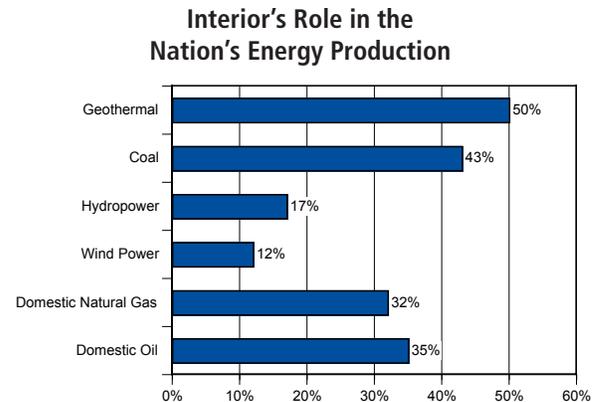


## Mission Area 2: Resource Use— Manage Resources to Promote Responsible Use and Sustain a Dynamic Economy

- End Outcome 1 Energy—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 2 Non-Energy Minerals—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 3 Forage—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 4 Forest Products—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 5 Water—Deliver Water Consistent with Applicable Federal and State Law in an Environmentally Responsible and Cost-Efficient Manner
- End Outcome 6 Hydropower—Generate Hydropower Consistent with Applicable Federal and State Law in an Environmentally Responsible and Cost-Efficient Manner

The Department of the Interior has a vital role in maintaining the Nation's energy supply (*Figure 1-11*). Thirty percent of the Nation's domestic energy supply is produced on Interior-managed lands and waters. Of this, 30% of America's domestic oil production and 21% of our domestic natural gas production come from the Outer Continental Shelf (OCS).

FIGURE 1-11



Our efforts emphasize and underscore our stewardship role by increasing renewable energy production on Federal land and producing traditional sources of energy in an environmentally responsible way.

In FY 2005, we met 77.5% of our performance targets for our Resource Use Mission Area. We did not meet 12.5% of our targets. This compares with 70.7% of targets met and 24.4% of targets where we fell short in FY 2004 (see *Table 1-5* for more detail).

Performance fell short of or exceeded targets within the Resource Use area due to the following factors:

- An increase in applications for permit to drill (APDs) in the past few years has complicated efforts to reduce the backlog of permits requiring processing by BLM. The BLM has been addressing this backlog at the Field and State Office levels and continues to make progress. Performance should improve in FY 2006, due in part to additional funding resources and management changes, including the establishment of quality assurance and review teams charged with improving the permit review process.

TABLE 1-5

Mission Area 2: Resource Use Performance and Resource Scorecard					
End Outcome Goal	Number of Measures Met (including estimates)	Number of Unmet Measures (including estimates)	Number of Measures Containing Preliminary Data	Number of Measures Containing No Reports	Costs (in thousands)
Goal #1: Energy—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	9	3	1	1	\$2,715,593
Goal #2 Non-Energy Minerals—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	4	0	0	1	\$162,232
Goal #3: Forage—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	2	1	0	0	\$89,704
Goal #4: Forest Products—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	4	0	0	0	\$60,458
Goal #5: Water—Deliver Water Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost-Efficient Manner	7	1	0	1	\$880,830
Goal #6: Hydropower—Generate Hydropower Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost-Efficient Manner	5	0	0	0	\$211,802
Total	31	5	1	3	\$4,120,619
Percentage (Total of 40 Measures)	78%	13%	3%	8%	

- The BOR exceeded water delivery goals this year through the enhanced use of collaborative contract arrangements and by completing two major water projects ahead of schedule.

## Providing America with Access to Energy and Minerals—Onshore and Offshore

We met our goal of supporting the President's National Energy Policy (NEP) by holding four offshore sales (Ref #50) consistent with the Secretary of the Interior's Five-Year Program. We made an estimated 590 million onshore acres available for energy exploration and development along with 570.7 million acres available for non-energy mineral resource exploration and development (Ref #49 and Ref #63). Our premier science bureau, the USGS, contributed to the success of this effort by ensuring that managers had information they needed about resources to make critical use decisions. USGS geologists, engineers, and other scientists provided non-energy mineral information for about 3,097,647 million square miles of the U.S. (Ref #66). This information included geologic maps and digital data sets, mineral locality information, and data from a Web-based geochemical database. USGS researchers also conducted resource assessments on seven targeted onshore basins with oil and gas resources, exceeding our target of six (Ref #61).

