Resourceful Information
NATURAL RESOURCES COMMITTEE REPUBLICANS
CONGRESSMAN DOC HASTINGS, RANKING MEMBER

"Use it or Lose it" Myths
The Facts on Offshore Oil and Gas Leases

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On Tuesday, March 17th, the Energy and Mineral Resources Subcommittee will hold a hearing entitled *"Leasing and Development of Oil and Gas Resources on the Outer Continental Shelf."* Subcommittee Members are expected to discuss a provision in President Obama's budget to charge a new fee for non-producing leases in the Gulf of Mexico.

In advance of this hearing, Americans deserve to know the facts surrounding some of the myths about offshore oil and gas leases, including how additional fees will actually discourage domestic energy production and the creation of American jobs.

Myth: **Energy Companies are dragging their feet on developing oil and gas leases. There are nearly 68 million acres of leased federal land and waters by energy companies that are not producing oil and gas.**

Fact: All of the non-producing oil and gas leases are in some stage of exploration and development. As the American Association of Petroleum Geologists reports, the process of leasing, evaluating, drilling and developing an oil or natural gas field typically takes five to ten years.

There is also no guarantee that a Federal oil and gas lease contains either oil or gas. The company awarded the lease has to evaluate the area first. It must conduct seismic and other surveys to assess the potential for oil and gas being present and then drill to determine if there is actually any oil or gas within area. All of this takes time, requires compliance with environmental laws and regulations and step-by-step approval from the BLM to drill wells. Often at the end of the day there is no oil or gas found. For example, between 2002 and 2007, 47% of all the exploration wells and 8% of the development wells drilled were dry.

Myth: **The Administration's proposed "Use it or Lose it" fee on non-producing leases in the Gulf of Mexico will provide an added incentive for oil companies to either start producing or relinquish the leases so that others may bid on them.**

Fact: Implementing "Use it or Lose it" fees will discourage companies from developing American energy. On February 27, 2009, the Inspector General of the U.S. Department of the Interior released its results on the production of federal oil and gas leases. The Department's report concluded that *"increasing lease fees would not necessarily enhance production and could, in fact, reduce industry interest in federal leases.*

Myth: **Offshore drilling will not stimulate the economy.**

Fact: The American Energy Alliance (AEA) released a report on February 23, 2009 detailing how permanently lifting the moratoria on energy development in the U.S. Outer Continental Shelf (OCS) would generate:

- $8 trillion in economic output to the GDP
- $2.2 trillion in total tax receipts
- 1.2 million jobs annually across the country
- $70 billion in additional wages each year

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