

Wednesday, March 30, 2011

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President Asks for Report on “Use it or Lose it,” Interior Department Concocts Definitions to Grab Headlines

In a press conference earlier this month to deflect criticism on rising gasoline prices, President Obama asked the Department of the Interior (DOI) to produce a report on the status of U.S. energy leases. DOI yesterday produced that report, which invents new definitions in order to generate headlines that two-thirds of offshore leases are “inactive” – a claim that President Obama will likely repeat during his remarks today.

While the Obama Administration continues to perpetuate the [old ‘use it or lose it’ myth](#) in order to shift focus from their anti-energy policies, Republicans are [putting forward real solutions](#) to expand American energy production, lower energy prices and create jobs.

The Facts on DOI’s report:

- **FACT: DOI is Inventing Terms and Using Contradicting Definitions.** DOI has been so busy inventing new terms such as “inactive leases” in their report that they have managed to contradict existing agency definitions of an “active lease” at least three separate times. Further, this definition of “inactive” doesn’t exist in law or regulation – DOI simply made it up to produce a report the President requested.
 - **Contradiction #1: Fuzzy Definitions = Fuzzy Lease Math**
In their report, DOI provides one set of definitions for offshore “active” and “inactive” leases and a completely different set of definitions for onshore “active” and “inactive leases.”

Offshore ⁱ	Onshore ⁱⁱ
“Active leases,” or leased areas that are subject to exploration or production.	“Active leases,” or areas with ongoing exploration or production activities. <u>Exploration activities include exploratory and geophysical exploration.</u>
“Inactive leases,” or leased areas that are not producing nor currently covered by an approved exploration or development plan. These areas may be subject to certain ancillary activities such as <u>geophysical and geotechnical analysis, including seismic and other types of surveys.</u>	“Inactive leases,” or areas with no ongoing exploration or production activities.

Why should “geophysical activities” qualify a lease as “ACTIVE” onshore but qualify a lease as “INACTIVE” offshore in the same report? This contradiction allows them to label two-thirds of offshore leases as “inactive” when it’s not the case.

If the Administration’s used its onshore definition for offshore, than nearly ALL offshore leases would be considered ACTIVE – “geophysical and geotechnical analysis, including seismic and other types of surveys” are regularly performed on virtually all offshore leases.

This completely discredits the Obama Administration’s claim that two-thirds of leases are “inactive.” The Administration is using arbitrary definitions to come up with disingenuous, politically motivated numbers.

- **Contradiction #2: DOI and BOEMRE Need to Get on the Same Page**
The definition in DOI’s March 29th report directly contradicts information currently on the [Bureau of Ocean Energy Management, Regulation and Enforcement website](#) (an Interior Department agency) posted just weeks ago on March 1, 2011:

March 29th DOI definition:

“Inactive leases,” or leased areas that are **not producing** nor currently covered by an approved exploration or development plan...ⁱⁱⁱ

March 1st BOEMRE definition:

“A non-producing lease is an active lease that **has not produced**”^{iv}

BOEMRE says a lease that has not produced is still an ACTIVE lease. However, just weeks later, DOI says a lease that has not produced is an INACTIVE lease.

- **Contradiction #3: BOEMRE has More to Say on Which Leases are Active**
While DOI’s report claims there’s a difference between “active” and “inactive” leases, the [BOEMRE’s website](#) states that leases are actually “active” if they are in some form of development and haven’t been relinquished.

BOEMRE definition:

“An Active Lease is a lease that has been executed by the Lessor and the Lessee(s), has an effective date and has not been relinquished, expired, or terminated.”^v

Conclusion: The Obama Administration is attempting to trick the public into thinking millions of acres leased are inactive by inventing terms, confusing definitions and contradicting themselves to engineer a favorable outcome for their anti-energy agenda.

- **FACT: The Obama Administration is actively preventing leases from moving from “inactive” to “active” status.** The Obama Administration has issued only one exploration plan in the Gulf of Mexico over the past 10 months. Since last May the Administration has single-handedly been preventing any lease-holder to move from “inactive” to “active” status due to its refusal to issue new exploration or development plans.
- **FACT: DOI’s report trivializes the time it takes to conduct environmental work.**

DOI only defines an offshore lease as “active” if drilling is occurring or a plan is approved to start drilling. This ignores the lengthy time (years) it takes to comply with environmental protection laws, collect seismic data and wait for the federal government to issue permits. DOI refers to these as “ancillary activities.” For following the law and completing necessary environmental reviews, lease holders are being labeled by the Obama administration as being “inactive.”

- **FACT: Under DOI’s newly minted definition, ALL offshore leases would be considered “inactive” for the first 2-3 years of the lease.** Yet during this time necessary steps to produce a lease are being taken. According to [API](#), it can take over two years to complete environmental work before exploration can even begin. For example, Anadarko’s Independence Hub purchased an offshore lease in December 2001. The first exploratory well was drilled in 2003 and production began in mid-2007. For the first two years, this would have been defined by the Obama Administration as an “inactive” lease.
- **FACT: Only a third of leases have oil and natural gas.** The Obama Administration wants everyone to believe that every single lease can and should produce energy. But that’s simply not the case. BOEMRE Director Michael Bromwich recently [admitted](#) this when he told the House Appropriations Committee “[that if companies find oil or gas on one out of three offshore leases, “They’re doing well.”](#)” So while the Administration continues to claim that two-thirds of leases are not active, they don’t explain that only one-third of the leases even contain oil and natural gas resources to produce.

This is why House Natural Resources Committee Chairman Doc Hastings [introduced legislation](#) to require the Obama Administration to actively conduct lease sales to occur in those offshore areas where government estimates show the most oil and natural gas.

[Click here](#) to get more facts on the “use it or lose it” myth being recycled by Democrats.

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ⁱ Oil and Gas Lease Utilization – Onshore and Offshore, U.S. Department of the Interior, Page 3

ⁱⁱ Oil and Gas Lease Utilization – Onshore and Offshore, U.S. Department of the Interior, Page 6

ⁱⁱⁱ Oil and Gas Lease Utilization – Onshore and Offshore, U.S. Department of the Interior, Page 3

^{iv} <http://www.boemre.gov/Id/PDFs/CombinedLeasingStatusReport.pdf>, Footnote 3

^v <http://www.boemre.gov/Id/PDFs/CombinedLeasingStatusReport.pdf>, Footnote 2