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Responding to White House Claim that Oil & Gas Companies are not Drilling Leases

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On March 3rd, White House Press Secretary Jen Psaki, in response to a question about increasing domestic oil production, attempted to shift blame to oil companies by citing “9,000 approved oil leases that the oil companies are not tapping into currently”. Here are some facts:

- There are about 37,496 federal leases in effect. Assuming her number on nonproducing leases is correct (as FY 2021 data are not yet available from the government), a 75% utilization rate is a historic high.
- Many leases are held up in litigation by environmental groups. Most of the leases cannot be developed while those cases are ongoing.
- Companies must put together a complete leasehold before moving forward, particularly with horizontal wells that can cut across multiple leases. Sometimes a new lease is needed to combine with existing leases to make a full unit. Since the Biden federal leasing ban remains in effect, some leases are held up waiting for new leases or for the government to combine them into a formal unit.
- Before allowing development on federal leases, the government conducts environmental analysis under NEPA (the National Environmental Policy Act), which

often takes years to complete. Many leases can be hung up by NEPA or awaiting other government approvals.

- Finally, not all leases will be developed because, after conducting exploratory work, companies may determine there are not sufficient quantities of oil and natural gas on them.

The White House later said they were talking about permits, not leases. There are currently 4,621 permits to drill awaiting approval. The government could approve these permits now, enabling companies to forward with development. There are also about 9,173 outstanding approved permits, but there are factors that cause companies to wait to drill those wells.

- Because of the uncertainty of operating on federal lands, companies must build up a sufficient inventory of permits before rigs can be contracted to ensure the permits stay ahead of the rigs. We drill wells in a matter of days and rigs are very expensive, so it's a delicate balancing act.
- The federal permit to drill is not the only government approval required. Rights of way (ROW) can take years to acquire before companies can access their leases and put in natural gas gathering systems. With the pressure not to flare from regulators and investors, most companies cannot drill before gathering lines are in place. Timely approvals of ROWs would enable companies to develop sooner.
- The administration has worked with anti-oil-and-gas activists to slow pipeline infrastructure. Without pipelines to move the oil and natural gas produced, wells cannot be developed.
- Capital must be acquired. Activist investors, encouraged by an administration intent on expanding its financial regulatory powers, have worked to de-bank and de-capitalize the industry. Many companies, particularly the small independents who drill the majority of federal wells, are having difficulty acquiring the credit and capital necessary to develop. By calling off bureaucratic efforts to deny financing to the industry, the president would send a strong signal to the market that investments in oil and natural gas are safe and new production could move forward.
- The Biden Administration has embarked on an agenda of regulatory overreach with extensive new regulations in the works. The uncertainty of all the new red tape puts a damper on new investment and development today.