In FY 2005, USGS scientists completed assessments of petroleum resources in Yukon Flats and in the "Middlegrounds" of northern Alaska. The latter study, when combined with previous USGS work, enables a more comprehensive evaluation of petroleum resources along Alaska's North Slope. In addition, USGS scientists, with the support of managers from the BLM, conducted geologic, remote sensing, and geographic information system analyses for a portion of Alaska's North Slope. The surficial geology maps produced as a result of this effort may help to efficiently identify areas containing gravel needed for infrastructure to support petroleum resource development, while minimizing the potential disturbance to the land surface and fragile ecosystems.

Onshore and offshore mineral- and energy-operations leases managed by Interior's MMS and BLM generate revenues that are collected and disbursed to the general fund and the States, as well as to the

### Royalty in Kind Generates Solid, Measurable Results

In FY 2004, sales of royalty oil and gas through the Minerals Management Service's Royalty-in-Kind (RIK) program generated more than \$18 million in additional revenue for the U.S. Treasury.

When there is economic advantage through increased revenues, greater administrative efficiency, and/or security needs of the Nation, MMS collects royalties in kind rather than in value (cash).

During FY 2005, MMS began implementing the Five-Year RIK Business Plan for FY 2005-2009, which targets a cumulative RIK incremental net revenue enhancement of \$50 million over 5 years. Final RIK incremental revenue data for FY 2005 will be available in April 2006.

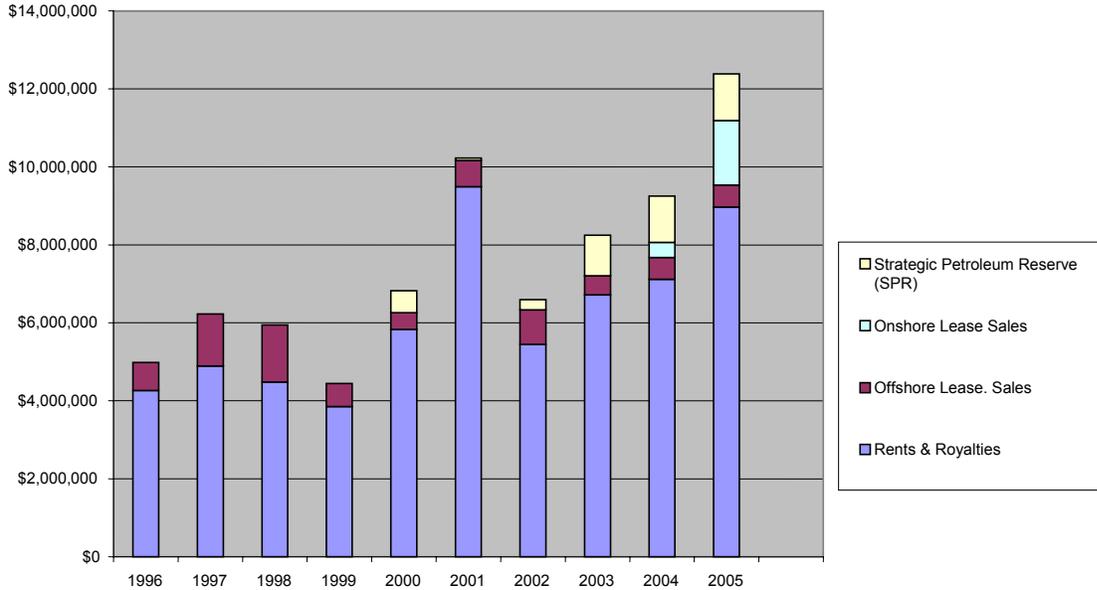


### Did You Know ...

The first Federal offshore oil and gas lease sale was held on October 13, 1954—over 50 years ago. At that first sale, the Federal Government leased 90 of the available 199 tracts, with a total bonus paid to the U.S. Treasury of \$116.3 million. Twenty-six of those tracts leased 50 years ago remain active today. To date, these have produced about 507.7 million barrels of oil and 1.9 billion cubic feet of natural gas.

