The Truth About America's Energy: Big Oil Stockpiles Supplies and Pockets Profits

A Special Report by the Committee on Natural Resources Majority Staff

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Introduction

While the oil industry and some Members of Congress argue that opening more federal lands and waters would lead to lower gasoline prices, the facts prove otherwise. The fact is that the Nation simply cannot drill its way to lower prices at the pump. Other options, from greater energy efficiencies to the development of alternative fuels, are essential to reducing dependency on petroleum fuels and lowering fuel costs.

Increased Domestic Drilling Activity Has Not Led To Lower Gasoline Prices

Since the 1990s, the federal government has consistently encouraged the development of its oil and gas resources and the amount of drilling on federal lands has steadily increased during this time. The number of drilling permits has exploded in recent years, going from 3,802 five years ago to 7,561 in 2007.

Between 1999 and 2007, the number of drilling permits issued for development of public lands increased by more than 361%, yet gasoline prices have also risen dramatically (Figure 1) contradicting the argument that more drilling means lower gasoline prices. There is simply no correlation between the two.

Energy Companies Not Using Federal Lands Already Open to Energy Development

Even if increased domestic drilling activity could affect the price of gasoline, there is yet no justification to open additional federal lands because oil and gas companies have shown that they cannot keep pace with the rate of drilling permits that the federal government is handing out.

In the last four years, the Bureau of Land Management has issued 28,776 permits to drill on public land; yet, in that same time, 18,954 wells were actually drilled. That means that companies have stockpiled nearly 10,000 extra permits to drill that they are not using to increase domestic production.

Further, despite the federal government's willingness to make public lands and waters available to energy developers, of the 47.5 million acres of on-shore federal lands that are currently being leased by oil and gas companies, only about 13 million acres are actually "in production", or producing oil and gas (Figure 2). Similar trends are evident offshore as well (Figure 3), where only 10.5 million of the 44 million leased acres are currently producing oil or gas.

Combined, oil and gas companies hold leases to nearly 68 million acres of federal land and waters that they are not producing oil and gas (Figure 4). Oil and gas companies would not buy leases to this land without believing oil and gas can be produced there, yet these same companies are not producing oil or gas from these areas already under their control.

If we extrapolate from today's production rates on federal land and waters, we can estimate that the 68 million acres of leased but currently inactive federal land and 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).[1]

Vast Majority of Federal Oil and Gas Resources Already Available for Development

Proponents of opening additional lands to oil and gas leasing assert that vast quantities of oil and gas are closed to energy development. In fact, according to the Minerals Management Service, of all the oil and gas believed to exist on the Outer Continental Shelf, 82% of the natural gas and 79% of the oil is located in areas that are currently open for leasing.

The Department of the Interior recently released a report[2] that the Administration is using to delude Americans into believing that vast tracts of federal land with large concentrations of oil and gas are off-limits to oil and gas development. In actuality, the report shows that only 38% of the oil and 16% of the natural gas are excluded from leasing – largely because those resources are underneath National Parks and wilderness areas that have

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[1] Energy Information Administration, "Analysis of Crude Oil Production in the Arctic National Wildlife Refuge," May 2008.

[2] Inventory of Onshore Federal Oil and Natural Gas Resources and Restrictions to Their Development, U.S. Departments of the Interior, Agriculture, and Energy; May 2008.

significant scenic, recreational, and wildlife values. The rest is either fully accessible under standard lease stipulations designed to protect lands and wildlife, or will be accessible pending the completion of land-use planning or environmental reviews.

Alaska

Proponents of drilling in Alaska are most often focused on a 1.5 million acre area in the 19.2 million acre Arctic National Wildlife Refuge (ANWR). Established in 1960 and expanded in 1980, ANWR includes a 1.5 million acre area of the coastal plain known as the "1002 area" which requires Congressional authorization before oil drilling may proceed there.

However, in addition to ANWR, there are another nearly 91 million acres currently open to leasing in the Arctic region of Alaska, including onshore and offshore lands. Oil and gas companies have leased only 11.8 million of the 91 million acres.

Within the National Petroleum Reserve-Alaska (NPR-A), oil companies have leased 3 million acres of 22.6 million acres available to lease. No production has occurred on any of those lands and industry has drilled only 25 exploratory wells there since 2000.

