

American Energy Independence Within a Decade
and The Policies Necessary to Achieve it

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Summary

You will hear from me today from the perspective of that seasoned explorationist who has been in the business of finding oil and gas for the past 45 years. And I'm here today to talk to you about the viability of American energy independence.

I am here to testify to the policies needed to insure North American Energy Independence in the next decade.

There are three basic policies needed to continue the march towards North American energy independence.

1. Reasonable and consistent environmental regulations
2. Encouraging development of federal lands
3. Maintain tax policies that let us keep our own money to drill.

America is endowed with an estimated 139.6 billion barrels of recoverable oil—enough to replace Persian Gulf imports for the next 50 years. We also have undiscovered technically recoverable natural gas of 1445.3 trillion cubic feet.

I encourage you to make sure we have sound policies in place so that this energy revolution continues to produce jobs, security and economic benefit for all Americans.

Chairman Whitfield and Members of the Committee it's an honor to be here today.

My name is Harold Hamm and I'm Founder, Chairman and Chief Executive Officer of Continental Resources. Founded in 1967 and based in Oklahoma City,

Continental is a Top 10 petroleum liquids producer in the United States and the largest leaseholder in the nation's premier oil play, the Bakken Play of North Dakota and Montana.

I'm here today to talk to you about the reality of North American energy independence and what it will take to get there within the next decade. I am also an energy policy advisor to Governor Romney. But I am not here representing Continental Resources, any political campaign or political party. I am here as an American patriot that loves my country and a person that is grateful for the opportunities I have been given by being an American. Only in America can the thirteenth child of a sharecropper turn a one-man, one-pump-truck operation into one of the nation's largest oil companies.

I am excited about our energy future and therefore our economic future. But I am equally concerned about Federal policies that could cost us that future.

Just a few years ago, America was importing 60 percent of its oil. But with technological advances in horizontal drilling over the last 15 years, we now import less than 45 percent of our oil. Just a few years ago we estimated our nation's natural gas reserves at seven years. We now have natural gas reserves of over a century. With this extraordinary advance in technology we can now access the immobile oil and natural gas of the world. Previously to this point we were only able to produce the world's mobile oil and natural gas. There is about 1/3 more immobile oil and natural gas than the mobile oil and gas we have produced for over a century. The technology that allows us to drill two miles down, turn right, go another two miles and hit a target the size of a lapel pin has unlocked the resources that make energy independence a reality.

This paradigm shift in American oil and gas exploration brings with it high-paying jobs, increased tax revenues, and economic growth, while lessening our dependence on foreign oil.

This march to North American energy independence depends on three factors:

1. It requires substantial amounts of capital. While these new found reserves are vast they are more costly to harvest. The average Bakken well costs around \$10 million.
2. It requires a regulatory regime based on hard science where the cost of any new regulation results in a commensurate environmental benefit.
3. It requires opening federal lands and offshore areas for development.

Let me talk straight. Many members of Congress, from both sides of the aisle, understand this potential and support policies needed to keep this paradigm shift in American energy moving forward. Really we don't need anything else, except sound policy.

The tax provisions in place for over 50 years that let us keep our own money to reinvest in drilling are crucial to keep this energy revival going.

We support comprehensive tax reform. When that process begins we should all be willing to make the case as to why provisions in the code are beneficial to all Americans. We will make the case that the repeal of these tax provisions would result in as much as a 40% decrease in drilling activity and stop this American energy renaissance. Some call this expensing of ordinary business expense a "subsidy". Now my recollection of what a subsidy means is when you are given money to do something. I guess when I drilled 17 dry holes in a row I missed that pay window. No one sent me a check.

These same tax provisions not only allowed us to survive the disastrous years of OPEC dominance and decades of sub-economic oil and gas prices here in America, but most importantly, they allowed us to try new things and fail, and try again and fail, until we finally succeeded in "breaking the code" to produce the vast resource plays (even the source rocks themselves) like the Bakken in Montana and North Dakota. Continental's effective tax rate is 38%!

We need reasonable and consistent regulatory policies guided by science and not fear.

We are currently experiencing an onslaught of proposed new regulations that raise our cost without producing a commensurate level of environmental benefit. Federal agencies are in many cases abusing their authorities by broadly interpreting the laws resulting in punitive new regulations or so called “guidelines;” oftentimes ignoring due process. Another enigma is the hype over hydraulic fracturing. Legislation and regulations should be promulgated to address a problem. There has not been one instance of contamination to ground water attributed to hydraulic fracturing in the 60 year history of this common-place procedure. There are many good reasons for this; not the least of which are the states’ programs regulating the protection of ground water. In many cases, these regulations have been in place since the early 1900s. Many of the states have over 100 years of experience in regulating the oil and natural gas industry. They have the specific knowledge of their states geology and the experience and man power to carry out a rigorous regulatory regime.

Opening Federal lands for drilling would further guarantee North American Energy independence. But federal policies are inhibiting instead of encouraging tapping this national resource treasure. Why?

