

# News Release



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## Western Energy Alliance: Non-producing Leases the Result of Bureaucratic Red Tape

(Denver)- Last week, President Obama repeated the claim that oil and natural gas companies are failing to develop lands currently under lease. In fact, onshore producers are doing all they can to develop domestic resources, but are facing increasing hurdles from burdensome federal red tape that is preventing new energy development on public lands in the West.

“The Administration is again blaming oil and natural gas companies for failing to produce on federal lands, yet it is the very same Administration that is throwing up new obstacles to development,” said Kathleen Sgamma, Director of Government and Public Affairs. “President Obama’s comments are quite concerning to producers in the West, where over 50% of the land is managed by the federal government.”

“The truth is that companies are doing all they can to develop federal energy resources, but a lease is not a green light to drill—it’s the first step in a long, expensive process that is fraught with bureaucratic red tape and lawsuits by environmental groups determined to stop domestic energy development,” said Sgamma.

“It’s a paradoxical situation in which the government has created a cumbersome process that takes years to complete, environmental groups throw up legal roadblocks at every stage, and then the government and environmental lobby turn around and blame the industry for not ‘diligently developing’.”

“An oil and natural gas lease is no more than a definite maybe—maybe you’ll get through all the environmental analyses and regulatory hurdles, maybe you’ll get permission to drill, maybe your project won’t be held up by legal challenges from obstructionist groups, maybe you’ll find oil or natural gas,” said Sgamma. “If the President is really concerned about undeveloped leases and domestic energy production, he would direct the Department of the Interior to roll back some of the eight layers of analysis and regulation now imposed on western energy producers,” said Sgamma.

A 2010 Western Energy Alliance study showed that \$3.9 billion and a corresponding 16,200 jobs have been prevented in the West due to overly burdensome government regulations. Companies simply cannot execute their business plans and start to invest, create jobs and produce American energy with so much regulatory uncertainty.

[Click here to view a time line for development of a typical onshore federal lease.](#)

- **In general, about one third of leased acreage is producing, one third is undergoing preparatory work, and one third will not be produced by the current leaseholder.**
  - **1/3** Production cannot occur on a lease until all preliminary environmental analysis and permitting work is complete. The Interior Department (DOI) has control over this one third of acreage, as their processes,

regulations, policies, and bureaucracy dictate how long it will take to jump through all the regulatory hurdles, although they are also slowed down by legal challenges from environmental groups.

- **1/3** Will not have production on it, at least by the current leaseholder using today's technology. A lease is only a rental agreement with no guarantee that the area contains recoverable quantities of oil or natural gas. In fact, after risking considerable capital performing exploratory work, a leaseholder may discover that there is not enough economically recoverable oil or natural gas. In that case, there is no surface disturbance, the government pockets the bonus bids and rentals, and the lease rights are surrendered.
- **1/3** is producing and returning royalties to the government plus annual rental.

➤ **Current Policies Further Constraining Development**

- **Project Approvals:** Project environmental approvals are virtually at a standstill. From nine-well projects to large projects with hundreds of wells, DOI is delaying projects indefinitely, preventing job creation and economic development. Companies are agreeing to extensive mitigation measures to protect air and water quality, wildlife, cultural, and other resources, but DOI still refuses final approval.
- **Standstill in Permitting:** BLM is taking over 206 days on average to process drilling permits. That number is a low estimate, however, because it does not account for the full timeframe, beginning when a company submits an application and ending when it finally completes all the wildlife, plant, and cultural surveys and other requirements that BLM may add before turning the stopwatch on. In reality, it is not surprising to see permits taking longer than two years in some field offices.
- **Unissued Leases:** The terms of the Mineral Leasing Act unequivocally require BLM to issue leases within sixty days following the date a successful bidder makes the required lease payments for a federal natural gas and oil lease. A Government Accountability Office report found that BLM failed to issue leases within 60 days 91% of the time.<sup>1</sup> Western Energy Alliance has filed a lawsuit challenging DOI's continuous violation of this unambiguous law.
- **Reduced Lease Sales:** DOI created new policies in 2010 that will add three additional layers of regulation to the exploration and development of oil and natural gas on public lands. These regulations are in addition to the existing five levels of regulation and analysis that for decades have made development on federal lands more time-consuming and difficult than on private lands. All this redundant analysis has led to anemic lease sales – just a few parcels in many cases – cancelled lease sales, indeterminate deferrals, and indefinite delays from nomination to sale. This will be exacerbated by the new wild lands policy, whereby BLM will further delay the process while they reinventory for wilderness.

➤ **Leasing revenue in the West is down 71%, from \$365.4 million to \$101.6 million**

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*Western Energy Alliance, founded in 1974, is a non-profit trade association representing more than 400 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in the West. More information on Western Energy Alliance and its members is available at [www.westernenergyalliance.org](http://www.westernenergyalliance.org).*

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<sup>1</sup> *Onshore Oil and Gas: BLM's Management of Public Protests to Its Lease Sales Needs Improvement*, GAO-10-670 July 30, 2010.  
<http://www.gao.gov/products/GAO-10-670>.