AXPC American Exploration & Production Council

H.R. 2337 as Reported by the House Natural Resources Committee Will Slow Energy Production, Reduce Supply and Increase Prices: Titles I & II Should Not be Enacted

- EPAct 05 provides direct funding for the most active BLM offices to help them keep pace with the higher level of energy-related activities brought on by consumer demand for natural gas. HR 2337 would eliminate that direct funding, curtailing recent progress in hiring – including natural resources, wildlife, production accountability and inspection and enforcement personnel. It will also slow the work necessary to keep up with increasing numbers of Applications for Permits to Drill (APDs) being filed to meet energy demand, and limit follow-on monitoring and enforcement. The direct funding to be eliminated is from normal onshore oil and gas rental payments by companies on non-producing oil and gas lease acreage.

- Imposition of various fees on exploration and production companies, in addition to billions of dollars already being paid in bonuses, rental payments and royalties related to leasing and production from federal lands, are designed in part to replace funding that would be cut. More costs will not ensure timely permitting. They will, however, come out of exploration and production budgets of companies already spending more than their earnings to find and produce more energy.

- As amended, the bill directs the Bureau of Land Management (BLM) and the Forest Service to issue drilling permits in 90 days rather than the current 30 days. The APD approval process – which always can be extended for special circumstances – is a largely clerical function as environmental work and the public involvement has been completed. Allowing more time will inevitably slow the issuance of permits.

- The restrictions placed on energy corridors in the bill will cripple the usefulness of that provision from EPAct. For example, preventing consideration of any land within one mile of local, state or federal – actual or proposed – scenic, natural, cultural or historic resources will put vast areas of land totally off limits for no good reason. The siting of needed energy infrastructure will take longer as a result.

- The categorical exclusion provision will require that duplicative environmental work be performed at hundreds or thousands of potential well locations every year.

- The bill adds an additional undefined layer of public review and comment before the agency can waive a stipulation in a drilling permit. That process will inevitably drag out drilling lead times.

- Extending the deadlines for CZMA appeals by 160 days with a further extension allowed will delay decisions for at least 160 days and possibly indefinitely.

- Ending the royalty-in-kind program -- that has increased federal oil and gas revenues significantly -- will result in more administrative and litigation time and money spent. That will be time and money not spent to produce energy.

- Several states have adopted laws that protect the rights of surface owners in split estate situations and BLM has issued new regulations to address these situations. Companies and surface owners reach agreement in all but about 1% of cases, yet this bill creates a statutory 180 day conflict resolution process that will discourage voluntary agreements and inevitably delay drilling and energy production.

- The bill requires that <u>every</u> APD contain a proposed water management plan regardless of circumstances or applicability, and despite the fact that states currently administer water management regulations. Presumably this plan must be approved by the BLM or the Forest Service, meaning a whole new layer of review and approval must be established for the APD process, including the potential for overlap and/or conflict with state requirements and regulations, complicating the APD process unnecessarily. Until regulations implementing this requirement are issued (one year from enactment) the completeness of every APD submitted would be open to challenge.

In summary, Titles I and II of the bill will slow domestic energy production, reducing supply and increasing consumer costs – most dramatically by reducing natural gas supply at a time when demand is increasing. They should not be enacted.

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