

DEPARTMENT OF ENERGY
FY 2000 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES

PROPOSED APPROPRIATION LANGUAGE

[For necessary expenses in carrying out naval petroleum and oil shale reserve activities, \$14,000,000: *Provided*, That the] *The* requirements of 10 U.S.C. 7430(b)(2)(B) shall not apply for fiscal year [1999] 2000: *Provided [further]*, That, notwithstanding any other provision of law, [funds available pursuant to the first proviso under this heading in Public Law 101-512 shall be immediately] *unobligated funds remaining from prior years shall be* available for all naval petroleum and oil shale reserve activities. (*Department of the Interior and Related Agencies Appropriations Act, 1999, as included in Public Law 105-277, section 101(e).*)

Explanation of Change

The Department of Energy is not seeking new budgetary authority for the Naval Petroleum and Oil Shale Reserves for FY 2000 and intends to use prior year funds for all activities undertaken during the fiscal year.

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NAVAL PETROLEUM AND OIL SHALE RESERVES
(Tabular dollars in thousands, Narrative in whole dollars)

Naval Petroleum and Oil Shale Reserves

PROGRAM MISSION

The mission of the Naval Petroleum and Oil Shale Reserves (NPOSR) is to manage, operate, maintain and produce the Reserves to achieve the greatest value and benefits to the Government with consideration of the interests of the joint owners. To that end, the program has historically produced oil and related hydrocarbons from the Naval Petroleum Reserves at the maximum efficient rates of production pursuant to the enabling legislation, the Naval Petroleum Reserves Production Act of 1976. Petroleum products were most frequently sold competitively in the open market. NPOSR activities generated a net income of \$13.8 billion for the U.S. Treasury from FY 1976 through FY 1998. In addition, another \$3.65 billion in gross receipts was generated from the divestment of NPR-1 during FY 1998.

As a result of the successful implementation of privatization initiatives mandated by the National Defense Authorization Act for FY 1996, the Department sold the United States' interest in Naval Petroleum Reserve No. 1 (NPR-1 or Elk Hills) for an effective price of \$3.65 billion during FY 1998. The Act also directed that final ownership equity percentages be determined between the two owners of NPR-1, DOE and Chevron, USA. A process for settling the equity shares was established by the two partners. Barring further delays, this highly contentious process, with hundreds of millions of dollars at stake, should be completed during calendar year 2001.

The National Defense Authorization Act for FY 1996 also directed the Department to conduct a study of the remaining Reserve properties (the three Naval Oil Shale Reserves, NPR-2, and NPR-3) to determine which of four options, or combination of options, would maximize their value to the United States. As a result of the subsequent study, and pursuant to recommendations by the Department, Congress included language in the National Defense Authorization Act for FY 1998 directing that administrative jurisdiction over Naval Oil Shale Reserves Numbered 1 and 3 (NOSR-1 and NOSR-3) be transferred to the Department of the Interior, and that those properties were then to be made available for leasing. (NOSR-1 is an undeveloped property adjacent to NOSR-3; both located in Garfield County, Colorado.) NOSR-1 and the undeveloped portions of NOSR-3 were transferred upon enactment. The developed portions of NOSR-3 are scheduled to be transferred to the Department of the Interior May 1, 1999, coinciding with DOI's leasing of these lands.

Three properties will remain under the jurisdiction of the NPOSR program: NOSR-2, located in Uintah County, Utah, is an undeveloped property; NPR-2, located in Kern County, California, is a producing oil field from which NPOSR collects lease royalties of about \$1.5 million annually; and NPR-3, located in Natrona County, Wyoming, is a producing stripper oil field operated directly by DOE. The NPOSR program

Program Mission - Naval Petroleum and Oil Shale Reserves (Contd.)

estimates that NPR-3 will produce 350 barrels of oil per day during FY 2000, generating a net cash flow of about \$360 thousand, and anticipates operating the property through FY 2003, at which time the Department estimates the field may reach its economic limit.

Although the FY 2000 budget request seeks no new appropriation for the Naval Petroleum and Oil Shale Reserves, the program anticipates costs of \$21.24 million during FY 2000 which will be paid from prior year funds. Although significantly reduced since the sale of Elk Hills, this program continues to be responsible for routine operation and maintenance at NPR-3, environmental and conservation work at Elk Hills (as conditions of the sale), NPR-2 and NPR-3, and for the facilities and related systems required for the collection, storage, and sale of NPR-3 produced petroleum and related products. The program also oversees NPR-2 leases, collecting royalties of about \$1.5 million annually.

