



January 13, 2022

Senator Joe Manchin
Chairman

Senator John Barrasso
Ranking Member

Senate Committee on Energy and Natural Resources
304 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Manchin and Ranking Member Barrasso:

Thank you for the sensible debate and deliberations on the Build Back Better Act, the House version of which, for countless reasons, would be devastating to the economy and the future viability of the entire energy edifice of the country. We are grateful for your collective leadership in recent months to infuse balance into the conversation in order to craft more judicious legislation.

While we appreciate that recent language from your committee is not as extreme as the House version, it would still be a major blow to federal onshore oil and natural gas, which provides just under a tenth of American production, a valuable contribution that sustains rural communities and states across the West. In fact while many of the worst provisions envisioned by the House have been removed with respect to coal, hard rock mining, and the electrical grid, the target remains squarely on federal onshore oil and natural gas development. The timing of these provisions could not be worse, as the United States continues to struggle to return to levels of production achieved just a few years ago and as energy prices remain too high for the American people.

As the representatives of hundreds of thousands of workers from the smallest of companies to the largest, our organizations are concerned that the onshore oil and natural gas provisions will be a barrier to any new leasing on federal lands. The excessive costs imposed would together constitute a barrier to entry for small businesses in particular, while ensuring that larger companies look elsewhere for assets that are not further encumbered by new fees and taxes. Development on federal lands is already suppressed by existing years-long, expensive processes that have long compelled companies to subordinate federal asset investment compared to nonfederal assets. Simply put, the government has long chosen to extract more costs on federal lands through excess regulation, thereby limiting its ability to command the higher returns that states are able to realize on nonfederal lands. By further

encumbering federal onshore leasing and development, this legislation would ensure that future federal revenue decreases as production is driven off federal lands.

While we appreciate that the proposed Senate ENR language is less extreme than the House-passed version, the provisions included would still disproportionately affect one specific type of energy development primarily occurring in the West. We have heard for years that federal oil and natural gas producers must “pay their fair share,” but we already provide by far the largest share of Interior Department royalties and leasing revenue, \$8.5 billion, with the onshore portion being about \$4.5 billion annually. Further, we provide the sole source of funding for the Land and Water Conservation Fund and the vast majority of the \$1.9 billion Congress made available annually for National Park infrastructure under the Great American Outdoors Act, with coal providing a much smaller but still significant share.

Of course we agree there should be fair royalties, rents and bonuses, but the proposed dramatic increases in these at the same time adding new severance and methane taxes, lease nomination and reinstatement fees, and increased bonding amounts would drive investment on existing leases away while rendering new leasing virtually impossible.

The proposed expressions of interest fee is a case in point. A company nominating a lease has no guarantee it will win the lease at auction. The company also has no control over when BLM will offer that lease. Millions of acres regularly linger for years before being brought up at auction. Requiring a \$5 per acre fee would tie up millions of dollars unproductively for years, with no guarantee of ever providing a return. Such uncertain expense will discourage companies, especially small businesses, from engaging in the federal onshore leasing system at all.

We will not take space here to discuss other issues with provisions in the committee’s draft legislation released in mid-December. Rather, we request a meeting in the near future to discuss these issues and offer some productive alternatives. We appreciate your leadership and tireless efforts to improve the legislation.

Sincerely,



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President
Western Energy Alliance



Tim Stewart
President
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Jason McFarland
President
IADC



Leslie Beyer
CEO, Energy Workforce &
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