

**H.R. 4761, “DOMESTIC ENERGY
PRODUCTION THROUGH OFF-
SHORE EXPLORATION AND
EQUITABLE TREATMENT OF
STATE HOLDINGS ACT OF
2006”**

LEGISLATIVE HEARING

BEFORE THE

COMMITTEE ON RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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C O N T E N T S

| | Page |
|---------------------------------------------------------------------------------------------------------------------|------|
| Hearing held on Wednesday, June 14, 2006 | 1 |
| Statement of Members: | |
| Cubin, Hon. Barbara, a Representative in Congress from the State of Wyoming, Prepared statement of | 101 |
| Jindal, Hon. Bobby, a Representative in Congress from the State of Louisiana | 2 |
| Prepared statement of | 4 |
| Pallone, Hon. Frank, Jr., a Representative in Congress from the State of New Jersey | 5 |
| Pombo, Hon. Richard W., a Representative in Congress from the State of California | 1 |
| Prepared statement of | 2 |
| Statement of Witnesses: | |
| Angers, Jefferson M., Executive Director/CEO, Coastal Conservation Association of Louisiana | 81 |
| Prepared statement of | 83 |
| Burton, R.M. "Johnnie," Director, Minerals Management Service, U.S. Department of the Interior | 7 |
| Prepared statement of | 9 |
| Castille, Colleen M., Secretary, Florida Department of Environmental Protection | 41 |
| Prepared statement of | 43 |
| Cleveland, Terry, Director, Wyoming Game and Fish Department | 69 |
| Prepared statement of | 71 |
| Fry, Tom, President, National Ocean Industries Association | 85 |
| Prepared statement of | 86 |
| López, Daniel H., President, New Mexico Institute of Mining and Technology | 58 |
| Prepared statement of | 59 |
| McCormick, Carolyn E., Managing Director, Outer Banks Visitors Bureau, Dare County Tourism Board of Directors | 73 |
| Prepared statement of | 75 |
| Randolph, Charlotte A., President, Lafourche Parish, Louisiana | 54 |
| Prepared statement of | 55 |
| Sisskin, Dr. Enid, Director, Gulf Coast Environmental Defense | 89 |
| Prepared statement of | 91 |
| Wagner, Hon. Frank W., Senator, Senate of Virginia | 38 |
| Prepared statement of | 40 |
| Additional materials supplied: | |
| Angelle, Hon. Scott, Secretary, Louisiana Department of Natural Resources, Statement submitted for the record | 46 |
| Ducks Unlimited, Congressional Sportsmen's Foundation, et al., Statement submitted for the record | 53 |
| Swift, George, Interim President and CEO, The Chamber SWLA, Letter submitted for the record | 102 |

LEGISLATIVE HEARING ON H.R. 4761, "DOMESTIC ENERGY PRODUCTION THROUGH OFFSHORE EXPLORATION AND EQUITABLE TREATMENT OF STATE HOLDINGS ACT OF 2006."

Wednesday, June 14, 2006
U.S. House of Representatives
Committee on Resources
Washington, D.C.

The Committee met, pursuant to call, at 11:12 a.m. in Room 1324, Longworth House Office Building, Hon. Richard W. Pombo [Chairman of the Committee] presiding.

Present: Representatives Pombo, Jindal, Pallone, Faleomavaega, Peterson, Gibbons, Mark Udall, Abercrombie, Walden, Costa, Drake, Melancon, Boren and Pearce.

STATEMENT OF THE HON. RICHARD W. POMBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

The CHAIRMAN. The Committee meets today for a legislative hearing on H.R. 4761, the Domestic Energy Production through Offshore Exploration and Equitable Treatment of State Holdings Act of 2006.

I am going to recognize Mr. Jindal on our side since he is the lead author of the bill. But I did want to thank him, Mr. Peterson, Mr. Abercrombie, Mr. Melancon, Mrs. Drake, and others on the Committee that have worked so hard on this issue over the past year or two that it has been thrown in front of this Committee, and has become a bigger issue.

I can say that obviously Mr. Peterson and Mr. Abercrombie have a bill that has a substantial number of cosponsors dealing with this issue. We have about two dozen bills that have been introduced in this session of Congress dealing with offshore oil and gas development, so it is obviously becoming a bigger and bigger issue, and something that it is high time that Congress finally deal with.

Having said that, I am going to recognize Mr. Jindal to explain the legislation.

[The prepared statement of Mr. Pombo follows:]

**Statement of The Honorable Richard Pombo, Chairman,
Committee on Resources**

On behalf of the full committee, I would like to welcome everyone in attendance today and specifically our witnesses. The committee meets today for a Legislative hearing on H.R. 4761, "The Domestic Energy Production through Offshore Exploration and Equitable Treatment of State Holdings Act of 2006."

The intent of this legislation, offered by Mr. Jindal and supported by Mr. Melancon and many other Members of the Committee, is to modernize the Nation's Ocean Energy Policy enhancing the country's ability to increase domestic production of oil and natural gas, and alternative energy from the Outer Continental Shelf (OCS) reducing the amount of foreign-oil imports required to meet the Nation's energy needs.

The concepts in this bill were debated and passed out of this Committee on two occasions last fall. Further, the Committee has held several legislative and oversight hearings regarding the concepts in this bill.

Last fall the Subcommittee on Energy and Mineral Resources held a legislative hearing on H.R. 4318, "The Outer Continental Shelf Natural Gas and Relief Act of 2005." The legislation, offered by Mr. Peterson and Mr. Abercrombie, contains some provisions similar to the legislation we will be discussing today, but that bill only addresses the exploration and development of natural gas.

The bipartisan efforts by Members of this Committee and other Members of Congress to find a way to provide reasonable access to the oil and natural gas resources in the OCS is in direct response to the needs of our constituents and American businesses.

Today the United States has the highest natural gas prices in the world averaging \$9 per thousand cubic feet (Mcf) at the Henry Hub in 2005 compared to \$2 - \$2.50 per thousand cubic feet (Mcf) in the 1990's. These high prices have severely impacted the ability of our chemical and manufacturing industries to operate at a profit here in the U.S. and have forced the closure of many domestic facilities and the loss of thousands of family wage jobs.

In 2003, the Speaker's Task Force on Affordable Natural Gas and Chairman Greenspan predicted that high gas prices would have exactly this affect—plant closings and family wage job losses in the manufacturing, chemical and fertilizer industries—and increased costs to American families to heat and cool their homes. We were very fortunate that last winter was mild.

Just recently Chairman Greenspan has again warned that high energy prices are starting to impact our economy and contribute to inflationary pressures on the dollar.

We are more than 60% dependent on foreign sources of oil to meet our domestic energy requirements. This dependence has a direct impact on our trade deficit which increased by 2.5 percent in April specifically due to increased crude oil prices.

We can provide Americans with lower energy costs by providing access to more of our domestic resources. Currently 85% of the outer Continental Shelf (OCS) of the lower-48 states is closed to development of natural gas and oil resources through the Presidential withdrawal and the annual Congressional moratoria.

The Minerals Management Service (MMS) of the Department of the Interior says that the areas under moratoria likely contain between 94 and 164 Trillion cubic feet (Tcf) of natural gas and between 21.25 and 40.6 billion barrels of oil—enough resources to lower consumer costs for natural gas and oil for decades to come.

It seems to me that we have bipartisan support within this Committee to provide access to the oil and/or gas resources in the OCS in a way that allows the differing views of coastal states to be addressed, some that want production and some that do not, that will allow us to produce more of our own energy resources domestically.

I look forward to hearing from our witnesses and working with each of you to bring more domestic energy to the American people. I yield the balance of my time to Mr. Jindal to describe his bill more fully.

**STATEMENT OF THE HON. BOBBY JINDAL, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF LOUISIANA**

Mr. JINDAL. Thank you, Mr. Chairman. I have a longer statement I would like to submit for the record, with your permission.

The CHAIRMAN. Without objection.

Mr. JINDAL. Mr. Chairman, thank you very much for your allowing us to have this hearing. I want to thank many of my colleagues

on this Committee that have already joined us in cosponsoring this legislation. I will have time later in the questions to make various points, but for now I am just going to summarize for you the major provisions of H.R. 4761.

The premise of the legislation is quite simply that we allow states to have more self-determination, more control over what happens off their coastal zones than they have today. Along with that decision—for example, we allow states to determine what happens 125 miles off their coast.

Along with that discretion, however, we also want to give the states a portion of the royalties that are already being generated, and will be generated, off their coast. So we say to states you decide what happens the first 125 miles. For example, we allow states to decide whether they want to have oil leasing, whether they want to have gas-only leasing, whether they want to have oil and gas leasing.

For those states that do choose to allow production, we do share with them proceeds. We give them 75 percent of the royalties from their state's boundary to 12 nautical miles. Everything beyond that we share with them. We phase in a 50-percent sharing of those royalties.

What we are trying to do here is to try to be equitable to states. As the Chairman already knows, and Members of this Committee likely know, there are certain states, like Texas and Florida, that receive royalties nine, 10 miles off their coasts. There are other states like Louisiana that don't receive those royalties. Other states receive 50 percent of the royalties on the Federal lands within their boundaries.

And so the idea here is to treat states equitably. So those states that are allowing production, to allow them a share of those royalties that are being generated.

There are several other provisions. For example, the allowance of gas-only leases. We also set up a royalties program for oil shale and tar sand programs. We have heard in this Committee the tremendous work being done in Canada and elsewhere to commercialize, to get energy production from these resources.

There are several other provisions about the citing of pipelines, and there are also funds that are created in this bill. In addition to sharing royalties with the states there are funds that are created for education purposes, to begin to replace the skilled work force we are going to need for our future energy production needs.

The bill thus tries to balance the states' legitimate needs and concerns with our nation's needs for reliable domestic energy supplies. The idea is that let us let states have the final say in what happens off their coasts, but at the same time let us share with those states the royalties generated off their coasts. This is obviously a very important issue for our farmers, for our paper, for our chemical industries, for our drivers.

I will close, Mr. Chairman, from a Louisiana perspective. We provide the Nation with almost 30 percent of the energy that comes in off of our coast, yet we are losing 30 miles a year off of our coast. It is Louisiana's intention to use this money—and this is supported by our Democratic Governor, by several officials and several groups

in the state—it is our intention to use this money to restore our coast. We are losing 30 miles a year off our coast.

The whole premise behind royalty sharing was to help reward those states, to mitigate them for the impact of energy production on their lands, off their coasts. We think a very strong case can be made for offshore energy production to help states like Louisiana and other coastal states, to help mitigate the impact of those activities.

We will be hearing today from witnesses from Louisiana and other coastal states that can talk to you about energy production, why it is important, why we as a state are very, very enthusiastic about our support for this production.

I know Mr. Melancon is not here. I was going to yield to him a little bit of my time. But I know he is a very strong supporter. I want you to know the entire Louisiana delegation, Democratic and Republican, stands united behind this legislation.

And with that, I yield back the balance of my time. Thank you, Mr. Chairman.

[The prepared statement of Mr. Jindal follows:]

**Statement of The Honorable Bobby Jindal, a Representative in Congress
from the State of Louisiana**

Thank you, Chairman Pombo, for holding a hearing on this bill.

Today we will consider “The Domestic Energy Production through Offshore Exploration and Equitable Treatment of State Holdings Act of 2006.” I introduced this bill in February and I am pleased that in just four months this bi-partisan legislation has attracted the support of 108 Members of Congress. My bill will give states the discretion to decide whether to open their coast to drilling and whether to allow drilling for natural gas, oil, or both.

With the price of oil and gas near record highs, it is apparent that we must act to alleviate the burden placed on American families trying to make ends meet. We must help the agriculture and manufacturing industries that fight to keep their factories and plants open and employ hundreds of thousands of hard-working Americans. The ramifications of high gas prices are already being felt on these industries. In the last six years twenty-one fertilizer plants have either been permanently closed or have temporarily closed their doors. It is estimated that 100,000 jobs in the chemical industry and 120,000 jobs in the forestry industry have been lost largely as a result of rising natural gas prices. My home state of Louisiana alone has already lost over 5,000 petrochemical jobs.

Because of our dependence on foreign sources of oil and gas, high prices are unlikely to fall. Unrest in Iran and Nigeria continues to be one factor in the skyrocketing cost of fuel. We have heard the president of Venezuela threaten to burn his oil fields and further reduce our oil supply. It is irresponsible to allow events thousands of miles away to cause a spike in the price of natural gas and oil when we have untapped resources within 200 miles of our shores and within our oil shale and tar sands.

H.R. 4761 balances this goal in an environmentally responsible manner. Natural gas and oil drilling has occurred off our coasts in a safe and efficient manner for years. The technology and efficiency of the offshore oil and gas industry is such that states should be in the position to decide for themselves what type of energy activity to allow off their coasts. Since 1980, operators in the Outer Continental Shelf have produced more than 6.9 billion barrels of oil. During that time oil producers have had a solid safety record with an environmental exposure rate of just 0.001% or one barrel for every 93,000 barrels produced.

Further proof of the safety of oil and gas drilling was provided last year. Hurricanes Katrina and Rita were two of the most destructive natural disasters to impact the Gulf of Mexico. Yet despite the ferocity of these storms, more spills occurred from natural seeps in the ocean floor than from the destruction wrought on the production rigs and platforms in the Gulf. The results of sample tests on Gulf fish conducted two weeks after Hurricane Katrina found no elevated exposure to hydrocarbon contaminants which would be present at elevated levels in marine life in the event of an oil spill.

Moreover, receiving a fair share of oil and gas revenues, producing states would be provided with annual revenues that could be used for coastal restoration, hurricane protection, and levee improvements. In Louisiana, the revenues will be used for coastal restoration and hurricane protection.

Let me turn to the impact of this bill on my home state of Louisiana. Louisiana and other producing states have tried repeatedly for over 50 years to get an equitable share of revenues produced from oil and gas production in the Gulf of Mexico. Even though the Gulf of Mexico produces thirty percent of our domestic supply of oil generating \$5-\$7 billion in oil and gas revenues every year, the state receives less than one percent of that money, or about \$32 million in 2005.

By contrast, we have spent nearly \$82.1 billion on supplemental requests since Hurricanes Katrina and Rita. This bill would help reduce that assistance from the federal government after future disasters by providing Louisiana with the funding that would allow us to prepare for future disasters and mitigate the damages if such a tragedy should occur again. I am pleased to report that Governor Kathleen Blanco is supportive of this legislation. As a delegation we are united behind this bill.

Thank you Chairman Pombo.

The CHAIRMAN. Thank you. We recognize Mr. Pallone.

STATEMENT OF THE HON. FRANK PALLONE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Mr. Chairman. With this hearing, the Resources Committee is once again moving ahead with legislation that threatens our coastal resources, while taking the wrong approach toward addressing our nation's dangerous dependence on fossil fuels.

Today's bill adds a twist to our usual debate. Not only does it gut coastal protections, but it could also seriously wound the Federal Treasury.

Let me first reiterate what I say every time we have this debate about offshore drilling. Proponents of undoing offshore drilling moratoria often like to argue the economics, I should say, of the cost of oil and gas. But they neglect to mention the tremendous economic benefits of clean beaches and clean oceans.

In my home state of New Jersey, tourism supports nearly 500,000 jobs, and indirectly generates \$16.6 billion in wages and \$5.5 in state tax revenue. Much of that enormous economic engine is driven by our coastline, which we work very hard to protect. All it takes is one incident from an industrial drilling rig sitting in the ocean to put this entire economic engine at risk.

Under the guise of giving states choices, the bill before us today undoes 25 years of bipartisan Congressional and Administrative moratoria that have provided critical protection for our coasts.

H.R. 4761 undoes longstanding policy establishing Federal jurisdiction over waters beyond the state's seaward boundary, and stacks the deck against states trying to prevent drilling that would threaten their shores.

I am extremely concerned that H.R. 4761 also continues to promote the fiction of gas-only drilling on the outer Continental Shelf, supposedly an environmentally friendly way of drilling. We should all be clear in one thing today, that there is simply no such thing as gas-only drilling.

Proponents of this bill, like many other pro-drilling voices in the House, have sold their colleagues a bill of goods, in my opinion, trying to convince them that gas-only drilling can be done without spoiling the environment. Well, they forgot to mention that it is

impossible to guarantee that you won't strike oil while drilling for gas.

And what happens when you do hit oil? Well, according to Section 6 of this bill, the drilling company has specific rights to the oil. If states go through the complicated processes for objecting to the extraction of oil in these leases, as set up by this legislation, then the drilling company actually has a right to compensation from the Federal government.

Mr. Chairman, how many more favors at taxpayers' expense is this Congress going to do for oil and gas companies?

H.R. 4761 also puts serious hurdles in the way of my home state of New Jersey and others seeking to protect their shores from the potential impact of drilling. In order to exercise their so-called choice to prevent offshore drilling, New Jersey, a state with a part-time legislature, would have to affirmatively act every five years to prevent drilling.

Moreover, it is unclear in this bill whether or not New Jersey would be able to prevent its neighbors from opening nearby coastlines to drilling. After our experience with medical waste from New York washing up on our beaches in the eighties, this is not something that we take lightly. Our shores in New Jersey and our beaches were completely closed. We lost billions of dollars primarily because of the actions of New York, and the same thing could happen here with regard to drilling by an adjacent state.

I must also ask how this bill will help our energy crisis. This will do virtually nothing for the price of gas. It takes up to seven years to begin producing from offshore bases, from an offshore lease.

Furthermore, the area currently under moratoria simply don't contain some major energy prize. The best areas are not under the moratoria, but are far from being developed. In fact, I would like to know why the gas industry is so keen on getting these moratoria areas open for drilling, when they have thousands of leases already in place, both on shore and off shore, that they haven't bothered to explore. If we are so concerned about supply, why aren't the companies pitching in and dealing with those areas?

And finally, Mr. Chairman, I am extremely concerned about the cost of this bill to the Federal Treasury. The concept of splitting revenues that have always belonged to the taxpayers of the United States because these are waters managed by the United States would be completely upended here.

How much would this bill divert from the Treasury? We don't know exact numbers yet, but I would like to point out that Mr. Jindal has issued a press release claiming that this bill would mean \$50 billion over 30 years for Louisiana alone, to say nothing of the other five producing states, or any other state that opts for drilling. So this may benefit the state, but on the other hand it takes the money away from the Federal Treasury.

And Mr. Chairman, this bill creates a new and dangerous concept of managing our offshore resources, and we should tread very carefully. I fought to protect my state's coastline for many years, and as part of that fight I intend to vehemently oppose this bill. I think it is wrong for our shores, it is wrong for our energy crisis, and it is also wrong for the Federal taxpayers.

Thank you, Mr. Chairman.

The CHAIRMAN. So does that mean you still have an open mind on it?

Mr. PALLONE. No.

[Laughter.]

Mr. PALLONE. No, but thank you.

The CHAIRMAN. I was just checking. Well, thank you for that.

I would like to recognize our first panel. Johnnie Burton is the Acting Assistant Secretary, Land and Minerals Management, U.S. Department of Interior. If I could have you stand and raise your right hand, we customarily swear in all of our witnesses.

[Witness sworn.]

The CHAIRMAN. Thank you very much. Let the record show she answered in the affirmative.

Welcome back to the Committee. Thank you for being here. We look forward to your testimony. I know that the Administration spent a great deal of time on this, and has looked at this issue quite extensively over the last several years. So when you are ready, you can begin.

STATEMENT OF JOHNNIE BURTON, DIRECTOR, MINERALS MANAGEMENT SERVICE, U.S. DEPARTMENT OF THE INTERIOR

Ms. BURTON. Thank you very much, Mr. Chairman, Members of the Committee. I appreciate the opportunity to appear before you today to discuss H.R. 4761.

As a nation, we need to expand our domestic production, while decreasing our dependence on foreign sources of oil and gas. We appreciate the interest and the attention this Committee has given to the nation's future energy needs, and we applaud your efforts.

As you know, the oil and gas produced from the OCS plays a major role in supplying our nation's daily energy needs. It accounts for 21 percent of gas produced domestically, and 30 percent of oil produced domestically.

As a nation, offshore energy and Mineral Resource Management Agency, the MMS, has a focused and well-established ocean mandate: To conduct an environmentally sound program for the exploration and development of oil and gas, and renewable energy resources.

The environmental record of the OCS oil and gas program is outstanding. There has not been a significant spill from a well on the OCS in the last 35 years.

We are extremely mindful of how important this energy production is to our nation's economic well-being. Accordingly, we must thoroughly assess the impacts of all the changes to the OCS program proposed by H.R. 4761.

We have begun the evaluation, but more time is needed. This bill is very comprehensive, it is extremely complex, and requires quite a bit of time to be analyzed. Therefore, today I will highlight our general view on three of the bill's most significant provisions related to the OCS oil and gas program.

The sharing of OCS mineral revenue with state and local governments. Allowing states to opt in or opt out of OCS leasing and production. Leasing and permitting for gas-only exploration and production.

Let me talk about revenue sharing first. H.R. 4761 would establish a multi-tiered program of OCS revenue sharing. For certain leases, 50 percent to 75 percent of the receipts would be shared as soon as production is available. For others, the percentage of receipts shared would increase over time, until they reach 50 percent in year 2022.

The bill specifies procedures for allocating these revenues to coastal states, counties and county equivalents, and municipal political subdivisions. The OCS revenue could be used by the state any way they see fit.

The Administration supports opening up additional oil and gas resources for development on the OCS that are currently not available for leasing, and could support appropriately structured revenue sharing from new areas. However, we have serious concerns about this bill because of its excessive short- and long-term costs.

Therefore, we would like to offer to work with your committee, Mr. Chairman, to amend the bill to address these concerns.

For nearly two decades, large areas of the OCS have been under a Congressional moratorium, Presidential withdrawal, or both. And the current Presidential withdrawal is in effect until 2012.

H.R. 4761 would allow the Governors of coastal states, with the concurrence of their State Legislatures, to petition the Secretary of the Interior either to opt in and make areas off their coast available for gas-only production, or opt out and extend the Presidential withdrawal of their coast beyond 2012.

The Administration has generally supported this concept, stating its support for the continuation of moratoria and willingness to discuss with individual states their wish to explore the possibility of having oil or gas activity conducted on the OCS off their coasts.

The OCS is a public resource that belongs to all Americans, and they should be heard, as well. As we began the development of our five-year program, OCS program for 2007 to 2012, MMS asked the public to comment on whether the existing withdrawals and moratoria should be modified, or whether the program should be expanded to include other areas on the OCS.

Subsequently, we published the draft proposed program for another round of public comment. Both times these comments were around 70 percent to 75 percent in favor of expanding OCS areas for oil and gas production. We will continue to reach out to the states and to all stakeholders. Such consultation is a central component to the Administration's approach.

H.R. 4761 would amend the OCS Lands Act to allow for gas-only leasing in areas currently withdrawn from leasing. If a company acquired a gas-only lease and made a discovery that included both oil and gas, the Secretary would need to determine that 40 percent of the BTU content of the field was attributable to the gas before the gas could be produced. The oil could not be produced if the Governors and Legislatures of the adjacent and neighboring states objected.

If the BTU content did not meet the 40 percent gas criterion, the lessee could request that the Federal government repurchase the lease and reimburse the lessee for all the expenses on that lease. This arrangement significantly alters the traditional business relationship between government and the private sector.

In an attempt to offset the potential loss incurred by industry if oil is discovered, it shifts most of the risks from the companies to the government. This provision would be extremely difficult to administer, and potentially extremely costly for the government.

The obvious question, however, is are the oil and gas companies interested in gas-only leases. We asked this question in our request for information when we developed our 2007 to 2012 plan. The majority of the numerous comments we received from industry were not in favor of gas-only leases.

They cited the difficulty of predicting with certainty the amount and type of hydrocarbons located in frontier areas as a risk factor that would have to be overcome before gas-only leases would be a viable investment. Of course, if they were protected by a buy-back and hold-harmless provision, as this bill does, then industry may very well be interested.

In conclusion, Mr. Chairman, this bill has many technical provisions that would fundamentally change how we manage OCS leases. While we have not yet fully analyzed these provisions, we are concerned that some of them may cause problems. Changing the underlying statutory authorities for processes that have been very effective in the Central and Western Gulf of Mexico may have unintended consequences.

Mr. Chairman, we would be very happy to work with your staff to address these and other issues. The Department of the Interior remains committed to the production of the nation's energy resources in an environmentally sound manner as a critical component of the President's energy policy.

Under the oversight of the MMS, the OCS will remain a solid contributor to the nation's energy needs. Again, we appreciate the continued support and interest of this Committee for MMS's efforts.

Mr. Chairman, that concludes my overall statement, and I would be happy to answer questions.

[The prepared statement of Mr. Burton follows:]

**Statement of R.M. "Johnnie" Burton, Director,
Minerals Management Service, U.S. Department of the Interior**

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear here today to discuss H.R. 4761, introduced by Representative Jindal. We as a Nation need to continue to work on expanding our domestic production while decreasing our dependence on foreign sources of oil and gas, and we appreciate the interest and attention the Committee has given to meeting the nation's future energy needs. We applaud your efforts in trying to accomplish these important goals.

H.R. 4761 is a comprehensive and complex piece of legislation, addressing a number of energy related issues. The bill would amend the Outer Continental Shelf Lands Act (OCSLA), making significant changes to the way in which we administer the Outer Continental Shelf (OCS) oil and gas program. The bill also contains provisions that would potentially affect the programs of several of the Department of the Interior's bureaus, as well as those of other agencies, including the Federal Energy Regulatory Commission, National Oceanic and Atmospheric Administration and the Environmental Protection Agency.

The Administration supports opening up additional oil and gas resources for development on the OCS that are not currently available for leasing, and could support appropriately structured revenue sharing from new areas. However, we have serious concerns about this bill because of its excessive short and long term costs. Therefore we would like to work with the Committee to amend the bill to address these concerns.

Because of H.R. 4761's complexity, the Department is still in the process of thoroughly analyzing the bill. Therefore, as discussed below, I will focus on three of the bill's most significant provisions and look forward to working with the Committee and sponsor of H.R. 4761 on these and other issues in the legislation.

As you know, the oil and gas produced from the OCS plays a major role in supplying our daily energy needs, accounting for 21% of domestic natural gas production and 30% of domestic oil production. The Western and Central Gulf of Mexico are the only actively explored and producing offshore areas, and therefore the most prolific, providing 20% of the natural gas and 27% of the oil produced domestically. The Gulf of Mexico contribution to domestic production is expected to rise within the next several years to about 23% of natural gas and 40% of oil.

As the Nation's offshore energy and mineral resource management agency, the Minerals Management Service (MMS) has a focused and well established ocean mandate—to conduct an environmentally sound and safe program for the exploration and development of oil, gas, marine minerals and renewable energy resources. The environmental record of the OCS oil and gas program is outstanding. There has not been a significant platform spill in the last 35 years.

We are extremely mindful of the importance of this energy production to our nation's economic well being, especially in these times of high energy prices and potential instability in world oil supplies. Accordingly, we must thoroughly assess the energy and economic impacts of all of the changes for the OCS program proposed in H.R. 4761.

As stated above, I would like to share our general view of three of the bill's most significant provisions related to the OCS oil and gas program:

- sharing of OCS mineral revenues with states and local governments;
- allowing states to "opt in" or "opt out" of OCS leasing and development; and
- leasing and permitting for natural gas-only exploration and production.

Revenue Sharing

As drafted, H.R. 4761 would establish a phased-in program of OCS receipts sharing from designated leases based on their distance from a coastline and when they were issued and/or when they went into production. For certain leases, 50 to 75 percent of the receipts would be shared as soon as production would occur; for others, the percentage of receipts shared would increase over time until reaching 50 percent in 2022. The bill specifies procedures for allocating these receipts to coastal states, counties or county equivalent and municipal political subdivisions.

The OCS receipts shared could be used for any purpose as determined by state law, including a reduction in taxes. No recipient of funds under this provision would be required to account to the Federal government for the expenditure of the funds except as otherwise may be required by law.

The Administration would welcome the opportunity to work with the Committee on provisions that could provide greater access to new oil and gas resources on the OCS. However, the Administration has previously expressed its opposition to legislative provisions such as those in H.R. 4761. This is a particular concern because the bill, as drafted, would divert significant OCS revenues from existing leases in Federal waters for broad uses by coastal states. The revenue sharing provisions of H.R. 4761 are inconsistent with the President's budget priorities and would have a significant, long-term impact on the budget deficit. However, the Administration is willing to enter into a dialogue on revenue sharing.

Allowing States to Opt In or Opt Out of OCS Oil and Gas Activities

For nearly two decades, large areas of the OCS—the Atlantic and Pacific coasts, parts of Alaska and the Eastern Gulf of Mexico—have been under a Congressional moratorium or Presidential withdrawal, or a combination of both, that precludes most OCS oil and gas activities. The current Presidential withdrawal is in effect until 2012.

H.R. 4761 would allow governors of individual coastal states, with the concurrence of their state legislatures, to petition the Secretary of the Interior either to make areas off their coasts available for gas-only or oil and gas leasing and related activities or to withdraw areas off their coasts from consideration of leasing. The Administration has generally supported this concept, stating its support for the continuation of moratoria but allowing individual states that wish to explore the possibility of having oil and gas activities conducted on the OCS off their coasts to "opt out" of the moratorium or withdrawal.

Although coastal states may have a predominant voice in whether oil and gas activities will be permitted off their coasts, we need to bear in mind that the OCS is a public resource belonging to all Americans and they should be heard as well. To this end, MMS, in seeking initial public comment on the 2007-2012 OCS 5-year

leasing plan and the accompanying environmental impact statement, asked the public to comment specifically on whether the existing withdrawals or moratoria should be modified or whether the program should be expanded to include other areas in the OCS. About 75 percent of the more than 11,000 private citizens who commented supported a plan that offers increased acreage for offshore oil and gas production and development. Subsequently, when we published the Draft Proposed Program for comment, nearly 70 percent of the 39,500 responses received favored expanded access to OCS oil and gas resources. Those opposed to expansion or to current activities were mostly concerned about oil spills and pollution. The technology used today combined with our regulations were put to the test by the 2005 hurricanes. Although there was structural damage, the catastrophic pollution that could have ensued did not happen. All subsea valves that shut the wells held firm. The environmental record of this industry in the last 35 years has been remarkable.

We have received letters from senior citizens expressing their “strong support” for opening additional areas of the OCS. One senior citizen wrote “I’m writing to express my strong support for developing more domestic oil and natural gas resources off our coasts—in the country’s Outer Continental Shelf (OCS)—by providing for more acreage for lease in the government’s next five-year leasing program for 2007-2012. ... Higher energy prices of the past two years have forced me to make hard choices. And I worry that high energy prices will harm our economy affecting the value of pensions and making it more difficult for Social Security to help make ends meet.”