For the five years preceding the \$3.65 billion divestment of Elk Hills in FY 1998, the program generated an average net cash flow to the Government of more than \$200 million annually. FY 1998 receipts from royalty payments and the sale of petroleum and related products from all Naval Petroleum and Oil Shale Reserve property in FY 1998 were \$209 million, excluding proceeds from the divestment of Elk Hills. Receipts during FY 1999 and FY 2000 are estimated to be \$3 million and \$4.0 million, respectively. (The large decrease in receipts after FY 1998 is due to the divestment of Elk Hills.)

PERFORMANCE MEASURES

No performance measures have been established for NPR-2 or NOSR-2. In the case of NPR-2, the Department manages several lease units and collects royalty payments. NOSR-2 is an undeveloped property thought to contain natural gas and small quantities of oil. At the present time, NOSR-2 activity consists only of monitoring development of properties near the Reserve.

The success of NPR-3 will be measured by the following performance measures during FY 2000:

- ◆ Profitably produce 127,100 barrels of oil from approximately 300 wells at a funding level of \$3.14 million.
- ◆ Plug and abandon 150 marginally productive or shut-in wells and perform related reclamation activities at a funding level of \$1.4 million.

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 NAVAL PETROLEUM AND OIL SHALE RESERVES
 PROGRAM FUNDING PROFILE
 (dollars in thousands)

Activity	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Base	FY 2000 Request	Program Change Request vs. Base	
					Dollar	Percent
Naval Petroleum Reserves Nos. 1 & 2						
Operations & Maintenance (O&M)	51,750	0	0	0	\$ 0	0%
Development Facilities	4,870	0	0	0	\$ 0	0%
Equity Finalization	1,250	2,500	2,500	2,500	\$ 0	0%
NPR-1 Closeout Activities	19,500	794	794	3,300	\$ 2,506	316%
Environmental Remediation & Cultural Resource Assessment	900	0	0	800	\$ 800	100%
NPR-2 Oversight	500	300	300	300	\$ 0	0%
Subtotal	<u>78,770</u>	<u>3,594</u>	<u>3,594</u>	<u>6,900</u>	<u>\$ 3,306</u>	<u>92%</u>
Naval Petroleum Reserve No. 3						
NPR-3 Production Operations	4,180	3,250	3,250	3,140	\$ -110	-3%
Environmental Restoration	800	3,000	3,000	1,400	\$ -1,600	-53%
Rocky Mountain Oilfield Testing Center	3,000	3,000	3,000	3,000	\$ 0	0%
General Operational Support	520	930	930	800	\$ -130	-14%
Subtotal	<u>8,500</u>	<u>10,180</u>	<u>10,180</u>	<u>8,340</u>	<u>\$ -1,840</u>	<u>-18%</u>
Naval Oil Shale Reserves	1,200	0	0	0	\$ 0	0%
Program Direction	<u>21,650</u>	<u>6,876</u>	<u>6,876</u>	<u>6,000</u>	<u>\$ -876</u>	<u>-13%</u>
Total NPOSR Requirements	110,120	20,650	20,650	21,240	\$ 590	3%
Use of prior year balances	<u>3,120</u>	<u>6,650</u>	<u>6,650</u>	<u>21,240</u>	<u>\$ 14,590</u>	<u>219%</u>
FY 2000 Congressional Budget Request	<u>107,000</u>	<u>14,000</u>	<u>14,000</u>	<u>0</u>	<u>\$ -14,000</u>	<u>-100%</u>
Staffing (FTEs)						
Headquarters	16	15	15	14	-1	-7%
Field	<u>43</u>	<u>39*</u>	<u>39*</u>	<u>25</u>	<u>-14</u>	<u>-36%</u>
Total Staffing, NPOSR	59	54	54	39	-15	-28%

*Includes 26 FTEs which are authorized to be transferred to other DOE programs, including NPR-3, and paid from NPOSR Program Direction under the Federal Worker's Transition Plan through FY 1999, the last year under the Transition Plan. (Authorizations: National Defense Authorization Act for Fiscal Year 1996 (P.L. 104-106) and the DOE Organization Act (P.L. 95-91))

DEPARTMENT OF ENERGY
 FY 2000 CONGRESSIONAL BUDGET REQUEST
 NAVAL PETROLEUM AND OIL SHALE RESERVES
 (dollars in thousands)