The Energy Information Administration (EIA) estimates that it will require 8 to 10 years after opening ANWR before oil is produced from any new leases. Furthermore, it would be 20 years after opening ANWR before oil production reached its peak of only 780,000 barrels per day. Production at that level would start to drop within a short time.

According to the EIA, opening ANWR would reduce U.S. crude oil imports, but not until 2022-2026 and only by a few percentage points. Further, it would not significantly increase total world oil production, nor would it significantly affect world oil prices.

In a Nutshell

- **On the Outer Continental Shelf, 82% of federal natural gas and 79% of federal oil is located in areas that are currently open for leasing.**

- **Onshore, 72% of oil and 84% of natural gas resources are either fully accessible under standard lease stipulations designed to protect lands and wildlife, or will be accessible pending the completion of land-use planning or environmental reviews.**

- **Between 1999 and 2007, drilling permits for oil and gas development on public lands increased more than 361%.**

- **Since 2004, the Bureau of Land Management has issued 28,776 permits to drill on public land; in that same time, only 18,954 wells were actually drilled.**

- **Oil and gas companies have stockpiled nearly 10,000 extra permits to drill that they are not using to increase domestic production.**

- **Onshore, of the 47.5 million acres of federal lands leased by oil and gas companies, only about 13 million acres are actually producing oil and gas.**

- **Offshore, only 10.5 million of the 44 million leased acres are currently producing oil or gas.**

- **Combined, oil and gas companies hold leases to nearly 68 million acres of federal land that are not producing oil and gas.**

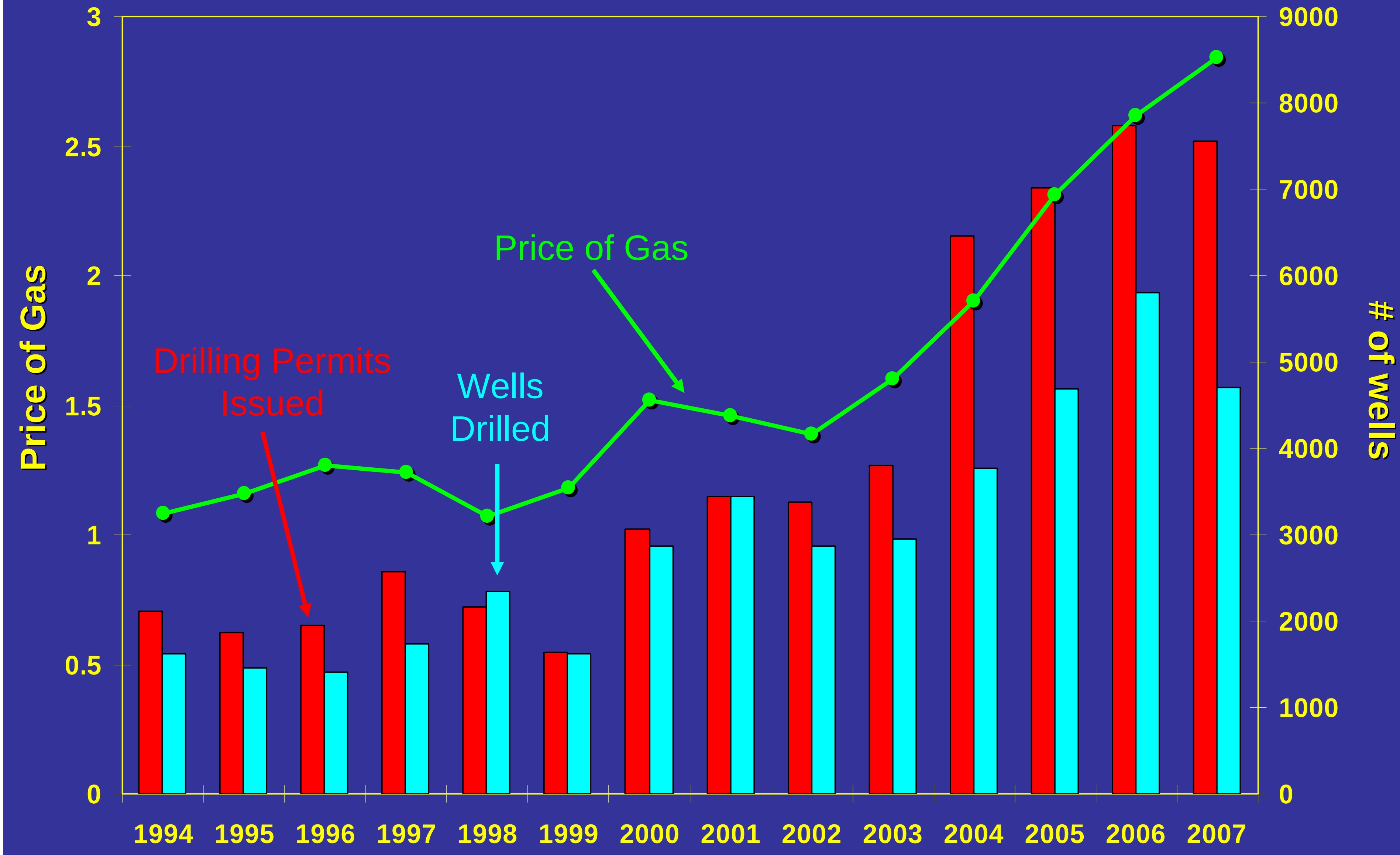
- **The 68 million acres of leased, inactive federal land could produce an additional 4.8 million barrels of oil and 44.7 billion cubic feet of natural gas each day.**