We have also received letters from Chambers of Commerce throughout the country. The Indiana Chamber of Commerce wrote, “The Indiana Chamber of Commerce and our members are experiencing high energy costs, resulting in a negative impact on production and transportation in Indiana.” The Arkansas Chamber of Commerce stated, “Over the last five years the price of natural gas has risen 140%. There is no doubt this increase has played a role in the reduction of manufacturing jobs available to Arkansans.”

We will continue to reach out to States and the public, whether they support or oppose the Draft OCS Leasing Proposal. Such consultation is a central component of the Administration’s decision-making approach.

Natural Gas-Only Leasing

H.R. 4761 would amend the OCS Lands Act to allow for natural gas-only leasing in areas currently withdrawn from leasing. That is, if a company acquired a gas-only lease and made a discovery that included both oil and gas, the lessee could not produce the oil if the governors and legislatures of the adjacent and neighboring states objected. Under certain conditions specified in the bill, the lessee could request that the Federal government repurchase the lease. The lessee would be reimbursed for the cost of the lease plus any costs the lessee had incurred in relation to activities associated with the lease. If the tract were reoffered as an oil and gas lease within 30 years of the repurchase, the lessee or the lessee’s designee would have the right to repurchase the lease.

This provision raises a host of issues involving resource evaluation, engineering, conservation, efficient use of resources and safety. This arrangement would significantly alter the traditional business relationship between the government and the private sector by shifting much of the risk from the companies to the government, raising fair market value concerns. Implementation would be difficult and costly for the government.

An equally important issue is: Are the oil and gas companies, who are the potential purchasers of gas-only leases, interested in these types of leases? We asked this question when we requested comments on our plan to develop the 2007-2012 OCS leasing program. We received numerous comments from industry, and the majority was not in favor of gas-only production leases. They cited the difficulty of predicting with certainty the amount and type of hydrocarbons located in frontier areas as a risk factor that would have to be overcome before gas-only leases would be a viable investment. Of course, if they were protected by a buy-back and hold-harmless provision, as this bill provides, industry might be interested; but the additional costs of such provisions would thus be inappropriately borne by the taxpayers. Thus, while gas-only leasing sounds appealing, as a practical matter, it may remain difficult to implement in a manner that reflects sound public policy.

Conclusion

The bill has many provisions that would fundamentally change how we manage the OCS and the Mineral Leasing Act. While we have not yet fully analyzed these provisions, we are concerned that some of them may cause problems. For example, sections 8 and 13 would rewrite the processes for reviewing exploration plans and

development plans on the OCS. Our current processes have evolved over years into what is today a very efficient and effective process, particularly in the Central and Western Gulf of Mexico where most OCS production occurs. Changing the underlying statutory authorities for these processes may have unintended consequences. We would be happy to work with Committee staff to address these and other issues.

The Department of the Interior remains committed to the production of the Nation's energy resources in an environmentally sound manner as a critical component of the President's balanced, comprehensive policy. Under the oversight of the Minerals Management Service, the OCS is and will remain a solid contributor to the nation's energy needs in the upcoming years. In this time of uncertainty, MMS stands ready to respond, and is prepared to apply our best science, technical experience, and sound management principles to benefit the nation. Again, let me express my appreciation for the continued support and interest of this committee for MMS's efforts, and reaffirm our commitment to working with your staff to arrive at a solution satisfactory for all concerned.

Mr. Chairman, this concludes my statement. It would be my pleasure to answer any questions you or other members of the Committee may have at this time.

The CHAIRMAN. Thank you. In your testimony you talk about the bill's state opt-in or the opt-out provisions. And you say that we need to bear in mind that the OCS is a public resource belonging to all Americans.

With that statement, is it your opinion, or are you testifying to the fact that all Americans should be allowed to dictate what happens in our coastal areas over the wishes of our coastal states?

Ms. BURTON. Mr. Chairman, all Americans are represented by their Federal government, and the Federal government theoretically speaks for the public. So when we ask that question, we assume that the answer we receive is the one to be considered by the Federal government to be carried out.

The President has made it very clear that he wants the state to have a voice in that dialogue. And this is why he is saying the American public may want more drilling in offshore, and the Administration agrees, but it won't happen unless the states express their interest in having OCS explored off their shores.

The CHAIRMAN. Which is, to a large degree, the intent of the legislation that we are holding this hearing on.

Ms. BURTON. I agree, sir.

The CHAIRMAN. Another issue that you bring up is the revenue sharing. I am a little confused by your testimony on that, because when it comes to on-shore leases, we share revenues with the states in which those leases are located. But there seems to be an objection to sharing revenue when it comes to offshore.

And I think we all realize that at this point it seems very unlikely that we are going to expand to anything offshore, even in existing areas where offshore has been allowed, unless there is some kind of revenue sharing. From a budgetary standpoint, is the Administration willing to forgo all new revenue in order to avoid revenue sharing with the states?

Ms. BURTON. Mr. Chairman, I am at the point that I cannot answer specific details on revenue sharing. All I can tell you is that the budget deficit is something that is very important to address, and that revenue from offshore has gone a long way to helping in that direction. If we were to give up existing revenue or projected revenue, that would be very difficult.

The Administration is saying we understand revenue sharing may be something that is valuable, certainly is to the state; we

want to discuss it. But we would be more interested in discussing brand-new areas that are not factored into projections at this time.

These are things we need to discuss further, and we feel that this bill may be what we need to start a dialogue.

The CHAIRMAN. Well, I understand the argument or the debate that you have put forward, and what you are testifying to. But I think when you go back and talk to the bean-counters down at the Administration, I think it would be valuable for you to point out to them that they are making the exact same argument that our friends on the left make when it comes to tax cuts; that it costs too much money to have a tax cut, so therefore we shouldn't do it.

By crippling future revenues, by doing revenue sharing, you increase the economy, you increase the amount of revenues that have come into the government. The statistics on that are very clear. And it has proven that since we have started leasing programs, that if you don't have any leases you have zero revenue. And if you do have leasing, and you share that revenue with the states, you have not only increased the economic activity, but also an increased amount of revenue to the Federal government.

And quite frankly, the argument that they are making on this bill is the same argument that our friends on the left make when it comes to capital gains taxes. So I think maybe you can, when you go back down and talk to the folks that make those suggestions, that you can point out to them that it is a very similar argument that they try to debunk on a capital gains tax reduction.

Having said that, I am going to recognize Mr. Faleomavaega for his questions.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. I am surprised that I am given such an early opportunity; I thought my more senior colleagues on the other side would, but that is all right. Thank you very much.

I would like to ask Ms. Burton, the basic underlying philosophy, as you well know, Mr. Burton, we have a problem here. How do you strike a balance between keeping the environment clean, and at the same time making a sincere effort to look for resources? Energy resources as we know out of OCS is one of the big, big issues among the states and the Federal government. How the revenues are to be shared.

I noted in your statement that you do have some very serious problems with the proposed legislation. Have you, if I might quote the gentlelady's statement here, the bill has many provisions that would fundamentally change how we manage OCS and the Mineral Leasing Act. Am I correct in that statement, Ms. Burton?

Ms. BURTON. Yes, sir.

Mr. FALEOMAVAEGA. While we have not yet fully analyzed these provisions, we are concerned that some of them may cause problems. Can you outline what exactly are some of those fundamental problems that you currently have with this proposed bill?

Ms. BURTON. Mr. Chairman, I do feel that I have addressed the three major issues, which was revenue sharing and potentially gas-only, in terms of the cost to the Treasury. There are other provisions in the bill that we need to analyze more fully, so I hesitate to get in detail. But I can give you maybe a couple of small examples.

For example, it would mandate two sales in area, sale 181, one in less than seven months and another one five months later. This would be very difficult to administer because we give industry at least a six-month's notice of a coming sale so they can, first of all, they form partnerships to buy those leases, so to give them time to do that. They also acquire data to analyze the areas that they may be interested in. Again, that takes time.

There is also a budgetary side from company. They plan their budgets so many years ahead of time, and they may not have in their budget right now what it takes for two more sales that close together.

The other thing is that the area is not very big. We are pretty convinced that the first sale we have in that area will probably sell the majority of the leases, and that the second sale would bring back some more revenue, but not a whole lot. And we question the effort that will have, and the money that will have to be spent to get two sales so close together, when the second one may not really bring anything.

So these are, they are little things, and these are things that we can work with the Committee to fix. There are several other areas, but not having been privy to the depth of the analysis that needs to be done, I hesitate to mention specific things.

Mr. FALEOMAVAEGA. You mentioned the time factor here. Can you give us an approximate timetable in terms of how long it will take for the Administration to review the provisions of the proposed bill? In a six-month period, or three months? How long do you think it will take for the Administration?

Ms. BURTON. We are working on it right now, Mr. Chairman, and it will take us a few more weeks.

And the reason for that—and I need to apologize to the Committee for not having a full analysis done. But part of the reason we are in the position we are today is that if you recall, Congress passed a law last August, the Energy Policy Act, that gave us to MMS alone about 30 different tasks to accomplish, with very tight timelines.

The economists of our group are very involved in helping do this analysis, and we have to prioritize their tasks. And up to now we have put preparing everything that had to do with royalty aspect of the Energy Policy Act as priority one.

We also, as you know, have to prepare for a legal challenge with one of the companies regarding the threshold in the incentive and the royalty relief provisions. And so all of those things took a lot of time. And we didn't turn to this bill until we were asked to testify, frankly, or just before we were asked to testify.

So I suspect that it is going to take us another several weeks, maybe four or five weeks, before we have a chance to really look into detail.

Mr. FALEOMAVAEGA. I note with interest that our newly appointed Secretary of the Interior, Governor Kempthorne, is very committed at least in reaching out to the communities and talking about energy and environmental issues in a more public and in a more open fashion, which I think on this side of the aisle we are very happy to hear that.

But there are some critical factors that I wanted to ask you. My good friend from Pennsylvania talks about exploration of gas that Canada is doing right now, questions of environment. And yet all this has been done very well in terms of making sure that our environment is kept clean, and at the same time they are obtaining this critical resource to meet the critical energy needs of Canada. And the question is, why aren't we doing the same thing in our country?

My good friend from New Jersey, and I am sure Members in the Florida delegation, have also raised the issue again of the environment. This affects their recreational industry in the worst way if something should ever happen while we explore OCS.

What assurances can we make to make sure that we can do both? Or can we do both?

Ms. BURTON. Mr. Chairman, all I have is past experience. And the last 35 years have shown us that we can explore and produce offshore without any major problem to the environment.

I think the hurricanes that hit the Gulf Coast last summer and caused a certain amount of destruction, as you know, did not cause any spill of significance offshore. The significant spill occurred on shore, when storage tanks were upended by the storm. But offshore, even though many platforms were destroyed and damaged, there was no significant spill, because we have valves under the sea floor that were shut and held firmly.

This industry has come a long way in the last 40 years, dare I say the word since the Santa Barbara spill, which is really what caused a lot of concern. And rightfully so.

I think we have come a long way, and this industry is doing a great job of protecting the environment. And we watch over them very tightly.

Mr. FALEOMAVEGA. Thank you, Mr. Chairman. Thank you, Ms. Burton.

The CHAIRMAN. The gentleman's time has expired. Mr. Duncan. [No response.]

The CHAIRMAN. Mr. Peterson.

Mr. PETERSON. Thank you very much, Mrs. Burton, it is a delight to have you here. I want to commend you for the difficult job you have, and the professional way which you approach it.

You made the statement, just again the 35 years since we have had an oil spill. Do you have any record of a gas well polluting a beach?

Ms. BURTON. Mr. Chairman, gas does not pollute the beach. It does go into the air, and you might say that there might be some air pollution, but it is quickly dispersed. Gas can be burned, also.

It really does not pollute. So it is a good fuel, from that standpoint.

Mr. PETERSON. Isn't it true that gas seeps out of these earth cavities all the time because of the gas pressure? It bubbles up in the ocean every day?

Ms. BURTON. It does. It does, Mr. Chairman. There are seeps in the floor of the ocean that are continually releasing gas, and oil, I might add.

Mr. PETERSON. And oil.

Ms. BURTON. In fact, the last study done by the Academy of Science shows that about 150 times more hydrocarbons are put in the sea, in the ocean, than caused by any kind of exploration or production.

Mr. PETERSON. I am told that seeps along shorelines that were problematic went away when they relieved the gas pressure and produced oil or gas there, and took some of that pressure off. That it actually stopped being a problem. Is that an accurate statement, do you think?

Ms. BURTON. I have heard that, too. And I think that this was particularly verified in offshore California.

Mr. PETERSON. Do you know of any other country in the world that prohibits production on their outer-Continental Shelf? Like we do?

Ms. BURTON. To my knowledge, Mr. Chairman, there are some such prohibition in Canada. But frankly, very few countries prohibit production or exploration offshore.

Mr. PETERSON. Well, you said in some parts of Canada?

Ms. BURTON. I believe off the coast of British Columbia there is some moratoria.

Mr. PETERSON. But I know they drill right off the Washington State coast, they drill right off the Maine coast.

Ms. BURTON. They do.

Mr. PETERSON. And on the gas only, we were visited recently by an uninvited, they just came and asked if they could meet with us, the Canadian officials, because Canada is very concerned, you know. They pay high gas prices because of us. They produce, and we don't.

And we all know that we are drilling twice as many wells as we used to, and producing no more gas.

So if drilling a hole in the ground is a problem, you are better off to drill in new fields where you get high volumes of gas than in old fields that are pretty well depleted and don't last very long.

But Canada, you know, they were up to, I am told, they told us they are now at 17 percent of our gas production. They were at 12 for years, but they are up to 17. And they pay the second-highest gas prices in the world because of us, because we are connected and we use the same system.

I guess Canada has drilled gas only in Lake Erie since 1913. They have drilled thousands of wells there, and produced gas only, and have had no problems. In fact, most Americans—you know, the lake is not very wide—don't even know that they are drilling. And if they are slant-drilling—because they are selling us that gas, that is gas we buy—they are probably producing American gas. Just like we now have Cubans that are going to be producing gas off the coast of Florida, that gas that America should have.

I just find it almost unbelievable that with gas being the clean fuel—no knocks, no socks, very limited CO₂—and yet we have expanded the use of it, but we have continued to lock up the OCS. We have not leased 181. We have not leased the Powder River Basin. So we have spent all our energy on ANWR, and if produced, it is going to take 10 years to get it to us.

I mean, it just seems to me like a policy that is creating a catastrophe for this country economically. Because gas is the mother's

milk of all industry. Petrochemical uses it as an ingredient; 55 percent of their cost, polymers and plastics, 45 percent of their cost is gas, fertilizer as high as 70 percent, and it is half-gone. Brick-makers, glass-makers tell me they won't be here if it continues. U.S. Steel told me their energy costs are up \$600 million, and if we don't stabilize gas prices, they will only do their paper-shuffling in America. They won't bend and make steel.

I guess, I don't know, gas being almost the perfect clean fuel, how we lock it up as a national policy makes any public sense.

Ms. BURTON. Well, Mr. Chairman, I can't entirely disagree with that. In fact, I do agree with it.

But I would like to go back on a point that you touched, that in Lake Erie they are producing gas only.

Once you have discovered a gas field, it is easy to produce gas only, because that is all that is there, and you know it. And you can keep on drilling for it until you exhaust the resource.

The problem I have now, and the reason I am cautious in talking about gas only, is that we are talking about frontier areas, areas where no one has gone, to speak of.

Now, when we know there are areas that have only gas and they can be produced, we need to provide access to those. But when you provide access to areas that are not known, that is where you may have a problem of finding oil, as well as gas, and how to handle that.

Mr. PETERSON. Well, it is interesting. I don't know who responded to you. I have talked to hundreds of drillers who have drilled in the OCS, and that is what their business is. They are willing and ready.

I know big oil was not happy when I introduced my bill, Gas Only, because it was the first time someone said we are going to lease gas only, not oil. And like it put a dark light.

I am not opposed to oil production. I grew up five miles from Drake's Well, the first oil well in the world. I have watched the oil industry all my life. It is a small thing there now, because we are not big volume like the other states, and we are a small player, but we do produce a lot of gas yet.

Gas is usually deeper than oil. The big gas reserves are usually below oil. You drill through oil in my area to get to the gas every day. That is common.

There are a few fields where gas and oil are combined, and if you produce the gas you will never get the oil because you will take away the pressures that push the oil out. I mean, there are a few problems.

But I am told by the people in the industry that the majority of what they think is on the east coast of this country is gas. It is predominantly gas, and it is very good gas, and a lot of gas. And I guess I have been troubled, not with you, but with this Administration being willing—who comes from industry, many of them—being willing to continue to lock up the fuel that is the mother's milk of this country.

And I sometimes have said this, and I am going to say it again. I wish the White House staff would get their head out of the Florida sands and deal with this issue and how it faces this country. Because this is not a state-by-state issue; this is an American

issue. And if we don't have gas affordable, we will not have all the industries I spoke of.

The CHAIRMAN. Mr. Pallone.

Mr. PALLONE. Thank you, Mr. Chairman. Mrs. Burton, I wanted to ask a few questions about the cost issue, and also about the President's position on the moratorium. And finally, on the drilling in the non-moratoria areas. Because my point is that there are still a lot of areas offshore that are not under moratoria, that are not being utilized right now.

You did say, and I took it down, that excessive and long-term cost to the Federal government could result from this legislation. And that is really what I wanted to key in on. I mean, I actually took down the Chairman's comment. I don't know if he described the Democrats as saying it costs too much to have a tax cut, and therefore we shouldn't do it.

I couldn't agree with you more, Mr. Chairman. And that is my same point here, you know. Other than the income tax, the second—

The CHAIRMAN. If the gentleman would yield, I was making fun of that.

[Laughter.]

Mr. PALLONE. Oh. Well, I personally took it as something that was quotable. So in any case, and I would agree that that is true.

And I would also like to apply it in this context, because I think that the second-largest source of revenue, other than the income tax, is from oil and gas lease sales. And I think the problem is it is going to be a huge burden on the Federal taxpayer. And the budget deficit you said is very important, and it would only be aggravated by all this. So I agree with the Chairman, I agree with you. But I would like to have more details.

I mean, Mr. Jindal said that, I forget, what was it, \$50 billion that you said over 30 years would go back to the State of Louisiana? What kind of figures do we have here in terms of the loss of revenue to the Federal government from this proposal? Do you have any ballpark or idea?

Ms. BURTON. Mr. Chairman, I do not have a specific number. I think that intuitively we know that if we have to buy back leases, and if we have to pay for the cost of a well that had been drilled, if we have to pay for the cost of the seismic surveys that may have been run on that lease, we do know those things are expensive. And so the Administration is not knowing what the breadth of the repurchasing activity would be. We are worried about the potential of fairly high numbers, but we do not have a number at this point.

Mr. PALLONE. Well, can we ask you, through the Chairman, to get back to us in writing with what you estimate the costs would be at some point?

Ms. BURTON. Certainly.

Mr. PALLONE. I mean, obviously you are going to make an effort, if that is OK.

The CHAIRMAN. If the gentleman would yield, I think the problem that they are going to have is there is really no way of estimating what they don't know.

Mr. PALLONE. Right. But why don't you at least make an effort and get back to us, with the Chairman's permission? I would appreciate it. All right.

Now, the other thing is I am very confused about what the Administration's position is on the moratorium. At one point you said that the President, I don't know if you used the word "President" or "Administration," favors continuation of the existing moratoria, correct?

Ms. BURTON. Not quite, Mr. Chairman.

Mr. PALLONE. What did you say?

Ms. BURTON. If you would forgive me. What I did say is that the President supports and the Administration supports the existence of the moratoria, as long as the states want it.

Mr. PALLONE. So in other words, you would advocate the moratoria unless the individual states want to opt out, in which case you would support their opting out?

Ms. BURTON. That is correct, Mr. Chairman.

Mr. PALLONE. OK. Well, I am not sure I understand how that dovetails with the costs and everything else. It seems like we are all over the lot here, but I will leave you alone on that one for now.

Let us go to the other issue that I mentioned, because I am running out of time. What percentage of leases offered by MMS in current non-moratoria area have been leased by the oil and gas industry? And of those leases, what percentage are currently in production?

This goes to my point that there are a lot of offshore leases or offshore areas that are not under moratoria, that are not being developed or even leased by the industry. And I don't understand why they are looking to the Atlantic and the California coast, when there are already a lot of areas out there that haven't been put into production.

Ms. BURTON. Mr. Chairman, this is a difficult question to answer, but I will try to tackle it from different angles.

There are 8,000 leases offshore in the Gulf of Mexico today. Two thousand of them are productive; the others are in various phases of either being explored or being kept in order to find out where there could be a pool of oil or gas.

When a company drills, it drills on the information it received mostly from seismic information. They don't always hit, in the first place.

In the second place, when they do hit, they need to drill other delineation wells to find out how big that pool is. They can't always get all the finance together to do it within the primary term of the lease, and they have to have a well that proved commercial production for the lease to be expanded. Otherwise the lease is returned to the pool of unleased area for us to put back on the block, so to speak.

So it is normal for them to lease more than what they are going to drill first time around, to protect their assets. If they find a good well on one block, they want to make sure they have the surrounding blocks, so somebody else doesn't come and outbid them, and take away what they have found. So it is normal to have more blocks drilled than producing.

Having said that, I want to also mention that industry has found fantastic resources in the Gulf of Mexico that none of us thought were there, in the deep water. We don't know enough in the frontier areas to know whether or not the resources are there. We do estimates based on book information, if you will. But until the bit is in the ground, we won't know whether there is commercial hydrocarbons in a particular area or not.

The Gulf of Mexico has been drilled extensively for 50 years. It stands to reason that now that they are drilling almost to the line of the exclusive economic zone, which is 200 miles out, in the Central Gulf and the Western Gulf, I mean, it is just a logical conclusion that eventually they have drilled everything they can. They need to go somewhere else, and they need to plan way ahead of time, those companies do.

So if we don't give them more access to more areas, Africa is willing to give them that access. So is South America, so is Russia. And so there are a lot of other places they can go. And this is why it is really important to give them enough of an area to project 10, 15, 20 years out what they are going to do.

Mr. PALLONE. I know I have run out of time. But it just seems to me, on the one hand you say that, you know, the President is in favor of continuing the moratoria. But then at the same time you suggest that we should, you know, be going out and leasing and producing in these areas. So it seems inconsistent to me.

But in any case, I appreciate your comments. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. Thank you very much, Mr. Chairman, and Ms. Burton, welcome to the Committee. We are happy to have you here.

Let me ask a question. It seems that our knowledge of the outer Continental Shelf is based on old seismic technologies, technology that was used back in the fifties and sixties, and et cetera. Why haven't we done a new inventory using more modern seismic scientific effort to learn about the geology of the outer Continental Shelf?

Ms. BURTON. Mr. Chairman, this is certainly a conundrum. We don't know very much outside of the areas that are being explored today.

And the reason for that is that, first of all, the technology is seismic science has improved enormously in the last 20, 30 years, and the interpretation of the seismic interpretation they receive. So seismic surveys have to be run in those areas. This is extremely costly, extremely costly.

The government has never done it. We get our information frankly from industry. We let them run the seismic information, then we buy it for a nominal fee, just the cost of reproduction basically. Then our scientists interpret it. Now, our interpretation may not be the same as industry, but we get the same raw data to start with.

In the areas that have been under moratoria for so long, industry had no reason to go and run seismic at the cost of millions of dollars if they didn't also know that they could put that knowledge to good use, and drill and produce. So until you open an area, you will

have grave difficulty, great difficulty getting someone to run the seismic crews out there, because that is expensive.

We were asked to run an inventory on the last Energy Policy Act of 2005. We did the best we could, but we did it with data already in our libraries frankly, because we didn't have the money to go and hire a survey ship and have them run the lines.

Mr. GIBBONS. Well, it seems like it is a tremendous Catch-22.

Ms. BURTON. It is.

Mr. GIBBONS. Constantly we are hearing from the opponents of drilling that it doesn't contain, or the area doesn't contain any gas or oil resources, when in fact there is no knowledge of what is there to begin with, and it requires you to open it up in order to do this testing and the seismic activities that would allow for us to make that knowledge base available.

Let me ask another question. I mean, MMS has a very rigorous program of monitoring what happens on drill rigs, et cetera, from leaks to management of the drilling and exploration activities out there.

Are the number of drill rigs in this country adequate for the opening and exploration of these areas? Would we have to wait a period of time for the drill rig? Because some of these are very expensive and time-consuming, I know, to make, to be able to provide those drill rigs for what we would see down the road as an opportunity.

What is the status of our drill rigs today?

Ms. BURTON. Mr. Chairman, I think that there are probably people in the audience that know a lot more than I do about this. But I do hear from industry, and I do know that they have a very difficult time getting the equipment they need and the drill rigs, particularly to drill in very deep water. You need some very, very special equipment. It is very hard to get.

And I think the price—I may be off here, someone might correct me, but I think the price of a drill ship to drill in very deep water today is reaching \$150,000 to \$200,000 a day. It is expensive, because the law of supply and demand. There aren't very many of them, and they are asked to perform all over the world. And so they will go where they can put their ship to work right away, and we compete worldwide for that equipment. It is difficult to obtain.

Mr. GIBBONS. Well, having visited one of those deep-water drill rigs, I was amazed at the cost. You know, half a billion dollars' investment just in the ship alone, let alone the costs per day. And the difficulty of drilling in 10,000 feet of water before you ever get to the sea floor, at which point you have to drill thousands of feet below that. I mean, it is a very expensive process. It is one of the reasons why we put in royalty relief for very deep-water drilling, is to encourage companies to look at this as an alternative in areas where we believe there might be renewable resources.

But Mr. Chairman, I appreciate the time you have given me, and I apologize for taking much more. But we have a lot of area to cover, I am sure, in getting a better understanding of deep-water exploration, as well as the science behind knowing what is out there in this outer Continental Shelf.

Ms. BURTON. True, Mr. Chairman. This is why we gave incentive to industry, if you will recall.

The CHAIRMAN. Mr. Udall.

Mr. MARK UDALL. Thank you, Mr. Chairman. Ms. Burton, do you have a copy of the bill in front of you there?

Ms. BURTON. Yes.

Mr. MARK UDALL. On page 108 there is Section 24. And the provision there talks about notwithstanding any other provision of law, the Department of Interior is prohibited from charging fees applicable to actions on Federal on-shore, and I want to emphasize here on-shore and offshore oil and gas, coal, geothermal, and other mineral resources, including transportation or any production from such leases. And if such fees were not established in final regulations prior to the date of issuance of the lease.

And I think I am right in reading that section as applying to both on-shore and offshore leases. Because clearly, on shore is in there. And I think I am right in also reading that section as barring any changes in fees that now apply to those leases.

What does the Administration think about that section, and the position that has been taken there?

Ms. BURTON. Mr. Chairman, this is certainly a sensitive issue. The Administration feels that fees should be imposed on industry for the services we render them in giving them the various permits that they ask for.

We understand that Congress has a right to tell us whether it is acceptable or not, so we will do whatever legislation tells us to do. But at this time, we think we should have some fees to help defray the cost of running the program.

Mr. GIBBONS. Will the gentleman yield for a moment, Mr. Udall?

Mr. MARK UDALL. Well, let me ask one more question.

Mr. GIBBONS. I was just going to answer your question about this paragraph.

Mr. MARK UDALL. Well, is this something that you would propose? Is this something that you would propose, being the Acting Director, what is in this section, Section 24?

Ms. BURTON. Mr. Chairman, I don't really work with these kind of things. This is more of a financial question, so I don't think I would be involved in that.

Mr. MARK UDALL. Who would do that then, in the Department?

Ms. BURTON. The Budget Office.

Mr. MARK UDALL. The Budget Office, OK. Is it possible, Mr. Chairman, to get an answer on that as to what the Administration view is? I would very much like that.

The CHAIRMAN. Sure.

Ms. BURTON. Mr. Chairman, I do believe that in the 2007 budget there was a proposal to have fee recoveries. So the Administration has essentially shown what it will do.

Mr. MARK UDALL. Ms. Burton, I was glad to see that in your statement on page four you noted that the OCS is a public resource belonging to all Americans. And I think that is exactly right. Just as people in Louisiana are entitled to a say about the public lands, entitled to a say about the public lands in New Mexico, my constituents have the right to a say about the management of the OCS.

And what I am really wondering here is, and I think you called it a fundamental change, in terms of revenue. Mr. Jindal has said

over 30 years, the loss to the Federal government would be \$50 billion. Obviously the President of the United States has enunciated a deficit reduction policy which is impacting the Congress in all sorts of ways.

This \$50 billion would have a huge impact on that. And it would be very helpful, I think, if you all were able to weigh in on whether you think this should happen, whether you think this \$50 billion should flow out, how you are planning to replace it if you are planning to replace it. If you are not planning to replace it, then where are you going to make the cuts to the tune of \$50 billion? And what specific programs?

So it seems to me when you are making these big fundamental changes, that you should be willing to really step forward and answer some of the crucial questions that are entailed in this piece of legislation that you are supporting.

Ms. BURTON. Mr. Chairman, I think we have mentioned that we have very serious concerns about the cost of this bill, and we are willing to work with the Committee to arrive at what might be a more—

Mr. MARK UDALL. Is it fair to say you aren't supporting this legislation at this point?

Ms. BURTON. I don't think I said that, Mr. Chairman. There are lots of good things in this bill.

We have a problem with the cost and the revenue sharing part of it. It would be a costly provision. And we are willing to work with the Committee to try and address our concerns.

Mr. MARK UDALL. And the idea that \$50 billion is going to come from the Federal government and flow to Louisiana, at this point you don't have a position on that.

Ms. BURTON. We have concerns.

Mr. MARK UDALL. OK, thank you.

Mr. ABERCROMBIE. Will the gentleman yield to me?

The CHAIRMAN. The gentleman's time has expired.

Mr. MARK UDALL. If I do, I am certainly happy to yield.

The CHAIRMAN. The gentleman's time has expired. I will yield to Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you very much. Can you explain, I don't understand what you mean by it would be costly. What is costly to you? Revenue sharing with the states, how is that costly to you?

Ms. BURTON. It is costly to the Treasury.

Mr. ABERCROMBIE. OK.

Ms. BURTON. And the Treasury helps run this government.

Mr. ABERCROMBIE. That is not costly. That is—I am astounded. That is the Bush position, that the government wants more revenue from the states or from the people? Is that correct? That is what you mean by costly?

