U.S. HOUSE OF REPRESENTATIVES
NATURAL RESOURCES COMMITTEE REPUBLICANS
CONGRESSMAN DOC HASTINGS, RANKING MEMBER

FOR IMMEDIATE RELEASE
Tuesday, March 17, 2009

CONTACT: Emily Lawrimore or Jill Strait
202-226-2311

Lamborn: Proposed Taxes on "Non-Producing" Oil and Gas Leases will Harm American Energy Production

WASHINGTON, D.C. – The Energy and Mineral Resources Subcommittee held a hearing today on "Leasing and Development of Oil and Gas Resources on the Outer Continental Shelf (OCS)," examining the misconception that oil and gas companies are sitting idle on oil and gas leases. At the hearing, Subcommittee Ranking Member Doug Lamborn (CO-05) raised serious concerns over the Administration's budget proposal that includes new taxes on "non-producing" oil and gas leases in the Gulf of Mexico.

"These fees will not make companies develop any faster," said Rep. Lamborn. "In fact, the fees constitute a purely punitive proposal designed for what appears to be cheap political gain. New fees will, however, harm domestic development by discouraging companies from investing in marginal leases, thus reducing investments in new development and ultimately leaving us more dependent on foreign sources of oil."

During the hearing, Lamborn also inquired about the potential costs and timeframe of Democratic proposals that would require the federal government to fund a comprehensive inventory of the OCS.

Chris Oynes, Associate Director of Offshore Energy and Minerals Management Program, stated that it could cost "several hundred millions of dollars" and 3-5 years at the minimum for the federal government to complete an inventory of the OCS.

Tom Fry, President of National Ocean Industries Association, noted that having the government do it is not the most efficient way and that "you can have industry pay for the whole thing and it wouldn't cost taxpayers a penny."

Below is a copy of Rep. Lamborn's opening statement from today's hearing:

Mr. Chairman, thank you for holding this hearing. This is the 5th hearing on OCS development this Congress. I believe these hearings have been very helpful in establishing a clear record of the challenges and opportunities we have in the OCS as we move forward with new development.

Today's hearing will focus on development of oil and gas resources in the OCS. Last year, we had an extended debate on the issue of "non-producing leases" and domestic development. The impetus for that debate was a report issued by the Majority staff on this Committee. Unfortunately, that debate was held on the House floor and not in this subcommittee. The result of that debate was the dissemination of a tremendous amount of misinformation about the process and status of oil and gas development on our federal lands and the OCS.

I quote one Majority member from last year who said, "It is outrageous that oil companies are sitting idle on what could be vast reserves of oil."[1]

Now we all know that there are no domestic companies sitting idle on vast reserves of oil. There are, however, many state run oil companies that are part of the OPEC cartel who are committed to hoarding oil to drive up prices, but that isn't an option for American companies who only make money by bringing the oil out of the ground.

More disturbing than the statements about our domestic companies is the new polices proposed by the President, who clearly relied on the information presented in the Majority report.

Last year it was the "Use it or Lose it" legislation. This year it's the President's budget, which includes a billion dollars in new taxes just on operations in the Gulf of Mexico. These new "non-producing" fees will charge companies while they wait for federal permits, evaluate seismic data, or spend billions to build the infrastructure needed to produce oil from deep beneath the sea floor. These fees will not make companies develop any faster. In fact, the fees constitute a purely punitive proposal designed for what appears to be cheap political gain.

New fees will, however, harm domestic development by discouraging companies from investing in marginal leases, thus reducing investments in new development and ultimately leaving us more dependent on foreign sources of oil.

The development of the deepwater Gulf of Mexico is one of the greatest technical challenges in the world. There is a reason that in the movie *Armageddon* when they wanted to drill on an asteroid hurtling toward earth they picked some roughneck oil drillers.

Just one example of the challenges is the Chevron Buckskin prospect which recently had a "significant discovery." This block is approximately 190 miles southeast of Houston, Texas.

This lease was issued in December of 2003. It's a 10 year lease covering 9 square miles located in 6700 feet of water. The Buckskin No. 1 discovery well is located in approximately 6,920 feet of water and was drilled to a depth of 29,404 feet. It has taken 5 years to get to the successful discovery well and will likely take another 5 years to bring this discovery to development. All before Chevron and its partners receive any income from their investment. By the time Buckskin goes on line, it is not unreasonable to expect Chevron and its partners would have spent between $4 and $6 Billion to develop the field.

[1] Rep. Gabrille Giffords, Press Release

I highlight this example of the challenge of OCS development because tomorrow the Department of Interior will conduct Lease Sale 208 for Oil and Gas exploration in the Central Gulf of Mexico. One of the most important pieces of that sale will be the congressionally mandated sale of the area known as 181 south. What is most amazing is that this area, like much of the remainder of our coastal zone, has been off limits for more than 20 years.

Do we know exactly what lies beneath these areas? Do we know exactly how much oil and gas the companies will find? Do the companies that tomorrow will spend millions or billions of dollars know exactly what their return will be? The answer to all those questions is NO.

We don't know exactly what resources these lands hold, which is why critical exploration work must be done before any of these lands can be tested by drilling. But that exploration and inventory work will be done by private companies at no cost to the American taxpayer.

This new exploration will create jobs, creating new investment, and should these companies find commercial quantities of oil and natural gas, then we will see development of these resources creating even more jobs and revenue for the American taxpayer.

I am focusing on this lease sale because, while it will be a great benefit to the American people, it continues the trend that we have had in the OCS for decades. America continues to place nearly all of our OCS development within the Gulf of Mexico. This hurricane rich area currently provides America with 25% of our oil and 15% of our natural gas. Having nearly all of our eggs in this one fragile basket cannot be the best energy policy for America.

At our last hearing, the Administrator for the Energy Information Agency told us that by 2030 America will still be 80% reliant on oil for our transportation needs. Meanwhile the Interior Department has decided to delay the planning process for the 2010 OCS 5-year plan, pushing back the plan to 2011 or later. Yet we need these resources today.

I want to submit for the record an article from the *Washington Times* which highlights the efforts China is undergoing to ensure that they have a steady supply of oil for their economy. These actions by the Chinese government will ensure that when the world economy starts to grow they will have the resources available to fuel their economic growth, while our lack of development means we could see $4 or $5 dollar gas again, which is one of the causes of the current economic shock we are in. To emphasize that point I want to submit for the record some research by Professor James Hamilton from California.

Mr. Chairman, I believe in American excellence and I know that everyone in this body is committed to the best for America. But we cannot continue to dawdle, while our competitors get it, China is locking up mineral and oil resources; they are converting from bicycles to nuclear and building a new coal power plant each week. Reports are that Cuba is coordinating with Russia to drill exploration wells in the second quarter of this year, not 60 miles from the Florida Coast. Canada is moving to open its OCS resources to develop more domestic energy. Brazil has had more major OCS finds this decade than nearly anywhere else in the world.

Meanwhile, Americans are worried about our standard of living. They are worried about the ability to pay for their kids' college, and if they can keep their homes. And they are worried about paying bills for everyday expenses, including energy. We know that the resources are there in the OCS and yet we continue to take steps to delay and block development.

I believe in our ability to bring hope to the entire world, and I believe this Committee can help America solve the energy problems we face and provide the fuel necessary for economic growth and prosperity.

I thank you and look forward to hearing from our witnesses.

# # #

http://republicans.resourcescommittee.house.gov
Facebook | YouTube | Twitter