FIGURE 1-12

Revenues for 1996-2005  
(in thousands)



**Note: SPR revenues represent value of oil taken in-kind for delivery to SPR rather than actual dollars. Beginning in FY 2005, the Statement of Custodial Activity was revised to present an additional revenue category for onshore lease sale activity. For comparative purposes in the current Statement, FY 2004 was also revised to include this category. This chart reflects those revisions.**

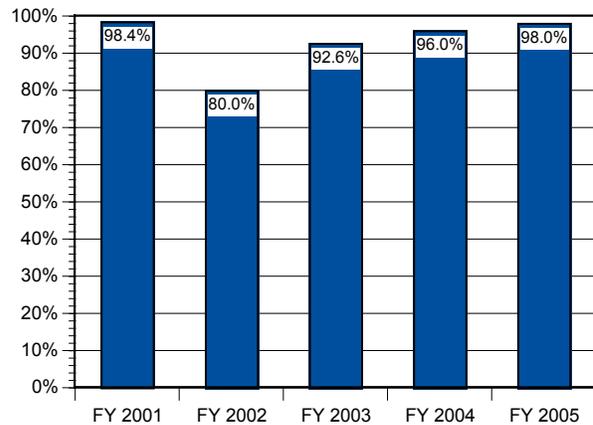
Office of the Special Trustee for American Indians for disbursement to Tribes and individual Indian mineral owners. MMS mineral revenues over the last 10 years are shown in *Figure 1-12*.

In FY 2005, MMS collected more than \$10 billion in mineral revenues. It disbursed these in a timely manner, meeting the performance goals (*Figure 1-13*). In addition, MMS took in kind approximately 26 million barrels of offshore oil, valued at an estimated \$1.2 billion, for delivery to the Department of Energy for the Strategic Petroleum Reserve. About 65 percent of all MMS mineral revenues were from offshore leases and 35 percent from onshore leases. BLM collected an additional \$66 million from onshore energy leases.

In FY 2005, MMS reported that the royalties received for mineral leases were 98% of predicted revenues (Ref #54), based on market indicators for the 2002 production year. In FY 2004, royalties received for its mineral leases were 96% of predicted revenues for the 2001 production year.

FIGURE 1-13

Percent of MMS Revenues  
Disbursed in a Timely Manner



The BLM manages over 300,000 leases and mining claims. Applications for permit to drill (APD) have nearly doubled in recent years, complicating efforts to reduce the number of pending permits awaiting processing by BLM. In FY 2005, BLM reported 2,461 (Ref #57) pending applications (against a target of 2,040) in backlog status for fluid energy minerals such as oil and gas, and 35 (Ref #58) (against a target of 25) for solid energy minerals such as coal. In FY 2004, it reported 2,182 pending cases for fluid energy minerals and 45 for solid energy minerals.

The BLM exceeded the number of APDs planned to be processed by over 200 APDs in FY 2005. However, the BLM was not able to attain its FY 2005 performance targets because the actual number of APDs received (8,351) exceeded the estimated number to be received (7,000) by over 1,000. Recent funding increases, including an additional estimated \$19 million for APD processing and related activities provided by Section 365 of the Energy Policy Act of 2005, and management improvements instituted by the bureau will significantly increase its capacity to process applications for permits and leases in FY 2006. This will address the number of pending applications, improve timeliness and responsiveness, and overall, better keep up with industry demand in seven pilot offices.

The BLM has established quality assurance teams to review field office procedures related to applications for permits to drill. It is evaluating ways that may improve its permitting process, including streamlining the National Environmental Policy Act (NEPA) process with broader use of categorical exclusions, making permitting available on-line if possible, and shifting resources to field offices where they will have the greatest impact. With its oil and gas base funding, the new mineral rental revenue provided to pilot offices by the Energy Policy Act, and the efficiencies gained from management improvements, the BLM plans to process over 10,000 APD's in FY 2006, an increase of 2,500 over the 7,700 APD's processed in FY 2005.