Ms. BURTON. This is revenue that is paid by the oil company for developing the resource.

Mr. ABERCROMBIE. Yes?

Ms. BURTON. This is the royalty share.

Mr. ABERCROMBIE. Yes?

Ms. BURTON. Which comes to help run the government.

Mr. ABERCROMBIE. Yes. That is, in other words, taxes. So the Bush position is you would like more of the taxes.

The CHAIRMAN. All right, reclaiming my time.

Mr. ABERCROMBIE. OK.

[Laughter.]

Mr. ABERCROMBIE. I couldn't resist. I understand what you are saying.

The CHAIRMAN. What they failed to point out on this, Neil, is that most of this is revenue that would not be generated unless we did a bill like this to begin with.

Mr. ABERCROMBIE. Yes, I understand. But in the end, though, you are trying real hard.

[Laughter.]

The CHAIRMAN. I recognize Mr. Walden.

Mr. WALDEN. Thank you, Mr. Chairman. I wanted to follow up on that very point, Ms. Burton.

What sort of incentives, if any, are needed to encourage private developers to go out and access whatever reserves may be out there? I mean, do you think new incentives are necessary?

Ms. BURTON. Mr. Chairman, today, no. I don't think new incentives are necessary. I do think access to the resource is necessary.

Mr. WALDEN. OK.

Ms. BURTON. And so we are very, the Administration is very supportive of anything that would open the resources.

However, we have a responsibility to decrease the deficit. And so we have to be very careful—

Mr. WALDEN. I understand that.

Ms. BURTON.—of how the money—

Mr. WALDEN. Yes, I understand that argument and all. I guess I just share the concern of some on this Committee about America's dependence on foreign oil.

Ms. BURTON. We do, too.

Mr. WALDEN. About the chasing offshore of our plastics industries, about the farmers in my district complaining not only about their diesel costs in their tractors and trucks, but also the fertilizer costs. It is about to take them upside-down financially.

I want to know from you, we will hear testimony later this morning or this afternoon, one of the witnesses who says oil and gas development is a dirty and destructive business that damages coastlines, harms ecosystems, and directly threatens our tourism, fishing, and real estate economies, which is an often-repeated concern, especially of those who are in coastal communities.

From your perspective, based on the history of this type of development offshore, is that an accurate statement?

Ms. BURTON. Mr. Chairman, I don't think so. I think that the development and the production of oil and gas offshore has been done better and better and better over the years. You are not talking about 50 years ago. We are talking today, and today the technology is fantastic.

The regulations have been honed so that now industry has to really be very careful about what it does, and it realizes that as it does a better job, it really benefits them, as well as all of us.

Mr. WALDEN. And we just suffered through, in the Gulf Coast, the worst hurricane, or nearly hurricane, certainly back-to-back we

have probably seen in many decades. Could you describe for me the kind of environmental degradation that occurred from oil and gas platforms and all? How severe was that?

Ms. BURTON. Mr. Chairman, there was lots of destruction of the infrastructure, and there was no spill, no significant pollution.

Mr. WALDEN. No spill?

Ms. BURTON. No significant spill. Let me rephrase that.

Mr. WALDEN. What does that mean?

Ms. BURTON. That means that there was not a spill offshore in Federal waters that had to be cleaned or had to be dealt with.

What there was was when a platform was toppled, and there was some diesel stored on board that went into the water.

Mr. WALDEN. On the platform.

Ms. BURTON. On the platform. The wells did not lose, we didn't lose control of any wells. Now, there was damage, certainly. But everything was secured in such a way that although there is a lot of repairs to be done, in pipelines as well as wells, there was no significant spill and pollution to where we were never called for clean-up. Neither was the Coast Guard.

Mr. WALDEN. OK. I mean, you are drilling down 10,000 feet before you hit the ground where you start drilling, correct?

Ms. BURTON. Yes.

Mr. WALDEN. Give me examples of where that is happening. Are there any spills in that context?

Ms. BURTON. Mr. Chairman, occasionally there is an accidental spill. It might be two, three, four barrels, maybe 200 barrels. That is really nothing compared to seeps that occur on the floor of the ocean.

So I think the record of this industry is one of the best of the industrial world.

Mr. WALDEN. How long have you been doing this kind of work? You seem to know this inside and out.

Ms. BURTON. Mr. Chairman, before I came to the Federal government I was working for the State of Wyoming. Wyoming gets about 50 percent of its resources from the oil and gas industry; I was very familiar with them. And before that, I was involved personally in that industry.

Mr. WALDEN. All right. So you have a lot of experience here. I guess what I am trying to get at is, are there environmental concerns this Committee should have about authorizing additional exploration on the outer Continental Shelf? You can sure hear the concern that is out there.

Ms. BURTON. Mr. Chairman, we do hear the concerns, and we try very hard to talk to people who have concerns and show them the record. Let the record speak for itself.

Should we have concerns? We always have concerns. Whenever you do anything that has the potential—

Mr. WALDEN. Sure, but there is not a modern record of—

Ms. BURTON. That is correct. I think that the record is extremely good.

Mr. WALDEN. And speaking of the record, I would just like to note that I understand New Mexico gets \$700 million a year in royalty revenues, and that is over about \$21 billion over 30 years, from its oil and gas development. So I guess it is OK to share those

revenues with a state that is on shore, but may be questionable off-shore.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman. I appreciate the opportunity to listen to the discussion here.

I want to make a point, and then ask a question. As it pertains to this legislation if in fact it were to become law, or some variation of it, to the potential leases that would be available or impacted off the coast of California, I hope you can comment on that. You know, oftentimes, and this is a very heatedly debated issue in California, as you know, oftentimes I think people overlook the point that currently, I believe, we have 26 or 27 operating platforms off the California coast, principally below Santa Barbara, that have been operating for over two decades.

And if this legislation were to become law, besides its impacts to the various states, what potential leases would be available, are sought after, off the California coast? Can you answer that question?

Ms. BURTON. Mr. Chairman, no, I can't answer that question, because we have had no leasing for 20 years, so I don't know what the interest is.

Mr. COSTA. No, I understand that. You have not made any estimation of what area might be impacted?

Ms. BURTON. The area where the platforms are producing today, that whole basin from about mid-California coast on down——

Mr. COSTA. Right, kind of Santa Barbara south.

Ms. BURTON. Yes. There are resources there, if that is what you are asking.

Mr. COSTA. No, we know that.

The CHAIRMAN. Would the gentleman yield to me for a second?

Mr. COSTA. Yes.

The CHAIRMAN. Under this legislation, unless the State of California voted to opt out of the moratorium, there would be zero available off the coast of California.

Mr. COSTA. No, we understand that. That is the caveat. But in the event that that were to occur, I am trying to get an idea of what the resource is there, Mr. Chairman.

Ms. BURTON. I am afraid, Mr. Chairman, I am not prepared to answer that. I don't know.

Mr. COSTA. OK. How about the amount of leases that potentially would be available? And not stating what would be contained in the resources of those leases, but how much leases would be available. You used the figure in the Gulf of Mexico that there were 8,000 leases, and 2,000 were currently being——

Ms. BURTON. I don't know, Mr. Chairman.

Mr. COSTA. Could you find that information for us?

Ms. BURTON. Certainly, certainly.

Mr. COSTA. And get that to the Committee?

Ms. BURTON. Yes, sir.

Mr. COSTA. And I appreciate the flattery of responding to me as Mr. Chairman, but we have one Chairman of this Committee at this time. I am just a Member from California.

Ms. BURTON. I am aware of that. I just thought I was to address the Chairman. I am sorry.

Mr. COSTA. Thank you very much. I yield the balance of my time.

The CHAIRMAN. Ms. Drake.

Ms. DRAKE. Thank you, Mr. Chairman. Mrs. Burton, welcome. It is always a pleasure to be with you and to hear your expertise.

With the new Secretary at the Department, is it safe for us to assume that we are going to move as aggressively forward on the leasing programs, the 2007/2012 five-year leasing programs? Any change you see in that? Or things will be business as usual, under the new Secretary?

Ms. BURTON. I am not at the point of giving you a firm answer, because the Secretary has been here only two weeks, and I haven't met with him on this particular issue. Decisions are to be made fairly quickly, so we will find out very quickly if the Secretary has other thoughts about the proposed program.

Ms. DRAKE. Certainly we would like to know that.

Ms. BURTON. Certainly.

Ms. DRAKE. OK, thank you. We have talked a lot about the environmental dangers, and that there hasn't been any significant spill in over 35 years. Is it safe to say there is more danger to the environment by moving oil in by tanker than by the rigs and the drilling and the outer-Continental Shelf?

Ms. BURTON. The records certainly show that. In fact, the National Academy of Science tells us that there is 13 times more danger in moving the product than in producing the product.

Ms. DRAKE. Thank you for that. And we have done a lot of discussion today about the revenue sharing. You know, when I sold real estate I had one theory, and that was if you can buy it yourself, buy it. If you can't buy it without a partner, it is better to have a partner and have part of something than all of nothing.

And the whole discussion that has taken place, Mr. Chairman, has made me think of that. Because we know we have this resource that is sitting there. Is it better to just let it sit? Or is it better to have part of something?

And my real question for you goes to, don't you think there is much greater possibility of states wanting to participate in this if they know they have a benefit? They have the same pressures that the Federal government has, as far as budgets and deficits and revenues. So don't you think it is a needed thing in order to encourage our states?

Ms. BURTON. Certainly it is an idea that has lots of merit. And I think the Administration is willing to talk about revenue sharing, but maybe in the context of new areas. And I am not here to give you any particular detail, because I don't know. That is beyond me. All I know is that we are willing to work with the Committee.

Ms. DRAKE. Thank you. And I would just say one last thing. And that is, I would really be concerned about the issue of fairness. If Virginia now could have revenues that a state that has been, that these leases have taken place, would not get. So I just want you to put that in the back of your mind as you continue to work on this issue.

Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Melancon.

Mr. MELANCON. Thank you, Mr. Chairman.

The CHAIRMAN. Excuse me. Before you yield back, I missed my button here. You had a little time. I needed to ask something as a follow-up to the question Mrs. Drake had. Is that OK?

Mr. COSTA. I will recognize him.

The CHAIRMAN. OK.

Mr. MELANCON. Thank you, Mr. Chairman. Thank you, Mrs. Burton, for being with us today.

I guess my first question would be that has the Administration looked at all the industries that we lose because they can't afford to buy gas in this country, that pick up and leave? The jobs that go with them. The investments, the tax dollars that come to the Treasury, as well as the fact that we are asking, have been asking for about every month and a half, for billions upon billions of dollars for rebuild in the Gulf Coast.

Don't you think it would be better, let us go ahead and give these folks the monies that they need as part of the revenue sharing to keep industry, to keep jobs, to rebuild the coast that is so important to the entire industry or energy sources for this country? Have they looked at those numbers? Have they put them into the equation yet?

Ms. BURTON. I assume, Mr. Chairman, that someone has some very specific numbers. I am not privy to them, I do not have them. But I want to tell the Representative that we understand, and we have seen the damage done to Louisiana coast. Our own staff, 600 of them, had to be evacuated from New Orleans, and we are now working hard to rebuild their office. So we do know the damage, and we do know the needs that exist there.

I am sure that somebody is putting those numbers together. It is not my group. It is not in my department, or in my agency, I should say, so I really don't have those numbers.

Mr. MELANCON. Would you go back and ask your folks in your agency if they would generate those numbers, and get them back to the Committee chair as quickly as possible?

Ms. BURTON. Mr. Chair, Representative, I will certainly pass that on to the Department. I doubt that it will be our bureau that will do that, because we don't deal particularly with the on-shore coastal impact. We do know it exists, we see it, but we are very specific to drilling offshore.

Mr. MELANCON. Well, if you could find out who it is that has that pencil and that calculator, and get them to work on it real quick, I would appreciate it.

Ms. BURTON. All right.

Mr. MELANCON. I guess the misconception or the misunderstanding of offshore oil and gas drilling is phenomenal to me within this beltway. And I have offered before, Mr. Chairman, I would ask you to use your authority to possibly establish a CODEL, and let us take the people in this Committee that have to make these decisions and let them see an offshore rig. Let them see a deep water rig. Let them understand the technology. Then they can make a whole lot better decisions before they vote.

It is a very clean industry. It is a very good industry. I know it is big oil, and little people. But we are talking about energy

independence now. And little people get hurt worst when the price of gasoline is three and five dollars at the pump.

Mr. Gohmert, I understand, has a—I think he is calling it what, Bobby, the State Hypocrisy Amendment. And I have asked him to let me sign on to it. You don't want to produce oil, gas, that is fine; maybe we will figure out a way to let you reimburse the states that do want to produce oil and gas for the exposure they had.

You know, one of the points, and maybe you can help me with this, the on-shore states share in revenues from royalties off of the state lands. Yes, the outer Continental Shelf is ours, America's. But it also is China's and Japan's, and Cuba, and Mexico, and every other country when you get out there far enough.

And so we are looking at right now China and Cuba in a joint venture, we are talking about the Floridians want us at 125 miles out in the Gulf from their coast because of tourism. And if you go to the last pier on Key West, you are going to be able to see oil rigs from there. And they are going to belong to a country that is consuming or building, and potentially to consume more energy than this country ever did. And it is becoming a developing country, and taking the jobs and the factories and the plants and everything that we have had and built through the centuries away from us.

Yet we complain about the \$3 gas at the pump. We don't want to ruin our beaches, which won't happen, I firmly believe that and I will stand by that. And this Administration, as pro-oil and gas as it is, would you please ask them, put the politics aside and let us do what is good for America? Let us do what is good for us to keep our jobs, keep our citizens, keep energy costs down. Food and gas, food and energy, without those two things we become a nation that is weak. And I just don't understand how somebody, this Administration or anybody that has people sending them notes about I would sure like to pay a whole lot less for my gas, can sit up here and say I am worried about the pollution, when for 35 years the records have been great. And getting better by the year.

But, Ms. Burton, as the person that represents the agency that administers the lease sales and such, I would ask you to ask the Secretary to take the lead to ask the White House to look past this. If, in fact, the United States had been revenue sharing with the coastal states of Louisiana, Mississippi, Alabama, Texas, et cetera through the years; and if, in fact, and it is a fact, we would have had these two storms; instead of Bobby Jindal and me and our delegation having to come here and beg and grovel for every dollar for the rebuild along the coast, we would have had monies that would have been a continual source of revenues that our state and our parishes could bond out. And we wouldn't be here, like paupers or can shakers, and feeling the same way, asking our own government to give us a share of what we rightfully deserve.

We have had the exposure on land for all the drilling activity in the years when the drilling concepts were not good, and they had oil spills; in the years when they just willy nilly dredged canals straight through our coastal wetlands, and which has caused part of the destruction of those things. Why isn't it a fair thing to do to give these coastal states, who want to produce, a share of that

royalty money so they can be somewhat more self-sufficient, and not dependent on coming up to the Federal level and begging?

Ms. BURTON. I will be sure to take that message.

Mr. MELANCON. Thank you. I yield back my time, if there is any.

The CHAIRMAN. The gentleman's time has expired. Mr. Boren.

Mr. BOREN. Thank you, Mr. Chairman. I do have a few comments and a question.

To my colleagues from Louisiana, I was just in New Orleans about a week and a half ago, and I actually ran into Charlie. And I will say this. General Downer and others were doing an excellent job on the ground, and they should all be commended for the work that they are doing.

We had a bipartisan group tour not only the areas in the Ninth Ward, but out on the coast, and we were able to see some of those platforms.

Mr. Chairman, there were some earlier comments about capital gains tax cuts. I can tell you there is one Democrat who did support those capital gains tax cuts, and will support those in the future, and also will support drilling: my good friend, Mr. Pallone, who I think has left us. To him, we think rigs are beautiful things. In Oklahoma we actually have rigs all the way up to our state capitol, and we would love to see some off the coast of New Jersey—sorry. He is not here, so he can't rebut me.

The CHAIRMAN. It is good for the fishing.

Mr. BOREN. That is right, absolutely. We can just go scuba diving under there and see a lot of fish.

But one question that I had really, Ms. Burton, in regards to the state versus the Federal government and revenue sharing. This Administration is a Republican Administration, talks about devolution, talks about giving power back to the states. Frankly, that has always been the mindset of local control.

Right now we had a GAO study. I think this morning I woke up and saw on CNN or Fox, one or the other—I think it was actually Fox—that was talking about a billion dollars that was wasted on things like someone paid off their divorce. One guy had a sex change after 18 payments or something like that, or I don't know what the person was, but they were having a sex change, 18 payments. All this, a billion dollars that was wasted.

So basically the argument from the Bush Administration is this. We want to keep that \$50 billion from Louisiana, we want to keep that in the U.S. Treasury. When at the same time we are wasting millions, if not billions, of dollars in other areas. We are overspending.

And at a time of record deficits, why should we say, as Americans, let us give more money back to the Federal government, when we should give it to places like Louisiana, where they are doing an excellent job? And sometimes Louisiana gets a bad rap, but let me tell you, the people that we met were doing an excellent job on the ground.

I can tell you Oklahoma doesn't have a lot of coastline. We have Lake Texoma, that is our coast.

But I would just like to hear your opinion, Ms. Burton, on whether or not we should have Federal control, or we should let the states, local control, which again is a tenet of the Republican party,

giving power back to the states, and local control versus Federal control. I would like to hear your comments.

Thank you.

Ms. BURTON. You do me great honor to ask for my opinion. However, let me tell you my opinion doesn't count.

[Laughter.]

Ms. BURTON. What does count is the opinion of this Administration, which I do represent. And so I will tell you that, again, we have great sympathy for what you are trying to do here, but we also have grave concern about the deficit.

And so all I can tell you is that. And that is the reason why our expression of concern is very strong here today.

Mr. BOREN. Let me just make one final statement, then I will yield back my time. There is a way to return to fiscal responsibility. The Blue Dogs have a plan. There are pay-go rules and others, there is actually a 12-step plan, and I would be happy to share that with my colleagues.

And with that, I yield back to the Chair.

The CHAIRMAN. Mr. Pearce?

Mr. PEARCE. No questions.

The CHAIRMAN. Mr. Abercrombie?

Mr. ABERCROMBIE. Mr. Chairman, this is a wonderful day. I wish Mr. Gibbons was here because I know he would enjoy what I am going to do.

[Laughter.]

Mr. ABERCROMBIE. Ma'am, I am delighted that you are here, and I take, believe me, your admonition to us that it is not your decision to make with respect to the question of revenues. So I will make what amounts to an editorial comment which you can then share, to the degree anyone in the Administration cares to listen.

But I just find it ironic that I am sitting here, as the hawk on the deficit, in reducing the deficit.

Now, I am not precisely sure what kind of schizophrenic operation is going on over at the Office of Management and Budget or wherever, wherever these decisions are being made. But if you want to reduce the deficit, you want to have investment in the states that are going to create the jobs in a domestic energy resource that literally is untapped.

Now, I mean, I have all kinds of labels in my life. I have been a Communist sympathizer, a pinko, a hippie beatnik, I am not sure how they work together on that. I am a labor Democrat. I have been a labor whore all my life in politics.

[Laughter.]

Mr. ABERCROMBIE. I voted for changes in the estate tax and became a corporate whore, which either made me really dumb or one of the smartest guys in the room, to be both at once.

But even with all of the magical incarnations that I have been able to go through, even this progressive labor Democrat sitting on this side can see that this is one time in your life when the supply side taxation, or the supply side investment clearly is going to work to everybody's benefit. I don't understand how anybody can miss that.

If you want to reduce the deficit, let us invest in America. Let us turn loose the people who can create these jobs.

Mr. Chairman, with your permission, I am going to submit a paper on labor concerns with a stronger build-and-buy American outline here.

I took a look at the map yesterday of the existing leases out there just in the Gulf, OK, and then took a look at them at the map where we don't have the leases. Mr. Peterson and I have been doing that, and we talked to Mr. Jindal about it, and to Charlie about this, as well. It is blank over there. It is blank.

Now, if you will just grant that it is possible to have environmentally safe and sound, just for conversation's sake, platforms and so on, there are thousands of American jobs that will come into existence just to build these platforms, for the very reasons that you cited. We have very strict environmental laws now. We have very strict labor laws with regard to safety and those kinds of things.

We have a steel industry that is reeling that will come into effect here. We have workers out there right now that are losing their jobs in the chemical side, the plastic side, and so on. Think, not only will they come back into existence, but of the hundreds, if not thousands, of jobs we will have to build these platforms and maintain these platforms. These are Americans that we are going to put back to work.

And I can tell you as an old state legislator and a city council member, I have served in every legislative venue there is over the past, I am going on my fourth decade. There is a multiplier effect when you create jobs in your community and churn those dollars through. It could be as much as four to one, depending on what economist you are talking to. It could be six to one. That is going to provide revenue to the Federal government, that is going to help you with the deficit.

I am not mocking your concern or the Administration's concern about deficit reduction. I am saying that by going into some variation—and believe me, Mr. Chairman, I can assure you that Mr. Jindal and Mr. Melancon, myself, Mr. Peterson and others who want to accomplish this will be more than willing to sit down and try and work out something that will meet your satisfaction for you and others who want to move forward on this.

We cannot let this go. I am asking the Administration, speaking on the Democratic side here, I am asking the Administration, work with us on this. Don't take some academic, abstract position on revenues and deficits and stuff. Let us talk about investing in this country.

And I will finish with this. And I would like to submit this, Mr. Chairman, also for the record. "The Wall Street Journal," well-known leftist rag that I am pursuing here, June 14, 2006. Crude calculation. In oil's new era, power shifts to country with reserves.

China and India alone are going to consume carbon-based energy sources over this next century scarcely within the imagination of those of us sitting on this Committee right now. Saudi Arabia and others in the Middle East are now taking their energy sources and investing in themselves. They are not just, you know, the old stereotype of the Saudi prince with the dark glasses on, and diabetes heading for him because of his lifestyle, you know. Those days are over. They are investing in their own countries. They are

taking their oil resources, Mr. Chairman, and investing in their own countries.

And let me tell you, while Ms. Rice is out there contemplating all kinds of high-level negotiations, India and China are making deals with Iran right now about oil, because they need it.

And I will tell you something else. And this is what this article goes into. You think Japan is just going to roll over and let all this international intrigue take place, with the requirements they have for their industrial base? No way is that going to happen.

We have to develop our domestic resources here, consistent with the values that we have. And I understand environmental concerns and all the rest. But my point here is that on this issue, there may be some arguments about how far offshore we should go, or what the mileage has to be before we are allowed to do drilling, and so on.

But I can assure you that every instinct that I have, political instinct, tells me we are going to pass legislation that is going to come out of this Committee. We are going to go to the floor, and we can go to the American people. We can go to the American people and say we are going to develop alternative energy resources in this country safely, with environmental safety, and that we are going to move forward because we have to do this in our own national security defense if we don't develop our domestic energy.

And so I am appealing to you today. This isn't a question, it isn't a statement. I am appealing to you to go back to the Administration and tell them wake up. Because this Congress is going to be admonished by Members here, Democrat and Republican alike, to develop alternative domestic resources, and to share it with the states as the principal mechanism for putting our people back to work and generating revenue at the local level, and at the national level, which is going to benefit the United States of America.

How is that for a sermon?

[Applause.]

Mr. ABERCROMBIE. I want to put this article in the record, Mr. Chairman. Believe me, this "Wall Street Journal" article today is an announcement that we are on notice that if we do not act, in this Congress, to move on the question of domestic energy resources and giving with alternatives, reasonable alternatives, we can blame only ourselves if we fall off the charts.

The CHAIRMAN. I couldn't have said it any better. Mr. Udall.

Mr. MARK UDALL. Thank you, Mr. Chairman. Before I move to a couple questions for the witness, at the risk of getting in trouble with my good friend from Hawaii, I would have to tell you that when I look at it, and the first two words that do come into my mind are "hippie" and "beatnik."

[Laughter.]

Mr. MARK UDALL. And Mr. Chairman, if he does take a chair over there, be careful what you wish for.

No, my good friend from Hawaii, his passion is on point, and I respect the concern that he expressed.

I wanted to focus, if I could, Ms. Burton, on Section 29 in the proposed legislation, on page 118. And the bill's title, of course, focuses on the outer Continental Shelf. But this section deals with oil shale and tar sands, and so that has an impact on Colorado.

And I wonder if you could share with us what the effect of that section would be. How would it change current law?

Ms. BURTON. Mr. Chairman, I think I am going to pass. Mr. Udall, I did explain at the beginning that I haven't had a chance, we haven't had a chance in my bureau to analyze the bill in great detail. And so I cannot tell you precisely how we feel about that. But I don't think that section raised a lot of flags or a lot of concern.

We are, as you know, working in Colorado right now to do some pilot work on oil shale, and we are very mindful of the fact that there had been some failed attempts some 20-some years ago. And so based on that we are being very, very careful on how we do it, and hopefully we will take care of the environment in particular.

Mr. MARK UDALL. So I take it that you will give us a formal reply to my question about the Department's reaction to that section.

Ms. BURTON. Sure.

Mr. MARK UDALL. If I might just add a couple of comments myself in this particular regard. The current law says that when it comes to oil shale, the Secretary sets a royalty that encourages development and is fair to the taxpayer. The President signed that into law in the Energy Act of last year, and I assume that the Administration supports that provision, is that correct?

Ms. BURTON. Yes.

Mr. MARK UDALL. This, as I read it, would change that provision. And again, given your unfamiliarity with the section, I don't want to put you on the spot, but I think that is how I read it.

It is interesting, because this provision was included in the previous drafts of what became the Energy Act of 2005. And it was dropped in the Conference Committee process, I believe. So I am curious both about the substance and the process, and why we have seen this again in front of us.

Ms. BURTON. We definitely will look into that, sir. I apologize that we haven't had a chance to really analyze the bill in full.

Mr. MARK UDALL. Well, I would imagine that the title probably led you to take a look, first and foremost and primarily, at the outer Continental Shelf policy matters, and that oil shale was probably not in the front of your mind when you saw the title.

Ms. BURTON. Well, that is correct. And as I explained earlier, we are, since the passage of the Energy Policy Act, we have been extremely busy trying to meet the deadlines. And sometimes it is very difficult to do. So this didn't come to the forefront until very recently.

Mr. MARK UDALL. If I could, I would like to change topics to the discussion we have been having here on revenue. On page four of your testimony you note that some of the OCS areas are under Presidential withdrawal.

Now, I think the President can change that by Executive Order, is that correct?

Ms. BURTON. It is our understanding that the President can modify the withdrawal if he wants to. And he has made the comment that he will work with the states. And this is where he stands at this point.

Mr. MARK UDALL. So if that were to happen, and I know that is a hypothetical, and leasing occurred in those areas, that would result in new revenues without this legislation.

Ms. BURTON. If an area only has a Presidential withdrawal. For example, this is the case in the North Aleutian Base of Alaska. And the Governor has asked the President to consider lifting, modifying his withdrawal for that area.

If that were to take place, and the President modified his withdrawal, then yes, we could drill there. I mean, we could lease there.

Mr. MARK UDALL. And there would be revenues. I know market forces would come to bear.

Ms. BURTON. If industry is willing to work up there and produces hydrocarbon, certainly there would be revenue.

Mr. MARK UDALL. So my last point-slash-question would be, we would generate some revenue in that case without this bill.

Ms. BURTON. That is correct.

Mr. MARK UDALL. I thank you again for your testimony. Mr. Chairman, thank you. And I have no time left, but I will yield it back anyway. Thank you.

The CHAIRMAN. Mr. Jindal.

Mr. JINDAL. Thank you, Mr. Chairman. I want to thank our witness. I especially want to thank you for the evolution of the Administration's position.

I hear in your testimony, and I hear in your remarks, an openness to revenue sharing. That is something I think that is an evolution from where the Administration has been previously.

I have a series of questions, and I suspect I will run out of time before I will get to hear all the answers to my questions. So I would like to share with you three or four questions in a row. And if you don't have a chance to fully answer all of them, I certainly hope you will share these with your colleagues back at OMB. And I suspect that a lot of these questions will ultimately have to be answered by your colleagues at OMB, not necessarily in your department.

I understand you to say that the resources off our coast belong to us all, as you talk about your support for states opting in and out. So the first question—and again, I am going to ask you three or four before I allow you to have an opportunity to respond—the first is, I suspect that when you say these resources belong to us all, I would assume you would also believe that the resources that are on the Federal lands in New Mexico or in other states also belong to us all.

So my first question would be, why would it be appropriate to have revenue sharing on those Federal, those resources, and yet the Administration wouldn't be fully supportive of revenue sharing of these similar resources, national resources, that belong to us all?

Second, I would want to make sure that you and OMB, I would ask if you are aware that the rationale for revenue sharing was to mitigate the impact of exploration and production on these host states. And this is a question I would like your department to come back and answer. Are you aware of any other state that has contributed so much toward energy exploration as Louisiana, that has suffered so greatly when it comes to impact, when you consider the 30 miles a year that we are losing every year off of our coast?

My third question, and I will reference I think my colleague, Congressman Walden, stated this well when he talked about New Mexico's revenues that you, yourself, said you came from Wyoming. They received 50 percent of the revenues.

My third question is if the Administration is opposed to sharing revenues on existing production because the Administration feels this is too expensive a position, I don't understand, in light of the Administration's views on tax cuts. I guess my question would be, is the Administration considering changing revenue sharing in those states, like Wyoming, like New Mexico? And if not, why not? If it is not appropriate to be sharing offshore, off these national resources that belong to us all, why not in those states?

And the last question, and I do want to give you a chance to respond, is we talk about expense. And I want to know if the witness is aware that even under my bill, if it were adopted, in the first year Louisiana would not receive the same revenues that my colleague cited that New Mexico receives today, despite the fact that Louisiana is generating \$6 billion a year off our coast for the Treasury, despite the fact that we are generating 30 percent of the energy.

I want to ask if you are aware. If you are not, to make sure that OMB is aware, that for every mile that we are losing—we are losing 30 miles off our coast—for every 2.4 miles we lose, we lose the ability to absorb one foot of title search.

Now, it may seem expensive to the Administration to share with Louisiana \$600 million a year, as would be under my bill when this starts. But I would argue that pales in comparison to the nearly \$100 billion we were spending after Hurricane Katrina and Rita.

My colleagues, Democrat and Republican, have argued for years that if we don't restore that coast—we are losing 30 miles a year every year—if we do not restore that coast, 2.4 miles of coast reduces by one foot the amount of water that ends up in people's homes, that ends up in populated areas. If we do not do that, we will spend a lot more after the next hurricane.

