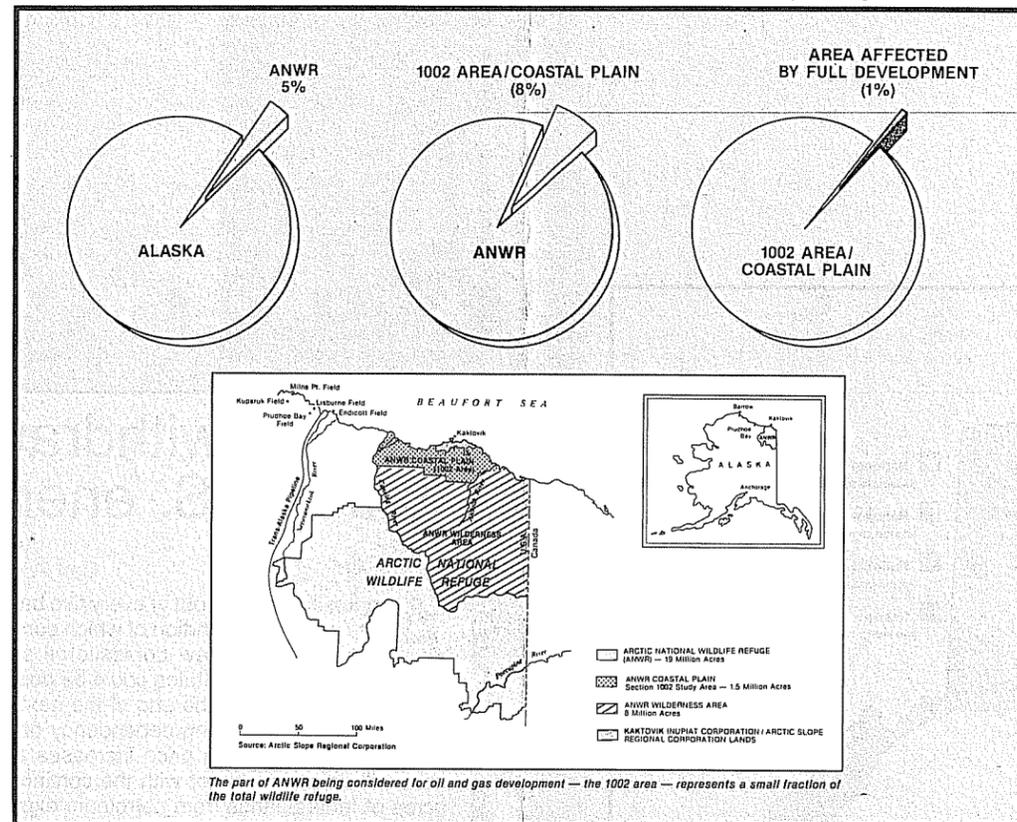
agencies are proposing to declare an additional 12 million acres in Alaska as Wilderness. These new Alaska Wilderness proposals are in addition to the 1.5 million acres of the ANWR Coastal Plain targeted for Wilderness designation by preservationists.

Like a wildfire advancing across drought-stricken Yellowstone National Park, federal Wilderness has consumed massive areas of Alaska to the point where ANWR is far from truly being Alaska's last pristine wilderness area.

Securing new supplies of domestic crude

Although the world markets are awash in oil, it is vital that potential vast oil and natural gas resources underlying federal onshore and offshore lands be explored and developed to reduce the nation's growing dependence on foreign oil. An approach encouraging exploration and development in a timely manner is the only way to ensure environmentally-sound development. Yet government policymakers continue to block some of the hottest prospects for major new oil and gas discoveries.

Granting oil companies permission to drill only in areas that are already explored and developed, while closing new lands with high energy potential, is short-sighted. If the U.S. is to meet more of its own energy needs and avoid the dangers of overdependence on foreign oil, promising areas such as ANWR should be opened to environmentally-sound exploration and development.



The part of ANWR being considered for oil and gas development — the 1002 area — represents a small fraction of the total wildlife refuge.