- **That would nearly double *total* U.S. oil production, and increase natural gas production by 75%.**

- **4.8 million barrels of oil equals more than six times the estimated peak production from the Arctic National Wildlife Refuge.**

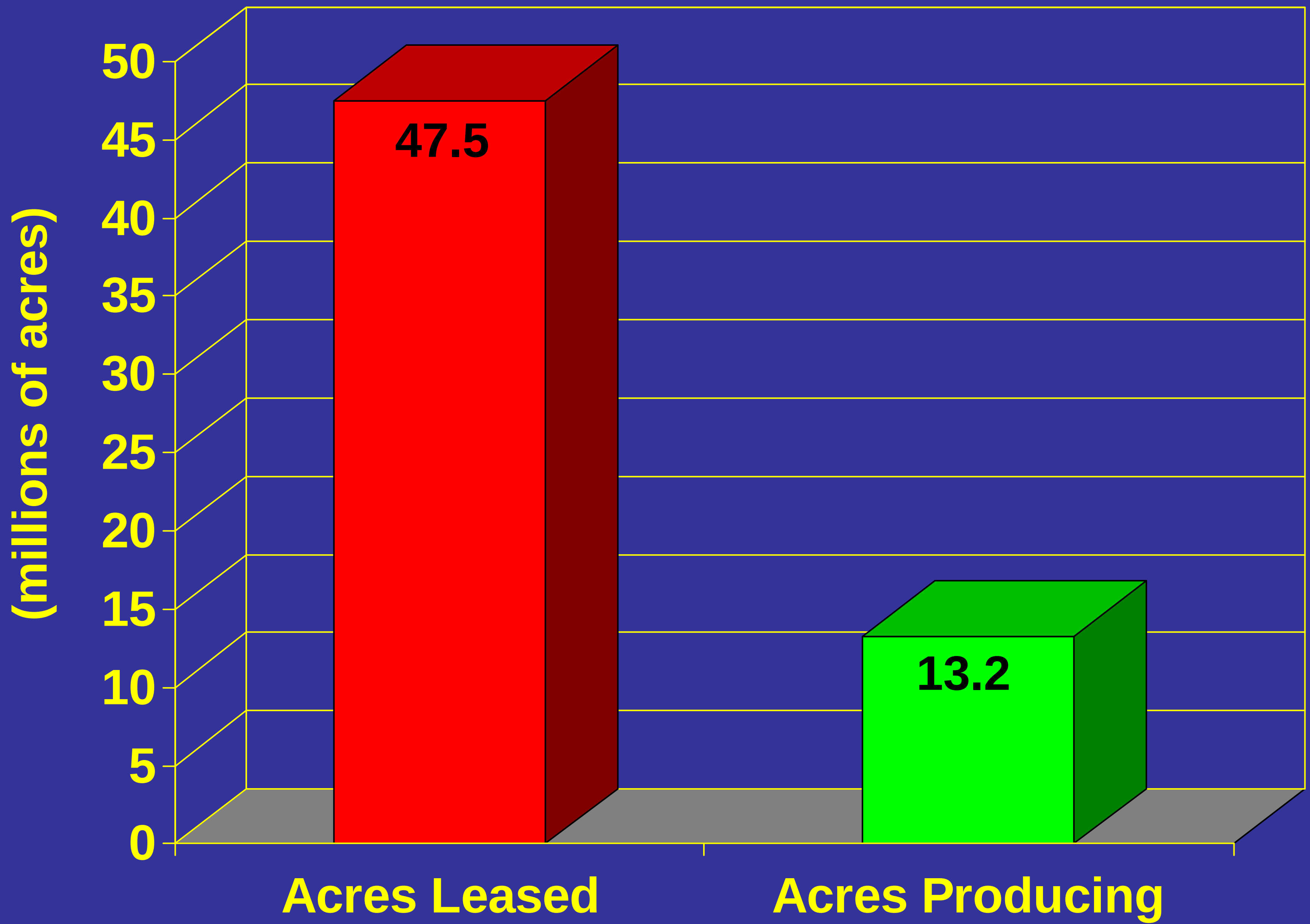
- **Development of and production from the 68 million acres currently under lease but not in production would cut US imports of oil by one-third.**