SUMMARY OF CHANGES

FY 1999 BASE	\$14,000
Naval Petroleum Reserve Nos. 1&2	
- NPR-1 Closeout Activities	\$2,506
Increase due to closeout costs for the former Management and Operating Contractor and various subcontracts.	
- Environmental Remediation & Cultural Resource Assessment	\$800
Environmental activities have historically been considered Operations & Maintenance and regarded as good business practice. As a condition of the sale of NPR-1, environmental and cultural resource assessment activities are required under agreements with the State of California and the new owner of NPR-1.	
Naval Petroleum Reserve No. 3	
-NPR-3 Production Operations	\$-110
Decrease due to reduced production activity.	
-Environmental Restoration	\$-1,600
Decrease due to a reduction in the number of wells to be plugged and abandoned.	
-General Operational Support	\$-130
Decrease due to restructuring of field operations.	
Program Direction	\$-876
Decrease due to the expiration of the Employee Transition Plan which authorized NPOSR to transfer 26 FTE's to other DOE and Federal programs.	
FY 2000 PROGRAM REQUIREMENT CHANGES FROM FY 1999	\$590
USE OF PRIOR YEAR BALANCES	\$-14,590
FY 2000 CONGRESSIONAL BUDGET REQUEST	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA)

I. Mission Supporting Goals and Objectives:

Pursuant to Public Law 104-106, the National Defense Authorization Act for FY 1996, DOE offered Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills) for sale. On October 5, 1997, DOE accepted Occidental Petroleum Corporation's bid for \$3.65 billion, and the new owner assumed operation of the field in early February 1998. Funding from prior year balances will be used to pay for FY 2000 post-sale closeout activities. The most significant of these activities is the settlement of equity with Chevron, for which geologic, petroleum and reservoir engineering services are required to prepare and support the Government's equity position before an Independent Petroleum Engineer and the Assistant Secretary for Fossil Energy (ASFE). Each percentage point change in equity is worth millions of dollars. Under the *Equity Redetermination Process Agreement*, the ASFE is to impartially determine final equity shares between Chevron and the Department of Energy. The project, originally anticipated to be completed early in calendar year 2000, will end sometime in FY 2002 barring any further delays.

In accordance with agreements that the Department signed with Occidental Petroleum (the new owners of Elk Hills), Chevron USA, Inc. (a minority partner at Elk Hills), and the State of California, a significant number of inactive waste sites must be assessed. Depending upon the results of the assessments, some sites may have to be cleaned up in order to comply with various Federal and state regulations. The Department has also agreed to completing limited archaeological excavations at eight significant cultural resource sites at NPR-1 so that future development projects by the new owner might not destroy any archeological findings before such findings can be documented for the permanent record. Several Native American groups are involved in the cultural resource assessment.

A number of business activities must be completed in order to closeout the Government's ownership of Elk Hills. These included the disposal of Government property, disposing of records, terminating and transferring employees, and the like. A portion of the work required cannot be completed until equity and environmental work has been completed. Ongoing business activities also include the administration of NPR-2 lease and permit agreements. This involves overseeing and supporting lessee and permittee compliance activities, witnessing lessee product custody transfer activities, and the billing and collection of royalty payments.

II. A. Funding Schedule: Naval Petroleum Reserve Nos. 1 & 2 (California)

<u>Activity</u>	<u>FY 1998 Enacted</u>	<u>FY 1999 Enacted</u>	<u>FY 2000 Requested</u>	<u>\$ Change</u>	<u>% Change</u>
Operations and Maintenance (O&M)	\$ 51,750	\$ 0	\$ 0	\$ 0	0%
Development Facilities	4,870	0	0	0	0%
Equity Finalization	1,250	2,500	2,500	0	0%
NPR-1 Closeout	19,500	794	3,300	2,506	316%
Environmental Restoration & Cultural Resource Assessment	900	0	800	800	100%
NPR-2 Oversight	500	300	300	0	0%
Total Requirements	\$ 78,770	\$ 3,594	\$ 6,900	\$ 3,306	92%
Use of Prior Year Balances	\$ 0	\$ (3,594)	\$ (6,900)	\$ (3,306)	92%
Total, Naval Petroleum Reserve Nos. 1 & 2	<u>\$ 78,770</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0%</u>

II. B. Laboratory and Facility Funding Schedule

Naval Petroleum Reserves in California	<u>\$ 78,770</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0%</u>
Total, Naval Petroleum Reserve Nos. 1 & 2	<u>\$ 78,770</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0%</u>

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA)

Activity	FY 1998	FY 1999	FY 2000
Operations & Maintenance	Provide routine O&M activities for crude oil and gas production, distribution, processing and sales systems; electricity and power systems; buildings and facilities; roads; maintenance and repair projects; operation of the cogeneration facility; planning and analytic support; unit cost allocation; inventory control; procurement; human resources; operator fee; and began contractor closeout activities.	No activity due to sale of NPR-1.	No activity due to sale of NPR-1.
	\$51,750	\$0	\$0
Development Facilities	Provide for the design, construction, modification or expansion of facilities to meet continuing production requirements which lead to increased profitability.	No activity due to sale of NPR-1.	No activity due to sale of NPR-1.
	\$4,870	\$0	\$0