Processing additional APDs to expand access to Federal lands for oil and gas development provides several significant potential benefits for the Nation. For example, processing an additional 3,000 APDs in 5 years could result in the following benefits over a 15-year period: increased production equivalent to

### A Big Horse with a Little Footprint



On February 26, 2005, Interior Secretary Norton joined BP Oil officials in dedicating the world's largest and most advanced semi-submersible oil platform. Known as Thunder Horse, the giant structure will tap into a huge reserve of oil and gas deep under the Federal Outer Continental Shelf (OCS) in the Gulf of Mexico. It features more than 100 technological firsts, including a new generation of engineering solutions to handle the unique challenges of tapping into an ultra-deep, high temperature, and high pressure reservoir. The energy used by the platform itself will be produced from natural gas from the field below. To maximize its efficiency, the platform will capture waste heat through heat recovery units. The energy then will be used in the production process.

The Thunder Horse platform, which has a main deck that measures 120 yards by 150 yards, is about 50% larger than the next largest floating semi-submersible rig in the world. Its cutting edge technology will enable it to process 250,000 barrels of oil and 200 million cubic feet of natural gas per day—enough energy to provide for the daily needs of about 6.5 million American homes!

"With increasing amounts of our oil imported from abroad, these technologies are vitally important to our Nation's future energy security," said Secretary Norton. "It is amazing that so large a structure as Thunder Horse will have such a tiny environmental footprint, leaving almost no trace of itself in either the sea or the sky."

approximately 1, 670 billion cubic feet of natural gas; additions to reserves equivalent to approximately 2,900 billion cubic feet of natural gas; and a net present value of approximately \$4.7 billion in revenues.

## Maintaining Healthy Forests

In pursuing healthy forests, overstocked forest stands across large contiguous areas can lead to ecological and habitat issues by supporting increased insect and disease activity. Poorly managed forest areas are also prone to catastrophic wildland fire conditions that can have a devastating effect on wildlife through the loss of habitat, as well as posing human threats by placing local communities at risk. Forest management programs led by the BLM and BIA help restore forest health and support the President's Healthy Forests Initiative. The BLM is accelerating its progress toward reducing the backlog of forest and woodland acres in need of restoration work. It is expanding its use of stewardship contracting authority to achieve greater productivity and cost-efficiency in forest management programs. In FY 2005, the BLM reported that 100% of permitted forest acres (Ref #73) were maintained at appropriate land conditions and water quality standards.

The BLM and BIA also oversee the harvesting of timber on public and Indian trust lands. In FY 2005, the BLM offered 257 million metric board feet (MMBF) of timber for sale on Interior lands, exceeding its target of 223 MMBF (Ref #71). In FY 2004, BLM offered 188 MMBF of timber (*Figure 1-14*). The BIA offered 627 MMBF on Indian lands, against a target of 585 MMBF (Ref #144).

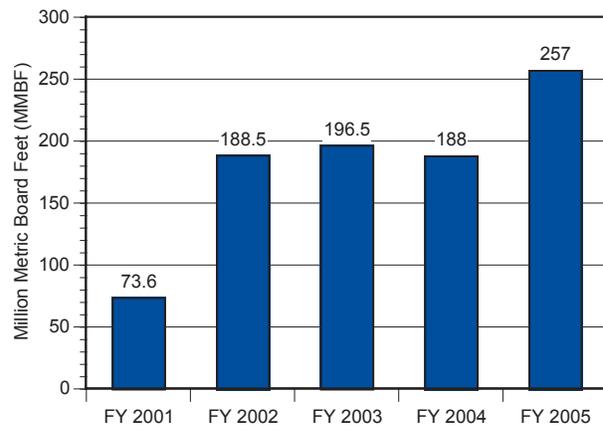
### Less Fuel for the Fire



Interior's Bureau of Land Management (BLM) is working in partnership with local ranchers and the Paiute Indian Tribe to implement a fuels reduction program in the Castle Rock area of Vale, Oregon. Castle Rock contains one of the few remaining stands of old growth Ponderosa pine and Douglas fir left in an area dominated by rangeland habitats. Dense stand conditions, as well as the presence of large amounts of deadwood, have reduced the vigor of the forested area, dramatically increased its susceptibility to disease and insect infestation, and significantly raised the risk of fire. The BLM is implementing a plan to treat the stand over the next 3 years using a combination of understory thinning, hand-piling and prescribed fire. Already, 200 acres of pine have received an initial fuels reduction treatment. These fuels reduction activities should significantly reduce the existing fire hazard and improve forest health.

