In Case You Missed It

NATURAL RESOURCES COMMITTEE

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"…declining oil and gas production in the Gulf of Mexico and a lull in new drilling permits is costing the United States…$4.7 million a day, which would amount to $1.7 billion over the year…"

U.S. losing $4.7M a day from permitting lag, group says

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Greenwire
By Phil Taylor

Research by a Dallas-based research group found that declining oil and gas production in the Gulf of Mexico and a lull in new drilling permits is costing the United States $4.7 million a day in mineral revenues.

The briefing released today by the National Center for Policy Analysis blames the losses on declining production at existing wells and bureaucratic delays on new exploration but warns that the losses will increase the longer the United States waits to issue new offshore leases.

The group cites estimates by the federal Energy Information Administration that Gulf oil production will decline by 240,000 barrels a day this year. With oil selling at $100 a barrel and producers typically paying an 18.75 percent royalty, the United States is losing $4.7 million a day, which would amount to $1.7 billion over the year, the group found.

"While President Obama says he supports deficit reduction, his administration's policies are only contributing to the country's deficit problem," report author and NCPA adjunct scholar Rob Bluey said. "Every day the Obama administration delays new oil drilling, the federal government loses more oil company revenue that could be used to reduce state, federal and local deficits."

Bluey is also director of the Center for Media and Public Policy at the Heritage Foundation.

The report also warns that the lack of new leases means the government will collect less in rent payments, which generate more than $200 million a year.

The Interior Department since February has issued at least 10 new deepwater permits for exploration activity that was banned under a now-lifted moratorium imposed in the aftermath of last April's BP PLC Deepwater Horizon disaster. The moratorium allowed Interior to establish critical safety regulations to protect workers and the environment from another blowout, officials have said.

Interior last week said it plans to hold its first lease sale after the BP spill in the western Gulf by the end of the year (E&ENews PM, April 19).

The NCPA briefing also takes a swipe at an Obama administration proposal to raise inspection fees and charge nonproducing lease holders to raise money for more inspectors and agency resources. The group suggests additional revenue from expanded production would be ample to cover the costs.

"The income from new lease sales, rents and royalties would be more than enough to pay for new offshore oil rig inspections," the group notes. "President Obama's 2012 budget proposal estimates the fees would generate about $65 million -- significantly less than the amount the federal government could collect by simply boosting Gulf of Mexico production to last year's levels."

Click here to read the brief analysis.

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House Natural Resources Committee Press Office
Contact: Jill Strait, Spencer Pederson or Crystal Feldman
202-226-9019

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