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
Equity Finalization	<p data-bbox="542 225 944 668">Under the <i>Equity Redetermination Process Agreement</i> between DOE and Chevron, NPR-1 staff develop and defend DOE's equity position before the Independent Petroleum Engineer and the ASFE. Final equity decisions were issued by ASFE for two of the four producing zones and work was initiated on a third zone.</p> <p data-bbox="842 851 933 879">\$1,250</p>	<p data-bbox="975 225 1377 819">Under the <i>Equity Redetermination Process Agreement</i> between DOE and Chevron, NPR-1 staff develop and defend DOE's equity position before the Independent Petroleum Engineer and the ASFE. Work will continue on the Stevens zone, the most productive zone, and opening arguments will be presented on the fourth zone, the Shallow Oil Zone. (Program level of \$2,500,000 to be funded from prior year balances.)</p> <p data-bbox="1331 851 1367 879">\$0</p>	<p data-bbox="1408 225 1810 819">Under the <i>Equity Redetermination Process Agreement</i> between DOE and Chevron, NPR-1 staff develop and defend DOE's equity position before the Independent Petroleum Engineer and the ASFE. Issuance of a final equity decision by the ASFE for the Stevens Zone and completion of arguments on the Shallow Oil Zone are expected. (Program level of \$2,500,000 to be funded from prior year balances.)</p> <p data-bbox="1767 851 1804 879">\$0</p>

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
NPR-1 Closeout Activities	<p>Began closeout of unit financial matters, transfer and archiving of records, funding of post retirement medical and dental benefits for former Elk Hills management and operating (M&O) contractor employees, and disposition of litigation deriving from the M&O's performance.</p>	<p>Continue closeout of all financial matters, transfer and archiving of records, funding of post retirement medical and dental benefits for former Elk Hills M&O contractor employees, and disposition of all existing litigation deriving from the M&O's performance. (Program level of \$794,000 to be funded from prior year balances.)</p>	<p>Complete the transfer and archiving of records, continue funding of post retirement medical and dental benefits for former Elk Hills M&O contractor employees, and, to the extent possible, dispose of existing litigation deriving from the former M&O's performance. (Program level of \$3,300,000 to be funded from prior year balances.)</p>
	\$19,500	\$0	\$0
Environmental Remediation & Cultural Resource Assessment	<p>Provides for technical support in the areas of environment, safety, health, endangered species and hazardous waste compliance.</p>	<p>No activity was originally planned for this category due to the sale of NPR-1.</p>	<p>Provides for technical support to complete pending environmental audits and assessments, and to conduct archeological work to catalog prehistoric sites discovered on the premises of the Elk Hills oil field near the time of transfer. Such work is required under agreements with the State of California and the new owner of Elk Hills. (Program level of \$800,000 to be funded from prior year balances.)</p>
	\$900	\$0	\$0

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
NPR-2 Oversight	DOE administers lease agreements generating about \$2 million in royalty revenue per year. Routine activities include invoicing, witness metering, operational and environmental oversight and historic preservation requirements.	DOE administers lease agreements generating about \$1.5 million in royalty revenue per year. Routine activities include invoicing, witness metering, operational and environmental oversight and historic preservation requirements. (Program level of \$300,000 to be funded from prior year balances.)	DOE administers lease agreements generating about \$1.5 million in royalty revenue per year. Routine activities include invoicing, witness metering, operational and environmental oversight and historic preservation requirements. (Program level of \$300,000 to be funded from prior year balances.)
	\$500	\$0	\$0
Production	Until the time of transfer, produced an estimated 56,900 BOPD, 338 MMCFPD of natural gas, 445 MGPD of liquid products and 110 MBPD of water at NPR-1.	No production due to sale of NPR-1.	No production due to sale of NPR-1.
	\$0	\$0	\$0
Sales	Until the time of transfer, sold an estimated 44,400 BOPD, 96 MMCFPD of natural gas, and 347 MGPD of liquid products.	No Government share of production due to the sale of Elk Hills.	No Government share of production due to the sale of Elk Hills.
	\$0	\$0	\$0

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
Revenues	Generate estimated revenues of \$163 million which are deposited into the U.S. Treasury.	Generate estimated royalty revenues of \$1.5 million from NPR-2 which are deposited into the U.S. Treasury.	Generate estimated royalty revenues of \$1.5 million from NPR-2 which are deposited into the U.S. Treasury.
	\$0	\$0	\$0
Total, Planned obligations	\$78,770	\$3,594	\$6,900
Use of Prior Year Funds	\$0	\$3,594	\$6,900
Total, NPR-1 & NPR-2 Budget Authority/Request	\$78,770	\$0	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL PETROLEUM RESERVE 3 (WYOMING)

