EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 26, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 6251 – To prohibit the Secretary of the Interior from issuing new Federal oil and gas leases to holders of existing leases who do not diligently develop the lands subject to such existing leases or relinquish such leases, and for other purposes

(Rep. Rahall (D) WV and 58 cosponsors)

The Administration strongly opposes H.R. 6251 as introduced, which would prohibit the granting of new oil or gas exploration or production leases both onshore and offshore to any entity that is not "diligently developing" its existing leases. This bill would discourage the development of domestic energy resources, drive up gas prices, and reduce the Nation's energy security. If H.R. 6251 were presented to the President, his senior advisors would recommend that he veto the bill.

Current law already establishes initial lease periods and requires that reasonable progress be made toward production of resources from Federal leases. Failure to demonstrate and maintain progress toward commencing production *already* results in the forfeiture of the lease and any extensions, as well as the lessee's investment in it.

By blocking some firms from competing for new leases, this legislation would further increase gas prices that already exceed $4 per gallon. Even though new leases will take years to develop, oil markets are forward-looking, and an expected decline in future supply will raise prices today.

Some have argued that leaseholders are "sitting on" leases rather than producing oil from them. This absurd claim ignores the tremendous incentive for a firm to drill when oil prices exceed $130 per barrel. Firms want to drill where they can most profitably extract oil. A firm that is not drilling in a particular area either cannot find recoverable oil there, or thinks it can find oil that can be extracted at lower cost, or has not yet completed the more than a dozen plans and permits needed to allow drilling. Congress should be allowing firms to find oil where it will produce the least expensive gasoline for the American driver.

Gasoline prices are at historic highs. It is incredible that Congress is considering legislation that would reduce domestic oil supply. Congress should instead remove barriers to domestic production of oil by: (1) increasing access to resources on the Outer Continental Shelf; (2) removing the prohibition on completing commercial oil shale leasing regulations to allow access to this promising resource; (3) permitting exploration in the Arctic National Wildlife Refuge; and (4) streamlining the permitting process for expansions and reconfigurations of refineries.

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