FIGURE 1-14

Volume of Timber Offered for Sale by BLM



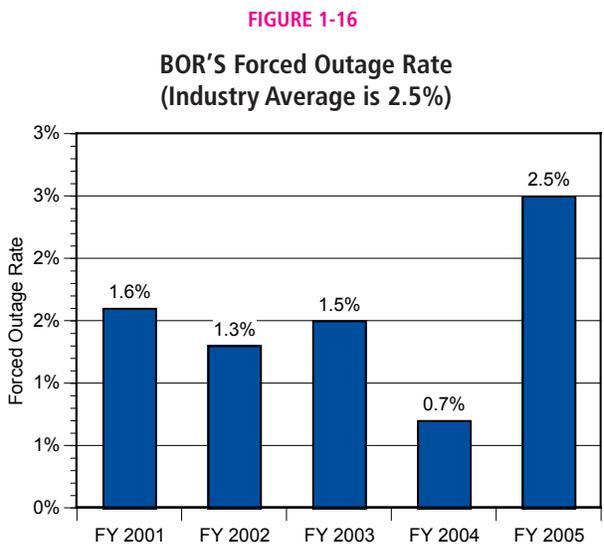
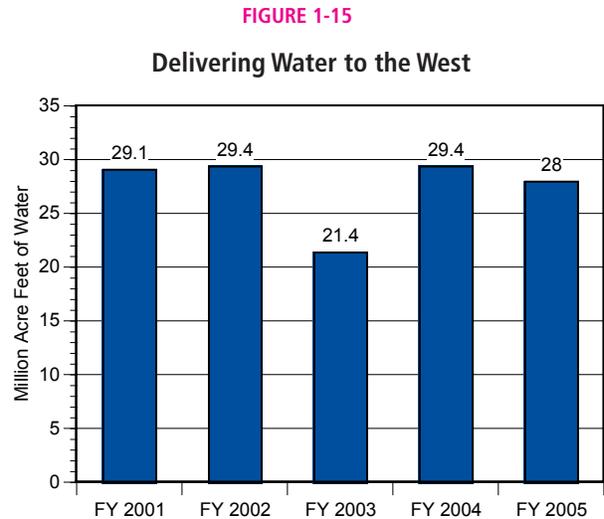
## Providing Water and Water Power

Interior plays a critical role in providing water to the Nation's western States. The Department's BOR manages 472 dams and 348 reservoirs that provide water to over 31 million people and irrigate 10 million acres of farmland, contributing to the production of 25% of the Nation's fruits and nuts and 60% of our vegetables. This water also is used to generate power.

Ongoing droughts and burgeoning Western populations have made the BOR's job of delivering water throughout the western States more challenging in recent years. Despite these challenges, BOR is finding ways to improve water delivery systems through better water management strategies and operations. For instance, through its *Water 2025* Challenge Grants, BOR is funding a variety of projects to make more efficient use of existing water supplies through water conservation and marketing. Projects funded in FY 2005 represent a combined investment of more than \$29 million in water improvements, including non-Federal cost-share contributions of more than \$18 million. For example, the Elephant Butte Irrigation District in New Mexico will save up to 8,000 acre-feet of water a year by installing 100 flow control meters to better manage and monitor water deliveries to farms. To put this into context, one acre-foot supplies enough water for a family of four for one year. Six of the grants were awarded to western States. Idaho, Kansas, Texas, Arizona, Montana, and New Mexico received about \$1 million in grants for projects to manage water resources more efficiently.

