

SELECTED PROVISIONS OF HOUSE-PASSED HR 3221 TITLE VII THAT WOULD SLOW DOMESTIC NATURAL GAS PRODUCTION

Sec. 7101: Repeals the highly successful Permit Processing Improvement Fund that helps fund BLM administration of its oil and gas program.

Sec. 7102: Extends the target time period for BLM to process drilling permits by 50%.

Sec. 7104: Effectively makes unworkable the highly successful “categorical exclusion” program by which BLM avoids duplicative environmental analyses and issues permits in a timely manner.

Sec. 7105: For the first time, prevents BLM from granting even a short-term waiver of a lease stipulation after on-the-ground inspection without having a public hearing and comment period of undefined duration. It suggests that companies that seek waivers will be punished by having approvals of their permit requests delayed.

Sec. 7106: Lengthens the time periods for CZMA appeals.

Sec. 7201: Requires more audits of royalty payments despite evidence that other approaches generate more revenue for the government.

Sec. 7202: Rewrites the fines and penalties provisions of current law for no apparent reason, creating great legal uncertainty around undefined standards and new obligations.

Sec. 7221: Establishes new law to give land owners in split estate situations unprecedented ability to delay drilling the company is legally entitled to undertake.

Sec. 7223: For the first time, requires operators submit to BLM a water management plan with every drilling application. BLM is unequipped to review these plans as water management is currently subject to state regulation and permitting. Having overlapping programs would invite delay and litigation and significantly increase BLM's costs.

Sec. 7224: The bill sets a fee for leased acreage not under production– in addition to current rental payments for the same purpose on the same acreage – increasing the cost of maintaining a drilling inventory for no reason.

Sec. 7604: The bill imposes a permanent moratorium on drilling on the Roan Plateau of Colorado. This huge resource was transferred to BLM by Congress in 1997 with instructions that it should be leased for development and BLM has developed a development plan that is the most protective of the environment ever devised.

Secs. 7501-4 Prohibits the leading offshore exploration and production companies in the world from future leasing in the Gulf of Mexico unless they have agreed to retroactive abrogation of certain existing lease contracts with the federal government or agree to pay a new \$9-per barrel (or natural gas equivalent) fee on production from those leases and a separate fee on all of their non-producing lease acreage in the Gulf. Litigation over these provisions would be highly likely, with significant risk of injunctive relief disrupting the highly successful – and supply-critical – Gulf of Mexico oil and gas program for years.