



Committee on Natural Resources

Rep. Nick J. Rahall, II - Chairman

1324 Longworth House Office Building - Washington DC, 20515 - <http://resourcescommittee.house.gov>

“Responsible Federal Oil and Gas Lease Act of 2008” (H.R. 6251) Representatives Rahall, Markey, Hinchey, Emanuel and Yarmuth

The Problem

- Currently, oil and gas companies hold leases on nearly 68 million acres of federal land (both onshore and under OCS waters) that they are not developing.
- Generally speaking, oil and gas leases are issued for a 10-year term that can be renewed.
- Coal leases are issued for 20 years and coal companies have to show that they are “diligently developing” their leases during the initial term of the lease.
- While coal companies are required to diligently develop their leases, oil and gas companies are not required to do so.
- Because there are no diligent development requirements, oil and gas companies can stockpile leases in a non-producing status.
- This has encouraged oil and gas companies to hold nearly 68 million acres of federal land (both onshore and under OCS waters) without producing oil or gas.
- The 68 million acres of leased but currently inactive federal land (both onshore and under OCS waters) could produce an additional 4.8 million barrels of oil and 44.7 billion cubic feet of natural gas each day.
- That would nearly double total U.S. oil production, and increase natural gas production by 75%.
- It would also cut U.S. oil imports by more than a third, and be more than six times the estimated peak production from the Arctic National Wildlife Refuge (ANWR).
- By fostering prompt development of oil and gas leases, we will increase domestic production in areas already shown to be appropriate for energy development.

The Solution

The “Responsible Federal Oil and Gas Lease Act of 2008” would compel oil and gas companies to either produce or give up federal onshore and OCS leases they are stockpiling by barring the companies from obtaining any more leases unless they can demonstrate that they are producing oil and gas, or are diligently developing the leases they already hold, during the initial term of the leases. The bill directs the Interior Secretary to define what constitutes diligent development.

Companies could avoid this new lease prohibition by relinquishing their non-producing leases, creating an opportunity for another company to explore for and perhaps produce oil or gas from them. Under the bill, the terms of leases which are in production, or which can demonstrate diligent development, are extended.

Companies which lease federal coal resources are by law required to diligently develop their leases. This requirement has discouraged the rampant speculation that once existed in the federal coal leasing program. The same type of speculation that now appears to be plaguing the federal oil and gas leasing program.