I would argue that that \$100 billion that we are spending, I would argue that over 1,000 lives that we lost would certainly pale in comparison to the cost of what it would cost to restore Louisiana's wetlands to build those levees properly.

Now, nobody from Louisiana, neither Charlie nor I, are arguing if we had revenue sharing, Katrina and Rita would not have happened. We know that it would have happened. But we also know that if our country had been investing in restoring our wetlands and building those levees properly, we wouldn't have had the catastrophe that we did after Katrina and Rita.

There were two separate catastrophes. One was man-made, and the second was man-caused.

And I apologize. I did not mean to take all of my time in questions, and I certainly hope you don't feel my frustration is directed at you. I applaud your testimony. I applaud in particular the evolution of the Administration's position. And I am sorry that all my colleagues weren't here to hear this, especially my colleagues from New Mexico and other states that are already receiving revenues today.

But my point to you, and the point I would like you to bring back to OMB, is that I actually think it would be more cost effective, it would be more equitable, to share those revenues with states like Louisiana.

I would also point out, my colleagues point to the jobs that are being lost, there are 100,000 jobs we have lost in the chemical industry, 120,000 jobs in the forestry industry. So there is a cost to not acting, as well. There is not simply a cost to sharing these revenues, there is a cost to not sharing these revenues.

For those and several other reasons, I applaud you for moving forward toward a position that is more open toward revenue sharing. I would encourage you to share my questions with OMB. And certainly I would like to hear back in particular, are they aware of any other state that has suffered more, in terms of impact? Because a rationale for revenue sharing has always been to mitigate the impact of energy exploration on those resources that are owned by the nation, as you have said in your testimony, that belong to us all.

And I apologize, I have used all of your time to ask you my questions. But I do hope you will share not just the intensity, but the details of those questions, with your colleagues at OMB in particular.

Mr. Chairman, I apologize, but I yield back the time that I don't have remaining.

[Laughter.]

Ms. BURTON. I will carry the message back. And as you know, change is hard to come by. And I think we need to keep that in mind.

But you are correct that the Administration, as of now, is saying we are willing to work with the Committee and to discuss the issue. I don't know where it will go, but that is where we are now.

Mr. JINDAL. Mr. Chairman, I beg your indulgence. I would also like the witness to take back to her department our Governor's stated opposition to the August lease sales. She said publicly she will pursue legal action. So I don't want any of my colleagues on this Committee to mistakenly assume that there is no cost to the status quo.

And again, I am not necessarily saying that everybody that is in favor of my bill, I am not necessarily saying everybody in our delegation is in agreement with that legal action. But I do want my colleagues to hear it.

And for the record, our Governor has publicly stated if there is not a change in the revenue sharing, that she will legally, and she has already retained counsel to legally challenge the upcoming August lease sale.

So I don't want anybody to mistakenly think there is zero cost to maintaining the status quo in terms of our nation's ability to produce its own energy resources.

Thank you.

The CHAIRMAN. Thank you. I want to thank Ms. Burton, thank our witness, for your testimony and for answering the questions. I think that you do get a feeling of where this Committee is, and I would encourage you to take back to the bean counters to reevaluate what some of their message may be in your testimony.

So thank you very much for being here.

Ms. BURTON. Mr. Chairman, thank you very much for giving me this opportunity.

The CHAIRMAN. I would like to call up our second panel of witnesses. We have Senator Frank W. Wagner, Ms. Colleen M. Castille, Ms. Charlotte Randolph, and Mr. Daniel H. López. Would you join us at the witness table?

If I could have all of you just stand and raise your right hand. On the Resources Committee we customarily swear in all of our witnesses.

[Witnesses sworn.]

The CHAIRMAN. Thank you. Let the record show that they all answered in the affirmative.

Senator Wagner, we are going to begin with you. And I will remind our witnesses that your entire written testimony will appear in the record. If you could limit your oral testimony to five minutes, it would be greatly appreciated.

Senator.

**STATEMENT OF HON. FRANK W. WAGNER,
SENATOR, STATE OF VIRGINIA**

Mr. WAGNER. Thank you, Mr. Chairman, and I appreciate this opportunity to testify before your Committee today.

As I am sure you are aware, over the last two years the Virginia General Assembly has voted overwhelmingly to allow for the exploration and development of our offshore natural gas resources, and requests that the Federal government rescind the existing moratorium off the Virginia coastlines.

In 2005, then-Governor Warner vetoed Senate bill 1054. However, his veto was predicated not on his objection to offshore development, but the feeling that the issue required additional study, undertaken last year.

Virginia's study of this issue was completed in January of 2006. The conclusion drawn was that with the appropriate environmental safeguards and distance from the shore, Virginia would gain significant benefits from such exploration and development.

I introduced Senate Bill 262, the Virginia Energy Plan, during the 2006 session of the Virginia General Assembly. This legislation enacts a comprehensive energy plan focused on increasing supply, improving delivery redundancies, and reducing the demand through conservation.

Mr. Chairman, Virginia took this bold step not as a visionary leap to the future, but out of an absolute cold reality unfolding throughout the Commonwealth right now today. Post-Hurricane Katrina we were able to grasp the full extent of the vulnerability of our energy infrastructure. It is true that no one measure will cure Virginia's or the nation's energy ills.

However, development of our offshore resources is a critical part of Virginia's energy plan. House Bill 4761 is exactly what Virginia has been asking for over the past two years. We thank Congressman Jindal, Congressman Melancon, and you, Mr. Chairman, for moving forward and allowing states to control their own destinies, while opening a broad new horizon for America's energy access.

Mr. Chairman, House Bill 4761 demonstrates tremendous foresight. Not only does the legislation allow states to opt out of existing moratoria, but also allows states to share in the royalty revenues derived from the development of those resources. The last two actions on the OCS legislation by the Virginia General Assembly were approved on the premise that legislation in Washington would include revenue sharing.

The Virginia energy plan—there has been a lot of talk, Mr. Chairman, I know about what are the states going to do with this money. Within the Virginia energy plan we do allocate those resources, should they become available from the Federal government. I can tell you that 40 percent of that revenue, we are currently under a mandate from the Federal government in Virginia to take actions to clean up the Chesapeake Bay. This year we were able to appropriate that money because of a budget surplus that we face in Virginia. The out years, we are not so certain. So we dedicate 40 percent of any royalty stream to those efforts to help clean up the Chesapeake Bay.

And I know a number of you, both in the audience as well as you, Mr. Chairman, have the opportunity to drive on Virginia's highways, and you know the transportation difficulties we face in Virginia. We face a tremendous funding problem within the Commonwealth of Virginia. And 40 percent of the revenues from the royalties would go to transportation.

And we also want to take the additional 20 percent and invest, if you will, back into energy, Mr. Chairman. We have set aside 10 percent for grants and tax relief to encourage conservation, and encourage the development of renewable resources. And 5 percent into R and D, both at our current coal and energy research and development facility, Virginia Tech; it is a consortium, as well as a new ocean energy consortium. Five percent of the funding will be dedicated for research and development.

We think it is absolutely instrumental in Virginia that we reinvest a portion of that royalty money back into energy, recognizing that we need to do everything we can to develop state-of-the-art methods to both conserve energy, as well as find new sources and find existing energy, making it even cleaner to use.

Mr. Chairman, when those of us involved in the study of an energy plan took a long look at the energy woes confronting Virginia, we determined there is not an energy shortage problem in this nation; there is an energy policy problem that has created the shortage. And because it is a policy problem, industry, the private sector cannot fix it.

Government, at whatever level, created the policies; thus, government must fix the policies. Given the right policy atmosphere, American ingenuity and business acumen will develop the solutions.

Given the current global situation underlying inflationary pressures brought on, in no small part, by increasing energy prices, it is no wonder that our well-documented vulnerabilities in national security exist because of our continued dependence on foreign oil.

In observing our ever-expanding negative balance of trade, we in Virginia have determined, as I am sure you in Washington have, that to the maximum extent possible Americans producing

American energy, for use by American consumers and American industry, is a laudable goal. House Bill 4761 is a giant step down this avenue.

Mr. Chairman, I know I do not need to remind you of what you know so well, that the availability of low-cost natural gas is absolutely essential to the economic well-being of the United States. Natural gas is a key ingredient in many of the processes in the chemical industry. It is irreplaceable in the manufacture of some of the most common types of fertilizers. Because of its most important attribute—that is, the cleanest-burning fossil fuel we have—it has been the fuel of choice in recent years for nearly every new electric generation plant brought on line.

However, because natural gas prices depend on the source of the gas, and whether and how far it is transported, we pay more in this nation than most of the rest of the world pays for their natural gas.

If we are to maintain our petrochemical industry, our leading role in agriculture, and our tremendously successful efforts to clean our air by generating electricity with the cleanest-burning fossil fuel, we simply must expand our access to supplies of natural gas.

Mr. Chairman, I am running out of time, so I will yield the last six seconds I have, and you have the rest of the comments in there.

[The prepared statement of Senator Wagner follows:]

**Statement of The Honorable Frank W. Wagner,
Senator, 7th District, Senate of Virginia**

Thank you, Chairman Pombo, Congressman Rahall, for the opportunity to testify before you today.

As I am sure you are aware, over the past two years the Virginia General Assembly has voted overwhelmingly to allow exploration and development of our offshore natural gas resources and requests that the federal government rescind the existing moratorium off the Virginia coastline. In 2005, then Governor Warner vetoed my bill, SB 1054. However, his veto was predicated not on his objection to offshore development, but his feeling that the issue required additional study, undertaken last year.

Virginia's study of the issue was completed in January 2006. The conclusion drawn was that, with the appropriate environmental safeguards and distance from shore, Virginia would gain significant benefits from such exploration and development.

I introduced Senate Bill 262, the Virginia Energy Plan, during the 2006 session of the General Assembly. This legislation enacts a comprehensive energy plan, focused on increasing supply, improving delivery redundancies and reducing demand through conservation.

Mr. Chairman, Virginia took this bold step, not as a visionary leap to the future, but out of an absolute, cold reality unfolding throughout the Commonwealth right now—today. Post-Hurricane Katrina, we were able to grasp the extent of vulnerability in our energy infrastructure. It is true that no one measure will cure Virginia's—or the nation's—energy ills. However, development of our offshore resources is a critical part of Virginia's energy plan. H.R. 4761 is exactly what Virginia has been asking for over the past two years. We thank Congressman Jindal, Congressman Melancon and you, Mr. Chairman, for moving forward and allowing states to control their own destinies, while opening a broad new horizon for America's energy access.

Mr. Chairman, H.R. 4761 demonstrates tremendous foresight. Not only does the legislation allow states to opt out of existing moratoria, but also allows states to share in royalty revenues derived from the development of those resources. The last two actions on OCS legislation by the Virginia General Assembly were approved on the premise that the legislation in Washington would include revenue sharing. The Virginia Energy Plan states that any revenue derived from offshore activity would be divided as follows: 40% dedicated to the clean-up of the Chesapeake Bay; 40% for transportation needs (those of you who drive in Virginia know about our traffic

problems); 10% dedicated as tax incentives for conservation and renewables; 5% for development of clean coal technologies and 5% for research and development of marine renewables, including methane hydrates.

Mr. Chairman, when those of us involved in the study of the energy plan took a long look at the energy woes confronting Virginia, we determined that there is not an energy shortage problem; there is an energy policy problem. And, because it is a policy problem, industry—the private sector—cannot fix it. Government, at whatever level, created the policies. Thus, Government must fix the policies. Given the right policy atmosphere, American ingenuity and business acumen will develop the solutions.

Given the current global situation and underlying inflationary pressures brought on in no small part by increasing energy prices, it is no wonder that our well-documented vulnerabilities in national security exist because of our continued dependence on foreign oil.

In observing our ever-expanding negative balance of trade, we in Virginia have determined, as I am sure you have in Washington, that to the maximum extent possible, Americans, producing American energy for use by American consumers and American industry, is a laudable goal.

H.R. 4761 is a giant step down this avenue. Mr. Chairman, I know I do not need to remind you of what you know so well, that the availability of low cost natural gas is absolutely essential to the economic well being of the United States. Natural gas is a key ingredient in the majority of processes in the chemical industry. It is irreplaceable in the manufacture of some of the most common types of fertilizers. Because of its most important attribute, that it is the cleanest burning fossil fuel, it has been the fuel of choice in recent years for nearly every new electric generation plant brought on line. However, because natural gas prices depend on the source of the gas and whether and how far it is transported, we pay more for natural gas here in the U.S. than any other industrialized country in the world.

If we are to maintain our petrochemical industry, our leading role in agriculture and our tremendously successful efforts to clean our air by generating electricity with the cleanest-burning fossil fuel, we simply must expand our access to supplies of natural gas.

Mr. Chairman, because the debate has been raging as a result of actions taken by the General Assembly over the last two years, many Virginians are more aware of what is involved in offshore production activities than residents of states that are not embroiled in the issue. Recently, I conducted a poll, as did my congresswoman, Rep. Thelma Drake, to gauge the willingness of the citizens in my district, the coastal community of Virginia Beach, to allow OCS activity off Virginia's coast. After two years of relatively intense, negative media attention, my constituents—an overwhelming 75%—(and I believe the percentage was higher in Congresswoman Drake's district) supported offshore exploration and development of our offshore resources.

Mr. Chairman, H.R. 4761 fulfills the will of the Virginia General Assembly over the past two years, which is to open the OCS off the coast of Virginia for exploration and development of natural resources. I want to applaud the leadership provided by you, Mr. Chairman, Congressman Jindal, Congressman Melancon and the other co-patrons of this legislation.

On behalf of the Virginia General Assembly and the 75% of my constituents in Virginia Beach, whom I have the honor and the privilege to serve in the Senate of Virginia, I urge you to vote for passage of this most important piece of legislation.

Thank you for allowing me to testify before you today. I would be happy to answer any questions at the appropriate time.

The CHAIRMAN. Thank you. Next we have Secretary Castille, who is the Department of Environmental Protection in the State of Florida.

**STATEMENT OF COLLEEN M. CASTILLE, SECRETARY,
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

Ms. CASTILLE. Good afternoon, Mr. Chairman, and thank you for the opportunity to testify before this Committee on a matter of great importance to the State of Florida.

Florida's tourist-based economy and quality of life depend upon a clean and healthy environment. Our more than 85 million

visitors each year contribute more than \$57 billion and 900,000 jobs to the economy. In addition, Florida's marine, fishing, and boating industries inject more than \$41 billion into the state's economy.

Over the last seven years, Governor Bush has demonstrated his continued commitment to protect Florida's coastline from the potential threat of offshore development. In 2001 he secured a historical commitment from the Federal government to buy back existing drilling rights just 25 miles off Pensacola, and prevented new leasing through 2007 within 100 miles of the panhandle, and within 200 miles of Tampa Bay.

Last year, Florida's Governor and Cabinet signed an unprecedented settlement agreement to forever eliminate the potential for oil drilling in the state's waters. Florida is committed to supporting a national energy policy that balances future offshore production with alternative fuel development, conservation, and environmental protection.

Next week, Governor Bush will sign the 2006 Florida Energy Act, a \$100 million strategy to diversify Florida's fuel supply and provide long-term energy security. This comprehensive plan provides financial incentives to create a more balanced energy portfolio by increasing Florida's investment in renewable energy sources, such as solar, hydrogen, and biofuels.

Florida does have a desire for balanced legislation that protects Florida's economic and environmental interests. For the last 25 years Congress has determined which of the areas of the outer Continental Shelf were appropriate for new exploration and development.

As Congress addresses America's future energy needs and the demand for new production in the eastern Gulf of Mexico, Florida requests that you consider its environmental and economic interests by including the following nine elements in any legislation.

To maintain and strengthen the protections that are currently in place, Florida supports the codification of the current Presidential withdrawal through 2012.

Florida supports a no-drilling buffer zone of at least 100 miles from Pensacola to Jacksonville, including the near shore waters and the Straits of Florida, and along the Eastern Seaboard, that are not currently protected by Presidential withdrawal or Congressional moratoria.

With 67 leases in the eastern Gulf within 100 miles of Florida, the threat of near-shore drilling remains. Federal legislation should create a lease buy-back or exchange program that would help to create a truly drilling-free buffer zone around Florida's entire coastline.

Governor Bush supports legislation that protects our military interests in the Gulf. Both the Navy and the Air Force conduct critical training and testing missions from Florida's panhandle to Key West. Requiring the Department of Interior to consult with the Department of Defense on new leasing activities in the eastern Gulf, and giving oversight authority to the President, would safeguard our national security.

Governor Bush also advocates giving states control over a reasonable portion of the OCS, putting this critical decision in the hands

of people most impacted by offshore oil and natural gas production. Such a plan by Congress would give Floridians the ability to maintain in perpetuity a no-drilling buffer zone that would forever protect our resources and our quality of life.

New legislation should allow states to maintain a buffer zone in the waters between each state. It is important to allow either state to unilaterally prevent offshore development in a reasonable portion of neighboring states' waters.

Governor Bush has consistently opposed, and continues to oppose, any offshore development and lease sale 181 that is within 100 miles of Florida's coast. Florida supports legislation that protects this 800,000-acre area between Florida and Alabama, known as the Stovepipe. Florida also supports legislation that would prevent costly and duplicative inventories in areas of the OCS withdrawn from leasing.

And finally, Florida opposed natural gas drilling proposals that would open up the OCS to drilling as close as 20 miles to Florida's beaches. These efforts represent an unwise, haphazard approach to energy development on the OCS, and represent a threat to Florida's coastal environment.

In conclusion, Mr. Chairman, Governor Bush and I are personally grateful for the opportunity to present to you the nine elements that we believe would be beneficial to states. And we will continue to work with you to promote legislation that empowers states to determine their own future on the U.S. Outer Continental Shelf.

[The prepared statement of Ms. Castille follows:]

**Statement of The Honorable Colleen M. Castille, Secretary,
Florida Department of Environmental Protection**

Mr. Chairman, thank you for the opportunity to testify before this Committee on a matter of great importance to the State of Florida. With the exception of Alaska, no other state in the nation boasts as much coastline as the Sunshine State, and the people of Florida pride themselves on the natural scenic beauty of our extraordinary waters.

As the fourth largest state in the Union, Florida has a prosperous economy based on tourism, agriculture, technology and trade. Home to the only living coral reef in the lower forty-eight states and 825 miles of unspoiled sugar-white beaches, it naturally follows that a large percentage of our state's economy is built on tourism with more than 85 million visitors each year, contributing more than \$57 billion and more than 900,000 jobs to the economy. More than 33 million of these annual tourists are drawn by our world-class beaches and near-shore coastal waters. In addition, Florida's marine industry injects more than \$18 billion to the state's economy, recreational and commercial fishing inject more than \$8 billion into Florida's communities, and boating contributes another \$15 billion. Florida's natural resources provide the foundation on which many residents build their businesses and their lives. This is why Governor Jeb Bush has vigorously advocated protection against oil and natural gas development off of Florida's shores.

Over the last seven years, Governor Bush has demonstrated his commitment to protect Florida's coastline from the potential threat of offshore development. In 2001, he secured a historical commitment from the federal government to buy back existing drilling rights just 25 miles off of Pensacola while preventing new leasing within 100 miles of the Panhandle and 200 miles of Tampa through 2007. In addition, in June of 2005 Governor Bush and the Florida Cabinet signed an unprecedented settlement agreement between the State of Florida and the Coastal Petroleum Company to forever eliminate the potential for oil drilling in state waters.

Florida is committed to supporting a national energy policy that balances future offshore development with conservation and environmental protection. Developing renewable, environmentally friendly, domestically produced fuels like ethanol, improving conservation practices, and increasing efficiency will help the U.S. meet its

own energy needs. This year, Governor Bush spearheaded the 2006 Florida Energy Act, a \$100 million strategy to diversify the state's fuel supply and provide long-term energy security. This four-year comprehensive plan provides rebates, grants, and tax incentives to create a more balanced energy portfolio by increasing Florida's investment in renewable energy sources such as solar, hydrogen, and biofuels. Specifically, the 2006 Florida Energy Act provides \$7.5 million to stimulate investment in ethanol refining capacity to help Florida meet its demand for motor vehicle fuel. This investment will speed the development of two or three ethanol production plants in southwest Florida, which could annually produce up to 80 million gallons of renewable fuel for Florida's drivers. In addition, Florida's "Farm to Fuel" program will take advantage of the vast amount of farm acreage in the state and our year round growing season to cultivate the agricultural products needed to produce ethanol.

For the last 25 years, Congress has determined which areas of the U.S. Outer Continental Shelf (OCS) were appropriate for new exploration and development. In 1981, Congress initiated an appropriations moratorium prohibiting any funds from the U.S. Treasury to be spent on new oil and natural gas leasing activities off certain areas of California. In 1984, Congress extended that moratorium to the Eastern Gulf of Mexico and other parts of the OCS and continued to add more OCS acreage over the years. Following Congress' lead, in 1990, President George H.W. Bush issued a Presidential directive administratively preventing new leasing in some areas of the OCS until the year 2000, and in 1998 President Clinton extended this Presidential Withdrawal until 2012 and expanded it to its current size. Today, the Presidential Withdrawal and the Congressional Moratorium prohibit new leasing activities throughout the OCS except in the Central and Western Gulf of Mexico, Alaska, the Lease Sale 181 area, and an area known as the Straits of Florida. Thus, the Congressional Moratorium and the Executive Withdrawal cover almost the entire Atlantic and Pacific coastlines of the lower forty-eight states.

As Congress evaluates the actions necessary to address America's future energy needs and the demand for new production in the Eastern Gulf of Mexico, Florida requests that you consider its environmental and economic interests:

Codification of the Presidential Withdrawal

The State of Florida supports efforts to maintain the annual Congressional Moratorium and the Presidential Withdrawal through at least 2012. Placing the Presidential Withdrawal in law would provide additional permanency to the current protections provided by the annual Congressional Moratorium.

No-Drilling Buffer Zone

To protect our environment and tourism-based economy, Florida supports a no-drilling buffer zone of at least 100 miles around the state, from Pensacola to Jacksonville. Prohibiting development of near-shore waters in the Straits of Florida and along the eastern seaboard, which are not currently protected by Presidential Withdrawal or Congressional Moratorium, increases protection for our sensitive marine resources. In addition, the marine communities found on the Florida outer continental shelf would be protected from other potential environmental impacts caused by offshore activities, including physical disturbances caused by anchoring, pipeline placement and rig construction, the resuspension of bottom sediments and pollution from drilling and production discharges.

Lease Buy-Back or Exchange

Equally important, any legislative proposal must address the existing, potentially active leases in the Eastern Gulf of Mexico Planning Area. Governor Bush has long held that no oil or natural gas drilling should occur within 100 miles of Florida's coast. With 67 leases in the Eastern Gulf wholly or partially within 100 miles of the State of Florida, the threat of near-shore drilling remains. Florida has already taken action to eliminate the threat of near-shore drilling in the waters under its jurisdiction. Last year, under the leadership of Governor Bush, the Florida legislature appropriated \$12.5 million to buy back the last remaining oil leases in state waters. Similarly, any federal legislation should create a lease buy-back or exchange program that would help to create a truly drilling-free buffer zone around the entire Florida coastline. Such a program should allow the holders of near-shore leases, such as those within 100 miles of Florida, to sell back their leases to the Department of Interior or exchange them for leases further offshore safely beyond the immediate threat of environmental harm. As an additional incentive to exchange the leases, any new legislation should prevent companies which opt to retain leases within 100 miles of Florida from filing an exploration plan until after 2012. Participation in a federal OCS lease buy-back or exchange program in the Eastern Gulf of Mexico would make economic sense for most oil and natural gas companies,

offering them the opportunity to trade restricted leases of limited value for new leases that would be outside an area withdrawn from leasing and outside of the Joint Gulf Test Range.

The Joint Gulf Test Range

Any OCS legislation must protect the military's interest in the Eastern Gulf of Mexico. The Eastern Gulf is home to the Joint Gulf Test Range that extends from the panhandle of Florida all the way to Key West. The Florida panhandle houses Eglin Air Force Base, the largest Air Force base in the United States, as well as Tyndall Air Force Base and Pensacola Naval Air Station. Both the Navy and the Air Force conduct training missions in this vast test range essential to our national security. In a recent speech on the floor of the House of Representatives, Congressman Jeff Miller, who represents a heavily military district in the Florida Panhandle, listed the following current and future missions planned in the Eastern Gulf of Mexico: "the F-35 Joint Strike Fighter initial training and live fire; the F-22 pilot upgrade training, including the AMRAAM live fire; Tomahawk cruise missiles launched from submerged vessels; testing of Small Diameter Bomb program against man-made targets in the Gulf of Mexico; F-16 weapons system testing and evaluation; air dominance munitions; unmanned combat air vehicles; and directed energy weapons and classified programs." With this myriad of critical training missions in the Eastern Gulf it is no wonder that last November the Secretary of Defense Donald Rumsfeld wrote that, "Areas east of 86°41', which is the military mission line...are critical to DOD." He went on to say, "In these areas east of the military mission line, drilling structures and associated development would be incompatible with military activities, such as missile flights, low-flying drone aircraft, and weapons testing and training." Knowing that areas east of the military mission line are critical to the training of our military interests located in Florida, last year Governor Bush supported legislation that would have required the Department of Interior to consult with the Department of Defense on any new leasing activities in the Eastern Gulf and gave oversight authority to the President.

State Options

The State of Florida supports a states' rights approach to offshore development. The ability of coastal states to maintain a no-drilling buffer in the OCS is of vital importance to Florida where the tourist-based economy depends on a clean and healthy marine environment. Governor Bush and I strongly support giving states control over a reasonable portion of the OCS, putting this critical decision in the hands of the people most impacted by offshore oil and natural gas production. Such a plan by Congress would give the people of Florida the ability to maintain in perpetuity a no-drilling buffer zone that would forever protect our resources and quality of life.

Protection of State Borders

New legislation should also allow states to maintain a buffer zone in the waters between each state. It would be important to allow either state to unilaterally prevent offshore development in a reasonable portion of its neighboring state's waters. Additionally, Governor Bush has objected and will continue to object to any offshore development in the area of the Gulf of Mexico known as Lease Sale 181 that is within 100 miles of the coast of Florida. This is the 800,000-acre area commonly known as the "stovepipe" that forms the seaward border between Florida and Alabama. Florida supports legislation that maintains this protection.

OCS Inventories

Florida supports legislation that would prevent additional inventories from being conducted in areas of the OCS withdrawn from leasing which violate the spirit of the withdrawal and encourage additional drilling activities in these areas. Additional OCS inventories would be costly, duplicative, and unnecessary in light of the Comprehensive Inventory of U.S. Oil and Natural Gas Resources, mandated by the Energy Policy Act of 2005 and submitted to Congress in February 2006 by the Department of Interior's Minerals Management Service.

Near-Shore Natural Gas Drilling

Finally, the State of Florida vehemently opposes natural gas drilling proposals currently circulating in Congress that would open up the OCS to drilling as close as 20 miles to Florida's beaches. Recent attempts to amend the House version of the Department of Interior Appropriations bill for Fiscal Year 2007 even contemplated a complete repeal of the 25-year Congressional Moratorium. This could have brought natural gas drilling as close as three miles away from Florida and

other coastal states. These efforts represent an unwise, haphazard approach to energy production on the OCS.

Despite claims to the contrary by the promoters of these plans, there are serious environmental risks associated with near-shore natural gas drilling, and while it is possible to produce natural gas only, it is usually found with other liquid hydrocarbons. Whether it is a 20-mile buffer or a three-mile buffer, neither distance gives states or the federal government enough time to react in the event of an unexpected spill or blowout at a natural gas platform. The potential environmental impacts resulting from routine discharges of drilling mud and rock cuttings associated with any drilling operation would also be amplified by near-shore natural gas drilling. Up to 3,200 cubic meters of silt-like rock cuttings and mud could be released by one exploratory well. These discharges could contain significant amounts of toxic metals, which could be released into the ocean environment posing a threat to marine life and clouding Florida's crystal clear waters.

The State of Florida thanks Chairman Pombo and this Committee for considering the environmental and economic interests of the people of Florida when crafting this crucial piece of legislation. Governor Bush and I are personally grateful for the opportunity to present this testimony before you today, and we will continue to work with you to promote legislation that empowers states to determine their own future on the U.S. Outer Continental Shelf.

The CHAIRMAN. Thank you. I recognize Mr. Jindal and Mr. Melancon to introduce our next witness.

Mr. MELANCON. Thank you, Mr. Chairman. If I can do two quick things, and then Bobby, I would like to request unanimous consent to put in the record testimony from Mr. Scott Angelle, who is the Secretary of the Department of Natural Resources of the State of Louisiana. He was unable to be here today.

The CHAIRMAN. Without objection.

[The statement submitted for the record follows:]

**Statement of The Honorable Scott A. Angelle, Secretary,
Louisiana Department of Natural Resources**

SUMMARY

Mr. Chairman, Mr. Ranking Member, and distinguished members of the House Committee on Resources, thank you for your gracious invitation to appear before your Committee.

The time is past due for us to get serious about energy supply and use in this country. Energy supply issues cannot be discussed seriously without addressing offshore production, and offshore production in America would be almost insignificant if it were not for the State of Louisiana. In 2005, the Louisiana OCS (that is, the federal offshore Outer Continental Shelf off of Louisiana's coast) produced 89% of the oil and 70% of the natural gas production in the U.S. Gulf of Mexico OCS and 85.4% of the oil and 69.5% of the natural gas production in the entire U.S. OCS. Since the beginning of time, Louisiana OCS territory has produced 85.4% of the 15.9 billion barrels of crude oil and condensate and 81.1% of the 162 trillion cubic feet of natural gas ever extracted from all federal OCS territories.

The current volume of Louisiana OCS production, which has been reduced due to hurricane damaged infrastructure, amounts to 24.0% of total U.S. domestic crude production and 19.2% of total U.S. domestic natural gas production from all locations. Prior to the recent run-up in prices, federal production off Louisiana's shores alone contributed an average of \$5 BILLION a year to the federal treasury. And, that was when the price of oil was even less than one-half of the \$70 per barrel it is selling for today.

The availability to the American people of this prodigious energy and revenue source would not be possible without the cooperation and participation of Louisiana and its citizens. While all but four other coastal states refuse to allow any new exploration or production off their coasts, Louisiana has pioneered offshore development and continues to do more than its share to develop and make available onshore and offshore energy to all Americans.

