Responses to Questions from Rep. Westerman for Dan Naatz, Chief Operating Officer, Independent Petroleum Association of America

Legislative Hearing on H.R. _____ (Westerman), "'Transparency and Production of American Energy Act of 2023"; and H.R. 209 (Stauber), "Permitting for Mining Needs Act of 2023"
February 28, 2023

1. How much Federal revenue did onshore and offshore oil and gas production send to the Treasury last year?

Dan Naatz: Oil and gas revenues from production on federal land for FY2022 totaled $7.6 Billion for onshore and $6.3 billion for the offshore Gulf of Mexico.

2. Last year our Democrat counterparts decided to raise the royalty rate for production on federal lands and waters.

a. If you had to choose between developing a project on federal land versus private or state land what would be your preference and why?

Dan Naatz: The question is more complex than federal land vs. non-federal land. Many of our producers are involved in complicated, multi-stage and multi-year projects on federal land which would result in a huge financial blow to walk away from. Furthermore, oil and natural gas are not manufactured. Companies must go where the resource exists and, particularly in the West, that tends to be on federal land. That said, I believe most companies would gladly pay the royalty premium to deal with the regulatory certainty of a state like Texas where the average permit is processed and awarded in 2 days rather than the federal process as BLM permitting times are averaging over 170 days.

b. Would you argue that the measures in the so-called Inflation Reduction Act make federal land much less appealing than state and private lands and in turn, result in less revenues for taxpayers?

Dan Naatz: Absolutely. I believe we are already starting to see trends of new production being shifted away from federal lands and increased regulatory burden, red tape, and costs are going to contribute as well.

3. As we know, the Biden administration has held only one onshore lease sale in 26 months. We also know that this is illegal as the Mineral Leasing Act requires quarterly lease sales in all eligible states. What impact will this decision have on production and revenues over time and when will the impacts of this illegal lack of action be felt?

Dan Naatz: The impact will be devastating, particularly to state and local economies who count on oil and natural gas revenue as a crucial part of their budgets to make ends meet. But the true effect will not be felt for a few years as production that is coming online right now was scoped a number of years ago. After a company wins a lease, the exploration phase can take years of seismic testing and data analysis before a company determines potential discovery. Independent producers rely on certainty in the leasing process to make business decisions for years in the future.

4. As you know, the Biden administration cancelled the remaining offshore lease sales in the 2017-2023 5-year-plan and the Inflation Reduction Act requires the administration to hold those sales this year. The Biden administration has not yet published a new 5-year-plan, even though the previous one expired

in June of 2022. Can you discuss the importance of having a 5-year-plan in place and how this delay is impacting planning and investment in offshore development?

Dan Naatz: Having a 5-year-plan in place in vitally important to the health of the offshore oil and natural gas industry. Furthermore, the proposed plan that the Administration closed for comments last year gave the option for zero to ten leases in the Gulf of Mexico and one in the Cook Inlet in Alaska. With all due respect, a leasing plan with the possibility of zero lease sales is not a leasing plan. It's a clear signal from the Administration of their priorities and sends a strong message that offshore producers are not valuable.

5. If producing on oil and gas federal lands and waters ceases in the U.S., will demand decrease or will it instead be met from other countries, like Russia?

Dan Naatz: Studies and trends all conclude that the demand for oil and natural gas is going to stay strong for many years to come. The U.S. produces the lowest carbon barrels of oil in the world, not to mention our environmental and safety record that far exceed some other nations such as Russia and Venezuela. For every policy that restricts American oil and natural gas, those barrels will be made up for by dirtier foreign sources.

6. On February 14th, the Institute for Energy Research published a report titled "The Environmental Quality Index: Environmental Quality Weighted Oil and Gas Production" that quantifies the environmental impact of oil and natural gas produced in different countries around the world. The report shows what many of us already knew, that domestic production is much more environmentally friendly than countries like Russia, Saudi Arabia, Iran, Iraq, and many others.

a. Would the provisions of this bill help the U.S. take more global market share from these other countries?

Dan Naatz: IPAA represents independent American oil and natural gas producers with one goal – to produce American oil and natural gas supplies to the advancement of the American economy. While oil is valued on a global market and OPEC nations often play games to artificially inflate or deflate prices, additional US supplies will help stabilize the oil and natural gas.

b. Will this bill reduce global emissions?

Dan Naatz: As I've said before, America produces the cleanest barrels of oil in the world. In fact, oil produced from the Gulf of Mexico has the carbon intensity of one-half that of other producing regions. In short, this bill will reduce global emissions as it aims to unencumber industry.