Oil, Gas Lease Auctions in Calif. Postponed

GARANCE BURKE, Associated Press

SAN FRANCISCO (AP) — Federal land managers have cited the toll of environmental litigation — as well as budget problems and low staffing — in postponing all oil and gas lease auctions in California until October.

The U.S. Bureau of Land Management recently announced it would put off an auction planned for later this month for leases to drill almost 1,300 acres of prime public lands near the Monterey Shale, home to one of the largest deposits of shale oil in the nation.

Another auction for about 2,000 acres that had been in the works in Colusa County, about 75 miles northwest of Sacramento, also was put on hold until the end of the fiscal year.

"Our priority is processing permits to drill that are already in flight" rather than work on new applications, Interior Secretary Sally Jewell told reporters Tuesday after a Senate budget hearing in Washington.

The decision came after a federal judge ruled last month that BLM had violated a key environmental law when the agency auctioned the drilling rights for other parcels near the lush Salinas River Valley before performing a sweeping review of the impacts on water, wildlife and air quality. The ruling was in response to a lawsuit by environmentalists who said the bureau had not properly reviewed the environmental risks associated with hydraulic fracturing and other types of oil and gas development.

"BLM's decision to cancel planned lease sales in California for 2013 is a welcome sign that the agency finally recognizes that its rubber-stamp approach to oil leasing is no longer viable," said Brendan Cummings, an attorney with the nonprofit Center for Biological Diversity, which sued over the previous auction.

The decision to postpone leasing doesn't mean that drilling on existing leases will stop, said BLM spokesman David Christy. The agency is concentrating its limited resources on enforcement on existing leases and other priorities, such as granting renewable energy permits, he said.

"For all the legal processes that take place, it takes a lot of staff time to gather information for litigation," Christy said. "So obviously there's some effect, but it wasn't like all by itself it shut us down."

Jim Kenna, the agency's state director, said BLM's California office had been talking about the possibility of a suspension since at least March and made the decision to postpone auctions late Friday as a result of the automatic budget cuts that took place March 1.

"California is a little different from other states because we have so many established fields, so a lot of our state work is already geared to enforcement," Kenna said. "We're trying to understand how we can address those workloads with the reduced capacity."

Amy Krause, a spokeswoman for the BLM in Washington, said she believed other states would hold their lease sales as planned.

Industry officials said they were waiting to see what action BLM would take in the fall, and whether the decision would have a broader impact on oil and gas production.

"It's always a concern when domestic energy resources get taken out of the inventory and can't be brought to the marketplace," said Tupper Hull, a spokesman for the Western States Petroleum Association, whose members produce 80 percent of California's oil. "Hopefully BLM will work through these issues and be able to resume oil and gas leasing in short order."

Hydraulic fracturing, or fracking, has been quietly occurring for decades in several oil-rich California counties, including Los Angeles, Kern, Monterey and Sacramento. The technique involves injecting high-pressure mixtures of water, sand or gravel, and chemicals into rock to extract oil. The technique is also used in other states to recover natural gas.

Environmentalists often worry that fracking can contaminate groundwater and pollute the air. The industry, however, has said the practice has been safely used for decades.

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