Louisiana incurs tremendous infrastructure and environmental costs to make all of this OCS production possible. A discussion of infrastructure costs is provided later in this presentation. For the moment, it is sufficient to state that Louisiana has

TENS OF BILLIONS OF DOLLARS of requirements to repair, rebuild, and maintain the infrastructure needs of roads, ports, flood protection, environmental damage from old practices of the past, onshore disposal of offshore production wastes, and other infrastructure, including restoring protective coastal wetlands that are being lost at a rate of more than 24 square miles per year.

The deterioration and damage to all of this infrastructure, and the lack of financial assistance through revenue sharing with the state needed to maintain and improve the infrastructure, threaten the viability of this offshore energy and revenue production capability to continue. The recent devastating impacts of Hurricanes Katrina and Rita have demonstrated the vulnerability of this critical infrastructure.

Inland states like Wyoming, New Mexico, Colorado, and others host drilling on federal lands onshore, they receive 50% of those revenues in direct payments, and consequently have the financial resources to support that infrastructure. In Fiscal Year 2004, Wyoming and New Mexico together, received about \$928 million from those revenues, which IS an appropriate revenue sharing procedure. In contrast, for example in 2001, of the \$7.5 BILLION in revenues produced in the federal OCS area that year, only a fraction of one percent came back to those coastal states. The inequity is truly profound.

Louisiana's OCS production complex dwarfs all other energy production centers in the country, onshore or offshore; yet, the pocket change the state receives in revenue from it is almost insulting, considering that Louisiana makes all of this revenue and energy production possible. The minuscule amount of revenue the state receives from its colossal OCS production is what is called Section 8(g) funds, which amounts to about \$30 million per year to Louisiana out of a \$5 billion revenue stream. It gets even more humiliating when one realizes what 8(g) money really is. This money is derived from the mineral revenues from a band that extends from each coastal state's offshore boundary seaward for three miles into federal waters. Federal revenue from this zone is shared, 27% with the coastal producing state and 73% to the federal government. Beyond that, the state receives zero revenue. Unfortunately, even this paltry revenue is revenue sharing in disguise. Section 8(g) funding was created to COMPENSATE coastal producing states for drainage from oil and gas reservoirs on the state side of the boundary from wells drilled on the federal side of the border.

This so-called revenue sharing is all the revenue a coastal producing state like Louisiana receives, in contrast to the 50% sharing onshore. It is not any wonder that no states other than Louisiana, Texas, Mississippi, Alabama, and Alaska are willing to allow oil and gas production off their coasts. Why do even these few states allow any federal offshore production?

Louisiana has recently pondered this and weighed these issues long and hard, carefully examining the cost / benefit ratio for the state. The infrastructure damage from the recent hurricanes dangerously weakened the already deteriorated coastal eco-structure of the state. For continued and expanded OCS development off the coast of Louisiana, business as usual cannot continue. Enormous investments of capital are required to ensure the continued viability of the OCS industry off Louisiana's coasts without sacrificing the integrity of Louisiana's onshore and coastal habitat.

Louisiana does not have the funds for the needed improvements, but the funding can and should be made available by sharing 50% of the revenues from Louisiana OCS production with the state.

To prove to the entire United States Congress that Louisiana is serious about applying the OCS funds to coastal restoration, during the 2005 regular session prior to the storms, the Louisiana Legislature passed the Revenue Lock Box Amendment. This Constitutional amendment now awaits voter approval in the Fall of 2006. It was tweaked in the November, 2005 special session, and it requires the deposit of all OCS revenues into the Coastal Restoration and Protection Fund. I felt very strongly about this when I proposed this idea, even before the storm. It was obvious that all state leaders were asking for these funds for the purpose of coastal restoration but I noticed nothing in the law that actually required that it be used for that purpose. Governor Blanco and I thought it was so important that we set up this lock box before obtaining any OCS revenues so there would be no temptation to use it for something else. While health care and education are very important, as are many other needs of the state, I think it is appropriate that we use these anticipated funds to rebuild and protect our coast, a national treasure.

Governor Blanco has complete support of our community leaders, Parish Presidents Against Coastal Erosion. We believe it is only fair that Louisiana receives the same deal given to western states beginning in the 1920s, which now gives them 50% of the royalties of mineral produced on federal lands. Doesn't it make sense for Congress to reinvest in infrastructure that makes domestic energy possible, like

investment in our ports and port facilities, roads, barrier islands and as a means of fighting erosion of our land?

SUPPLYING THE NATION LOUISIANA—AMERICA'S ENERGY CORRIDOR

Louisiana—Energy Producing State for the Nation

Louisiana's first well (a dry hole) was drilled in 1868. The state's first oil well was drilled in 1901. The first oil well over water in the world was in Louisiana in 1910 in Caddo Lake. The first well drilled off the coast of Louisiana was in 1938 near Creole, Louisiana. Louisiana was the site of the first well drilled out of sight of land in 1947.

34% of the nation's natural gas supply

30% of the nation's crude oil supply is either produced in Louisiana, produced in the Louisiana OCS, or moves through the state and its coastal wetlands.

2 of the 4 nation's Strategic Petroleum Reserve storage facilities are located in Louisiana.

The state is home to the Henry Hub NYMEX natural gas price and trading terminal.

Over 40,000 miles of large transmission pipelines traverse the state to transport oil and gas from production centers to consumption markets throughout the country.

Together with the infrastructure in the rest of the state, this production is connected to nearly 50% of the total refining capacity in the United States. Based on its energy producing value to the nation, acre for acre, Louisiana is the most valuable real-estate in the nation.

Including Louisiana OCS production, Louisiana's rank among the 50 states is:

- 1st in total crude oil production
- 1st in OCS crude oil production
- 1st in OCS natural gas production
- 1st in OCS revenues generated for the federal government
- 1st in mineral revenues from any source to the federal government
- 1st in LNG terminal capacity
- 1st in foreign oil import volume
- 2nd in total natural gas production
- 2nd in total energy production from all sources
- 2nd in petroleum refining capacity
- 2nd in primary petrochemical production

Louisiana—Refining State for the Nation

Louisiana has

- 17 operating petroleum refineries, most large world-scale facilities
 - 16.2% of total U.S. refinery capacity
 - 2.77 million barrels per day refinery capacity
 - 2nd highest refinery capacity in the nation
- and produces
- 42.1 million gallons of gasoline per day
 - 29.9 million gallons of distillate (jet fuel and diesel fuel) per day

Louisiana—OCS Revenue & Energy State for the Nation

Without Louisiana, there would be little OCS production and, therefore, little OCS revenue for the Federal Government

Louisiana OCS (federal) territory is the most extensively developed and mature OCS territory in the U.S. and most developed and mature offshore area in the world.

Prior to the recent run-up in prices, federal production off Louisiana's shores alone contributed an average of \$5 BILLION a year to the federal treasury, and, that was when the price of oil was even less than one-half of the \$70 per barrel it is selling for today.

Louisiana's share of this revenue, \$ZERO

The current average \$30 million Section 8(g) payment to the state is not real revenue sharing, but is compensation to the state for drainage of reservoirs underlying state water bottoms from wells drilled on the federal side of the state's offshore boundary line. For this band that extends from the state offshore boundary seaward three miles, 27% of the OCS revenue from that 8(g) zone is "shared" with the state.

Annual Market Value of Oil & Gas Produced in the Louisiana OCS

- Natural Gas: Approximately \$30 Billion (based on \$9 per MCF and pre-Katrina & Rita production volume)

- Oil: Approximately \$33 Billion (based on \$60 per barrel and pre-Katrina& Rita production volume)

For a total of approximately \$63 Billion per year

Historically, Louisiana OCS territory has produced

- 85.4% of the 15.9 billion barrels of crude oil and condensate, and
- 81.1% of the 162 TCF (trillion cubic feet) of natural gas extracted from all OCS territories from the beginning of time through the end of 2005.

Currently (Preliminary 2005 data), Louisiana OCS territory produces

- 89% of the oil, and
- 70% of the natural gas produced in the Gulf of Mexico OCS,
- 85.4% of the oil, and
- 69.5% of the natural gas produced in the entire U.S. OCS, and
- 24.0% of total U.S. domestic oil, and
- 19.2% of total U.S. domestic natural gas production.

Note that current Louisiana OCS production as a share of total domestic production is down by several percentage points due to damaged production that is temporarily or permanently shut-in due to Hurricanes Katrina and Rita.

All of this infrastructure is vulnerable to accelerated destruction from coastal erosion and land loss.

Louisiana and Energy Are Synonymous.

The importance to the nation of energy production and use in Louisiana is further highlighted in the following rankings in which Louisiana is (2003 EIA data latest available):

- 3rd in industrial energy consumption
 - 3rd in natural gas consumption
 - 5th in petroleum consumption
 - 8th in total energy consumption
- But, only 22nd in residential energy consumption

Usually, when national energy issues are discussed, Louisiana is cast in the image of a rich producing state floating in a sea of oil and gas that is being inequitably shared with the consuming states. Often misunderstood or overlooked, is the fact that more than two thirds of the production from the state is in the Louisiana federal OCS territory and, hence, produces no revenue for the state, while at the same time incurring significant infrastructure support costs to the state, which is discussed in more detail later.

Also often overlooked or not explained, is the fact that, though Louisiana is the 2nd highest energy producing state in the nation, Louisiana is also 8th highest in total energy consumption. Therefore, Louisiana is more of a consuming state than 42 other states! This story is never told, nor are Louisiana's difficulties as a key consuming state given much concern at the federal energy policy level. Thus, when Louisiana, the energy producing state speaks, it is also Louisiana, the energy consuming state speaking. Louisiana is inexorably tied into the issues of all states in the nation, whether considered producing states or consuming states.

Louisiana's Role as a Through-Processor of Hydrocarbons for the Nation

All of the preceding represents only the direct supply line of oil and natural gas. Additionally, Louisiana's 8th highest ranking among the states in energy consumption is attributable to the fact that Louisiana is consuming most of this energy as a through-processor of energy supplies for the rest of the nation, consuming colossal amounts of energy for their benefit.

An example of how Louisiana is consuming energy resources for the primary benefit of other states is petroleum refining. The energy equivalent of 10% of Louisiana's entire petroleum product consumption is required just to fuel the processes that refine crude oil into gasoline, diesel fuel, jet fuel, heating oil and other products consumed out of state. The oil refining industry employs only about 10,400 workers in the state; whereas tens of millions of jobs throughout the country are dependent on the affordability and availability of the products from the continued operation of these refineries and associated petrochemical facilities in Louisiana.

Many other examples could be cited of the numerous energy intensive natural gas and oil derived chemical products Louisiana (and also Texas and Oklahoma) through-processes for the rest of the U.S. Per unit of output, these industrial processes in Louisiana are characterized as capital (equipment), energy, raw material, and pollution discharge intensive, and low in labor requirements and dollar value added, essentially the opposite of the downstream industries in other states that upgrade these chemicals into ultimate end products. Much of the energy Louisiana

technically consumes is really the transformation of oil and gas into primary chemical building blocks that are shipped to other states where the final products are made, whether it be plastic toys, pharmaceuticals, automobile dash boards, bumpers and upholstery, electronic components and cabinets, synthetic fibers, or thousands of other products dependent on this flow of energy and high energy content materials out of Louisiana.

OCS INFRASTRUCTURE AND ITS IMPACTS AND NEEDS

It is important to understand that there is no free lunch. Louisiana, like other coastal producing states, sustains impacts on coastal communities and bears the costs of onshore infrastructure required to support this production activity.

Saving Louisiana's Wetlands that Protect Offshore and Onshore Production Infrastructure

Louisiana's unique and fragile coastal wetlands introduce yet an additional issue: land loss. Prior to Hurricanes Katrina and Rita, Louisiana was losing more than 24 square miles of coastal land each year. In fact, if what is happening today in coastal Louisiana were happening in the nation's capital, the Potomac River would be washing away the steps of the Capitol today, the White House next year, and the Pentagon soon after that. In fact, during the course of this morning alone, Louisiana will lose a football field wide area from the Capitol Building to the Washington Monument. It is feared that the ferocity of Hurricanes Katrina and Rita may have accelerated the land loss by several years.

There are many causes of this coastal erosion in Louisiana, including oil and gas development and what may be the most significant factor: building levees and channeling the Mississippi River. Whatever the cause of its demise, the health and restoration of Louisiana's coastal wetlands are vital to protecting the offshore and onshore infrastructure that is essential for the continuation, as well as the expansion, of offshore energy production in the Gulf of Mexico.

Once the state realized the magnitude of the coastal erosion problem, Louisiana got serious about doing something about it. In 1980, the coastal restoration permitting program was moved to the Department of Natural Resources (DNR). In 1981, \$40 million of state oil and gas revenue was set aside in a legislative trust fund for coastal restoration projects. The State has a dedicated revenue stream of up to \$25 million per year, depending on the level of revenue collections from oil and gas production within the state, to replenish the fund. In the past few years, that replenishment stream has been at the \$25 million level. In 1989, the Office of Coastal Restoration and Management was created in DNR, and the magnitude of the program was greatly expanded.

The Fight against the Elements

Prior to Hurricane Katrina, Louisiana needed a minimum of \$14 billion (in today's dollars) over the next 20 to 30 years for coastal restoration projects. Louisiana has quite a unique geology relative to the rest of the country. The Louisiana coast is geologically the youngest part of the U.S. and, prior to manmade interference from leveeing and channeling the Mississippi River and other activities, was still accreting land mass faster than it was losing it to subsidence, erosion, salt water intrusion, sea level rise from global warming, and other causes. The science of coastal geology and the expertise of coastal engineering to counter these forces is in its infancy, as it has never in the history of civilization, been attempted on the scale it must be implemented in South Louisiana. Also, we are dealing with a situation that is continuously subject to changing dynamics, such as more frequent and more powerful hurricanes, the apparently increasing effects of global warming, etc.

Extent of Louisiana Infrastructure Supporting OCS Production

The total value of the Louisiana OCS infrastructure and the onshore infrastructure supporting it is difficult to ascertain. The estimated depreciated investment in offshore production facilities is over \$85 billion, depreciated offshore pipeline infrastructure is over \$10 billion, and public coastal port facilities is \$2 billion, for a total of approximately \$100 billion, depreciated, and not counting highways, sewer, water, fire and police protection, schools, and other public works structures that also have ongoing operation and maintenance costs. The replacement of all of this would be several times the \$100 billion depreciated figure. It also does not count the onshore coastal infrastructure of pipelines, storage facilities, pumping stations, processing facilities, onshore disposal facilities for offshore production wastes, etc.

This infrastructure is vulnerable if not protected by the State's barrier islands and marshes. As these erode and disappear, infrastructure is exposed to the open sea and all of its fury. As the coast recedes, near shore facilities become further offshore and subject to greater forces of nature, including subsidence, currents, and

mudslides. Erosion in the coastal zone is already beginning to expose pipelines that were once buried.

Research at Louisiana State University shows that every 2.7 miles of healthy marsh can reduce storm surge by a critical 12 inches. This is why the state has been pleading for years for funding of the state's \$14 billion, 20 to 30-year coastal restoration program. The inability to implement needed projects to protect the coast from storms up to now may mean that the costs will be even greater as a result of the devastating hurricanes in 2005.

As more of the protection from Louisiana's barrier islands and coastal wetlands wash away, increasingly more onshore and offshore production will be damaged or destroyed by even less powerful storms than Katrina and Rita, and particularly by storms whose paths directly pass through the producing areas off of Louisiana's coast, as did Katrina and Rita. Direct hits to the prime production area by hurricanes and tropical storms cause incalculable damage to this production infrastructure, as well as to the onshore support infrastructure, as Katrina and Rita are proving.

HOW TO INCREASE OFFSHORE U.S. ENERGY PRODUCTION

Share Offshore Revenue with the States that Allow Offshore Production

The most effective way to help is to assist those states that make offshore energy production possible off their coasts. This can be accomplished by sharing with those coastal producing states some of the offshore revenues generated off their coasts. This would encourage those states to pursue more development, and it would help offset infrastructure costs those states incur that is associated with that development. Louisiana, like other coastal producing states, sustains impacts on coastal communities and bears the costs of onshore infrastructure to support this production activity.

When states like Wyoming, New Mexico, Colorado, and others host drilling, coal mining, and similar activities on federal lands onshore, they receive 50% of those revenues in direct payments, and consequently have the financial resources to support that infrastructure. In Fiscal Year 2004, Wyoming and New Mexico together received about \$928 million from those revenues, which is an appropriate revenue sharing procedure.

In contrast, for example in 2001, of the \$7.5 BILLION in revenues produced in the federal OCS area, only a fraction of one percent came back to those coastal states. The inequity is truly profound.

We are pleased this committee is investigating offshore exploration and equitable treatment of states. The need to sustain the existing supply that Louisiana provides must simultaneously be addressed. The most effective answer to both issues is to share offshore revenues with the coastal producing states that make that production possible. It is critical that coastal producing states receive a fair share of revenues to build and maintain onshore infrastructure and, in Louisiana's case, to help stem our dramatic land loss, which is occurring at a rate believed to be the fastest on the planet.

Production off Louisiana shores alone contributes an average of \$5 BILLION dollars a year to the federal treasury. And, that was when oil was less than half of the \$70 plus per barrel price it is selling for today.

Does it not make sense to encourage the coastal producing states which provide that revenue for the benefit of the rest of the nation? Does it not make sense, that when so many, like the U.S. Ocean Commission, are targeting offshore OCS revenues to pay for worthwhile preservation of natural resources, that this nation first protect those who make these resources possible?

Prior to Hurricanes Katrina and Rita, in Louisiana's coastal zone, many of the pipelines and other infrastructure that our wetlands have historically protected become exposed to open Gulf of Mexico conditions. Dire measures are required to stem this destruction. To maintain, much less increase, production from off our coasts, we must reinvest in the infrastructure that makes all of the activity possible, whether it be port facilities, roads to transport equipment and supplies, erosion control, or barrier island and wetlands storm protection.

Assistance from the Energy Policy Act of 2005

The Coastal Impact Assistance Money provided in the Energy Policy Act of 2005 that Congress passed last year is tremendously good news for the state's coastal restoration efforts. Yet, the \$540 million provided over four years for coastal restoration is only a drop in the bucket compared to the total of \$14 billion needed, prior to Katrina and Rita, over 20 to 30 years for Louisiana's unique coastal restoration needs.

CONCLUSION

It is vital to the nation's security and prosperity that new energy sources be developed. The federal government has the ability to steer investments. Louisiana's OCS significance is demonstrated by its producing 24% of oil and 19.2% of natural gas produced domestically, which is down several percentage points due to permanently and temporarily shut-in production from 2005's hurricanes. The Louisiana OCS, along with that of Texas and all of the U.S. OCS areas off limits to exploration and production, is the single most promising area for the U.S. to obtain significant new supplies of energy. These supplies, whether conventional oil and gas, imported oil, imported LNG, wind and ocean energy, or natural gas hydrates, need the support and cooperation of coastal states to enable that activity to take place and to supply and maintain critical production and support infrastructure.

LNG facilities are being built where the existing U.S. pipeline infrastructure exists (essentially Louisiana and Texas) in order to get the gas from the coast into the delivery system to supply the nation. The same will be true when the technology is developed to commercialize methane hydrate production off the coasts. This Louisiana and Texas infrastructure will also be used when deep and ultra-deep shelf production comes on stream. This is another reason why offshore revenue should be shared with the coastal producing states that are allowing onshore and offshore drilling and allowing the siting of LNG facilities to make energy available to the rest of the country.

With effective policies and incentives, the federal government can steer investment into the offshore areas, and by receiving an equitable share of revenue generated offshore, the coastal producing states can be in a position to ensure that this production will be made available to the rest of the nation. Louisiana desperately needs immediate revenue sharing financial assistance from a source not subject to annual appropriations, to continue to maintain existing, and to develop future energy supplies for the nation.

It is a travesty that the Congress enacted national energy legislation without substantial OCS revenue sharing in the form of direct payments to the coastal producing states from the revenue derived from offshore production, and without giving the coastal states a 50% share in offshore production revenue from off their coasts, similar to the automatic payments for drilling and coal mining on federal lands onshore, and before any other dispersal of those monies.

Now that Hurricane Katrina has laid waste to Louisiana's largest city, the entire southeastern portion of the state, much of the southwestern part of the state, the state's coastal oil and gas infrastructure, and its once protective wetlands, a massive rebuilding program is imperative to repair and rebuild Louisiana's critical infrastructure and protective wetlands to enable the state to continue to supply a critically needed portion of this nation's energy needs.

When it comes to Louisiana continuing its role in leading the nation's offshore energy development, the bottom line is that the state cannot afford, and is not willing to continue to sacrifice our vital and fragile protective wetlands.

Thank you for this opportunity to appear before you.

Mr. MELANCON. The second thing I would like to do is I would like to acknowledge to everyone in here that you saw a historic moment when Mr. Neil Abercrombie made his comments.

And third, Bobby and I would like to welcome Charlotte and George Randolph. Charlotte is the President of Lafourche Parish, Louisiana, a coastal parish that has got its own problems, and very fortunate because the parish has put money where their mouth is through the years, that they didn't go under during this last storm. We are finding a problem because they are being penalized for future protection needs because of that.

Bobby.

Mr. JINDAL. Thank you. I would just like to point out that Charlotte, in addition to presiding over Lafourche Parish, that parish is also home to Port Fourchon. Chairman Gibbons did lead a delegation, a bipartisan delegation of this Committee, literally, and coincidentally, about two weeks before Hurricane Katrina came on shore. Brought Members and staff from this Committee to see

offshore drilling, and saw the domestic production, the important role. Port Fourchon secures 16 percent to 18 percent of the entire country's energy supply.

She is also the President of PACE, Parishes Against Coastal Erosion.

Mr. Chairman, right before I turn it over to her, with your permission I would like to introduce into the record a statement of endorsement for this approach from Ducks Unlimited and several other conservation groups. Without objection, I would like to add that to the record.

The CHAIRMAN. Without objection.

[The statement submitted for the record follows:]

Congressional Sportsmen's Foundation * Bear Trust International * Boone & Crockett Club * Dallas Safari Club * Ducks Unlimited * Association of Fish & Wildlife Agencies * National Shooting Sports Foundation * North American Bear Foundation * North American Grouse Partnership * Pope and Young Club * Quail Unlimited * Quality Deer Management Association * Safari Club International * Texas Wildlife Association * The Wildlife Society * Theodore Roosevelt Conservation Partnership * U.S. Sportsmen's Alliance * Wildlife Management Institute

To Members of the House Resources Committee:

We are writing to ask your support for the Domestic Energy Production through Offshore Exploration and Equitable Treatment of State Holding Act of 2006, in particular Title 14—the Federal Energy Natural Resources Enhancement Fund [Fund]. The Act [H.R. 4761] addresses a number of important energy related concerns. Of special interest to our groups is the Fund it creates that would direct a small percentage of the revenues from oil and gas production on Federal lands and the Outer Continental Shelf (OCS) to state fish and wildlife management agencies and to Federal land management agencies to help meet the increased natural resources management demands that accompany efforts to also meet the Nation's energy needs.

Simply put, we clearly understand the importance of developing domestic sources of oil and gas to meet rising demand, control prices and lessen our dependence on foreign sources. At the same time we do a profound disservice to all those who benefit from abundant and healthy fish and wildlife resources, especially our children and grandchildren, if we do not also provide for sound stewardship of these resources.

The development of domestic sources of energy is fundamentally important to the Country's security and economy. The challenge before us is to accommodate the equally important natural resources that are affected by such development. Fish and wildlife resources are the mainstay of many western local economies. These resources will sustain those economies long after extraction of energy reserves is completed, but only if we exercise proper care and stewardship during this period of development. It is critical that adequate investments are made now to assure a healthy future for fish and wildlife populations and their habitats. The Fund offers a fair and sensible way to assure this future. It does so by designating a small percentage of receipts from energy development activities to fund very specific and related purposes.

In addition to targeting critically needed funds to our management agencies, it prudently requires a careful accounting from those agencies of how the funds have been used and how successful those investments have or have not been. This reporting requirement will enable the implementation of carefully established priorities—we will have confidence that the right projects are being implemented in the right places to the maximum benefit of our natural resources.

This approach provided for in H.R. 4761 is a win for communities with oil and gas production, outdoorsmen throughout the country, the nation's energy supply, state wildlife management agencies, and wildlife and the environment. It should also be evident that this legislative initiative will help unify stakeholders on Federal lands and the OCS in support of responsible development, habitat management and the benefits of energy production.

We look forward to working with you and your staff in this effort. You may contact either Jim Mosher at 301-223-1533 [jim@grousepartners.org] or Gary Taylor at 202-624-7890 [gtaylor@fishwildlife.org].

Mr. JINDAL. Thank you, Mr. Chairman.
The CHAIRMAN. Charlotte Randolph.

**STATEMENT OF CHARLOTTE RANDOLPH, PRESIDENT,
LAFOURCHE PARISH, LOUISIANA**

Ms. RANDOLPH. Thank you, Mr. Chairman. It is indeed a privilege to appear before your Committee today.

I do believe you also visited Port Fourchon, and I met you there. That was the last time I had seen you. I thank you for that visit, because you saw first-hand the tragedy of land loss and coastal erosion.

As you would imagine, Katrina and Rita have changed that landscape dramatically, and tremendously impacted the oil and gas industry.

I do thank the other Congressmen on this Committee who have visited our region. I know that Congressmen Jindal and Melancon have either escorted you through our state, or at least made you aware of our plight.

Lafourche and Louisiana have been supporting and encouraging the exploration of oil and gas for over 60 years. The economy of Lafourche and other coastal parishes has been and continues to be dependent on oil and gas revenues. The majority of the top taxpayers in the parish are involved in the petrochemical industry, both directly and in service-related businesses.

Our royalties from on-shore operations comprise 5 percent to 10 percent of our revenues, and provide funding for capital improvement projects: roads, bridges, and drainage projects. These revenues allow us to maintain the infrastructure of our communities.

The funds are also used to partner with the state and Federal governments to stabilize and protect LA Highway 1, the only land link to Port Fourchon, which Congressman Jindal alluded to.

Lafourche Parish starts nearly 90 miles to the north in the sugarcane fields along her namesake, Bayou Lafourche. So economic engines providing for our citizens include agriculture, seafood, shipbuilding, and the oil and gas industry. Thus, our motto is feeding and fueling America. We are that significant.

The energy industry does not only support our residents in Lafourche companies, workers throughout the region, the state, and many other states travel here for shift work, bringing home better paychecks than they could have earned where they live, and perhaps finding a good-paying job here when none were available back home.

They also leave behind precious sales taxes which pay for our schools and police department. The parking lots at Port Fourchon and the offices of the boat companies contain many vehicles without a state license plate.

The Federal government has finally recognized the damage in south Louisiana. It was in the pursuit of national interest. And because of national interest, we insist that the damage be mitigated.

Louisiana has lost 30 percent of the nation's coastal wetlands. Of the nation's total wetlands loss, Louisiana has experienced an astonishing 90 percent of that loss. These land loss factors not only threaten an important environmental area, it places two million

people at greater risk from hurricane storm surge, as we witnessed last year with Katrina and Rita.

Much of the area is transitioning into an open-water marine environment. This is impacting the oil fuel infrastructure that was originally constructed and protected areas of coastal Louisiana.

Surface water used for industry and drinking has been contaminated on several occasions by increased salinity at the rural water intake, 45 miles inland. This has made the water source unsuitable for thousands of people and several industrial plants during these events.

To solve these challenges we must enhance our natural protection. For our communities it is necessary to build tidal and hurricane levees. Although we have retreated from the most threatened communities, we can justify protection for the remaining areas. These communities support people and businesses which work to provide 25 percent of the nation's oil and gas, five of the top 15 ports in the country, and 30 percent of the fisheries of the lower 48 states. To abandon these communities is to abandon over \$100 billion in public infrastructure.

These projects keep wetlands wet and dry lands dry. The marriage of structural flood protection for the communities and reestablishment of the environment functions of our barrier islands and marshes is what we term comprehensive hurricane protection.

To some degree, the erosion problems of south Louisiana are attributed to international trade and domestic on-shore and offshore oil development. When one realizes that \$5 billion of royalties and lease payments go to the Federal Treasury, only through the support of coastal Louisiana and the infrastructure it provides, it is obvious that this source of money should fund the repairs of the impacts of its production causes.

Louisiana has virtually no direct share of those revenues at this time, according to agreements with the Federal government. Other states receive 50 percent to 90 percent share of the revenues from that development. No American argues the fairness of that sharing with the states that accept this burden.

The Federal government is receiving this revenue through the support of coastal Louisiana and the fragile platform upon which it sits. An important point is—I see that I am running out of time—is that this fall, the voters of Louisiana will vote on a constitutional amendment that should these OCS revenues be distributed more equitably to the state, this amendment would ensure that these funds would be spent on coastal land-loss prevention, as well as hurricane protection, and would dedicate those funds strictly to that, and to the infrastructure that it impacts.

I thank you, Mr. Chairman, and will answer any questions if you have any.

[The prepared statement of Ms. Randolph follows:]

Statement of Charlotte A. Randolph, Lafourche Parish President, and President, PACE (Parishes Against Coastal Erosion)

Chairman Pombo, it is indeed a privilege to appear before your Committee today. The last time I saw you was when you visited Port Fourchon and witnessed first hand the important work being conducted for this country there. You also saw the tragedy of land loss and coastal erosion. As you would imagine, Katrina and Rita

have changed the landscape you saw and tremendously impacted the oil and gas industry.

Ladies and gentlemen of the committee, I am certain that Congressmen Jindal and Melancon have either escorted you through our state or at least made you aware of our plight.

Lafourche has been supporting and encouraging the exploration for oil and gas for over 60 years. The economy of Lafourche Parish and other coastal parishes has been and continues to be dependent on oil and gas revenues. A majority of the top taxpayers in the parish are involved in the petrochemical industry, both directly and in service-related businesses. Oil royalties from onshore operations comprise five to ten percent of our revenues and provide funding for capital improvement projects—roads, bridges, and drainage projects.

These revenues allow us to maintain the infrastructure of our communities and supplement basic operations such as the detention center, our court system and the district attorney's office. The funds are also used to partner with the state and federal governments to stabilize and protect Louisiana Highway 1—the only link to Grand Isle and Port Fourchon.

Lafourche Parish starts nearly 90 miles to our north, in the sugar cane fields along our namesake Bayou Lafourche. The economic engines providing for our citizens include agriculture, seafood, shipbuilding and the oil and gas industry. Thus our motto "Feeding and Fueling America".

The energy industry does not only support our residents and Lafourche companies. Workers from throughout the region, the state and many other states travel here for shift work, bringing home better pay checks than they could have earned where they live. And perhaps finding a good-paying job here when none were available back home. They also leave behind precious sales taxes which pay for our schools and police department. The parking lots at Port Fourchon and at the offices of the boat companies contain many vehicles with out-of-state license plates.

