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Dear Member of Congress:

In recent weeks, there has been much discussion about access and federal oil and natural gas leases, and I thought it helpful to provide you with information on this matter.

The criticism of the oil and natural gas industry is that it seeks greater access to our nation's resources under federal lands when companies already own many leases that are allegedly sitting there, undeveloped and producing nothing. There are now even calls for oil companies to be denied new leases, if they have "unexploited" leases. To many, this criticism may sound reasonable. However, these claims of "idle" leases are based on a lack of understanding of the mechanics and due process involved in oil and natural gas exploration and production.

A brief explanation:

- A company buys a lease because it believes there is a *possibility* the lease may yield enough oil or natural gas to make the cost of the lease, and the costs of exploration and production, commercially viable. Over the past five years, companies paid billions to obtain federal leases. However, until a company actually completes exploration, it does not know whether a lease will be productive and commercially viable. Many will not.
- Typically, geological exploration; a government-required permit request for seismic work and the work, itself; data analysis; and another government-required permit request for drilling and the work, itself, are needed to verify that sufficient resources can be recovered. These take time, especially the permitting. Moreover, even if initial drilling finds commercially viable amounts of oil and gas, a number of time-consuming steps must follow before production can begin. The lease holder must drill delineation wells to size the field, obtain further state and federal government permits, and engineer and install complex production facilities.
- If the company finds there is no oil or natural gas underneath a lease – or that there is not enough to justify the huge investment needed to bring that energy to the surface – the company moves on to more promising leases. Yet, it continues to pay rent on the lease, atop its original leasing bonus fee. In addition, if the company does not develop the lease within a certain period of time, it must return it to the federal government, forfeiting all its costs. All during the aforementioned active exploration and evaluation phase, the lease is listed as "non-producing."

Because a lease is not producing, critics say it is "idle" when, in reality, much more often than not, it is being actively explored and developed.

Our companies have made tremendous strides in developing cutting-edge exploration technology, but they cannot produce oil or natural gas where it does not exist. In many cases, companies find that a significant percentage of their leases simply may not contain oil and natural gas, especially in commercial quantities. Were they to continue to spend millions of dollars to develop those leases, they would be accused of vacating their fiduciary responsibilities.

Oil and natural gas companies put a lot of time, money and effort doing exploration in the hopes of finding enough oil and natural gas to produce in commercial quantities. Exploration is not a risk-free proposition, but it is an absolutely essential part of our business. There is nothing "idle" about it. Exploration that took place years ago is providing the fuel that is meeting consumer demand today.

A lease is simply a block on a map. When a company buys a lease, it does not buy oil and natural gas; it buys the right to explore whether there is oil and natural gas on that block. If every lease had oil and natural gas, we wouldn't need to explore. One could simply pay for a lease, punch a hole in the ground and start pumping oil.

The proposal to deny new leases to companies with so-called "idle" leases exposes a serious flaw in how the fundamentals of our industry are understood. If enacted, it would keep locked up underground even more of America's vast energy resources and seriously harm our ability to produce sufficient energy to meet the continued steady demand. At the same time, more oil and natural gas imports would result, and American jobs would go overseas.

Just as Congress would not dream of requiring farmers to plant crops in the portion of their acreage that is marshland, it should not force our companies to spend millions of dollars on non-promising leases to qualify to bid on new leases.

If our economy is to grow in an increasingly competitive global marketplace, our companies must be allowed access to the areas that we expect have the potential to produce the oil and natural gas consumers will need.

Today's short-term need was yesterday's long-term opportunity. If Congress had acted on that opportunity years ago, America would not be in the energy bind it finds itself today. We are ready to work with you to help secure America's energy future.

Sincerely,

A handwritten signature in black ink, appearing to read "Red Cavaney". The signature is stylized and cursive.

Red Cavaney