Does Drilling More Lower Gas Prices? ***NO***



Prepared by Subcommittee on Energy and Mineral Resources

Onshore Federal Acres Leased and In Production – 2007



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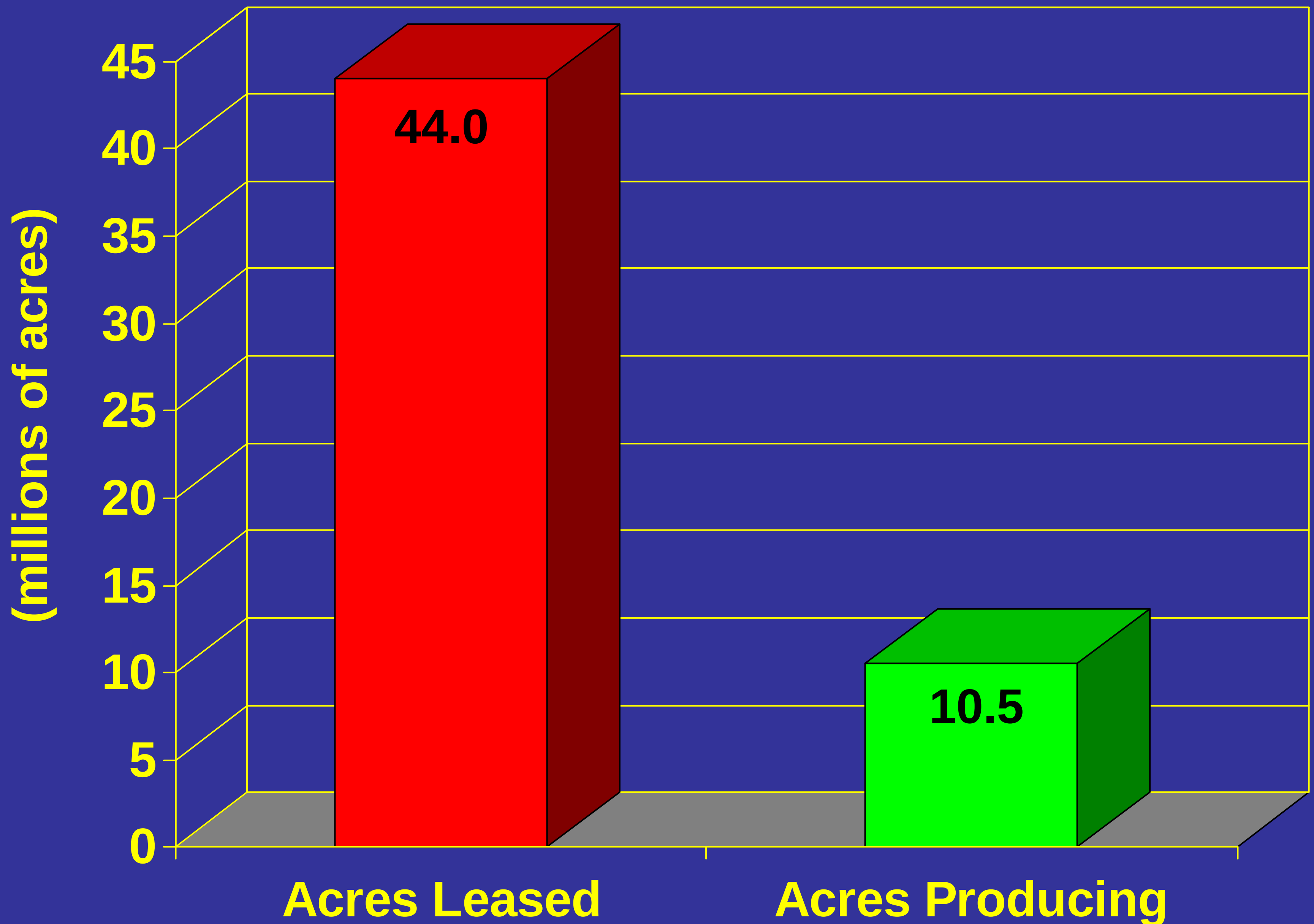
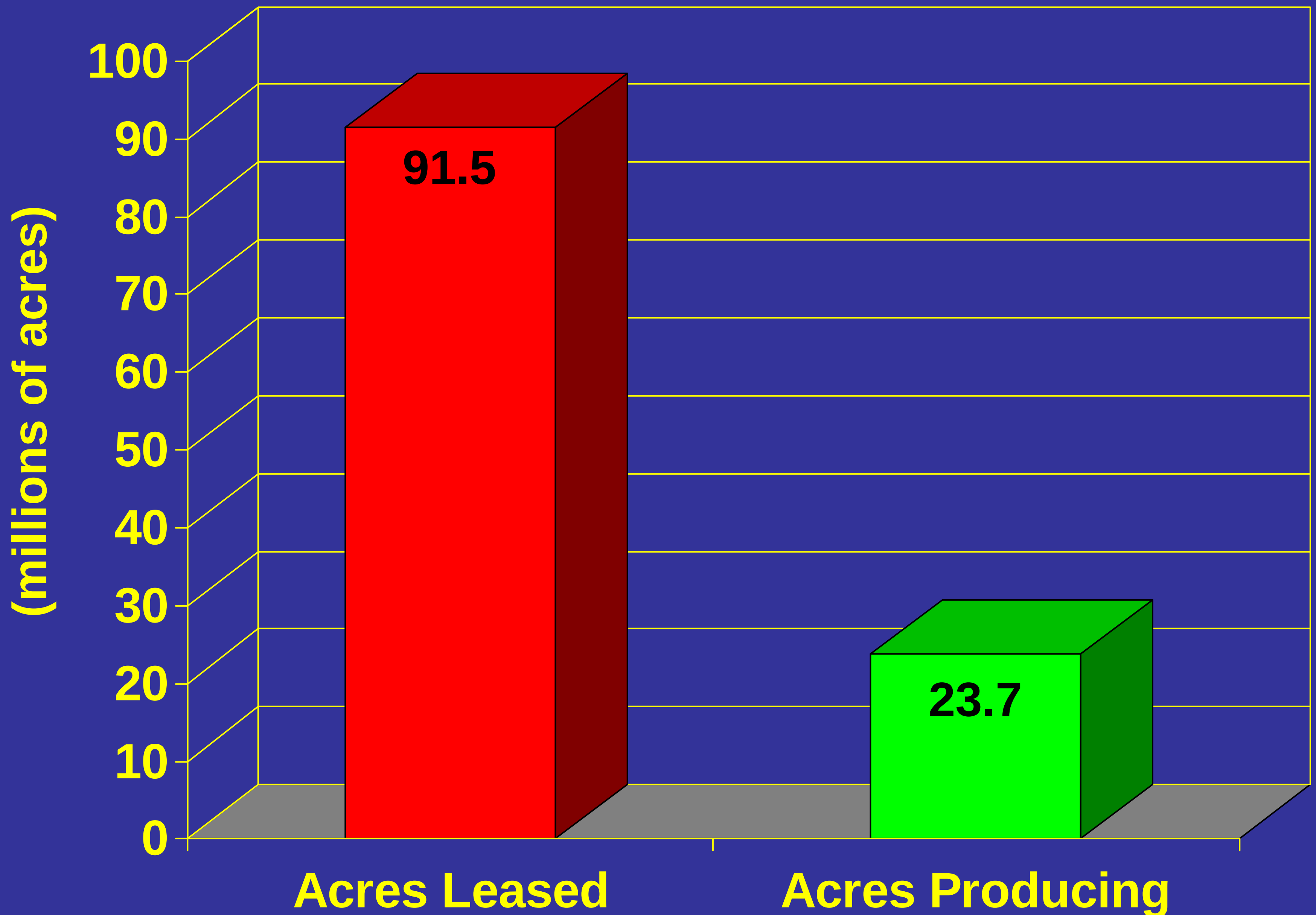
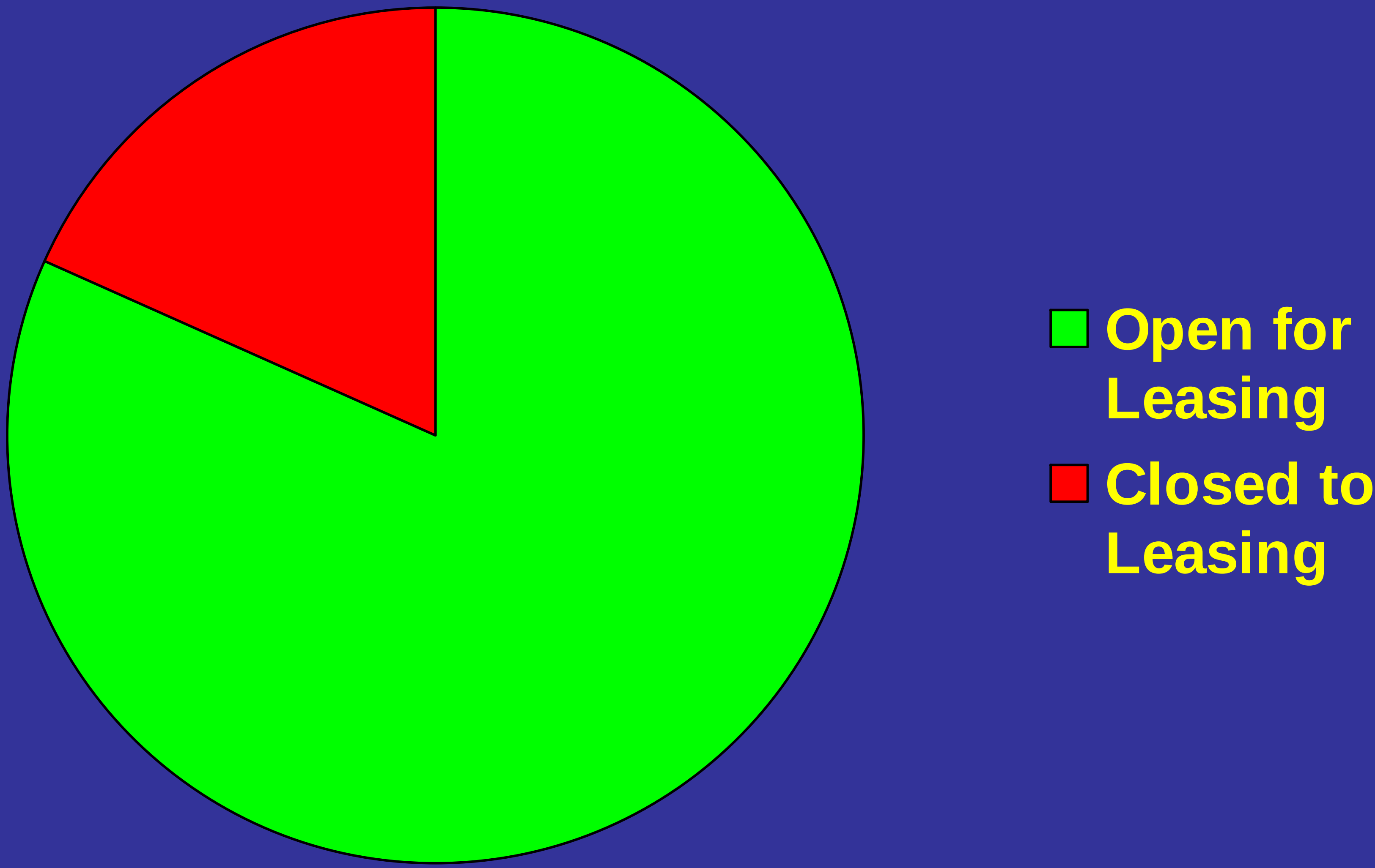