I. Mission Supporting Goals and Objectives:

The primary objective at NPR-3 is to operate and produce the Reserve to maximize profitability while preparing for the orderly abandonment of the oil field, currently estimated to occur during FY 2003. The Department proposes to fund on-going conventional oil field management and operations during FY 2000 from prior year funds. On-going management and operations include operating, maintaining and repairing facilities and equipment; well work overs; engineering support; financial management; administrative support; technical support; purchase of field equipment; and environmental, safety, and quality assurance support.

As required by the National Defense Authorization Act for FY 1996, a study was conducted by an independent petroleum consultant to evaluate and recommend which of four specified future courses of action would best maximize the value of NPR-3 to the United States: retention by the Department under existing law, retention by another Federal agency under existing law, lease, or sale. The recommendation of the study, concurred in by the Department, was to retain NPR-3 for as long as it could be operated profitably, and then either abandon the field or turn it over to a small private operator. Although no future development activities are planned, NPR-3 should continue to operate economically through FY 2003. To prepare the field for future abandonment or privatization, environmental remediation consisting primarily of plugging and abandoning wells, to comply with State law, is planned to continue through FY 2003.

NPR-3 is committed to operating a profitable baseline program and efforts will continue to be directed toward maintaining a positive net cash flow through normal operations. Management initiatives which have contributed to cost savings in prior years will be continued, and new initiatives evaluated. Although no future development activities are planned, NPR-3 should continue operating economically through approximately FY 2003. After oil and gas operations are abandoned at NPR-3, DOE may dispose of the property by sale, lease, or transfer to the Department of the Interior as provided for in the Strom Thurmond National Defense Authorization Act for FY 1999 (Public Law 105-261, section 3404). DOE anticipates that any transfer of the property will follow the completion of the well abandonment program so that the associated environmental liabilities will not be passed on to the new owners.

The Rocky Mountain Oilfield Testing Center (RMOTC), established in 1995 at NPR-3 in accordance with the Department's Domestic Natural Gas and Oil Initiative, will be privatized during calendar year 2001. RMOTC currently serves as a training center as well as a facility for demonstrating, testing and evaluating new technologies and equipment in an operating oil field environment. In addition to annual appropriations, funding for the center is also received through a cost/resource sharing arrangement with industry, Federal, State and local governments, Native American tribes, trade associations, technology centers, National labs, and academia. Activity at RMOTC will increase in

I. Mission Supporting Goals and Objectives: Naval Petroleum Reserve No. 3 (Contd.)

FY 1999 and FY 2000 in order to demonstrate its potential as a profitable operation and to generate interest from the private sector in the privatization initiative.

NPR-3, also called Teapot Dome, is located near Casper, Wyoming, produced an average of 750 barrels of oil per day (BOPD), 3.3 million cubic feet per day of natural gas and 3,500 gallons per day of natural gas liquids in FY 1998. Production is estimated to average 460 BOPD in FY 1999 and 350 BOPD in FY 2000. NPR-3 experienced major organizational changes during FY 1998. The site converted from a contractor managed and operated facility with about 65 contractor employees to a federally managed and operated facility utilizing approximately 36 contractor employees in support various field operations. An important component of this transition was the transfer of seven employees from NPR-1 to NPR-3 under the provisions of a Federal Employee Transition Plan developed as part of the NPR-1 sales process.

II. A. Funding Schedule: Naval Petroleum Reserve No. 3 (Wyoming)

<u>Activity</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>\$ Change</u>	<u>% Change</u>
NPR-3 Production Operations	\$ 4,180	\$ 3,250	\$ 3,140	\$ (110)	-3%
NPR-3 Environmental Restoration	800	3,000	1,400	(1,600)	-53%
Rocky Mountain Oilfield Testing Center	3,000	3,000	3,000	0	0%
General Operational Support	<u>520</u>	<u>930</u>	<u>800</u>	<u>(130)</u>	<u>-14%</u>
Total Requirements	\$ 8,500	\$ 10,180	\$ 8,340	\$ (1,840)	-18%
Use of Prior Year Balances	<u>\$ 0</u>	<u>\$ (3,000)</u>	<u>\$ (8,340)</u>	<u>\$ (5,340)</u>	<u>178%</u>
Total, Naval Petroleum Reserve No. 3	<u><u>\$ 8,500</u></u>	<u><u>\$ 7,180</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (7,180)</u></u>	<u><u>-18%</u></u>

