

Andrus manufactures 'corruption' scandal to halt U.S. oil leasing

by William Engdahl

One of our readers, a small independent oil producer in the Rocky Mountain area, has brought an extremely dangerous situation to my attention. After reviewing the facts of the case and probing into the darker recesses of the Departments of Interior and Justice, I decided to postpone my originally scheduled sequel on the environmentalists' war against energy production to give this immediate attention. I think you will see why.

Two weeks ago, Interior Secretary Cecil Andrus abruptly suspended all oil and gas-lease bidding for "non-competitive" federal lands across the nation. This includes 97 percent of federal land leasing. In effect, Andrus has ordered that no new oil and gas wells are allowed to be drilled in the United States. Why? Andrus charges "corruption." We've checked. The charges are phony.

Assume for the sake of argument that you are Interior Secretary in the present administration with vast regulatory authority over federally held lands, primarily in the underdeveloped Western states. Again assume, just for the sake of argument, of course, that your intent is to prevent economic development of the immense untapped resources in this region including agriculture, uranium, oil and gas production. You are offered a credible cover to rationalize this intent: You are looking after the sanctity of the environment; pristine, unsullied nature is your constituency.

Your first act in office is to propose invoking an 80-year old unused federal regulation restricting irrigation to plots of no more than 160 acres. You are the firm defender of the bucolic "family farm," that brutal labor-intensive vestige of the last century, over and against the evil of "agribusiness." Of course, you carefully omit that American agribusiness has enabled the American farmer to become the most effective and economic food supplier to the entire world, with the potential to eliminate starvation and malnutrition from the face of the earth. But

man is not included in your environmental calculus.

Your next move is to halt progress on scores of federal hydroelectric and dam projects in the Western lands, using the rationale that they are a waste of taxpayers money.

But, this is not enough to guarantee success of your plan to halt economic growth. The area has become one of the fastest-growing regions for discovery of oil, gas, and uranium to fuel industry and fertilize agriculture. How can we stop this. The nation has been told by your colleagues in the Department of Energy and the White House that we are in a desperate energy shortage. If you can pull this one off, you might qualify for the George Orwell "1984 Doublespeak Award." After all, it's embarrassing to the President's conservation pitch for all these oil producers to be uncovering large new oil fields when he is trying to convince the nation there is none to be had. Let's try an old-fashioned corruption scandal.

Andrus's action

And that's exactly what Cecil Andrus, Interior Secretary, has done. On Friday, February 29, Andrus abruptly suspended oil and gas lease lotteries throughout the nation for an unspecified time citing "indications" of widespread abuse of the lottery system. The Andrus order, taken on advisement by his Bureau of Land Management (BLM) chief, Frank Gregg, on "advice" from the U.S. Attorney in Denver, suspends the lotteries. The official BLM statement declares, "until the Department determines whether the system can be reformed to correct the abuses or...concludes that it is necessary to convert on-shore leasing to an all-competitive system."

The charges sound appropriately chilling and sinister: "The U.S. Attorney in Denver, Colorado has asked that we make no comment on the ongoing criminal investigation except to say that indictments for wire fraud, mail fraud, fraudulent statements and conspiracy

are expected." So declares a March 7 memo obtained from the BLM, issued by Gregg.

We did a little digging and talked with a few friends in the business who are trying to produce energy amidst this Catch-22 thicket. What we found is instructive.

Criminal indictments for conspiracy and violation of the Constitution are indeed in order. Cecil Andrus, former Gov. of Idaho, who takes orders from the anti-growth Aspen Institute and has opened the doors of the Department to refuse from such pious-sounding organizations as the Sierra Club, Friends of the Earth, Environmental Defense Fund and Natural Resources Defense Council, is indictable under the laws of this land. Frank Gregg, his hand-picked hatchet man heading the vitally important BLM, is indictable, as is Assistant U.S. Attorney Rod Snow of the Denver office, coordinating the "anti-crime strike force" unit with BLM Special Agent John Deans, referred to within the Interior Department as "Group A." The framers of our Constitution mandated that the government exists to provide "life, liberty and the pursuit of happiness" to the citizenry, and to "ensure the progress of manufactures." The natural law conception of pursuit of industrial and scientific progress is established and embedded firmly in this mandate. Every cabinet official is sworn to uphold this Constitution.