Total Federal Acres Leased and In Production – 2007

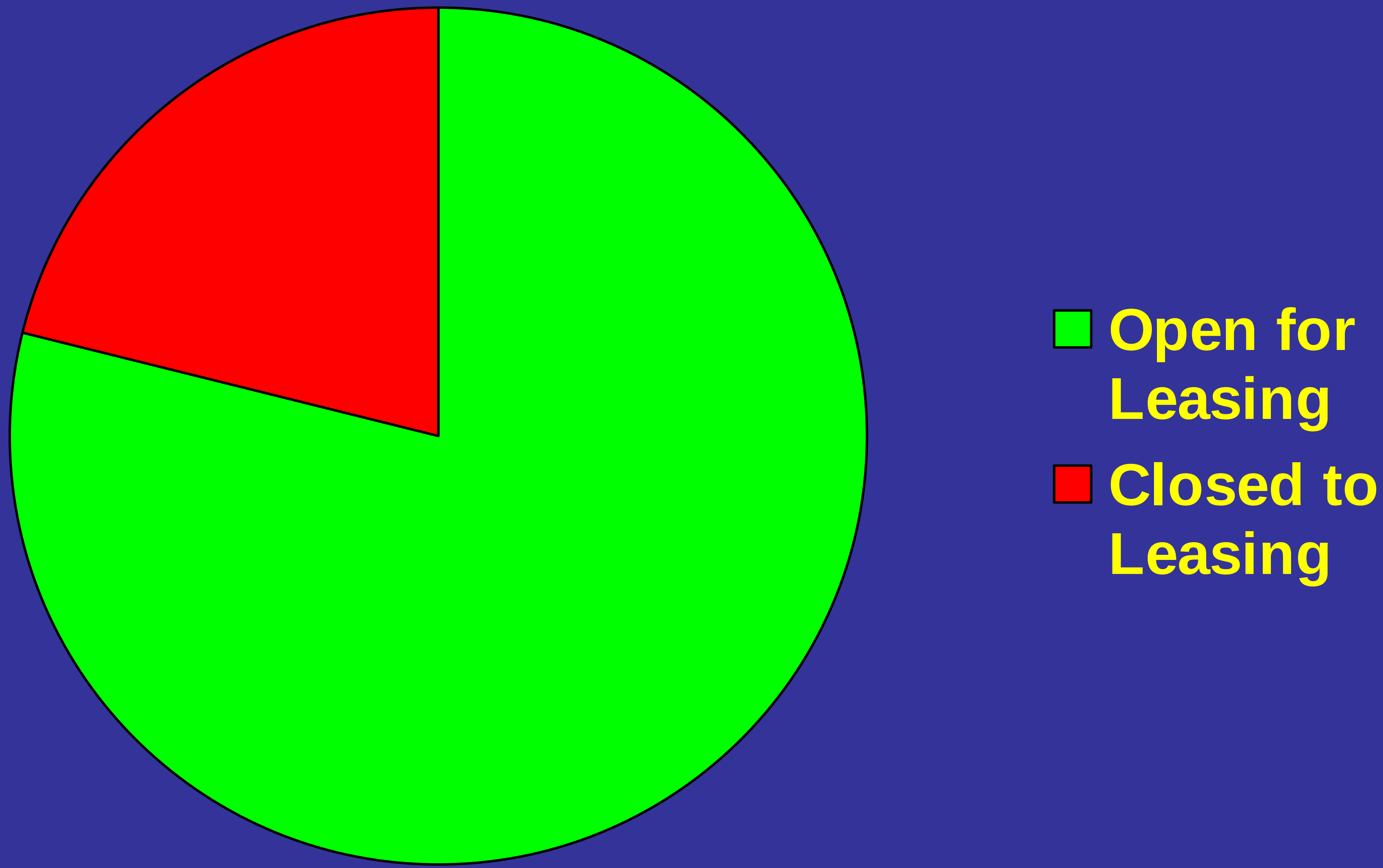


How Much Natural Gas Is Currently Open to Leasing? <u>82%</u>



Offshore Undiscovered Technically Recoverable Reserves
as determined by the Minerals Management Service, 2006.

How Much Oil Is Currently Open to Leasing? <u>79%</u>



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