II. B. Laboratory and Facility Funding Schedule

Naval Petroleum and Oil Shale Reserves in Colorado, Utah and Wyoming	<u>\$ 8,500</u>	<u>\$ 7,180</u>	<u>\$ 0</u>	<u>\$ (7,180)</u>	<u>-100%</u>
Total, Naval Petroleum Reserve No. 3	<u><u>\$ 8,500</u></u>	<u><u>\$ 7,180</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (7,180)</u></u>	<u><u>-100%</u></u>

III. Performance Summary: Naval Petroleum Reserve 3 (Wyoming)

Activity	FY 1998	FY 1999	FY 2000
NPR-3 Production Operations	<p>Continue routine O&M activities for production related facilities; petroleum handling facilities; water flood facilities; well servicing and maintenance; electricity and utility systems; buildings, roads, and grounds; capital projects; and DOE-owned heavy field equipment and motor vehicles. Also provides for petroleum geology; production engineering; facilities and construction engineering; and reservoir studies.</p>	<p>Continue routine O&M activities for production related facilities; petroleum handling facilities; well servicing and maintenance; electricity and utility systems; buildings, roads, and grounds; capital projects; and DOE-owned heavy field equipment and motor vehicles. Also provides for petroleum geology; production engineering; facilities and construction engineering; and reservoir studies. Decrease is due to a reduction in operational requirements and development opportunities. (Program level of \$3,250,000. \$1,000,000 funded from prior year balances.)</p>	<p>Continue routine O&M activities for production related facilities; petroleum handling facilities; water flood facilities; well servicing and maintenance; electricity and utility systems; buildings, roads, and grounds; capital projects to be undertaken provided oil prices warrant such expenditures; and DOE-owned heavy field equipment and motor vehicles. Also provides for petroleum geology; production engineering; facilities and construction engineering; and reservoir studies. (Program level of \$3,140,000 to be funded from prior year balances.)</p>
	\$4,180	\$2,250	\$0

III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
Environmental Restoration	Plan for environmental restoration activity specifically aimed at preparing NPR-3 for eventual DOE abandonment. Begin some related work activity.	Close certain surface facilities such as treaters, tank batteries, evaporation pits and roads. Begin removing electrical poles and wires that are no longer required to support production operations. Collect soil samples from pits, batteries, and test sites as they are being reclaimed. (Program level of \$3,000,000. \$1,000,000 funded from prior year balances.)	Continue closing surface facilities that are no longer required to support production operations. Such facilities include treaters, tank batteries, evaporation pits, and roads. Continue removing electrical poles and wires. Collect soil samples from pits, batteries, and test sites as they are being reclaimed. (Program level of \$1,400,000 to be funded from prior year balances.)
	\$800	\$2,000	\$0

III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
Rocky Mountain Oilfield Testing Center	<p>RMOTC will serve as a pilot operation through FY 2001 when the program will be privatized, provided Congressional authority is granted. The goals of the RMOTC demonstration program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and reaching out to other State and Federal programs, including the National Laboratories, to make better use of the facilities.</p>	<p>RMOTC will serve as a pilot operation through FY 2001 when the program will be privatized, provided Congressional authority is granted. The goals of the RMOTC demonstration program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and reaching out to other State and Federal programs, including the National Laboratories, to make better use of the facilities. (Program level of \$3,000,000. \$1,000,000 funded from prior year balances.)</p>	<p>RMOTC will serve as a pilot operation through FY 2001 when the program will be privatized, provided Congressional authority is granted. The goals of the RMOTC demonstration program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and reaching out to other State and Federal programs, including the National Laboratories, to make better use of the facilities. (Program level of \$3,000,000 to be funded from prior year balances.)</p>
	\$3,000	\$2,000	\$0

III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Activity	FY 1998	FY 1999	FY 2000
General Operational Support	Provide general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities include planning and analytic support; scheduling petroleum deliveries; quality assurance; invoicing and payment; human resources for continued field operations; M&O operator fee; financial management; and NOSR-2 oversight.	Provide general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities include closeout of the M&O contract; planning and analytic support; scheduling petroleum deliveries; quality assurance; invoicing and payment; human resources for continued field operations; financial management; and NOSR-2 oversight.	Provide general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities include planning and analytic support; scheduling petroleum deliveries; quality assurance; invoicing and payment; human resources for continued field operations; financial management; and NOSR-2 oversight. (Program level of \$800,000 to be funded from prior year balances.)
	\$520	\$930	\$0
Production	Produce and sell an estimated 700 barrels of oil per day and process 3.5 thousand gallons per day of liquid products.	Produce and sell an estimated 460 barrels of oil per day.	Produce and sell an estimated 350 barrels of oil per day.
	\$0	\$0	\$0

