

## Access to Federal Lands

**Access to new oil and natural gas resources from federal lands and waters will be critical to supplying the energy needs of America.**

The United States is the world's 3<sup>rd</sup> largest producer of oil and natural gas. However, it is also the world's largest consumer. Despite significant projected growth of renewables and improvements in energy efficiency, in 2030 more than half of the world's energy demand will be met by oil and natural gas, as is the case today. As Congress pursues a balanced energy policy that promotes energy efficiency and conservation and greater supplies of all forms of energy, access to new oil and natural gas resources from federal lands and waters will be critical to supplying the energy needs of America.

million cars and heat 116 million households for 10 years. However, the Eastern Gulf of Mexico remains off-limits under moratoria contained in the Gulf of Mexico Energy Security Act of 2006. The Eastern Gulf of Mexico is a promising area for exploration and it is close to existing infrastructure and traditional markets for natural gas.

Strong oversight, technology, and a demonstrated commitment to safety, prevention and training equip the industry to address concerns of coastal residents and visitors about the environmental effects associated with offshore platforms and structures. Under the Outer Continental Shelf Lands Act and its regulations, MMS possesses the authority to develop lease or permit conditions to address the effects of exploration and production activities on human, marine and coastal environments.

**Government estimates show that federal lands contain enough oil and natural gas to power over 65 million cars and heat 60 million households.**

According to the Minerals Management Service (MMS) and the U.S. Geologic Survey, total U.S. undiscovered, technically recoverable resources on offshore and onshore federal lands are estimated to be 116.4 billion barrels of oil and 650.9 trillion cubic feet of gas—enough oil to power over 65 million cars for 60 years and enough natural gas to heat 60 million households for 160 years. In fact, this resource base may be considerably greater since some government estimates are based on data gathered in the 1980s using now-outdated seismic survey technologies. However, many of these multiple-use lands are either off limits to exploration and development or subject to restrictions of various kinds that hinder exploration and production of oil and natural gas.

**Diligent Development of Federal Leases:** Assertions that companies are not diligent in producing oil and natural gas on federal lands and should “use it or lose it” take advantage of a lack of knowledge about industry's efforts to find and develop America's oil and natural gas resources. Non-producing leases are diligently developed—but the vast majority of leases do not ultimately contain oil or natural gas in commercial quantities. However, this exploration and development process takes several years, and a significant financial investment. A lessee must analyze the underlying geology, perform the necessary technology and engineering assessments, and arrange the logistics of an exploration or development project on federal lands.

**Restrictions on Access:** As of October 1, 2008 the presidential and congressional moratoria were removed from a large portion of the Outer Continental Shelf. This portion of the OCS is estimated by the MMS to contain approximately 18 billion barrels of crude oil and 77 trillion cubic feet of natural gas – enough to fuel 60

Companies already have significant incentives to bring their leases to production. To obtain leases, they must pay bonus bids and then pay rental fees

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each year. If after a lease term specified by the government (usually between 5 and 10 years) they have not produced, the companies relinquish the lease back to the government and lose all the money invested to buy, rent and explore the lease.

**Environmental Controls:** Industry practice has changed dramatically in the past 50 years, even the past 10 years. The U.S. oil and gas industry has invested more than \$160 billion since 1990 toward improving the environmental performance of its products, services and operations, \$539 for every man, woman and child in the United States. Advancements in technology allow the industry to conduct many aspects of its operations far more efficiently than just a few years ago. This efficiency translates into smaller "footprints" (the amount of surface area disturbed), less waste generated, cleaner and safer operations, and greater compatibility with the environment.

One area that is receiving increased attention by legislators and regulators is hydraulic fracturing. This is a technique used to allow natural gas and crude oil to move more freely from the rock pores where it is trapped to a producing well so it can be brought to the surface at higher rates. Application of hydraulic fracturing techniques, to increase oil and gas recovery, is estimated to account for 30 percent of U.S. recoverable oil and gas reserves. Current industry well design practices ensure multiple levels of protection within the production zone of an oil and gas well. Efforts to restrict the use of hydraulic fracturing could have a detrimental effect on the supply of natural gas in the United States.

**Federal Land Management:** U.S. federal lands should be managed in a manner that does not exclude exploration

and production of natural resources. Government land use decisions should be based on the best scientific evidence available and, it should be recognized that new scientific evidence may justify a change in previously made land use decisions. Policy initiatives are needed to address the vulnerability of permits to litigation and ensure coordination between regulatory agencies, thus avoiding unnecessary delays to oil and gas production.

**Government Take and Royalty Policy:** Oil and natural gas produced on government lands generates substantial revenue to the government in the form of royalties. Since 1982, the federal government has collected more than \$200 billion in bonus bids, royalties and rentals.

According to the Department of the Interior, attempts to increase the government 'take' could have an adverse impact on the development of oil and natural gas resources on federal lands. A comprehensive energy policy that encourages (rather than discourages) production of domestic resources is essential.

A transparent and auditable process for the federal revenue management program is critical both to the government and the oil and natural gas industry. Efforts to improve oversight and management of the program should continue, and industry stakeholders should be involved in this process.

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