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U.S. House of Representatives

Committee on Natural Resources

Washington, DC 20515

Opening Statement of

Chairman Doug Lamborn

Subcommittee on Energy and Mineral Resources

On Tuesday, March 17th, 2015

1324 Longworth House Office Building

"Examining the Spending Priorities and Missions of the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE) and the Office of Natural Resources Revenue (ONRR) in the President's FY 2016 Budget Proposals."

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Today we have the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Natural Resources Revenue testifying before the Subcommittee to discuss their Fiscal Year 2016 budget. As crude prices continue their slide to lows we have not seen in years, this is an important time to discuss the principles behind a budget.

This Spring, it seemed that not a day went by that oil and gas companies were assessing their 4th quarter earnings and announcing that they were slashing their budgets and scaling back production plans for 2015. And this isn't just global giants, but small and independent producers. The reason for these cuts? Falling crude prices. Last March, crude was trading at just over \$100 per barrel. Today, it is trading at less than half of that - and forecasts suggest that the price will decline even further.

Now, we all know that budget cuts are not exactly a strength of this Administration - to say the very least. But their failure to invest time and capital in increasing leasing and production on federal lands is one of their most severe weaknesses - and this failure will only leave a financial hole in future federal budgets and production forecasts. Despite an uptick in our outer Continental Shelf production numbers in 2014, production on the OCS has still declined 11% since 2009 - and natural gas has declined by 47% over the same period.

This is of concern because production on the outer Continental Shelf is a fundamentally important source of revenue into the federal treasury - I am sure Director Gould will testify to that fact. Of the over **\$13 billion** generated by resource development on federal lands in FY2014, production on the OCS generated over half of the revenue: **\$7.4 billion**. BOEM and BSEE depend on this revenue - as a portion of their budgets are funded by offsetting collections - such as rental receipts and inspection fees. My point is the federal government, and Gulf states who currently are entitled to a share of those collections, depend on this revenue. And as these numbers drop, the shortfalls will have to be made up with taxpayer dollars.

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As we explore the budget priorities of the agencies charged with overseeing our nation's OCS energy production, my greatest concern is: Are you responsibly managing the lands entrusted to you by the taxpayer to grow investments in U.S. offshore production? Looking forward, I see:

- a 5-year plan that has the lowest *proposed* number of lease sales in the history of the plan - Secretary Jewell could not guarantee me that even the new Atlantic sale would stay in the final plan;
- costly new regulations such as the well-containment rule and the Arctic Rule, which the government estimates will cost \$1.2 billion for one company alone;
- falling crude prices; and
- Companies slashing their budgets and holding back investments on federal lands.

So: Less leasing, increased regulatory uncertainty, and an industry more interested in investing revenue in state and private lands, versus federal lands that are tied up in red tape. This is a pretty difficult backdrop – the impacts of which will negatively impact our production, and our revenues from that production, in future years. Allowing for crude exports and increased LNG exports would undoubtedly help reinvigorate growth in America's upstream, as would increasing access to new areas and streamlining the regulatory process. I look forward to hearing how BOEM and BSEE are using the taxpayer dollars at their disposal to increase investments in our domestic offshore resources so that we can further solidify the United States as a global energy leader.