The trucking companies which traverse our highways bring products from many different parts of the United States, providing jobs in the very important support industry.

Pipelines buried deep under sugar cane fields and cattle pastures far north of here in Lafourche provide the property taxes for recreation centers.

Lafourche Parish was built by the force of the Mississippi River. That force took the soils from 41% of the United States and reassembled that sediment into a natural platform for 2,000,000 people to live in south Louisiana. Plainly stated, the Mississippi River system has built a platform of ridges, swamps, marshes, estuaries, rivers and bayous which serve the nation through navigation, gas and oil supply, and fisheries production.

The need for navigation and flood control has caused the natural cycle of building land to change so that wetlands, beaches and ridges are now being lost at 25 to 35 square miles a year. The continued degradation of one of the most important environmental and monetarily valuable deltas in the world should be addressed seriously on the federal level.

There is no other place in the United States that has provided the function of this delta.

The Federal government has finally recognized that damage in South Louisiana was in the pursuit of national interest. And because of national interest, we insist that the damage be mitigated.

Louisiana has 30% of the nation's coastal wetlands. Of the nation's total wetlands' loss, Louisiana is experiencing an astonishing 90% of that loss. We are also losing elevation in the range of one foot in 20 to 30 years in an area where most of the dry land is no more than seven feet above sea level.

These land loss factors not only threaten an important environmental area, it places 2,000,000 people at greater risk from hurricane storm surge. Major pipelines and other infrastructure for oil and gas are now exposed to more extreme hazards. This oilfield infrastructure was constructed in protected waters of coastal Louisiana. Much of the area is transitioning into an open water marine environment. This directly affects the working condition of this infrastructure to contain the oil and to deliver it to its markets nationwide.

Surface water used for industry and drinking has been contaminated on several occasions by increased salinity at the raw water intake 45 miles inland. This has made the water source unusable for thousands of people and several industrial plants during these events. We tasted salt in our drinking water; people with high blood pressure were advised to boil their water. This system we use serves 300,000 people. Sen. Mary Landrieu stepped in with emergency funds to build a structure that would help alleviate this problem. We're investigating building another.

To solve these challenges from the Gulf, we must enhance our natural protection such as barrier islands and marshes, and protect our increasingly threatened communities. For our communities it is necessary to build tidal and hurricane levees, and increase the elevation of the levees in communities which already have protection.

Although we have retreated from the most threatened communities, we can justify protection for the remaining areas. These communities support people and businesses which work to provide 25% of the nation's oil and gas, supply five (5) of the top 15 ports in the country, and produce 30% of the fisheries of the lower 48 states. To abandon these communities is to abandon over \$100 billion in public infrastructure. Studies indicated that for \$10 billion to \$15 billion, this environmentally and economically productive area, and its communities, could have been maintained pre-Katrina and Rita. Today, the price tag is probably doubled because we must mitigate damage that could have been lessened with proper protection.

Reintroduction of Mississippi River water and sediments will allow us to maintain, and possibly regain thousands of acres of wetlands.

Renourishment of our uninhabited barrier islands with quality offshore sand through pipeline sediment delivery would re-establish much of the tidal protection which has been lost. It will reduce the tidal prism which has increasingly invaded marshes, 30 miles from the coast. A comprehensive plan of lateral barriers would protect us in the near term, while we implement the long-term sediment recovery processes.

These projects would, in effect, keep the wetlands wet and the dry lands dry. The marriage of structural flood protection for the communities and re establishment of the environment functions of our barrier islands and marshes is what we term Comprehensive Hurricane Protection.

To some degree the erosion problems of South Louisiana are attributed to international trade, and domestic onshore and offshore oil development. When one realizes that \$5 billion of royalties and lease payments go to the federal treasury only through the support of coastal Louisiana and the infrastructure it provides, it is obvious that this source of money should fund the repairs of the impacts its production causes. Louisiana has virtually no direct share of those revenues, according to agreements with the Federal government. Other states, which are impacted by oil and gas development on Federal government lands and waters, receive 50 to 90 percent share of the revenues from that development. No American argues the fairness of that sharing to the states that accept this burden. The Federal government is receiving this revenue through the support of coastal Louisiana and the fragile platform on which it sits. We ask that the Federal government reinvest the revenue necessary to protect the communities which work to produce the energy. It should reinvest the revenue necessary to maintain the most biologically productive ecosystem in the lower 48 states. If the Federal government takes care of protecting its interest, Louisiana will not need funding since protection of the Federal interest protects our unique corner of America. We do not ask for money from other states.

Only reinvest in the place which is producing this revenue.

As this is written, we monitor another tropical system. This is hurricane season.

For a very long time, members of our Congressional delegation have been petitioning our government for assistance. True success will be achieved when the nation's leaders fully recognize the value of coastal Louisiana and fully fund the projects necessary to protect us.

We are indeed grateful for the allocations provided in the recently enacted Energy Bill and the Transportation Bill of 2005. These funds provide for opportunities to reinforce our existing levee systems as well as to construct a major highway to the very significant Port Fourchon. It's a good start and we thank you for these funds.

Louisiana's Governor Kathleen Blanco said it best when she noted that we are not asking for more money out of greed but for need. A guaranteed annual source of revenue will allow us to plan for the future, which at this point is very, very difficult.

I had the privilege of participating in a trip to the Netherlands earlier this year, where we learned much from that country's recovery from devastating storms. Perhaps the most important lesson learned was an old one—where there is a will, there is a way.

What is our future? Do we plan for retreat or do we continue to fight?

Of course we will fight for Lafourche and south Louisiana. We have formed an organization with the acronym PACE—Parishes Against Coastal Erosion, comprised of parish presidents from 19 coastal parishes.

Together we represent one half of the population of Louisiana. The National Association of Counties has participated in one of our meetings and recommended that the federal government recognize the concerns erosion is causing. The Breaux Act

has funded numerous projects on our coast. We have allies in our fight, including other states which share our plight.

But the most important relationship must be with the federal government. Our parish and our state cannot fund the needed projects. We have taxed ourselves to begin a levee system and have borrowed money to construct a new highway to Port Fourchon, which will be repaid with tolls.

We must use Outer Continental Shelf Royalty funds derived from our coast to win this battle and keep us viable.

The CHAIRMAN. Thank you. Next I would like to recognize Mr. Daniel López, who is the President of New Mexico Tech.

**STATEMENT OF DANIEL H. LÓPEZ,
PRESIDENT, NEW MEXICO TECH**

Mr. LÓPEZ. Thank you, Mr. Chairman and Members of the Committee.

We in New Mexico recognize the national leadership of the Chairman of this Committee and its staff in restoring domestic natural resource development to its historical role in the economic growth and well-being of the country.

New legislative initiatives and oversight hearings are at the heart of your leadership by reestablishing a process to move the Nation toward a progressive national resource policy, rather than the policy that has been marked by stop-and-go over the last 25 years.

The Energy Act of 2005 and its extension in H.R. 4761 are examples of what is required of public policy if the supply of energy is to meet the projected consumption without economic recession. It is time to establish an alliance between the interior oil- and gas-producing states such as New Mexico, and the coastal states with offshore resources.

Interstate competition can no longer be afforded. Indeed, New Mexico Tech petroleum engineers are equally employed on both sea platforms in the Gulf of Mexico, and in the high deserts of San Juan Basin in the State of New Mexico.

The nation's mining and petroleum schools, however, have lost human capital and program depth because of the lower Federal funding for physical science, in contrast to the biological sciences, which have, until recently, moved student careers and research choices away from petroleum and mining.

In particular, the surviving historic and established petroleum mining schools, which are located mainly, but not exclusively, in the West, have lost a generation of faculty and alumnae, just as the natural resource industry is top-heavy with near-retirement engineers and managers.

I am asking for your support for Section 23, Energy and Mineral Schools Reinvestment Act, and Section 12 of EMSRA, which are inseparable from H.R. 4761. The creation of a Federal energy and mining resource professional development fund reporting to the Department of Interior, with funding from H.R. 4761 offshore leasing, revenues will begin to restore the petroleum and mining engineering and technological world leadership of the United States, which has been maintained for more than two centuries.

It means New Mexico Tech and similar institutions or programs, from West Virginia to Arizona, Pennsylvania to South Dakota, and

others can build capacity in petroleum and mining teaching and research that would attract the best and the brightest faculty and students for the coming energy resource global competition.

Capacity-building and petroleum and mining technology must include minorities who are under-represented in current management and work force representation among American natural resource companies. Section 12 of EMSRA offers career technical education support for institutions with programs that can attract minority students who want two-year trades training that leads to jobs in petroleum and mining companies.

New Mexico Tech has working relationships with New Mexico two-year colleges that assist teaching, and encourage it, especially minority students, to pursue further education and higher education in these technical areas. We ask for support of Section 12 of EMSRA.

New Mexico Tech is also leading the nation, the University Research and Training Center for Homeland Security, ranging from first responders, counter-terrorism training, and explosives research. Passage and funding of H.R. 4761 will enable us to offer veterans of the global war on terrorism with service in Iraq and Afghanistan education and training in energy infrastructure protection and security, with emphasis on pipelines, tank farms, offshore oil and gas platforms, refineries, and related information control centers. Energy infrastructure security programs for veterans will be developed in cooperation with career technical education centers with two-year programs.

The existing and historic state-chartered petroleum and mining schools, of which New Mexico Tech is one, can meet the challenge of the Energy Act of 2005 and H.R. 4761, which create incentives for energy supply development and expansion. But new energy exploration and production also requires engineering work force expansion.

EMSRA and career technical education provisions in Section 12 are needed to make the Energy Act of 2005 more effective. Oil and gas crews and engineers are reported to be in short supply in the Rocky Mountain areas. Unless we opt to become dependent not only on foreign oil, but also upon foreign oil engineers and workers in the field, passage of H.R. 4761 will be needed to become a reality as the next milestone in our national energy policy.

Thank you, Mr. Chairman. I stand for questions.

[The prepared statement of Mr. López follows:]

Statement of Dr. Daniel H. López, President, New Mexico Institute of Mining and Technology

Mr. Chairman, Members of the Committee:

I am Dr. Daniel H. López, President of the New Mexico Institute of Mining and Technology. New Mexico Tech, as it is commonly known today, is a historic institute of higher education which was established in Socorro, New Mexico, by territorial legislation in 1889. Its founding charter set the course for New Mexico Tech to become one of the nation's premier institutes of mining and petroleum engineering research and education. New Mexico Tech offers academic degrees from bachelor's of science to the Ph.D. in both its mineral and petroleum engineering programs, and its graduates have gone on to make lasting marks throughout the world at the forefront of mining and petroleum extraction and processing technology and management. In addition, the university is home to the world-renowned Petroleum Recovery Research Center, which is dedicated to developing enhanced recovery methods for existing oil and gas fields.

We in New Mexico recognize the national leadership of the Chairman, this Committee and its staff in restoring domestic natural resource development to its historical role in the economic growth and well-being of the country. New legislative initiatives and oversight hearings are at the heart of your leadership by reestablishing a process to move the nation toward a progressive natural resource policy rather than a policy that has been marked by stop and go for the last 25 years. The Energy Act of 2005 and its extension in H.R. 4761 are examples of what is required of public policy if the supply of energy is to meet projected consumption without economic recession.

It is time to establish an alliance between the interior oil and gas producing states, such as New Mexico, and the coastal states with off-shore resources. Interstate competition can no longer be afforded. Indeed, New Mexico Tech petroleum engineers are equally employed on both sea platforms in the Gulf of Mexico and in the high desert of the San Juan Basin in the State of New Mexico.

The nation's mining and petroleum schools, however, have lost human capital and program depth because of lower federal funding for the physical sciences, in contrast to the biological sciences which have, until recently, moved student career and research choices away from petroleum and mining. In particular, the surviving historic and established petroleum and mining schools, which are located mainly, but not exclusively in the West, have lost a generation of faculty and alumni just as the natural resource industry is top-heavy with near-retirement engineers and managers.

I am asking for your support for Section 23, Energy and Mineral Schools Reinvestment Act (EMSRA) and Section 12 of EMSRA which are inseparable from H.R. 4761. The creation of a Federal Energy and Mineral Resources Professional Development Fund, reporting to the Department of Interior, with funding from H.R. 4761 off-shore leasing revenue will begin to restore the petroleum and mining engineering and technological world leadership of the United States which has been maintained for more than two centuries. It means New Mexico Tech and similar institutions or programs, from West Virginia to Arizona, Pennsylvania to South Dakota, and others can build capacity in petroleum and mining teaching and research that would attract the best and brightest faculty and students for the coming energy resource global competition.

Capacity building in petroleum and mining technology must include minorities who are under-represented in current management and workforce representation among American natural resource companies. Section 12 of EMSRA offers "Career Technical Education" support for institutions with programs that can attract minority students who want two-year trades training that lead to jobs in petroleum and mining companies. New Mexico Tech has working relations with New Mexico two-year colleges that assist teaching and encourages advanced study for qualified students. We ask for support for Section 12 of EMSRA.

New Mexico Tech is also the leading national university research and training center for Homeland Security, ranging from first-responder, counter-terrorism training and explosives research. Passage and funding from H.R. 4761 will enable us to offer veterans of the Global War on Terrorism, with service in Iraq and Afghanistan, education and training in energy infrastructure protection and security with emphasis on pipelines, tank farms, off-shore oil and gas platforms, refineries and related information control centers. Energy infrastructure security programs for Veterans will be developed in cooperation with the Career Technical Education (Section 12) centers with two-year programs.

The existing and historic state-chartered petroleum and mining schools, of which New Mexico Tech is one, can meet the challenge of the Energy Act of 2005 and H.R. 4761, which create incentives for energy supply development and expansion. But new energy exploration and production also require engineering and workforce expansion. EMSRA and Career Technical Education Provisions in Section 12 are needed to make the Energy Act of 2005 more effective. Oil and gas crews and engineers are reported to be in short supply in Rocky Mountain areas. Unless we opt to become dependent not only on foreign oil, but also upon foreign oil engineers and workers in the field, passage of H.R. 4761 will need to become a reality as our next milestone in national energy policy.

Thank you.

The CHAIRMAN. Thank you. I thank all of the panel of witnesses. I am going to begin by recognizing Mr. Peterson for his questions.

Mr. PETERSON. Thank you very much. I want to thank all of you for your good testimony, and especially Senator Wagner. We have

met before in your tireless efforts in Virginia. It has been helpful for the nation.

I guess I would like to start with my questioning for the lady from Florida, Colleen Castille. The State of Florida is the third-largest consumer in the country of natural gas, and it pays the second-highest price at \$21 per thousand.

In 2004, Florida produced less than 1 percent of its natural gas consumption. Additionally, 39 percent of the current electric generation capacity in Florida uses natural gas, and because of the changeover it is expected to be 80 percent by 2020.

How can the State of Florida be so opposed to drilling for natural gas in the outer Continental Shelf when it has an opportunity to support efforts that would provide more natural gas just off its shores, in a state that has built its economic future on gas?

Ms. CASTILLE. Thank you. Mr. Chairman, Mr. Peterson, we have, in Florida, worked tirelessly in the past year with Congress on a compromise position that would open 8.5 million acres of the outer Continental Shelf to oil and gas development. So we believe that there is a balance to be had between environment and the economy, and so we are helping in part of the state's and United State's need for future oil and gas development.

Mr. PETERSON. Could you tell us where that is?

Ms. CASTILLE. It would be in the southern area of lease sale 181, and west of the military line.

Mr. PETERSON. Well, I guess I have been troubled with Florida's influence on 181 over the years, because the vast majority of 181 is not in Florida waters. I believe, and you can say, I think your Governor, Jeb Bush, was the reason that tract 181 was removed from the five-year plan, which the Clinton Administration had scheduled to lease tract 181.

I give your Governor credit for his hard work at removing 181 from the five-year plan. And today we sit in an energy crisis in this country with 181 not being leased, and it will be years before it can be leased, and you are still protesting the volume or the size of 181 when the vast majority of it is not in Florida waters. How do you substantiate?

Ms. CASTILLE. I think, as many of us from all of the states have addressed the issue, it is a public resource, and a public resource that we all have a duty to use and respect.

We also believe that we should be developing alternative energy sources, and not be beholden to hydrocarbons as our energy source. And we have put \$100 million into that effort in this past legislative session to develop alternative energy, specifically biofuels.

Mr. PETERSON. Oh, I agree with that. I am for all of those. But they are not within reach in volumes. They are on the margins, they are fractions. And you know that as well as I know that.

Natural gas is the clean hydrocarbon. It is almost a perfect one. No knocks, no socks, very limited CO₂.

In your statement, you said the State of Florida vehemently opposes natural gas production 20 miles offshore. What are you afraid of? Vehemently is a pretty strong word. What are you afraid of?

Ms. CASTILLE. I would like to correct the record. I did not say vehemently, I said consistently opposes.

Mr. PETERSON. It is in your printed statement.

Ms. CASTILLE. Oh, I am sorry. What we would like to do is we don't want to have any risk to our economy, which is tourism. As I mentioned, it is a \$59 billion industry in our state. There are other accoutrements that come with oil and gas drilling, and when you look at the entire industry, an industry that is closer to our shores will want to bring the resources closer to our shores.

So we would like to protect our beaches and our coastal areas, and the tourism industry that is associated with it.

Mr. PETERSON. But the whole world does both. The whole world does both. They have good beaches, but they have energy.

If you were in Congress, would you vote for the Jindal Bill?

Ms. CASTILLE. I am not a Congressman, I work for Governor Bush.

[Laughter.]

Mr. PETERSON. Does the Bush Administration in Florida support the Jindal Bill?

Ms. CASTILLE. There are quite a bit of the elements in Mr. Jindal's bill that we support, as I mentioned throughout my testimony.

Mr. PETERSON. Are you aware that all the recent polls in Florida, over 60 percent of the population, support drilling offshore of both gas and oil?

Ms. CASTILLE. I am aware that the polls in our one industry's questioning of the public as to how they feel, there are people who are on both sides of this issue. And we believe we have worked well, Mr. Chairman and Mr. Peterson, with Congress and with the Congressional delegations from all of the states to support a balanced environmental protection bill that allows a significant expansion of oil and gas development in OCS.

Mr. PETERSON. Well, I might disagree with that. When I asked to meet with your boss, I was turned down several times. But I also want to state for the record, it is my view that the success of Governor Jeb Bush has kept us from an adequate energy supply in America. Because if we do for Florida what he wants, we lock it up around the coast.

On the West Coast, when you go 100 miles out, it is too deep to drill. So if Florida has to have 100 to 125 miles protection, you lock up the whole West Coast for production. And I find it unacceptable that we end up negotiating with one state.

I love their beaches, I have enjoyed them as much as anybody. But I want to tell you, Canada has clean beaches. The Gulf has clean beaches. Other countries, Great Britain, Denmark, Sweden have clean beaches. And they produce both gas and oil.

And for Florida to be donning scare tactics about energy production off its shores, we should be beyond that.

The CHAIRMAN. Mr. Melancon.

Mr. MELANCON. Thank you, Mr. Chairman. Ms. Castille, just so you know, there is a lot of Castilles in the Lafayette area, Louisiana.

Ms. CASTILLE. Just so that you know, my whole family is from Louisiana in Trowbridge. And at the Acadiana Village is my family home.

Mr. MELANCON. Oh, great. We will be kind.

[Laughter.]

Mr. MELANCON. I guess one of the ironies is that Bobby asked questions a while ago or made the statement about the natural resources that are within the states belong to America, just like the natural resources off the OCS, outer Continental Shelf.

How can Florida, in their mind, dictate to America where we can drill, when those natural resources belong to all of America? Has anybody addressed that in the administration in Florida?

Ms. CASTILLE. I think there are a number of natural resources across the United States that have elected officials as responsible for ensuring that those resources are used wisely, and are accessed in such a way that reduces the environmental impact to our communities.

We have addressed that. We believe that the balance that we have been proposing in many of the bills that have been proposed is significant; that we protect our resources, and yet we allow the expansion of 8.5 million acres of oil and gas development.

Mr. MELANCON. Well, I am kind of like Mr. Peterson. I disagree. That is our resources offshore. But like I said, I am going to be kind. You come from Louisiana. It doesn't matter where you come from.

If you would, Ms. Randolph, if you could give maybe a brief on what the LA-1 Coalition is doing on its own to service America's oil, offshore oil industry. What the program is, how they borrowed money, and what they are doing.

Ms. RANDOLPH. It was recognized about 10 years ago in Lafourche Parish that we needed a secure highway to this very important port. When we appealed to the Federal government for monies to build a new highway, which is threatened every time the winds blow with water overtopping it, and the thousands of 18-wheelers that service it cannot access the port in its current condition. When we appealed to the Federal government for assistance, we received nothing.

The LA-1 Coalition was formed in order to band together companies that could put up the monies for a lobbying effort. What has happened as a result of that is that there have been some monies allocated to LA-1, about \$60 million.

What we agreed to do, the people in Lafourche Parish agreed to do, was borrow the money for the remainder of it, which is about \$90 million. Again, we are taxing ourselves to create this energy infrastructure that supports the rest of the United States.

We are also going to put a toll on it, so that the toll can help pay back that loan that we had to take out in order to accomplish the building of this highway, this very important highway, which supports about 30 percent of this nation's oil and gas.

And as an example, too, Congressman, the South Lafourche levee district organized about 30 years ago to build a levee system around the southern part of the parish. Again, the people of the parish taxed themselves. We did not benefit from oil and gas revenues at that time. We simply used that money to match state and Federal monies. And because of that, Lafourche Parish was the only parish that did not have a levee overtop in either Katrina or Rita.

We have gone to our people over and over again—the LA-1 Coalition is a good example of that—when private business and the public sector get together, and we find a way to fund these things. But now we are feeling the impacts of oil and gas, as you and Congressman Jindal talked about, with the fact that if we had invested some of this OCS revenue sooner, we would not have felt the devastation from Katrina and Rita on either side of the state.

But the LA-1 Coalition is the result of local people just deciding it was time to do something. And so we have the initiative in our area, we have the will, but we no longer have the money. And that is why the OCS impacts that we are experiencing should be mitigated by the OCS monies.

Mr. MELANCON. Thank you, Ms. Randolph. I think my time has expired. Thank you, Mr. Chairman.

The CHAIRMAN. We are going to temporarily recess the Committee. We have been called to a series of votes on the floor, so we will temporarily stand in recess. And as soon as we get done with our votes, we will return shortly.

And I apologize to our witnesses, but we have no control over the floor. But we will return as quickly as we can.

[Recess.]

The CHAIRMAN. I call the hearing back to order. Mr. López, I had a couple of questions I wanted to ask of you if I could.

Your testimony strongly supports the energy and mineral schools reinvestment provisions that are in this bill. Would you please give us a little bit of a background on where the petroleum and mining schools now find themselves?

Mr. LÓPEZ. Mr. Chairman, I would be happy to. And this is across the country, not just at New Mexico Tech.

Just by way of example, in the 1980s collectively the mining schools were graduating about 700 students. Today we are graduating about 100 as a collective group of schools.

Very similar things are happening in the petroleum engineering programs. Again, we have just a large shortage of prepared engineers. And then, by extension, even in the geosciences just generally we have lost enrollment over the years.

I think this bill and the provision that you have included, Mr. Chairman, would go a long way in trying to reverse that trend.

We know in addition to that that we have a very elderly population at the management and senior engineering levels. Those people are going to retire. We have very few replacements coming up.

And finally, Mr. Chairman, I would tell you that especially at the graduate level, most of the students attending these programs are foreign nationals. We have dwindling numbers of native-born students populating these programs across the country, both in the mineral side, as well as the oil and gas side.

The CHAIRMAN. You say that you went from graduating 700 a year to 100 a year. Is that because there is no demand for the engineers?

Mr. LÓPEZ. Two primary thrusts, I believe, Mr. Chairman. First, there was a lot more money put into the biological sciences and other areas that made it much more attractive for students, especially again at the graduate level. Graduate students are attracted by the availability of support to continue their education.

But in addition, there has not been much support for the undergraduate portion of the program.

In addition to that, I think the negative coverage related to environmental questions has lured away a lot of potential students. And I think it is incumbent upon us to continue to try to get the message across that the development and support of continuing to develop our energy resources is something that is critical to the nation. It is critical to our security, and it is critical in every respect.

So I think those are the two primary reasons, Mr. Chairman, why we have experienced dwindling enrollments in these two programs.

The CHAIRMAN. Thank you. One further question. One thing that we have talked about is having a stable long-term source of funding for these schools. Why do you believe that is important?

Mr. LÓPEZ. Mr. Chairman, one of the things that attracts students, and not only students but faculties, to be able to see into the future, because research programs especially need the long-term horizon in order to be effective.

You are not going to attract the best and the brightest, and especially again at the graduate level, if you don't have a stable source of support to advance discovery in those two areas.

The undergraduate students by extension are attracted to those programs when they can see that they have high-quality faculty. And high-quality faculty comes as a partner to stable and sustained support for discovery.

The CHAIRMAN. Well, thank you very much. I want to recognize Mr. Jindal.

Mr. JINDAL. Thank you, Mr. Chairman. I have three quick questions.

Secretary Castille, in your testimony you say that Florida opposes natural gas drilling proposals currently circulating in Congress that would open up drilling as close as 20 miles to Florida's beaches.

I just want to make sure I understand. Would you be supportive of a proposal that would give states the option to drill that close, but would not force them to do so? In other words, would you be supportive of giving the states final say on the activity that happens off their coasts?

Ms. CASTILLE. Mr. Chairman, Mr. Jindal, we would be supportive of a bill that allowed oil and gas drilling outside of 100 miles of the states.

Mr. JINDAL. But closer in, would you be supportive of an approach that would allow a state to decide what happened closer than 100 miles?

Ms. CASTILLE. I believe we would have to work with our delegation to see what they would want to do.

Mr. JINDAL. Thank you. My second question is for Senator Wagner. Thank you for being here.

You note that the revenue sharing portion of this bill is an essential part of this legislation. I want to applaud you also for your efforts at the state level.

If no revenue sharing were allowed, which is basically what happens today in my home state of Louisiana, I would like you to speculate for us, what would a state like Virginia be likely to do? If

there was no revenue sharing, would they be able to support any production? And do you believe that states should be forced to allow production if there is no chance for revenue sharing?

Mr. WAGNER. Thank you, Mr. Chairman and Congressman Jindal. It played a key role, the revenue sharing aspect played a key role in moving the legislation forward. I mean, as one who is concerned not just for Virginia's future, but also the nation's, I think we need to do every aspect we can to open up our domestic energy sources. And I think it is the right strategy for this country, both in the short term and in the long term.

Having said that, I would say that I consider the revenue sharing an instrumental part of it. When we did a poll in my district, and I believe Congresswoman Drake's poll was even more positive on that, 75 percent of the people I represent support it. Similar from another state's senator that polled his half of Virginia Beach, 73 percent. Now, we are talking Virginia Beach, also. We are talking, quote-unquote, the impacted tourist area. Overwhelming when you throw in the 10 percent that really doesn't have an opinion. You will find numbers less than 15 percent that oppose it. And I believe Congresswoman Drake's poll showed even a greater percentage in support of it.

But with that came the idea of revenue sharing, with that, to provide a stream of revenue. And as I outlined in my testimony, we have in Virginia, anticipating that, we will spread that money around where we thought it will be most beneficial.

And so I consider that an important element of it, and that is why I am so supportive of the legislation you have here today.

The CHAIRMAN. Thank you. And thank you for your work at the state level.

My last question is for President Randolph. Charlotte, if Lafourche Parish and the State of Louisiana were to receive the revenues as described in H.R. 4761, my legislation, how would that help you to improve the delivery of energy resources for the rest of the country? Also, how would you anticipate using those funds to protect against future hurricanes?

In other words, if this revenue sharing were in place today, how would you all use this money?

Ms. RANDOLPH. Congressman, earlier in my testimony I mentioned the constitutional amendment that the voters of Louisiana are going to be considering this fall, in elections this fall. That amendment will dedicate those funds, the OCS revenues, to, number one and first and foremost, coastal protection and hurricane protection. And secondarily, to infrastructure impacts that we felt through the years.

How it will improve the delivery certainly is with an LA-1 that is able to continue to allow the thousand 18-wheelers a day that go to and from Port Fourchon to continue to operate. It allows a lot of the workers from throughout the country to be able to get down to Port Fourchon and earn a living, not just people within Lafourche Parish or the state. We are represented, almost every state is represented at Port Fourchon right now.

So the State of Louisiana would use that money definitely, first and foremost, for flood protection. And then we would certainly get into making certain that we can deliver the oil and gas.

One of the problems we have had with the erosion in the state is the fact that so many of the oil and gas pipelines are being exposed now, because of the erosion that is occurring. And that is a big concern.

When they were first produced in the area, when they were first introduced into the area, they were well protected. And they no longer have that protection. So if we can rebuild some of the land that existed before, we are also protecting the fuel that comes out of the Gulf.

LOOP is something that is in our area, the Louisiana Offshore Oil Port. Looking at LOOP right now as one of the sites for the strategic oil reserve. That is within a levee system now that needs to be improved. The levee system needs to be improved. If we can improve that levee system, then an additional amount of oil will be stored in Lafourche Parish for the rest of the country's use later on.

So the revenues that would come from OCS would certainly be used in ways that we can help this country.

Mr. JINDAL. Thank you, Charlotte. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Are there further questions for this panel? Mr. Peterson.

Mr. PETERSON. Yes. Senator Wagner, again I want to thank you for coming and for your hard work. How many years have you been working on this?

Mr. WAGNER. This is the second year that we have been working on it. I chair a joint commission study on the needs of manufacturers in Virginia. We lost 80,000 manufacturing jobs in Virginia, and the pace continues to accelerate. So we were looking at all aspects of what we can do to help mitigate that loss in Virginia.

And we recognize we are in competition with the rest of the world, but we are also in competition with 49 other states all trying to seek the same high-value manufacturing jobs.

We basically just took the overhead column of a business and went through it, and said what can we do better, faster in Virginia. Part of that study focused on energy costs, which were a problem pre-Katrina that was really impacting a lot of boardroom decisions, and quite frankly hurting our manufacturing base. The largest user of natural gas east of the Mississippi is located in Hopewell, Virginia. It is the Honeywell plant, and they manufacture nylon and core components for fertilizer. It is 50 million cubic feet a day. We question whether or not we can continue to operate that plant, given the current rates.

