



The largest US independent natural gas and oil exploration and production companies – investing more than their earnings and 100 percent of their cash flows in the high-tech search for new energy supplies

Natural Gas: Correct Policy Choices Can Fuel the Economy and Provide Climate and Consumer Benefits

Ample North American Resources in the Ground

Growing Reserves Proven by Exploration

Increasing Supplies

Pro-Production Policies Needed to Satisfy Increasing Demand that will Accelerate with Any Climate Policy Action

Beginning in December 2005 at the request of the Department of Energy, the American Exploration & Production Council (at the time called the Domestic Petroleum Council) outlined priority natural gas supply policy actions that could lead to both nearer- and longer-term benefits to consumers and the nation as a whole.

Since then policy progress has been promising in some areas, mixed in others. Apart from restoring hurricane Rita and Katrina-affected production – accomplished in remarkable time, at huge cost, and with no significant environmental consequences – listed below are the policy actions we said we needed, and an update on them

Today these actions are in some ways more important than ever as we face increased natural gas demand that will result from any climate policy action. The good news is that exploration and production activity is at record levels, with remarkable results. New technology is being applied to new “resource plays” like the Barnett, Fayetteville, Woodford and other shale formations, producing more natural gas than could have been imagined just a few years ago. Improved federal lands energy permitting with increased Rocky Mountain region production is contributing. And new offshore leases in the Gulf of Mexico will come on line to add to growing reserves and production in the United States.

More can and should be done to ensure future natural gas supplies. And policies that would move us in the wrong direction should be opposed.

The 2005 recommendations and the update:

- **Immediate, visible and responsible action by our federal land management agencies to improve and speed processing of energy permitting.**

Real progress has been made, especially by the Bureau of Land Management.

Reserve and production growth in the U.S. are in significant measure a result of better energy project permitting because of more stable funding and process efficiency improvements authorized and directed by the Energy Policy Act of 2005. BLM has hired more people with expertise in areas such as resource and wildlife management, inspection and enforcement, and permitting. Improved permitting practices have led to the BLM’s approving more permits than ever. But the number of APDs being filed continues to grow even faster. And the Forest Service continues to lag the BLM pace considerably.

BLM and Forest Service improvement efforts must continue. This means that adequate permit processing funds must continue to be appropriated by Congress. It also means that resource agencies must be competitive in attracting and retaining personnel.

- **Immediate action by the Administration to see leasing of the remaining Sale 181 area in the Eastern Gulf of Mexico as early as next summer (2007).**

Additional Sale 181 Area leases in the Eastern Gulf of Mexico were sold in March of this year, with improved state revenue sharing, as a result of the Gulf of Mexico Energy Security Act (GOMESA) that was signed into law in December of 2006. A larger area to the south will be leased in 2009.

Enactment of GOMESA demonstrated that improved OCS access is possible and that a strong coalition of consumer and producer groups can be effective in making positive energy policy change.

Strong bidding in recent Gulf lease sales and expected interest in the Sale 181 South area once again focuses positive attention on large potential US offshore energy resources that companies are willing to risk significant investment to find, develop and produce.

- **Immediate action should be taken to begin allowing selective removal of prohibitions against energy exploration, development and production offshore.**

No action has been taken. The current MMS 5-Year Leasing Program maintains an active GOM sale schedule with some additional acreage offered, a number of sales off Alaska, and the possibility of one sale off the Virginia coast.

Overall, strong consumer company and association grassroots and other efforts have built remarkable offshore access support. That support has led to progress, but not yet key needed actions.

Additional Natural Gas Supply Actions

North America's significant natural gas resources can provide increased supplies needed to meet growing demand – demand that will accelerate with any climate change policy.

That potential will be fulfilled with policies that:

- maintain and increase access to onshore non-park, non-wilderness federal lands that are supposed to be available for multiple uses, including energy exploration and production;
- provide adequate funding and competitive employee hiring and retention practices for federal energy permitting agencies, primarily the Interior Department's Bureau of Land Management and Minerals Management Service, and the Agriculture Department's U.S. Forest Service so that progress will continue on permit processing and staffing increases in areas of wildlife management, resource specialists, and inspection and enforcement personnel;
- increase reasonable access to offshore areas currently under congressional and Executive Branch moratoria, with state concurrence and revenue sharing for any state with future offshore federal leasing and production;
- root out and prevent unnecessary, counterproductive or inefficient regulatory requirements; and,
- prevent additional costs in the form of taxes, royalties and/or fees that exploration and production companies (that spend multiples of earnings and 100% of cash flows) would have to offset with budget rebalancing and reduced investment.