Andrus, anticipating a flood of criticism over his move, added that the move to suspend all oil and gas leases "only applies to non-competitive leasing," and that so-called competitive bidding will continue. What he did not say was that only 3 percent of all federal leases are "competitive" and a whopping 97 percent are "non-competitive." Here's how it works:

The U.S. Geological Survey (USGS) determines whether federal land is competitive, that is, likely to produce oil or gas. This land is then auctioned to the highest bidder, normally major oil companies or large "independents" such as ARCO who can pay large sums for development rights, often only to keep the oil and gas undeveloped and out of a glut market that presently exists. Non-competitive land is designated by the USGS to be less likely, i.e. more risky, for producing oil and gas. This land is leased for a nominal fee to private producers and a percentage on any earnings paid to the federal government over the term of the lease.

Federal land leasing in the Rocky Mountain and Southwest United States is a life and death economic issue. In states such as Wyoming or New Mexico over 60 percent of the land is federal.

With choice lands outpriced by the major producers such as Exxon, Mobil and ARCO, most small to medium-size independent producers have gambled or "wild-catted" on these less desirable federal "non-competitive" leases. These independents are responsible for more than 80 percent of all drilling within the U.S. last year. They are the risk-takers in a high risk industry. On

average, only 1 in 9 wells is a strike, the other 8 dry holes. One well's cost can easily run over \$1 million depending on depth. With soaring interest rates, increasing numbers of the more than 10,000 independent producers are finding it impossible to drill for the abundant oil and gas that exists, making the Schlesinger "prophecy" of an energy shortage self-fulfilling.

What Andrus is charging behind all the "criminal conspiracy" rhetoric is nothing more than a common practice of forcing smaller independents to scramble for these less desirable lands by enrolling for leases under the names of several persons, such as members of their family to enhance chances to obtain land otherwise unavailable. This "crime" is the flimsy pretext for Andrus to impose his remarkable stop order. This, despite the fact that Andrus proposed regulations last fall to deal with these problems and never enacted them. Senator Malcolm Wallop cited this in an attack on the Interior's capricious actions that are "putting the whole nation's energy problem at jeopardy because they haven't been able to deal with a few specifics."

Last June, Andrus introduced legislation, blocked in Senate subcommittee, to increase competitive leasing on some 100 million acres of federal land from present levels of 3 percent to more than 50 percent. There is strong evidence to suggest that the current "nacht und nebel" tactics of Andrus and the Justice Department are keyed to pressure the Senate to move on his bill.

Peyton Yates, a prominent independent producer from New Mexico has accused Andrus of "using that situation to pressure Congress to come up with legislation he has pending." Indeed, in its March 7 intradepartmental memo, Instruction Memorandum No. 80-342, on the lease suspension, BLM director Gregg declares that "The Department will also renew its efforts to secure the passage of legislation similar to S-1637 (Andrus bill)."

Let's be blunt. There is a little game afoot here. The name of the game is drive producers out of business whether in energy, industry or agribusiness. Because independent oil producers as a group are locked into actual production and development of oil and gas far more than major oil companies, whose profits can swell merely through withholding supply; majors have little to lose by Andrus's action. But the nation has a lot to lose if this sector of the energy industry goes under. The independent producer who put me on to this remarkable story mused that the world no longer "worked" according to rational laws. "I am increasingly coming to the conclusion," he told me, "that our own government is a greater threat to our way of life than the Soviet Union."

The more significant point is that the actions of the likes of Andrus are entirely lawful and deliberate. It's the logic of a "zero-growth ecology." As any competent physicist will tell you, nature abhors a zero-growth or steady state system. So do we.