



Department of Energy

Washington, DC 20585

December 12, 2007

The Honorable John E. Peterson
U.S. House of Representatives
Washington, DC 20515-3805

Dear Congressman Peterson:

Thank you for your letters to President Bush and Secretary Bodman in which you expressed your support for greater domestic production of natural gas on the Federal Outer Continental Shelf (OCS) and for passage of H.R. 2784.

The President and the Administration fully agree with your goal of increasing domestic natural gas production. To achieve this goal, the Administration has undertaken several initiatives in the last six years. Included among these are the National Energy Policy in 2001 and signing the Energy Policy Act of 2005 into law, which provided for new research and development initiatives and selected financial incentives to support domestic petroleum development. The Administration has also called for the environmentally sensitive development of certain portions of the Arctic National Wildlife Refuge as well as pursuing proactive policies in leasing selected high energy potential tracts on the OCS, as evidenced by the new and expanded acreage made available in the Minerals Management Services (MMS) OCS Oil and Gas Leasing Program for 2007-2012, the "Five Year Plan." The Administration, however, does not support several provisions of H.R. 2784.

First, the Administration does not support the bill's proposal to revoke the current Presidential withdrawal and congressional moratoria on leasing for natural gas in selected areas of the OCS. That Presidential withdrawal, which will expire in 2012, removes selected OCS lands from leasing for petroleum development. President Bush has made it clear that he will give great weight to the desires of States that do not want new oil and gas development off their coasts, as reflected in the existing Presidential withdrawal and congressional moratoria. However, the Administration will work with any coastal States and localities that indicate the desire to learn more about the resources and the potential impacts of energy activity off their coasts.

Second, the Administration does not support the proposal to issue gas-only leases. Much of the OCS petroleum resource base has both oil and natural gas in the same fields. If the oil resource base cannot be produced in conjunction with the production of natural gas, the efficiency of operations will be reduced and the economics of producing either resource will be rendered less attractive. Moreover, to the extent natural gas is produced



pursuant to these leases, the oil resource base may be stranded. I note that these facts caused the MMS, in its new 5-year leasing plan, to not permit gas-only leases.

Third, the Administration does not support the bill's formula for sharing royalty and bonus revenues. The proposal would transfer 25 percent of these revenues to the U.S. Treasury, with the remaining 75 percent going to the producing States, a number of environmental funds, and to support the Low-Income Heating Assistance and Weatherization Assistance Programs. The Administration believes that the revenues from leasing petroleum resources on Federal lands should continue to be allocated in accordance with current law.

The Administration supports your efforts to promote domestic oil and gas production and would be happy to work with you to address the concerns identified above. If you have any further questions, please contact me or Mr. Scott B. Shiller, Deputy Assistant Secretary for Energy Policy, Office of Congressional and Intergovernmental Affairs, at (202) 586-5450.

Sincerely,



James A. Slutz
Acting Principal Deputy Assistant Secretary
Office of Fossil Energy

**OFFICE OF COMMUNICATIONS
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 FOSSIL ENERGY
 U.S. DEPARTMENT OF ENERGY
 WASHINGTON, DC 20585**

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 including transmittal page.

TO: The Honorable John E. Peterson
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U.S. House of Representatives
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FROM: James A. Slutz
 NAME
Acting Principal Deputy Assistant Secretary, FE
 ORGANIZATION

MESSAGE:

ORIGINAL IS IN THE MAIL