Activity	FY 1998	FY 1999	FY 2000
Revenues	Generate estimated revenues of \$7.5 million. All revenues are deposited into the U.S. Treasury.	Generate estimated revenues of \$3.3 million. All revenues are deposited into the U.S. Treasury.	Generate estimated revenues of \$2.5 million. All revenues are deposited into the U.S. Treasury.
	\$0	\$0	\$0
Total Planned Obligations	\$8,500	\$10,180	\$8,340
Use of Prior Year Funds	\$0	\$3,000	\$8,340
Total, NPR-3	\$8,500	\$7,180	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL OIL SHALE RESERVES, (COLORADO & UTAH)

I. Mission Supporting Goals and Objectives:

The historical mandate of the Naval Oil Shale Reserves (NOSRs) has been to protect the Government's underlying resources. However, P.L. 105-85 required the transfer of administrative jurisdiction over NOSR-1 and 3, adjacent properties located in Garfield County, Colorado, to the Department of the Interior for commercial leasing. (The Department of Energy retains jurisdiction over NOSR-2, an undeveloped property in Uintah County, Utah.) The transfer of NOSR-1 and 3 is expected to be completed in early FY 1999. Therefore, no funding is requested for NOSR activities in FY 2000.

II. A. Funding Schedule: Naval Oil Shale Reserves

<u>Activity</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>\$ Change</u>	<u>% Change</u>
Naval Oil Shale Reserves, (Colorado & Utah)	\$ 1,200	\$ 1,850	\$ 0	\$ (1,850)	-100%
Total Requirements	\$ 1,200	\$ 1,850	\$ 0	\$ (1,850)	-100%
Use of Prior Year Balances	\$ 0	\$ (1,850)	\$ 0	\$ 1,850	-100%
Total, Naval Petroleum Reserve Nos. 1 & 2	<u>\$ 1,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0%</u>

II. B. Laboratory and Facility Funding Schedule: Naval Oil Shale Reserves

Naval Petroleum and Oil Shale Reserves in Colorado, Utah and Wyoming	\$ 1,200	\$ 0	\$ 0	\$ 0	0%
Total, Naval Oil Shale Reserves, (Colorado & Utah)	<u>\$ 1,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0%</u>

III. Performance Summary: NAVAL OIL SHALE RESERVES, (COLORADO & UTAH)

Activity	FY 1998	FY 1999	FY 2000
Naval Oil Shale Reserves (Colorado & Utah)	<p>Funding was requested to carry out the program's authorized mission and objectives. This includes surface management, groundwater monitoring for environmental compliance, advanced technology testing and development and minor maintenance requirements.</p> <p>Natural gas production averaged 8 MCFD. \$4.7 million in revenues were generated, of which \$4.1 million was retained by the program pursuant to PL 101-512.</p> <p>Retained revenues will be used to continue the natural gas protection program until the property transfers to DOI May 1, 1999. After the transfer, remaining balances will be used to offset future budget requirements for the overall NPOSR program.</p>	<p>Pursuant to P.L. 105-85, the Department of the Interior is to arrange for a lessee to assume operation of the developed NOSR-3 properties in FY 1999. Funding is required to support the transfer activities which include engineering, administrative and environmental support, and for remedial work relating to the spent shale pile. Until transfer occurs, routine operations and maintenance will continue.</p> <p>Production is estimated to be 7 MCFD. Revenues are estimated at \$1.5 million from the beginning of the fiscal year until the transfer is completed. (Program level of \$1,850,000 to be funded from prior year balances.)</p>	No activity planned.
Total, NOSRs (Colorado & Utah)	\$1,200	\$0	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

PROGRAM DIRECTION

I. Mission Supporting Goals and Objectives:

This activity provides funding to support 39 FTEs required to produce, manage, operate, and maintain the NPOSR properties retained by the Government (NPR-3, NPR-2 and NOSR-2) in a manner to achieve the greatest value and benefits to the Government, and to provide for the operating needs of the Rocky Mountain Oilfield Testing Center co-located with NPR-3. This reflects a net reduction of 19 FTEs from FY 1999.

