

**Statement by Erik Milito
Regarding “Use-it-or-lose-it”
March 24, 2011**

This morning we’d like to set record straight – again – regarding charges by administration officials and members of Congress that American oil and natural gas companies are sitting on oil leases granted by the government, stubbornly refusing to turn them into producing leases.

We have heard these tired charges before and we have refuted them with the facts each time they come up. Unfortunately, like the mechanical critters in a game of “Whac-A-Mole,” they just keep popping up again and again – totally oblivious to the truth.

Political gamesmanship like this is a distraction from the important conversation this nation needs about its energy options and its energy future.

Americans need and deserve an energy policy based on facts, something these charges lack.

The reason this argument keeps popping up again and again is to distract the American people from the fact that the administration has repeatedly decided to pursue policies and actions that delay, defer or deny access and production from our domestic resources – that the administration has no coherent policy to address the future oil and natural gas demands predicted by its own Energy Information Administration.

It is a convenient way to detract attention from policies that undermine the mission of supplying Americans with the energy they need, using America’s own resources, while President Obama just this week was promoting oil and natural gas development in Brazil.

So to set the record straight, we are making available to you two fact sheets – one for offshore and one for onshore – that explain exploration and production timelines.

We believe they offer a thorough explanation of just what is involved, and how long it takes to turn a lease into a producing field – as much as 10 years.

I won’t go into the details of fact sheets, but I will be glad to respond to any questions you may have about them. There are a few things that I want to emphasize, however.

First, oil and natural gas companies are in the business of supplying energy.

This drives capital investment choices, business plans, and hiring decisions. When they do it successfully, it’s how they earn money for their shareholders, including millions of America’s retirees. And that is how they pay for their initial investments on the leases. They have every incentive to produce as much oil and natural gas as possible.

Who gets the large fees for these leases? The government – to the tune of billions of dollars a year.

It is ridiculous for anyone to imply that these companies would be willing to spend billions of dollars to acquire leases, and then simply sit on them while their competitors around the world are busy producing oil and natural gas.

Secondly, there is a very good reason why this segment of the industry is called “exploration and production,” and not just “production.”

A lease is nothing more an agreement with the government that a company has the right to explore to see if there is oil or natural gas hundreds or thousands of feet beneath the surface of the land or water.

There is no guarantee that the leased area contains any oil or natural gas. None. In fact, most leases do not contain oil or natural gas in quantities sufficient to produce, or in formations that are possible to access.

Third, the fact that a well is not producing oil or natural gas does not make it an idle well. The fact is that leases are often not producing for very good reasons: because seismic work may be occurring, because government permits have not yet been issued, because the rigs and supporting resources are being put in place so that drilling can begin – or because drilling is taking place.

Again, all of this takes time.

Just as no one expects a farmer to produce a crop immediately after putting plow to the ground, no one should expect oil or gas to flow as soon as a company begins to work a lease.

And finally, if a company – through its expensive and time-consuming exploration process – determines that there is no oil or natural gas on the lease, it returns the lease to the government.

And it has a legal obligation – under the already existing Use-It-Or-Use-It law – to return the lease to the government if no oil or natural gas can be produced from the lease. Use-it-or-lose -it is already part of existing laws, regulations and the contracts entered into between the government and the operators.

We would encourage the administration and members of Congress to set aside political rhetoric. Instead of attempts to play politics, it should focus on what is in the best interest of Americans:

Sound energy policies that will put downward pressure on prices, generate revenues for the government, and keep investment flowing in the United States to generate thousands of new much needed jobs.

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