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U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

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Howard K. Gruenspecht, Ph.D.
Acting Administrator
U.S. Energy Information Administration
1000 Independence Ave., SW
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Dear Dr. Gruenspecht,

I am writing concerning troubling inaccuracies included in the Energy Information Administration's (EIA) Annual Energy Review (AER) for 2010. EIA has included information on the production of oil and natural gas on federal lands in the AER that significantly underrepresents what is actually occurring. As a result, EIA's data is leading some people to have a dangerous misunderstanding of how much oil and natural gas is currently being produced on public lands. I understand that EIA has acknowledged that there is a problem with their data and is taking steps to correct it. I commend you for your quick response and write to request that EIA issue a correction to the Annual Energy Review for 2010 as soon as possible in order to properly portray the amount of oil and natural gas produced on federal lands.

In the AER 2010, EIA includes information on fossil fuel production on federal lands in Figure 1.14 and Table 1.14, entitled "Fossil Fuel Production on Federally Administered Lands".¹ According to Table 1.14 in the AER, 384.8 million barrels of crude oil and 4.24 trillion cubic feet of natural gas were produced on federal lands in fiscal year 2010 (FY2010). EIA's Table 1.14 includes a footnote for crude oil production that states, "data from the U.S. Department of the Interior (DOI), U.S. Minerals Management Service (MMS), are for sales volumes".² According to conversations between Democratic staff and EIA, this table is based on data from the Department of the Interior's Office of Natural Resources Revenue (ONRR) for the sales volume of oil and natural gas produced from public lands rather than the production volume. This appears to mean that EIA is currently only counting oil and natural gas produced from federal lands for which royalties were paid to the federal government. Unfortunately, this accounting dramatically underrepresents the volumes of oil and natural gas actually produced on federal lands.

¹ U.S. Energy Information Administration, Annual Energy Review, October 2011. p. 30-31. Available at: <http://www.eia.gov/totalenergy/data/annual/pdf/aer.pdf>

² Id.

As the result of an oil company challenge to a 1995 law, oil companies that were issued drilling leases in the Gulf of Mexico between 1996 and 2000 are able to produce oil and gas from federal lands offshore without paying any royalties to the American people. In recent years, the volume of royalty-free oil and natural gas production as a result of these leases has increased substantially.

According to information from ONRR, there were 384.8 million barrels of oil and 4.24 trillion cubic feet of natural gas produced on federal lands in FY2010 for which royalties were paid. However, under a category deemed “non revenue volumes” by ONRR, there were 312 million barrels of oil, 596 million gallons of natural gas liquids, and more than one trillion cubic feet of natural gas produced on federal lands subject to Deep Water Royalty Relief on which no royalties were paid. It is misleading to represent fossil fuel production on federally administered lands while excluding significant volumes of oil and natural gas simply because the American people did not receive royalties on them. In reality, there were more than 700 million barrels of oil produced on federal lands in FY2010 according to DOI, an amount that is 80 percent higher than the 384 million that is currently portrayed on EIA’s website.

It is particularly dismaying that some who have not supported fixing the royalty-free drilling loophole are now trumpeting misleading data that omits royalty-free production as a way of attacking the Obama administration’s energy policies. The Institute for Energy Research (IER) stated on January 24, 2012, “production on federal lands is decreasing significantly...oil and natural gas production on federal lands has fallen by over 40 percent since 2000.”³ Similarly, the Heritage Foundation posted a blog entry on January 18 which also erroneously stated, “Oil and natural gas production on federal lands is down by more than 40 percent compared to 10 years ago” based on the same EIA chart.⁴ Even the Natural Resources Committee Majority staff issued an alert on January 25, 2012 that erroneously asserted, “In 2000 federal oil production accounted for 32% of total US production—in 2010, after two years of job destroying Obama Administration policies, federal production only accounts for 19% of total U.S. oil production,” again based on the incomplete data contained in EIA’s table 1.14.⁵ Similar erroneous assertions that appear to be based on EIA’s flawed data also appeared this week in articles published by Bloomberg, the San Francisco Chronicle and other mainstream media.

Unfortunately, all of these conclusions based on this incomplete EIA data are woefully inaccurate. In fact, oil production on federal lands actually increased over the last ten years, not decreased. While legislation that I have authored to correct these faulty drilling leases and ensure that oil companies are paying their fair share to produce oil and gas from public lands has passed the House in each of the last three Congresses, the Senate has not taken action on it. Oil companies are still able to produce significant quantities of oil and natural gas on public lands for free, denying American taxpayers of billions in revenue. More disturbing, the amount of U.S. oil being given away for free has increased substantially in recent years— from 26 million barrels in

³ IER, January 24, 2012. Available at: <http://www.instituteforenergyresearch.org/2012/01/24/president-obamas-record-on-oil-and-gas-production/>

⁴ The Heritage Foundation, January 18, 2012. Available at: <http://blog.heritage.org/2012/01/18/under-obama-oil-and-gas-production-on-federal-lands-is-down-40/>

⁵ Natural Resources Committee Majority Staff. January 25, 2012. Available at: <http://naturalresources.house.gov/News/DocumentSingle.aspx?DocumentID=276415>

FY2009 to 312 million barrels in FY2010, according to ONRR data. While I will continue to push to rectify the royalty-free drilling rip-off of American taxpayers by oil companies, oil and natural gas is still being produced on federal lands even if oil companies are not paying royalties on it. As such, it must be included in EIA's accounting so that some people do not continue to draw erroneous conclusions that could have significant ramifications for policy makers.

I urge you to rectify this issue as soon as possible to ensure that all oil and natural gas produced on public lands is reflected in EIA's Annual Energy Review. Thank you for your attention to this matter.

Sincerely,



Edward J. Markey
Ranking Democratic Member