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CALIFORNIA: API slams White House for canceling lease sales

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The oil and gas industry is taking aim at the Obama administration for canceling a sale of oil and gas leases in California.

In a call yesterday with reporters, American Petroleum Institute representatives said the Bureau of Land Management's cancellation of an auction for drilling rights was symptomatic of the president's wider antipathy toward energy development on public lands.

As a result of the federal government's sequester cuts, BLM announced last week that it would not hold a oil and gas lease sale originally scheduled for May 22 in Fresno and Kern counties. The sale would have offered up to four parcels covering 1,278 acres of public lands in south-central California (Greenwire, May 6).

But API -- the country's largest oil and gas industry group -- said the move was due to more than just budget constraints. "The California example is not unique," said chief economist John Felmy. "It is, in fact, emblematic of a broader pattern of the federal government taking too much of America's vast energy resources off the table."

He cited a congressional report that found production of natural gas on federal lands fell 21 percent between 2009 and 2012, while it rose 25 percent on private and state lands. "This difference is not due to geological science, but rather political science," he said.

An environmental group that has been suing to stop federal lease sales in California said that the perception that Obama is anti-fossil fuels is inaccurate.

"I wish the Obama administration had the energy policies that API and other boosters of fossil fuels accuse them of, but our experience is that the Obama administration has shown unrelenting support for expanding oil development on public lands in America," said Brendan Cummings, senior counsel for the Center for Biological Diversity, which received a favorable ruling last month on its suit challenging BLM's September 2011 lease sale in California and has sued again over a 2012 lease sale.

Judge Paul Grewal of the U.S. District Court for the Northern District of California ruled last month that BLM improperly issued oil and gas leases in California's massive Monterey Shale formation without considering the effects of hydraulic fracturing on leased lands (EnergyWire, April 9). Plaintiffs are meeting with Justice Department officials now and are due to come up with a remedy by May 15, Cummings said.

It is not clear how significant BLM's sale cancellation will be. According to federal and state data, wells on federal land made up about 12 percent of all new oil and gas wells drilled in California from 2010 to 2012. Of 7,478 new wells drilled, 908 of them were on federal land.

The breakdown is similar for existing wells: Of 211,559 statewide, 14,741 of them, or about 7 percent, are on BLM land. Another 2,900 wells are on state land, while the rest are on private property, according to the state Department of Conservation.

In California, industry representatives said they weren't that concerned about the delay.

"I have not heard anyone express a concern that this is going to impact production in any significant way," said Tupper Hull, spokesman for the Western States Petroleum Association, which counts BP PLC, Chevron Corp., Exxon Mobil Corp. and Shell Oil Co. as members. "We're confident that the BLM understands the importance of the resources they manage, and we're hopeful they'll address whatever their budget issues are and restore the leasing program as soon as possible."