It has become a serious concern. Obviously post-Katrina it garnished a lot more attention throughout Virginia, and a lot more Virginians became educated on the delicacy of our infrastructure, and the fact of availability. And of course, I thought Katrina had fast-forwarded our energy costs. In fact, we are on a slow creep to that five years from now. Little did I know, six months later we are paying the same for gasoline as we were paying immediately after Katrina.

And so the concern levels are out there. And I can tell you from the constituents that I have talked to, they are looking for those types of solutions. We have been on it for two years. We have been supportive of that, and have come up and worked with the Federal

government, both in the Senate and the House, at every occasion. Because we basically would ask you to let us do what we would like to do off the coast of Virginia.

Mr. PETERSON. Christine, I had another question for you. In the recent poll here from Mercury Public Affairs, Consumer Alliance for Energy Security, 74 percent of Floridians believe that energy policies restricting the development of natural gas need to be changed. That is 74 percent of Floridians. Fifty-nine percent of Floridians are for producing natural gas 20 miles offshore.

What does that number have to reach before policymakers in Florida will listen to their voters?

Ms. CASTILLE. Mr. Chairman and Mr. Peterson, good policy is not developed on polls, but polls are a part of that information on good policy. And we believe we have taken into account the need for the nation's future energy resources, and supported a compromise bill last November that Governor Bush outwardly supported with letters, and sent to all of the Committee members, as well as the Florida delegation to support additional oil and gas resources opening up, 8.5 million acres of those.

Mr. PETERSON. Well, we won't go back down that road. You know, let me read you a statement by a Floridian.

"We have been in a situation where many states are looking at Florida and saying it is just not fair for us, Florida, to use all that fuel, and not be willing to open up their waters." Do you agree with that statement?

Ms. CASTILLE. We do agree, and we have recommended opening up some of the waters for oil and gas development.

Mr. PETERSON. In the territory of Louisiana and Alabama?

Ms. CASTILLE. Well, it has only just become the territory of Louisiana and Alabama, by changing the lines.

Mr. PETERSON. That is international standards. It was technically never Florida's territory.

Ms. CASTILLE. It was technically United States territory—

Mr. PETERSON. That is correct.

Ms. CASTILLE.—of which we are one-fiftieth.

Mr. PETERSON. Yes, you are one-fiftieth. But you produce 1 percent of what you use. And it just seems to me that I just find it incredible that the stance of Florida is setting the standard of what we are going to do in Congress. That if the Florida Senators and the Florida Governor doesn't agree, it ain't going to happen. And I find that troubling.

Because it is a problem for America. If we don't change our ability to get natural gas in this country, we will not give our kids the country we inherited. All of the industries we have talked about, I have talked to the CEOs, they have one foot in another country already. They don't want to go. They cannot afford.

See, when gas was two dollars a thousand and oil was \$10 a barrel, it didn't matter. But when we suddenly have the highest gas prices in the world, we have to look at our policies. It is not a competitive marketplace. Everybody buys gas cheaper than us. So you can do business anywhere cheaper than here.

Now, Virginia is a pretty smart state. Pennsylvania looks at them as the toughest competition we face. When we get in a competitive bid for manufacturing, we lose them to them, every time.

And in spite of that, they are losing jobs. Why? Because of energy.

This whole country cannot absorb these natural gas costs. And to be afraid of producing this cleanest fuel that has never spoiled a beach is just a falsehood that needs to be done away with.

Thanks for coming.

The CHAIRMAN. I want to thank the panel for your testimony. If there are further questions for the panel, they will be submitted to you in writing. And if you could answer those in writing as well so that they can be included in part of the hearing record.

I want to thank you very much for making the effort to be here, and again apologize for the delay during the hearing when we had votes. Thank you very much for being here.

I am going to excuse this panel and call up our third panel. If I could have you all remain standing and raise your right hand.

[Witnesses sworn.]

The CHAIRMAN. Thank you very much. Let the record show they all answered in the affirmative.

Welcome to the Committee. I apologize for our delay. Mr. Cleveland, Terry Cleveland, the Wyoming Game and Fish Department, I understand that you have a conflict. If you want to give your testimony, and then you can be excused after you are completed.

I will remind the witnesses that your entire written statement will be included in the record. If you could hold your oral testimony to five minutes it would be greatly appreciated.

Mr. Cleveland.

STATEMENT OF TERRY CLEVELAND, DIRECTOR, WYOMING GAME AND FISH DEPARTMENT

Mr. CLEVELAND. Thank you, Mr. Chairman. I appreciate the accommodation. Though Wyoming has lots of natural resources that we are willing to share with the nation, it is a little difficult to fly in and out.

Thank you, Mr. Chairman, Members of the Committee, for the opportunity to address the Committee regarding Section 14 of H.R. 4761.

Both the Wyoming Game and Fish Department and the Association of Fish and Wildlife Agencies support Section 14 of this bill. It would provide much-needed funding to state fish and wildlife agencies to proactively evaluate, monitor, and manage fish and wildlife resources impacted by energy development.

Wyoming is a national focus for energy development. At a time when world politics interfere with imports and other supplies are dwindling, Wyoming has the largest domestic reserves of coal and uranium, world-class natural gas and wind resources, as well as significant oil production. We also have tremendous potential for oil shale development.

These energy sources are being tapped, and plans are underway for power plants, synfuel plants, pipelines, and power grids to process and ship that energy from Wyoming.

The current scale and intensity of energy development is unprecedented in our state's history, and experts predict this development will continue for several decades. With Wyoming's small human

population, we are able to provide a higher percentage of our supply to out-of-state users than any other state.

While Wyoming has world-class energy resources, it also has world-class wildlife resources, and a wildlife-oriented culture that the state and nation value very highly. About half of Wyoming's residents hunt and/or fish; 75 percent enjoy non-consumptive wildlife watching activities, and many thousands of non-residents spend time in Wyoming to take part in such activities. This participation rate is far higher than most other states.

Energy development is the state's chief economic engine, but wildlife-associated activities are a significant part of the state's second-leading economic source: tourism and recreation.

Economic support from tourism and recreation will need to be maintained to provide economic diversity and continue as a vital part of the state's economy when development of non-renewable energy sources inevitably slows.

The Wyoming Game and Fish Department is not opposed to energy development. We recognize the national energy need, and Wyoming's contribution toward fulfilling that need. We also recognize our statutory obligations to conserve and manage the 800-plus species of wildlife found in Wyoming that are so important to our state's economy, and to the culture and heritage of our citizens.

We believe it is possible to maintain Wyoming's flourishing wildlife populations, but it will require greater collaborative effort, since energy development is proceeding at a scale, intensity, and duration far beyond anything we have experienced in the past. This effort will require additional funding.

I wholeheartedly agree with Congress' finding in Section 14[a] concerning the necessary expenditures by state fish and wildlife agencies to deal with energy development, and the inadequacy of current conditional funds to support that work.

As noted in Section 14, there are a variety of activities related to energy development that require additional funding, including surveys, environmental analyses, research, and management. We have been involved with Federal agencies and industry in assessing and planning development activities for many years.

Often we have not been able to provide needed data and recommendations in the analyses of these activities due to insufficient funds. This not only adversely affects fish and wildlife, it also results in poor-quality, less credible NEPA analyses. It would benefit both wildlife and energy development if we were better able to gather and provide needed environmental information.

It is especially important that wildlife species at risk are addressed, as these are the most likely to become petitioned as T and E under the Endangered Species Act if it is perceived significant detrimental effects from energy development are occurring.

Additional monitoring and research are needed to address mitigation and reclamation, as the current scale and intensity of energy development is unprecedented in our state. Within my agency we have been funding energy development and work largely at the expense of other programs. Although we pursued additional funding through our state legislature and Federal government for years, those efforts have been largely unsuccessful to provide needed funds.

In conclusion, species like sagegrass, muledeer and others associated with sagebrush step habitats are already below desired levels in many areas. Regardless of how well we do planning, permitting, monitoring, using best management practices, and onsite mitigation, given the level of development and human activity compounded with chronic drought and competing land uses, we are unlikely to maintain or enhance wildlife populations at the landscape scale unless we proactively implement basin-wide wildlife habitat initiatives.

The additional money from this bill, while not a complete solution, would be a significant contribution to better deal with energy development impacts in our state.

Thank you, Mr. Chairman, for the opportunity to provide comments, and I have submitted my written testimony.

[The prepared statement of Mr. Cleveland follows:]

**Statement of Terry Cleveland, Director,
Wyoming Game and Fish Department**

I am Terry Cleveland, Director, Wyoming Game and Fish Department, and I appreciate the opportunity to provide testimony on H.R. 4761. I also serve as vice chair of the Energy and Wildlife Policy Committee of the Association of Fish and Wildlife Agencies, which represent the collective interests of the 50 state fish and wildlife agencies. The state fish and wildlife agencies have statutory authority for the fish and wildlife resources within their borders and responsibility to ensure the sustainability of these resources for their citizens. The state fish and wildlife agencies recognize that sustainable energy development as well as sustainable fish and wildlife resources are in the national interest and are committed to working to ensure that energy development objectives are met consistent with meeting fish and wildlife conservation objectives. Energy development is going to happen; we want to make it happen right for our citizens.

Both the Wyoming Game and Fish Department and the Association of Fish and Wildlife Agencies support Section 14 of the bill, as it would provide much-needed funding to State fish and wildlife agencies in producing states to proactively evaluate, monitor, and manage fish and wildlife resources impacted by energy development.

Wyoming is a national focus for energy development. At a time when world politics are interfering with imports and other supplies are dwindling, Wyoming has the largest domestic reserves of coal and uranium, world-class natural gas and wind resources, as well as significant oil production. With Wyoming's small human population, we are able to provide a higher percentage of our energy resources to out-of-state users than any other state. The development of energy resources in Wyoming has increased exponentially the past several years, and that trend is expected to continue well into the future.

While Wyoming truly has world-class energy resources, it also has world-class wildlife resources and a state culture that values wildlife very highly. About half of Wyoming's residents hunt and/or fish, 75% enjoy non-consumptive wildlife watching activities, and many thousands of nonresidents spend time in Wyoming each year specifically to take part in those activities. While energy development is the state's chief economic engine, wildlife-associated activities are a very significant part of the state's second leading industry, tourism and recreation. In the past, energy development followed a boom/bust cycle, while economic support from tourism and recreation has been steady throughout the years. Tourism and recreation need to be maintained to provide economic diversity and continue as a vital part of the state's economy when development of nonrenewable energy sources inevitably slows.

Over the next 30 years, total energy production in Wyoming is expected to substantially increase. In particular, natural gas production is predicted to double by 2030. Coal power plants are in the planning and construction phases in several areas of Wyoming. Wind farms have been developed, and more are planned. Large-scale increases in pipeline capacities and the electric power grid are underway. The increased demand and prices for uranium indicate a coming resurgence in this industry. Interest is high for developing synfuel plants in Wyoming. Wyoming also has very significant oil-shale deposits and research on how to extract this resource is progressing.

Impacts on wildlife from energy development can be very significant. Energy development in Wyoming is huge in scale, potentially impacting 25% of our surface area. It is high intensity and millions of acres will have oil/gas well pads on 40-160 acre spacings. Expectations are that this will also be long in duration, with most natural gas fields projected to have development phases exceeding 10 years and life-of-field production for several decades. Coal production may last for 250 years. Energy development impacts wildlife in a variety of ways, not only from well pads and mines, but also from associated roads, pipelines, power lines, and increased human activity and disturbance. Very significant portions of energy development areas in Wyoming contain habitats that are key to maintaining fish and wildlife populations.

As an agency, the Wyoming Game and Fish Department is not opposed to energy development. We recognize the national energy need and Wyoming's contribution towards fulfilling that need. We also recognize our statutory obligations to conserve and manage the 800+ species of wildlife found in Wyoming that are so important to our state's economy and the culture and heritage of our citizens.

We believe it is possible to maintain Wyoming's flourishing wildlife populations, but it will require greater collaborative effort with energy development proceeding at a scale, intensity, and duration far beyond anything we have experienced in the past.

This effort will require additional funding. I wholeheartedly agree with Congress' findings in Section 14(a) concerning the necessary expenditures by state fish and wildlife agencies to deal with energy development and the inadequacy of current traditional funds to support that work.

As noted in Section 14, there are a variety of activities related to energy development that require additional funding, including surveys, environmental analyses, research, and management. The Wyoming Game and Fish Department has been involved with federal agencies and industry in assessing and planning development activities for many years. I believe that through these collaborative efforts, better decisions on development have been made that ultimately allowed the resource to be developed while mitigating and minimizing impacts to wildlife. But this is very time-consuming, information-intensive and expensive work, and the pace of development is outrunning our ability to be adequately involved in these projects. Often, we have not been able to provide needed data and recommendations in the analyses of these activities because of insufficient funds. This not only adversely affects fish and wildlife, it also results in poorer quality, less credible National Environmental Policy Act analyses for developments. It would benefit both wildlife and energy development if we were better able to gather and provide needed environmental information.

Information needs include baseline habitat and wildlife population survey data to complement the analyses of large-scale developments, and the all-important monitoring of mitigation and reclamation efforts that not only determine the ultimate success of those efforts, but guide future planning of other developments.

Baseline information collection and monitoring of key habitats such as crucial big game winter ranges, sage grouse nesting habitat, blue-ribbon trout streams, migratory bird nesting habitat, and attention to the habitat needs of the sensitive species that have been identified in our Comprehensive Wildlife Conservation Strategy all need increased efforts.

It is especially important that these sensitive species, i.e. wildlife species-at-risk, are addressed, as these are the most likely to be petitioned as Threatened or Endangered under the Endangered Species Act if it is perceived that significant detrimental effects from energy development are occurring. In Wyoming's Comprehensive Wildlife Conservation Strategy, we have identified 279 species that need substantial work to ensure that impacts, such as from energy development, do not place them in jeopardy under the Endangered Species Act. If detrimental effects are occurring, we need to be able to manage these impacts before species become jeopardized. We currently do not have the funds to adequately monitor a fraction of that many species.

Additional monitoring and research are needed to address mitigation and reclamation for the large scale and high intensity disturbances from energy developments occurring in Wyoming. Since this scale and intensity are unprecedented, there is inadequate information about possible impacts on wildlife as well as methodologies and solutions to deal with these impacts. These must be developed to ensure wildlife populations remain viable in energy development areas.

In summary, species like sage grouse, mule deer, and others associated with sagebrush steppe habitats are already below desired levels in many areas. Regardless of how well we do planning, permitting, monitoring, using best management practices and on-site mitigation, given the level of development and human activity

compounded with chronic drought and other competing land uses, we are unlikely to maintain or enhance wildlife populations at the landscape scale unless we proactively implement basin-wide wildlife habitat initiatives.

Within our agency, we have been funding our energy development work largely at the expense of other programs. A recent example of robbing Peter to pay Paul is our conversion of a fisheries population biologist position in northeastern Wyoming into a position dealing with coal bed natural gas issues. We will not be able to adequately back-fill the fisheries position, an important position that has been essential for managing game fish in northeastern Wyoming for more than 30 years. We are unable to stretch license fee and federal excise tax monies, which constitute almost 90% of our revenue, to adequately cover the additional costs associated with increased energy development while maintaining existing programs and services.

Although we have pursued additional funding through our state legislature and the federal government for years, those efforts have not yet provided sufficient revenue to adequately address wildlife issues relating to energy development. A bright spot has been our work in several cases with industry and federal agencies to secure funding for specific projects. But overall, we have inadequate funding to address statewide energy development issues.

The additional money from this bill, while not a complete solution, would be a significant contribution towards better dealing with energy development impacts on wildlife.

Thank you for the opportunity to share our perspectives and I would be pleased to address any questions.

The CHAIRMAN. Thank you. Thank you for your testimony. I next recognize Ms. Carolyn McCormick, the Managing Director of the Outer Banks Visitors Bureau.

STATEMENT OF CAROLYN McCORMICK, MANAGING DIRECTOR, OUTER BANKS VISITORS BUREAU, DARE COUNTY TOURISM BOARD OF DIRECTORS

Ms. McCORMICK. Good afternoon, Chairman and Members of the Committee. I want to thank you very much for inviting me to be here today.

I am the Managing Director of the Outer Banks Visitors Bureau, the Dare County Tourism Board, which is a North Carolina public authority. I am also a resident of Nags Head, North Carolina, and a mother of two girls.

I am here today about preserving and continued protection for America's national treasures, our fragile coastal economies, our natural environment, our fisheries, and our heritage.

The people of Dare County have a history of strongly opposing offshore drilling. Resolutions opposing drilling have been filed by the towns of Nags Head, Kill Devil Hills, Kitty Hawk, Southern Shores, Duck, Manteo, and the County of Dare.

The Outer Banks are truly America's beaches. It is a free and open access chain of barrier islands off the coast of North Carolina. We are home to Fort Riley National Historic site, the birthplace of English-speaking America in 1587. The Wright Brothers National Memorial, the site of man's first powered flight in 1903. The Cape Hatteras National Seashore, the nation's first national seashore established in 1953. Pea Island National Wildlife Refuge, and the Alligator River National Wildlife Refuge. Over 70 percent of our fragile barrier islands are owned by the people of the United States, and managed by the United States Department of Interior.

Tourism in America is a \$1.3 trillion industry, with coastal communities representing over \$700 billion annually. Last year travel and tourism generated over \$100 billion in tax revenues for state,

local, and Federal governments. This year 50 percent of leisure travelers will make their vacation in a naturalistic trip. Jobs and the environment are not mutually exclusive.

For the last 25 years the House of Representatives have extended the annual bipartisan legislative protection for America's most sensitive coastal waters, and in May of 2006 the House again extended this protection for the 26th year.

In spite of this outcome on the House floor, the House Resources Committee is today considering H.R. 4761, a complex offshore drilling bill that reverses this year's current coastal protection, exempts various offshore activities from present environmental law, preempts longstanding state authority over sub-sea pipeline corridors and state waters, complicates efforts to repurchase non-producing Federal offshore leases, enables oil companies to avoid the cost of removing their drilling rigs at the end of production.

This current bill, H.R. 4761, would immediately lift all of the Congressional offshore drilling prohibitions nationwide, and then would position each coastal state against their neighbors, as states become the object of fiscal coercions to convince them to sacrifice their coastal waters to drilling impacts.

Other provisions of H.R. 4761 would immediately reverse Presidential offshore drilling withdrawals in the Gulf of Mexico that were first put in place by former President George Herbert Walker Bush, and will accelerate new offshore drilling off of Florida without the preparation of updated environmental studies.

Oil and gas development is a tough industry that negatively impacts coastlines, harms ecosystems, and directly threatens all coastal tourism, fishing, and real estate economies. The waters off of Cape Hatteras and on the Outer Banks have long been recognized as one of the last places that should be jeopardized by offshore oil and gas drilling impacts, and these areas were, in fact, bought back with a substantial Federal expenditures when they were inappropriately leased to the oil industry in previous years.

Lifting the OCS moratorium will have damaging consequences for all of America's beaches for marine life and their habitat and for the broader environment, and will have damaging effects on local economies.

The industrial character of offshore oil and gas development is often at odds with the existing economic base of the affected coastal communities, many of which rely on tourism, coastal recreation, and fishing. In Dare County, North Carolina the Outer Banks Visitors Bureau has been fighting efforts to lift the ban on coastal drilling precisely because it realizes what a crushing effect coastal drilling will have on the Outer Banks tourism economy, our only economy. One spill can cause a ripple effect throughout the Outer Banks, and topple whole industries.

The powerful hurricanes that battered the Gulf Coast have destroyed drilling platforms, underwater pipelines, and coastal storage tanks, dumping millions of gallons of oil on shore, as well as a little in shore. Drilling in hurricane storm-plagued waters has proven to be disastrous.

The public supports the ban on drilling off our coasts. Concerns over environmental consequences of offshore oil and gas development have led Congress to impose restrictions on OCS activities in

sensitive areas off the nation's coast every year since 1981. These moratoria now protect the East and West Coasts of the U.S. and most of the Eastern Gulf of Mexico.

H.R. 4761 rescinds the entire Congressional moratorium nationwide, permanently transfers authority over continued coastal protection away from the U.S. Congress, and fragments the decision to coastal states on what is a national public policy issue. And it does this in a manner that makes the decision over where and when to drill offshore more readily influenced by the oil industry, and sets the stage for a divided States of America.

Thank you, sir.

[The prepared statement of Ms. McCormick follows:]

Statement of Carolyn Esther McCormick, Managing Director, Outer Banks Visitors Bureau, Dare County Tourism Board, Manteo, North Carolina

Mr. Chairman and members of the committee, good morning. My name is Carolyn Esther McCormick, and I am the Managing Director of the Outer Banks Visitors Bureau; Dare County Tourism Board, a North Carolina public authority. I am a resident of Nags Head, North Carolina; which is located along the Outer Banks and a mother of two girls. I am here today about preserving and continuing protection for America's national treasures, our fragile economies, natural environment, fisheries and heritage for our children, our grand children and great grand children; and to voice concern over HR-4761.

The Outer Banks are truly America's Beaches. A free and open access chain of barrier islands off the northeastern coast of North Carolina. The birthplace of English-speaking America in 1587—Ft. Raleigh National Historic Site; home of man's first powered flight in 1903—Wright Brothers National Memorial; Cape Hatteras National Seashore, the Nation's first national seashore established in 1953; Pea Island National Wildlife Refuge, and Alligator River National Wildlife Refuge. 70% of our fragile barrier islands are owned by the people of the United States and managed by the United States Department of the Interior.

Annually we welcome over 5 million visitors to our Nation's seashore and National parks; our research indicates the main motivation for visitation is our natural, cultural and historic resources. (OBVB 2005-2006 Visitor Profile Study.)

Tourism in America is a \$1.3 trillion industry with coastal communities representing over \$700 billion annually. Last year travel and tourism generated over \$100 billion in tax revenues for state, local and federal governments with 50% of leisure travelers this year making their vacation a "naturalistic trip".

For the last 25 years the House of Representatives has extended the annual bipartisan legislative protection for America's most sensitive coastal waters. And in May of 2006 the House again extended this protection for the 26th year. In spite of this outcome on the House Floor, the House Resources Committee is today considering H.R. 4761, a complex offshore drilling bill that reverses this year's current coastal protection, exempts various offshore activities from present environmental law, preempts longstanding state authority over subsea pipeline corridors in state waters, complicates efforts to repurchase non-producing federal offshore leases, and enables oil companies to avoid the cost of removing their drilling rigs at the end of production.

This current bill, H.R. 4761, would immediately lift all of the congressional offshore drilling prohibitions nationwide, and then would position each coastal state against their adjoining coastal states, as states become the object of fiscal coercion to convince them to sacrifice their coastal waters to drilling impacts. Other provisions of H.R. 4761 would immediately reverse presidential offshore drilling withdrawals in the Gulf of Mexico that were first put in place by former president George Herbert Walker Bush.

The bill would also greatly accelerate new offshore drilling off of Florida by requiring multiple lease offerings in the Lease Sale 181 area without the preparation of updated environmental studies. The waters off of Cape Hatteras and on the Outer Banks have long been recognized as one of the last places that should be jeopardized by offshore oil and gas drilling impacts, and these areas were, in fact, bought back with a substantial federal expenditure when they were inappropriately leased to the oil industry in previous years.

Oil and gas development is a dirty and destructive business that damages coastlines, harms ecosystems, and directly threatens our tourism, fishing and real estate

economies. The people of Dare County have a history of strongly opposing offshore drilling. Resolutions opposing drilling have been filed by the Towns of Nags Head, Kill Devil Hills, Kitty Hawk, Southern Shores, Duck, Manteo, and the County of Dare. The well documented socioeconomic and environmental risks alone far outweigh the rewards and set the stage of a divided states of America.

Chairman Richard Pombo's, Committee on Resources, letter dated June 8, 2006, on the Hearing on H.R. 4761 the Domestic Energy Production through Offshore Exploration and Equitable Treatment of State Holdings Act of 2006 states:

- The Bill allows for coastal state self "determination and revenue sharing
- Enhances the country's ability to increase domestic production of oil and natural gas, alternative energy and minerals from the federal Outer Continental Shelf
- Diminish the amount of foreign "oil imports required to meet the nation's energy needs

What H.R. 4761 does in reality?

1. Immediately terminates the twenty-five year congressional moratorium that protects the entire U.S. West Coast, all of the East Coast, and Florida's Gulf Coast and Panhandle (section 15). This provision exposes all of the Florida Gulf Coast and Panhandle to near shore offshore oil and gas leasing, much closer to the coast than Lease Sale 181.
2. Longstanding pre-existing presidential Outer Continental Shelf withdrawals, first put in place by former President George H.W. Bush, extended in duration by President Bill Clinton until 2012, and located within the Gulf of Mexico are immediately revoked upon passage of this Act, Section 9, item (2). The 2007-2012 Outer Continental Shelf Leasing Program is amended by this Act to include two sequential lease sales, in January 2007 and June of 2007, to occur in the Gulf of Mexico within the Lease Sale 181 area, without any updating of existing Environmental Impact Statement analyses, (Section 9, item 2).
3. Makes an arbitrary finding, without any supporting scientific documentation of any kind, that gas drilling more than 25 miles offshore and oil drilling more than 50 miles offshore would not adversely affect resources near the coastline (Section 2, item 4).
4. Formally establishes what it calls new "State Seaward Boundaries", which are arbitrary extensions of onshore boundaries between coastal states that continue out into the ocean, applying lines that are deemed entirely inequitable by many shoreline states (section 4).
5. Grants to the Secretary of Interior unilateral jurisdiction over preparing final regulations enabling what the bill calls "natural gas only" leasing (section 5, items 2,3,4), but gives the Secretary the sole right to decide to instead grant oil companies the right to produce oil on these "gas only" leases unless the Governor and the legislature of the nearby adjoining state, or the Governor and state legislature of any neighboring coastal state within 50 miles of the lease, object within 180 days of being notified of the oil discovery (section 6, items 1,2).
6. Grants to the Secretary of Interior the right to arbitrarily approve production of a mixture of natural gas liquids (liquid gas condensate) and gaseous natural gas when the Secretary is considering a lease to be defined as a "gas only" lease (section 6, item 8).
7. Grants to the owners of offshore leases in any region the right to transport produced crude oil through the waters of the adjacent state, and through the waters of any neighboring states, unless the adjacent coastal state or the neighboring state objects to production of oil from such a "gas-only lease". Since the bill does not specify transportation method, such pre-approved transport of crude oil could be either by tanker, barge, or subsea pipeline (section 6, Item 4).
8. Allows the Secretary of Interior to issue more than one lease for a given offshore drilling tract, so that each lease may apply to a separate and distinct range of vertical depths, different horizontal surface areas, or a combination of the two (section 6, Item 1).
9. Requires that an oil company holding any offshore "gas only" lease that may repurchased by the federal government at the request of the lessee because it is found to contain oil instead of, or in addition to, natural gas, and therefore does not qualify as a natural gas lease, must be repaid by the federal government for the original cost of the bonus bid paid for the lease, for lease rents, for seismic acquisition costs, and for drilling costs, and for other unidentified "reasonable expenses". The Secretary of Interior shall recover from

the adjacent state and from local governments any funds previously shared with them that were derived from the repurchased lease, if such payments were payable after the date of repurchase. The lessee of a repurchased gas lease can obtain a priority right to acquire a future oil and gas lease within 30 years after the repurchase (Section 6, item 7).

10. Oil company partnerships would be allowed to bid jointly on tracts in offshore regions determined by the Secretary of Interior to be "frontier tracts" or which are what the bill calls "high cost tracts" (section 6, item [r]).
11. A portion of federal receipts from lease tracts beyond 4 marine leagues and within 100 miles of any coastline that are available for leasing under the 2002-2007 Oil and Gas Leasing Program before adoption of this Act, and lease tracts beyond 4 marine leagues and within 100 miles from any coastline that were made available for leasing by this Act, as well as lease tracts located throughout the Alaska OCS region beyond 4 marine leagues and within 100 miles of any coastline will be subject to a sharing of prescribed escalating percentages of OCS federal receipts according to an allocation formula specified in (Section 7, (B)). A 75% share of federal receipts from tracts located within 4 marine leagues of any coastline shall be deposited into a separate account for subsequent allocation, (Section 7, (4)). For Bonus bids, 87.5 percent of the accrued federal revenues shall be conveyed to the adjacent state, and 6.25 percent shall be allocated to the federal Treasury, (Section 7, (5) [i] and [ii]). For Royalties, 87.5 percent shall be allocated to the adjacent state or to any other producing state with a leased tract in its adjacent zone within 100 miles of its coastline that generated royalties during the fiscal year, except in the event that other producing states have a coastline point within 300 miles of any portion of the leased tract, the amount shall be distributed with one-third to the adjacent state and two-thirds to each producing state according to a formula inversely proportional to the distance between the nearest point on the coastline of the producing state and the geographic center of the leased tract, (Section 7, (B) [i] through [iv]).
12. For tracts partially or completely beyond 100 miles of the coastline, a separate escalating formula of deposits of federal receipts shall be followed (section 7 (c) (1) and (2)) and one-third of the royalties shall be passed to the adjacent state—and two-thirds to each producing state—according to a formula inversely proportional to the distance between the nearest point on the coastline of the producing state and the geographic center of the leased tract, (section 7, (B) [i] to [iv]). Of these allocations, counties and county-equivalent political subdivisions shall receive 25 percent of the allocation based on the ratio of such coastal counties to the coastline miles of all coastal counties in the State. Coastal counties without a coastline shall be considered to have 50 percent of the average shoreline miles of the coastal counties that do have shorelines. Another 25 percent of the county allocation shall be based on the ratio of the county's population to the coastal population of all counties in the state, 25 percent shall be allocated to counties with a coastal point within 300 miles of the leased tract—based on the county's relative distance from the leased tract, (section 7, (2) (D)). And 25 percent of the allocation shall be based on the relative level of offshore oil and gas activities in the county compared to the level of oil and gas activities off of all counties in the state.
13. Funds allocated to states and counties can be used for a broad and poorly defined array of purposes, and no standards are applied to ensure that the money is spent to restore damage caused by offshore oil and gas activities. Activities that further harm the coastal zone, including improvements to infrastructure associated with offshore energy production activities and any other purpose determined by state law can be funded with these allocations, and no accounting the federal government is required for any of these expenditures, except as otherwise required by law (Section 7, (3) [f]).
14. The enactment of any future congressional legislative moratorium on expanded offshore oil and gas leasing will automatically prohibit any sharing of federal receipts from offshore drilling with the affected states or localities for the duration of any such restriction, (section 7, (3), [h]).
15. The President is authorized by this bill to partially or completely revise or revoke any prior withdrawal made by the President under the authority of Section 9 (Section 9, [1]). Any such withdrawal requested by a state may be for a term not to exceed ten years, and the President is directed to accommodate competing interests and potential uses of the Outer Continental Shelf in considering whether or not to grant the withdrawal petition of any state (Section 9, [1]).