At Least Sixty-Two Percent of the known Oil Resources on Federal Lands Are Off-Limits. Based on resource estimates, these lands contain about 62 percent of the oil on federal land (19.0 billion barrels) and 41 percent of the natural gas (94.5 trillion cubic feet).

In the last three and a half years:

- The rate of leasing has slowed by half
- Land under lease has declined by nearly twenty percent
- It takes 307 days to receive a Drilling Permit on Federal land. This length has doubled since 2005 and, in the last three years, the amount of time that industry must take to “resolve any deficiencies” in an application has tripled
- The rate of permitting has declined by more than one-third
- By comparison, it only takes 10 days to get a permit to drill on North Dakota State lands
- In Ohio it takes 14 days
- In Colorado the wait is only 27 days

Incidentally, more drilling on federal lands would impact my company very little. Because of all the factors I just mentioned, we have very little acreage on federal lands. We mainly work on private lands. You can see why!

Good things flow from American oil and natural gas, and we are blessed with a huge supply that is ready to be tapped. The result would be more high-paying jobs, more tax revenues, and stronger economic growth.

For example, a new rig in North Dakota doesn't just benefit the economy there; it ripples out across the country—creating steel industry jobs in the midwest, pipe-fitting jobs in the east, and trucking jobs across the United States. Every new barrel of American-produced oil creates benefits that flow across the country.

America now leads the world in natural gas production. We have over 100 years of reserves, and the low cost of natural gas is bringing manufacturing and chemical processing back to America, creating thousands of jobs.

The benefits of American oil and gas include:

- The oil and gas industry helps support 9.2 million high-paying jobs directly and indirectly in the U.S. economy.
- With the right government policies in place, the oil and gas industry is poised to create an additional 3.6 million jobs by 2020.
- The oil and gas industry keeps dollars, jobs and tax revenues in America
- Oil And Gas Companies Pay More To The Government Than Any Other Industry. All told, the government rakes in \$86 billion from oil and gas every day -- far more than from any other business
- The path to American energy independence reduces America's dependence on imported oil from unstable regions of the world

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Sources:

- ***Oklahoma Independent Petroleum Association, 2009 Fall Conference, Elizabeth K. Brown***
- ***Independent Petroleum Association of America***
- ***2009 Bureau of Labor Statistics Data***
- ***2009-2012 Energy Information Administration Data***
- ***Standard & Poor's Compustat North American Database***
- **The often-mentioned goal of U.S. energy independence could become reality by the end of the decade, according to analysts with Raymond James. As early as 2020, net U.S. crude imports will "reach essentially zero" thanks to booming oil production in Texas and North Dakota, growth in biofuel output and rapidly falling demand. ([Raymond James](#))**

- The cumulative impact of new production, reduced consumption, and associated activity may increase real GDP by 2 to 3%, creating from 2.7 million to as high as 3.6 million net new jobs by 2020. Furthermore, the current account deficit could shrink by 2.4% of GDP, a 60% reduction in the current deficit, by 2020. This may also cause the dollar to appreciate in real terms by +1.6 to +5.4% by 2020 ([Citi GPS](#))
- These estimates suggest that the energy sector in the next few decades could drive an extraordinary and timely revitalization and reindustrialization of the US economy, creating jobs and bringing prosperity to millions of Americans, just as the national economy struggles to recover from the worst economic downturn since the Great Depression. ([Citi GPS](#))
- (“Inventory Of Onshore Federal Oil And Natural Gas Resources And Restrictions To Their Development,” [U.S. Departments Of The Interior, Agriculture, And Energy](#), 2008
- (“Summary Of Onshore Oil & Gas Statistics,” [Bureau Of Land Management](#), 11/9/11)

- (Dina Cappiello, “Obama Moves To Speed Up Drilling On Public Lands,” [The Associated Press](#), 4/4/12)
- (“Average Application For Permit To Drill (APD) Approval Timeframes: FY2005-FY2011, BLM, 6/22/12)
- Federal drilling permits approved FY2006-2008: 20,479; FY2009- 2011: 12,821. (“Summary Of Onshore Oil & Gas Statistics,” BLM, 11/9/11)
- By (Bruce E. Hicks, “4th Quarter Report Oct-Nov-Dec 2011,” Oil And Gas Division, Department Of Mineral Resources, North Dakota Industrial Commission, 3/19/12)
- (“2011 Ohio Oil and Gas Summary,” Ohio Department of Natural Resources, 2011)
- (“Memorandum To The Colorado Oil and Gas Conservation Commission,” [Colorado Department Of Natural Resources](#), 4/25/11)
- (Editorial, “Big Oil, Bigger Taxes,” [The Wall Street Journal](#), 3/15/12)
- “U.S. proved reserves of oil total 22.3 billion barrels, and reserves of natural gas total 272.5 trillion cubic feet.
Undiscovered technically recoverable oil in the United States is

139.6 billion barrels, and undiscovered technically recoverable natural gas is 1445.3 trillion cubic feet.” (Carl E. Behrens, et. al, “U.S. Fossil Fuel Resources: Terminology, Reporting, and Summary,” CRS, 12/28/11)