



March 15, 2012

The Honorable Ken Salazar
Secretary of the Interior
1849 C Street, N.W.
Washington, D.C. 20240

Dear Secretary Salazar:

We write to express our concern regarding some recent statements you and other officials at the Department of the Interior (DOI) have made in recent days.

Federal Land Production. Earlier this week, you were quoted at the White House as saying, "the fact of the matter is we are producing more from public lands both oil and gas both onshore as well as offshore than any time in recent memory." We are confused by these statements because the most recent data we have seen from DOI indicates that both oil and natural gas production on federal lands declined over the last year. In addition, just yesterday, BLM Director Bob Abbey stated at a Senate Appropriations Committee hearing that oil production on onshore federal lands was down and that the "statistics speak for themselves."

Increased Fees and Royalty Rates. We are also troubled by the Obama Administration's efforts to place additional inspection fees, raise fees on Applications for Permits to Drill (APD) and increase the royalty rate on oil and natural gas produced on federal lands by 50 percent. Although the President talks about increasing American energy production, the cumulative impact of these fee and royalty increases are bound to have the opposite impact. In fact, a recent report commissioned by DOI and completed by IHS-CERA showed that an increase in royalty rates will, in fact, suppress development and greatly reduce the bonus bids and revenues that our nation receives annually from this production. We can only assume these massive fee and royalty increases are designed to fundamentally alter the ability of America's oil and natural gas producers to operate on federal lands.

Independent Producers and the Environment. Finally, we are also concerned about a statement Director Abbey made at yesterday's Appropriations hearing regarding smaller oil and gas producers operating on federal lands. When questioned about the necessity of increasing inspection fees for oil and natural gas operations on federal lands, Director Abbey responded with the following quote:

"The highest risk we have is with small operators. They do not have the capital to do everything that is required to ensure environmental protections for the drilling that is occurring."

This is a troubling statement and one that IPAA finds offensive to America's independent oil and natural gas producers. The roughly 6,000 members of IPAA, who drill 95 percent of the nation's oil and natural gas wells, are proud of their record regarding environmental protection and compliance with all of the pertinent federal regulations governing oil and natural gas production. We would be interested if Director Abbey would share the data regarding the higher risks small

operators pose to the environment when they conduct their operations. If, in fact, real issues exist, IPAA believes the industry should be working with BLM to address them and stands ready to do so.

America's oil and natural gas producers are proud to provide our nation with the resources to fuel our economy and economic prosperity. Despite the continued threats of additional tax burdens, fees and royalty rate increases, America's independent oil and natural gas producers remain committed to delivering the reliable energy the American people demand and deserve.

Sincerely,

A handwritten signature in blue ink, appearing to read "Daniel T. Naatz". The signature is fluid and cursive, with a large initial "D" and a long, sweeping tail.

Daniel Naatz
Vice President, Federal Resources
Independent Petroleum Association of America