In FY 2005, BOR delivered an estimated 28 million acre-feet (MAF) of water to customers, meeting the target (*Figure 1-15*) (Ref #75). Reclamation met water delivery goals by entering into 67 agreements, partnerships, and management options exceeding its FY 2005 target of 54 (Ref #81). BOR was able to increase the amount of water available for use in FY 2005 by completing major phases of rural water distribution projects, water reuse and recycling, and aquifer groundwater investigations.

BOR is among the lowest-cost hydropower producers. In FY 2005, it estimated that it was in the top 25% of lowest cost producers, when comparing the cost per megawatt of installed capacity (*Figure 1-16*) (Ref #84). On the average, BOR generates about 42 million



kilowatt-hours of hydroelectricity, enough to meet the annual needs of 9 million people.

BOR operates and maintains reliable, safe, and secure power facilities. In FY 2005, 98% of BOR's hydropower facilities were in fair to good condition as measured by the Facilities Reliability Rating (FRR), against a target of 94.6% (Ref #87). It has an outstanding record of reliable power delivery, with a forced outage rate far better than the industry average of 2.5% (Ref #85). Forced outage refers to the number of hours that hydropower facilities are out of service per 8,760 total operating hours in the year, weighted for plant size and capacity.

Despite its record, BOR must continue to strive to improve its performance and optimize hydroelectric power generation. It must contend with external circumstances, such as the ongoing 5-year drought, that significantly impact hydropower production and affect rates that customers pay for power. For example, as of July 2005, Lake Powell was 115 feet below full surface elevation of 3,700 feet. Because of the lower lake level, Glen Canyon Powerplant's generation capacity was reduced by 25%.

BOR is making appropriate adjustments to account for external drivers such as weather to ensure it provides peak performance. It also conducts frequent assessments of operation and maintenance effectiveness at all 58 hydroelectric powerplants and major pumping plants. Recommendations to correct deficiencies or improve local programs are tracked to successful completion.

FIGURE 1-17

How We Measure Up: Performance on Key Resource Use Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
<b>End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Energy</b>					
Number of onshore acres available for energy resource exploration/development consistent with applicable management plans or permitting requirements <i>1 Result</i>					
Implement National Energy Policy by holding 17 offshore sales consistent with the Secretary's 5-Year Program <i>1 Result</i>					
Royalties received for mineral leases are 98% of predicted revenues, based on market indicators in the production year <i>1 Result</i>					
Number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APD's) [BLM] <i>1 Result</i>					
Number of pending cases of permits and lease applications that are in backlog status for solid energy minerals (LBA's) <i>1 Result</i>					
Number of targeted basins with oil and gas resource assessments available to support management decisions <i>1 Result</i>					
<b>End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use and Ensure Optimal Value: Non-Energy Minerals</b>					
Number of acres available for non-energy mineral resource exploration and development consistent with applicable management plans <i>1 Result</i>					
Average square miles of the United States with non-energy mineral information available to support management decisions <i>1 Result</i>					
<b>End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Forest Products</b>					
Volume of timber offered for sale <i>1 Result</i>					
Percent of permitted acres maintained at appropriate land conditions and water quality standards <i>1 Result</i>					
<b>End Outcome Goal – Deliver Water, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner</b>					
Acre-feet of water delivered consistent with applicable substantive and procedural requirements of Federal and State water law <i>1 Result</i>					
Number of agreements, partnerships and management options exercised resulting in improved water supply <i>1 Result</i>					
<b>End Outcome Goal – General Hydropower, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner</b>					
Percentile of lowest cost hydropower producers, comparing cost per megawatt of installed capacity <i>1 Result</i>					

FIGURE 1-17

How We Measure Up: Performance on Key Resource Use Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Percent of time in forced outage equal to or better (lower) than the industry average <i>1 Result</i>					
Hydropower facilities are in fair to good condition as measured by the Facilities Reliability Rating <i>1 Result</i>					

KEY

Range	95% - 105% of Target
▼	DOI FY05 Aggregate Actual compared to FY05 Target
▼	DOI FY04 Aggregate Actual compared to FY04 Target (Relative position of Bureau results identified by number)