During FY 1998, 26 FTEs from NPR-1 were transferred to other DOE programs as part of a Federal Employee Transition Plan. The Federal Employee Transition Plan was established in FY 1996 to provide incentives to retain essential personnel throughout the divestment process by providing options for continuing their Federal careers following the sale of NPR-1. The plan provided for salaries and benefits to be paid from program direction for a 2-year FTE retention period for former NPR-1 employees who transferred to other DOE sites after the sale. Seven NPR-1 employees transferred to Casper, Wyoming (the NPR-3/RMOTC site). Termination of the management and operating contractor at NPR-3/RMOTC during FY 1998 necessitated acquisition of the additional Federal employees and will be retained to continue operation of the RMOTC program.

Headquarters personnel are responsible for overall direction of the program, implementing DOE policy, communicating guidance to the field consistent with that policy, establishing program objectives, developing and defending budget requests to the Office of Management and Budget and to Congress, reviewing procurement plans, monitoring profitability, and interfacing with other Departmental offices. The field offices are responsible for managing production operations, closing out contracts, and directing, monitoring and evaluating the performance of supporting contractors. Specific areas of oversight include planning, financial management, administrative and personnel support, engineering and geology, ADP, procurement, environment, cultural resources, safety and quality assurance. Program directions also includes administrative services under the working capital fund.

II. A. Funding Schedule: Program Direction

<u>Activity</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>\$ Change</u>	<u>% Change</u>
Program Direction	\$21,650	\$ 6,876	\$6,000	(\$876)	-13%
Total Requirements	\$ 21,650	\$ 6,876	\$ 6,000	\$ (876)	-13%
Use of Prior Year Balances	\$ 0	\$ (56)	\$ (6,000)	\$ (5,944)	106%
Total, Naval Petroleum Reserve Nos. 1 & 2	\$ 21,650	\$ 6,820	\$ 0	\$ (6,820)	-100%

II. B. Laboratory and Facility Funding Schedule: Program Direction

<u>Activity</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>\$ Change</u>	<u>% Change</u>
Naval Petroleum and Oil Shale Reserves -- all sites	\$ 21,650	\$ 6,820	\$ 0	\$ (6,820)	-100%
Total, Program Direction	<u>\$ 21,650</u>	<u>\$ 6,820</u>	<u>\$ 0</u>	<u>\$ (6,820)</u>	<u>-100%</u>

III. Performance Summary: Program Direction

<u>Activity</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>
Program Direction	Funding by Object Class:	Funding by Object Class:	Funding by Object Class:
	Personnel Compensation: \$3,000	Personnel Compensation: \$2,469	Personnel Compensation: \$2,413
	Benefits: 3,787	Benefits: 3,337	Benefits: 956
	Travel: 413	Travel: 170	Travel: 258
	Contractor Services: <u>14,450</u>	Contractor Services: <u>900</u>	Contractor Services: <u>2,373</u>
	Total \$21,650	Subtotal \$6,876	Subtotal \$6,000
		Use of Prior Year Balances <u>- 56</u>	Use of Prior Year Balance <u>-6,000</u>
		Total Budget Request \$6,820	Total Budget Request \$0

Activity	FY 1998	FY 1999	FY 2000
<p>Provide for Headquarters and on-site management of the Reserves (64 FTEs) in the following areas: policy and planning; petroleum engineering; facilities engineering; financial management; ADP; procurement; personnel; and environment and safety. Complete engineering, financial, administrative and contractual support for divestiture activities. Provide support for transition. Begin closeout activities. Continue to implement the Federal Employee Transition Plan and provide severance upon completion of sale and the transition period.</p>	<p>Provide for 62 FTEs, of which 36 are required for Headquarters and on-site management of the Reserves, and NPR-1 closeout activities, and 26 FTEs were transferred to other DOE programs as part of a Federal Employee Transition Plan. Headquarters and field FTEs are used in the following areas: policy and planning; petroleum engineering; facilities engineering; financial management; ADP; procurement; personnel; environment and safety; NPR-1 closeout activities, and to begin activities for the final disposition of the NOSRs and NPR-3; continue the Federal Employee Transition Plan and provide severance as necessary. Decrease due to reduction in programmatic requirements. (Program level of \$6,876,000. \$56,000 funded from prior year balances.)</p>	<p>Provide for 39 FTEs. FTEs reflect a loss of 26 who were formerly covered under the Federal Employee Transition Plan and a gain of seven FTEs for the NPR-3 site (these are employees who had transferred from NPRC and had been previously covered by the transition plan). Headquarters and field FTEs will be used in the following areas: policy and planning; equity determination; petroleum engineering; financial management; ADP; procurement; personnel; environment and safety; and continuation of activities for final disposition of NPR-3. Decrease reflects expiration of retained salaries and benefits for 26 FTEs under the Federal Employee Transition Plan. (Program level of \$6,000,000 to be funded from prior year balances.)</p>	
	\$21,650	\$6,820	\$0