16. Governors of coastal states, with the concurrence of their state legislatures, may petition the Secretary of Interior to open any area adjacent to their state that is more than 25 miles from the coastline of any neighboring state for offshore gas leasing and related activities, or any area that is more than 50 miles from the coastline of any neighboring state for offshore oil and gas leasing and related activities, (Section 9, item (3) (A)). In analyzing the decision to lease an area under the terms of this provision, the Secretary of Interior needs only to prepare a cursory Environmental Assessment (EA) document, and is not required to prepare a full Environmental Impact Statement (EIS) as stipulated by the National Environmental Policy Act. Broad discretionary authority is granted to the Secretary of Interior with respect to the terms and conditions under which such offshore development will be allowed to occur, and, to expedite such new leasing, the Secretary of Interior is permitted to amend the current Five-Year Leasing Program to accommodate such new leasing unless less than 12 months remain in the current Five-Year Leasing Program, (Section 9, item (3) (B) (C) (D)).
17. The Governor of a state, acting with the concurrence of its state legislature, may also petition that any area within 125 miles of the state's coastline be withdrawn from leasing, for either oil or gas or both, but each state must submit separate petitions for distances within 50 miles of the coastline, with separate votes by the legislature each time, and must submit separate petitions for areas beyond 100 miles of the coastline, but not exceeding 125 miles of the coastline. The Secretary of Interior shall, within 90 days, prepare an Environmental Assessment to evaluate the effects of approving the state's petition. The Secretary shall not approve a state's petition for more than a total of ten years, but may approve such petitions repeatedly ad infinitum, in response to repeated requests from the state at appropriate intervals, (Section 9, [h] (1) and (2)). Any state's constitutional provision, or any state statute or state law, that has the effect of restricting either the Governor or the state legislature, or both, under this section, shall automatically forfeit for that state any sharing of federal Outer Continental Shelf receipts and simultaneously be prevented from exercising any state request for any withdrawal from leasing, for the duration of such state constitutional or state legislative action, (Section 9, (B) [i]).
18. The bill will require that seventy-five percent of the available un-leased acreage within each offshore planning area be offered in each Five-Year leasing Program, (Section 10, item (1)).
19. The bill authorizes the Secretary of Interior to consider and analyze leasing throughout the entire U.S. Outer Continental Shelf without regard to any other law affecting such leasing. The bill elevates any military space-use conflicts to the President for resolution, if the Secretary of Interior is unable to resolve such conflicts with the Secretary of Defense, (Section 10, item (1)).
20. If the governor of an affected coastal state requests in writing a modification of any proposed leasing action at least 15 days prior to the submission of the Five-Year Leasing Program to Congress, the Secretary of Interior shall reply to that Governor in writing, granting or denying such request, (Section 10, item (2)). The Secretary of Interior, at the beginning of the development of each Five-Year Leasing Program, provide each adjacent state with a current estimate of potential oil and gas resources off of that state, and with a best-efforts projection of the share of federal leasing receipts that state can expect to receive if it cooperated with federal offshore leasing plans off of its coastline, (Section 19, item (2)).
21. If a coastal state requests protection for its offshore waters, no subsea pipeline carrying oil or gas can be sited through the protected zone unless more than fifty percent of the production projected to be carried by the pipeline within its first ten years of operation is from that same state's adjacent zone waters, (Section 11, item (f)(1)). No state may prohibit the construction of a subsea pipeline for natural gas through its adjacent waters. No state may object to a natural gas pipeline landing location on its coast unless it proposes two alternate pipeline landing locations on its own coastline, each located within 50 miles on either side of the proposed landing location, (Section 11, item (2)).
22. Many damaging offshore oil and gas activities would be exempted from the need to prepare an Environmental Impact Statement (EIS) under NEPA, including the conduct of seismic airgun surveys, and individual lease sales would no longer require the preparation of an Environmental Impact Statement (EIS), as the generic Environmental Impact Statement prepared for each Five-Year Leasing Program would be deemed by this Act to be sufficient

to comply with NEPA for all lease sales in the Program. No Environmental Impact Statement (EIS) would need to be prepared for a Plan of Exploration, and no EIS would be required for a Plan of Development after the first one is prepared for each area, (Section 12, item (2)(A)(B)(C)). A development and production plan may be submitted by a lessee that is deemed to cover more than one lease at a time. An exploration plan would be required to be reviewed by the Secretary of Interior within ten (10) days of submission, (Section 19, (2)(B)).

23. The Secretary of Interior is given the authority to review each development and production plan to ensure that it is consistent with all statutory and regulatory requirements applicable to the lease, (Section 10, (e) (4)). The language of the bill is not clear as to whether this provision exempts plans of development and production from the traditional federal "consistency determinations" customarily conducted by coastal states under the authority granted to them by the Coastal Zone Management Act, a critical opportunity for impacted states to participate in planning decisions affecting their coastline. The Federal Energy Regulatory Commission and the Department of Interior will decide between their two agencies which will prepare a single Environmental Impact Statement related to facilities for the transportation of natural gas, (Section 10, (h)).
24. The bill creates what is called a "Federal Energy Natural Resources Enhancement Fund Act of 2006", derived from a share of federal Outer Continental Shelf receipts that can be utilized for a wide range of mitigations for damage done by offshore drilling and for natural resource restoration and enhancement uses, but not for land acquisition of any kind, (Section 14, (5)).
25. The bill grants broad new primacy to the Department of Interior in use of the Outer Continental Shelf, and states that no federal agency may permit construction or operation of any facility, or designate or maintain any transportation corridor or operating area, on the Federal Outer Continental Shelf or in State waters, that will be incompatible with, in the view of the Secretary of Interior, oil and gas leasing and substantially full exploration and production of tracts that are geologically productive for oil or natural gas, (Section 16 (a)).
26. The bill grants the Secretary of Interior the authority to repurchase, or buy back, any offshore lease if the lessee requests such a repurchase and if the Secretary finds that such lease is qualified for such repurchase because a federal permit was denied (except denial under the Coastal Zone Management Act), or because a condition of approval was attached to a permit that was not mandated by federal statute. The bill establishes that the financial restitution that a lessee shall receive will be the amount that a lessee would receive in a restitution case for a material breach of contract. If the Secretary of Interior fails to make a final decision on a request by a lessee for a repurchase of a lease within 180 days of the request, a ten percent increase in the compensation due to the lessee will be added if the lease is ultimately repurchased, (Section 17 (b)(1 through 6)).
27. The bill sets a precedent for allowing offsite environmental mitigation at a location away from the area impacted; (see Section 18) if the Secretary of Interior believes that such mitigations generally achieve the purposes for which mitigation measures are put in place.
28. The Secretary of Interior would be instructed to issue regulations enabling the application of decommissioned oil rigs for offshore fish farms, artificial reefs, and other purposes, and all platforms would no longer need to be removed and the drilling site would no longer need to be restored at the end of the project's economical life cycle, at the sole discretion of the Secretary of Interior, (Section 10). A state may request to opt-out of this program of leaving decommissioned rigs in place onsite, but the Secretary of Interior may or may not honor the state's request.
29. The existing requirement in the Omnibus Energy Act of 2005 to conduct a comprehensive seismic inventory of all Outer Continental Shelf waters would be rescinded, (section 22).
30. Certain undefined existing leases within 100 miles of California or Florida could be exchanged by the lessee, if the lessee so requests and if the Secretary of Interior agrees, for a new oil and gas lease, any part of which is located between 100 and 125 miles of the coastline, and which is completely beyond 100 miles of the coastline, off of the same state, (Section 27, (1)).
31. Existing Coastal Impact Assistance is repealed (Section 28).

32. Reduction of onshore leasing royalties collected for tar sands and oil shale may be enacted at the discretion of the Secretary of Interior to offer incentives the development of such resources (Section 29).

Lifting the OCS Moratorium will have damaging consequences for our beaches, for marine life and their habitat, and for the broader environment

Damage to Marine Life and habitat

While there have been many advances in oil and gas recovery technologies in recent decades, many serious consequences still result from exploration and drilling for either oil or gas.

Seismic Surveying

Marked changes in behavior in marine species in response to loud underwater noises in the ocean have been well documented. Seismic survey devices and military sonar's (which operate at a similar decibel level) have been implicated in numerous whale beaching and stranding incidents, one recently in Nags Head, North Carolina.

Onshore damage

The onshore infrastructure associated with offshore oil or gas causes significant harm to the coastal zone. For example, OCS pipelines crossing coastal wetlands in the Gulf of Mexico are estimated to have destroyed more coastal salt marsh than can be found in the stretch of coastal land running from New Jersey through Maine.

Water pollution

Drilling muds are used to lubricate drill bits, maintain downhole pressure, and serve other functions. Drill cuttings are pieces of rock ground by the bit and brought up from the well along with used mud. Massive amounts of waste muds and cuttings are generated by drilling operations. Most of this waste is dumped untreated into surrounding waters. Drilling muds contain toxic metals, including mercury and lead.

Air pollution

Drilling an average exploration well for oil or gas generates some 50 tons of nitrogen oxides (NO_x), 13 tons of carbon monoxide, 6 tons of sulfur dioxide, and 5 tons of volatile organic hydrocarbons. Each OCS platform generates more than 50 tons per year of NO_x, 11 tons of carbon monoxide, 8 tons of sulfur dioxide and 38 tons of volatile organic hydrocarbons every year.

Oil spills

If offshore areas are leased for gas exploration, there is a possibility that oil will be found. There were some 3 million gallons of oil spilled from OCS oil and gas operations in 73 incidents between 1980 and 1999. Oil is extremely toxic to a wide variety of marine species, and as noted by a recent National Academy of Sciences study, current cleanup methods are incapable of removing more than a small fraction of the oil spilled in marine waters.

It is important to note that, with the exception of oil spills, the environmental damages described above result from drilling or exploring for either oil or natural gas, so any suggestion that restricting leases to natural gas drilling only will not adequately reduce risk of environmental impacts.

Drilling in the OCS will have damaging effects on local economies

The industrial character of offshore oil and gas development is often at odds with the existing economic base of the affected coastal communities, many of which rely on tourism, coastal recreation and fishing. In Dare County, NC, the Outer Banks Visitors Bureau has been fighting efforts to lift the ban on coastal drilling precisely because it realizes what a crushing effect coastal drilling could have on the Outer Banks' \$640 million tourist economy. If there's one spill or one disaster, the Outer Banks could be destroyed for a very long time. The powerful hurricanes that battered the gulf coast have destroyed drilling platforms, underwater pipelines and coastal storage tanks, dumping millions of gallons of oil. Drilling in hurricane and storm-plagued waters has proven to be disastrous.

In addition to potentially catastrophic effects on the tourism industry, drilling for gas and oil off our coasts could have significant negative impacts on commercial and recreational fishing, our fisheries, marsh lands, and marine habitat. Jobs and the environment are not mutually exclusive. A balanced economy is based on a clean healthy marine environment and efforts need to be focused on restoring our marine environment and bringing back our fisheries.

Plenty of natural gas is already available for lease and permitting

The majority of federal oil and gas resources are already available for development. According to the 2003 Energy Policy and Conservation Act (EPCA) report issued by the Department of the Interior, 85% of federal onshore oil resources and 88% of federal onshore natural gas resources (122.6 trillion cubic feet, or tcf) occurring on federal lands in Montana, Colorado, New Mexico, Utah and Wyoming are already available for leasing and development. Only 12% of federal onshore natural gas resources are off-limits to leasing. Eighty percent of the nation's undiscovered,

economically recoverable Outer Continental Shelf (OCS) gas is already available for leasing. Thus, a permanent protection for the coastal moratorium areas will leave the vast majority of the nation's OCS gas available to the industry.

In addition to availability for leasing, Bureau of Land Management (BLM) data indicates that the vast majority of federal lands currently under lease are not being developed. Of the more than 35,000,000 acres of public lands under lease, development is occurring or has occurred on approximately 12,000,000 acres. Drilling permit approvals on western public lands by the BLM increased by 62 percent in 2004, to a record number of 6,052, while the number of new wells that were drilled declined by nearly 10 percent, to 2,702.

Based on this data, it is clear that the vast majority of federal oil and gas resources occurring on federal lands in the Rockies are available for development. In addition, most of the leased lands are not in development, and the BLM has issued thousands more drilling permits than the industry is actually able to drill. The oil and gas industry clearly has plenty of access to our public lands already; there is no reason to grant access to additional areas currently under moratorium for additional leasing.

There are smarter, less expensive, and faster solutions for rising gasoline and natural gas prices

The United States consumes about 25% of the world's energy. It is not likely that we can drill our way to energy independence. We must decrease our energy dependence by other means and invest more time and money into clean energy solutions. A recent study by the Union of Concerned Scientists found that by getting 20% of our energy from clean sources like wind and solar by 2020 we can reduce natural gas consumption by 6% by year 2020. According to an April 2005 study by the American Council for and Energy Efficient Economy, if we use technology available today to make our homes, buildings, and industry more energy efficient, we can save up to 12.6% of the natural gas they project we would be using by 2020. Studies have indicated that implementing these programs would create thousands of new jobs and save consumers hundreds of dollars a year in energy bills every year. Promoting renewable energy and efficiency would also encourage innovation and new technology, reduce pollution, and decrease our reliance on foreign sources of energy.

The public supports the ban on drilling off our coasts

Concerns over environmental consequences of offshore oil and gas development have led Congress to impose restrictions on OCS activities in sensitive areas off the nation's coasts every year since 1981. These moratoria now protect the East and West Coasts of the U.S. and most of the eastern Gulf of Mexico. The moratoria reflect a clearly established consensus on the appropriateness of OCS activities in most areas of the country, and have been endorsed by an array of elected officials from all levels of government and diverse political persuasions, including former Presidents George H.W. Bush and Clinton, who are joined by our current President, George W. Bush.

Conclusion

All of America's coastal communities are being pressured to put their vibrant economies, heritage, and environmental resources at risk when nothing is being done on a national scale to conserve resources and seek alternative energy sources for this generation and generations to come.

H.R. 4761 rescinds the entire congressional moratorium nationwide, permanently transfers authority over continued coastal protection away from the United States Congress and fragments the decision to coastal states on what is a National Public Policy Issue, and does this in a manner that makes the decision over where and when to drill offshore more readily influenced by the oil industry.

The CHAIRMAN. Thank you. Mr. Jeff Angers, Executive Director of the Coastal Conservation Association.

**STATEMENT OF JEFF ANGERS, EXECUTIVE DIRECTOR,
COASTAL CONSERVATION ASSOCIATION, LOUISIANA**

Mr. ANGER. Mr. Chairman and Members, my name is Jeff Angers. I am Executive Director and CEO of the Coastal Conservation Association of Louisiana. And I want to thank you, Mr. Chairman, for your leadership and the opportunity to address the Committee today.

CCA Louisiana has some 35,000 members and volunteers state-wide. Our membership has been active in promoting good stewardship of our state's marine resources since we were founded in 1983.

Before I address the positive use of oil and gas rigs as artificial reefs, I would like to comment on Louisiana's coast, distinctly from Louisiana's coastal cities, which you have heard so much about.

Coastal Louisiana is washing away, literally. H.R. 4761 seeks to reverse that trend. Over the last 50 years, about 1500 square miles of coastal Louisiana have washed away, and we continue to lose 25 to 30 square miles each year. As a matter of fact, we lost over 100 square miles just last year.

This deteriorating condition is insidious. It is like a cancer that is eating away at the very fabric of our country, our homes, our businesses, our coast.

In addition to the very obvious loss of real estate, we are also witnessing the destruction of the largest saltwater estuary in the country. The loss of these nursery grounds will affect fisheries for generations to come.

After the terrible storms of 2005, much of the focus has been on rebuilding coastal cities and towns. H.R. 4761 brings the focus to rebuilding the coast itself.

The principal elements of this bill help to facilitate the recovery of one of Louisiana's most important resources: its coast and its coastal habitat. Most of the fish species harvested in the Gulf of Mexico are estuarine dependent, and coastal habitat loss along the Gulf has a direct correlation to the health of fishery stocks.

Louisiana is the sportsman's paradise because of the productivity of this habitat, which coexists with the oil and gas industry. The improvement of habitat and reversing the degradation of our wetlands provides a multiplicity of benefits, one of which is better stewardship of these nursery grounds.

The oil and gas industry and the fishing industry, recreational and commercial, have enjoyed a simpatico relationship over the years. As we all know, the Gulf has successfully been the site of oil and gas extraction for the last 50 years.

One of the unintended benefits of that extraction has been the creation of fisheries' habitat, particularly for reef fish. The most well-known reef fish in the Gulf is red snapper, a prized recreational fish and the primary target species of a number of charter boat fishermen in the Upper Gulf.

The Members of this Committee are familiar with the ongoing efforts to restore and rebuild the red snapper fishery. What Members may not realize is the importance of the habitat created by the offshore oil and gas industry to that rebuilding process.

Red snapper have been commercially harvested in the Gulf for over 100 years. Today's total allowable catch is about 9 million pounds.

Following World War II three events have occurred which impacted red snapper. The first was a dramatic expansion of the shrimp fleet, resulting in bycatch of red snapper. Second, an influx of people to coastal communities, many of whom were or were to become anglers. Both of these events increased the mortality of red snapper.

The third event, which was more of a journey, has helped to actually increase the abundance of red snapper. The structures facilitating the extraction of oil and gas from the Gulf have helped to create that habitat, and better and more habitat has created more fish.

Many of the rigs now in place are nearing either the end of their useful life or the end of their license period. When they were put in place, most companies and regulators thought well heads should be capped, structures removed, cleaned up and disposed of on shore.

Section 21 of this bill includes another concept, the Rigs to Reefs Act, and we are pleased to endorse it. For a number of years CCA has supported the use of oil and gas rigs as artificial reefs. CCA members continue to be beneficiaries of rigs converted to reefs much closer to shore.

The Rigs to Reefs Act will provide for new authority to expedite the removal of decommissioned oil and gas platforms, provide for certainty as to the liability for operation of any platforms transferred, and last allows for the opting out of Department of Interior regs by any adjacent state for 25 miles from their coast. On the whole, these measures will help facilitate the deployment of Rigs to Reefs.

Many of the provisions of the Rigs to Reefs Program will be improvements to the present system of decommissioning and citing of potential reefs over other operations. Mariculture operations are not authorized in this bill. However, if they are authorized under other legislation, this bill would allow these structures to be used.

Whatever the final use of these structures, we do want to remind the Committee that the existing fishery management structure will be involved in governance therewith.

Mr. Chairman, that concludes my remarks, and I will be happy to take any questions.

[The prepared statement of Mr. Angers follows:]

**Statement of Jefferson M. Angers, Executive Director/CEO,
Coastal Conservation Association of Louisiana**

Good morning Mr. Chairman. My name is Jeff Angers, and I am the Executive Director and CEO of the Coastal Conservation Association of Louisiana (CCA). I would like to thank the Chairman for this opportunity to address the Committee on issues near and dear to the hearts of our members and the citizens of Louisiana.

CCA Louisiana has some 35,000 members and volunteers statewide. Our membership has been active in promoting good stewardship of marine resources since we were founded in 1983. Before I address the use of oil and gas rigs as artificial reefs, I'd like to comment on our coast as a distinct place.

Coastal Louisiana is washing away, literally. H.R.4761 seeks to reverse that trend. Over the last 50 years, about 1,500 square miles of coastal Louisiana have washed away, and we continue to lose 25 square miles each year. Over 100 square miles lost in 2005. This deteriorating condition is insidious. It is like a cancer eating away at the very fabric of our country: our homes, our businesses, our coast.

In addition to the very obvious loss of real estate, we are also witnessing the destruction of the largest saltwater estuary in the country. The loss of these nursery grounds will affect fisheries for generations.

After the terrible storms of 2005, much of the focus has been on rebuilding coastal cities and towns. H.R.4761 brings the focus to rebuilding the coast.

The principal elements of this bill help to facilitate the recovery of one of Louisiana's most important resources, its coast and coastal habitat. Most of the fish species harvested in the Gulf of Mexico are estuarine dependant. And coastal habitat loss along the Gulf has a direct correlation to the health of fishery stocks. Louisiana is the Sportsman's Paradise because of the productivity of this habitat, which

coexists with oil and gas industry. Improvement of habitat and reversing the degradation of our wetlands provides a multiplicity of benefits, one of which is better stewardship of these nursery grounds.

Louisiana's coast welcomes the help.

As we all know, the Gulf of Mexico has successfully been the site of oil and gas extraction for the last 50 years. One of the unintended benefits of that extraction has been the creation of fisheries habitat, particularly for reef fish. The most well-known reef fish in the Gulf is red snapper, a prized recreational fish and the primary target species for a number of charter boat fishermen in the upper Gulf. The members of this committee are familiar with the ongoing efforts to restore and rebuild the red snapper fishery. What members may not realize is the importance of the habitat created by the offshore oil and gas industry to that rebuilding process.

Red snapper have been commercially harvested in the upper Gulf for over 100 years. As early as the 1880s, there were federal research efforts to find harvestable quantities of red snapper. Today the total allowable catch for red snapper is about 9 million pounds in a fishery that is rebuilding from being overfished by the directed fishery and particularly by extensive bycatch from the shrimp fishery.

After World War II, three events occurred which impacted red snapper. The first: a dramatic expansion of the shrimp fleet resulting in an incredible bycatch of snapper. Secondly, an influx of people to coastal communities, many of whom were—or were to become—anglers. Both of these events increased the mortality of red snapper. The third event (more of a journey) has helped increase the abundance of red snapper. The structures facilitating extraction of the oil and gas from the Gulf have created habitat. And better and more habitat has created more fish.

Many of the rigs now in place are nearing either the end of their useful life or the end of their license period. When they were put in place, most companies and regulators thought well heads ought to be capped; structures removed; cleaned up, and disposed of on shore. Section 21 of this bill includes another concept: “The Rigs to Reefs Act of 2005.” And we are please to endorse it.

For a number of years, CCA has supported the use of oil and gas rigs as artificial reefs. CCA members continue to be beneficiaries of rigs converted to reefs much closer to shore.

Many scientists have studied the impact of this method of habitat enhancement to determine if it creates more fish or simply aggregates fish from surrounding habitat making them easier to catch. The debate for the most part seems to be endless, but the red snapper example seems to produce the most definitive long-term result. Yes, new habitat creates more fish. Sound fishery management is necessary to address the health of the entire stock, but more fish is still better than less. Artificial reefs are new habitat or continuing habitat, and we support their use inshore and off.

“The Rigs to Reef Act” will provide for new authority to expedite the removal of the decommissioned oil and gas platforms, provide for certainty as to the liability for operation of any platforms transferred and lastly allows for the opting out of Department of Interior regulations by any adjacent state for 25 miles from their coast. On the whole these measures will help facilitate the deployment of rigs to reefs.

Many of the provisions of the rigs to reef program will be improvements to the present system of decommissioning and citing of potential reefs. We would like to work with the Committee to ensure that the fishery management system now in place in the Gulf is included in determinations under this bill. The Louisiana Department of Wildlife and Fisheries, the Gulf States Marine Fishery Commission, the Gulf of Mexico Fisheries Management Council and the National Marine Fisheries Service all have responsibilities that will be impacted by the decisions made under this section. All of them have a positive role to play in the decisions made for citing of the decommissioned rigs and their permissible uses.

I would be remiss if I did not note that one of those potential uses is highly controversial. Mariculture has the potential in connection with the decommissioned rigs to be commercially successful. As of today, however there is no comprehensive legislation addressing the activity beyond the territorial sea. Almost all states have regulations, but they are hardly uniform. The Administration has proposed a bill, which was introduced in the Senate, but no corresponding bill exists in the House. CCA would discourage the implementation of guidelines for the placement of decommissioned rigs, which would in effect authorize mariculture activities without corresponding environmental controls. We would be happy to work with the Committee on such a provision to address our concerns.

In addition, we would like to gain a greater understanding of the effect of the election by an adjacent State to implement their own regulations for decommissioning and citing rather than the Department of Interior regulations. Would state regulations enhance the authority of any related activity within 25 miles of the coast or

is the authority narrowly confined. If so, how? We would be happy to work with the Committee to form a better understanding of this section as well.

Mr. Chairman, that concludes my testimony, and I would be happy to take questions.

The CHAIRMAN. Thank you. Mr. Tom Fry, President of the National Ocean Industries Association.

**STATEMENT OF TOM FRY, PRESIDENT,
NATIONAL OCEAN INDUSTRIES ASSOCIATION**

Mr. FRY. Mr. Chairman, thank you very much for allowing me to come back and visit with this Committee again.

I was asked today to speak about some of the technological advances that have taken place within the offshore oil and gas industry. The association that I am proud to serve represent all facets of the offshore oil and gas and renewable energy industry within this country. So we are interested not only in oil and gas, but also renewable energy and how that may well affect our energy supplies for the future.

I would like to start by just asking you to imagine that you are 100 miles offshore in the Gulf of Mexico. You are on a drilling ship that is the size of a football field. You are there in a computer room, not what we used to see, a big old drilling room, but it is a room that looks like a computer room, and people have joysticks. And what they are doing is they are starting to put together pipe. And that pipe goes down into the water. And this water sometimes is as deep as two miles, over 10,000 feet.

Now, while that driller is putting that pipe into the ground, there are remotely operated vehicles that are going up and down that pipe, looking at the joints, looking at the activity, making sure that everything is working as it should. So that is what happens first.

Now, you have this drill ship out there. You are wondering how is it going to stay where it is supposed to be. Well, you have computers on there that are using GPS, and they are voting every half-second, three computers voting every half-second to determine where that ship should be positioned to keep it right over the drilling location.

You get down to the drill floor. The first thing you do is put the drill bit into the ground. The drill bits are new, new technology, with new kinds of sensors, so that when you go through the ground or the crust of the earth, you can find, you can determine what you are going through, what kinds of sediment you are into, and whether or not you are finding hydrocarbons.

But in addition to that, you are drilling in a very new kind of environment, because you are drilling with 20,000-pound pressures and 350-degree temperatures. So again, new technologies that have brought us a long way.

While you are in the crust of the earth drilling, you can also drill sideways and down, and then even back up. New technologies that allow us to drill in new ways that we never even thought a good 15 or 20 years ago.

In order to do this, you have to have lots of technical folks. And the interesting thing is you can sit in a virtual reality room in New Orleans or Houston and look at this activity taking place as it is

occurring, and change your mind about how you are going to go about it based on the technology that is available. To do this may well cost you \$100 million per well.

Also imagine that when you are completing the well, that you are going to have robots down on the sea floor. And they are going to be connecting sea completions.

Now, one of the concerns has always been blowouts. We used to have a blowout preventer up on the top of the platform. Now there is one there, there is one on the sea floor, and there is also one that is placed underground, so that we have redundant systems.

Imagine that you could go and hook up wells to one production platform that are over 150 miles apart, lessening the footprint. And also imagine the fact that it may well cost you \$2 billion to develop such a process.

After the well is completed, the wells create an environment which becomes a living ecosystem for many sea critters. It provides wonderful fishing in the offshore, and also a habitat for all sorts of other marine animals, to include coral reefs.

A safety record, imagine a safety record that is 70 percent better than all of industry or U.S. industry. Imagine a spill record that the Coast Guard says is 99.999 percent, or that the amount that is spilled is .001 percent. Imagine an industry that now rivals the advances that have been made in the space program in the last 20 years. And imagine also, with this record, that 85 percent of the area off the coast of the United States is not available for leasing.

Mr. Chairman, given the opportunity, the oil and gas industry would like to be able to have additional opportunities to drill in areas that are currently under moratoria, to provide energy for this country and to provide jobs for this country.

I look forward to your questions, Mr. Chairman.

[The prepared statement of Mr. Fry follows:]

**Statement of Tom Fry, President,
National Ocean Industries Association**

Mr. Chairman and Members of the Committee, thank you for inviting me to speak before you today about the role of technology in the offshore oil and gas industry. My name is Tom Fry, and I am the President of the National Ocean Industries Association, which represents nearly 300 companies working to explore for and produce energy resources from the nation's Outer Continental Shelf (OCS) in an environmentally sensitive manner.

Through the development and application of technology, the companies of the offshore industry continue to improve their ability to bring new supplies of oil and natural gas online. Over the last fifty years, these companies have learned how to operate in deeper and deeper waters and locate resources that were once not accessible. At the same time, the technological advances pioneered by these companies have allowed for less impact on the environment and a wise stewardship of the resources beneath the ocean.

The United States' Outer Continental Shelf (OCS) is conservatively estimated by the Minerals Management Service to hold undiscovered technically recoverable resources of over 419 trillion cubic feet of natural gas and 86 billion barrels of oil.

That's estimated to be enough natural gas to heat 100 million homes for 60 years, and enough oil to drive 85 million cars for 35 years or to replace current Persian Gulf imports for almost 60 years.

In fact, there may be even more than that. In the parts of the Gulf of Mexico where we have been allowed to buy leases and explore, we have produced three times as much oil and natural gas as we once thought was there. In 1984, MMS estimated that the Gulf of Mexico held 6 billion barrels of oil and 60 trillion cubic feet of natural gas; yet, after producing steadily for 22 years, the Gulf is now estimated to have 45 billion barrels of oil and 232 trillion cubic feet of gas remaining.

The more we explore, the more we know. Imagine the potential of those places where exploration has been off-limits for over 25 years.

These are significant resources that can be developed safely and that we ignore to our consumers' disadvantage. Yet today, more than 85 percent of the nation's OCS around the lower 48 states is off limits to oil and gas exploration because of presidential withdrawals and congressional moratoria, even though over 7 billion barrels of oil has been produced from the OCS since 1985 with less than .001 percent seeping into the ocean from drilling and extraction.

A Source of Constant Technological Innovation

Today's offshore technology allows us to produce more energy by reaching places that would never before have been possible. New records are always being set.

Wells drilled on the Outer Continental Shelf of the Gulf of Mexico are typically considered "deep" when drilled below the depth of 15,000 feet. The technology required to drill, complete and produce this type of well must overcome an environment of high pressure (in excess of 20,000 pounds per square inch) and high temperature (exceeding 350°F). Deep wells such as this are expensive, costing as much as \$100 million each.

After coming from the ground, the oil or natural gas then travels through a pipeline where the temperature is just above freezing and the formation of ice crystals threatens to block the flow unless constantly supervised and adjusted. At depths far beyond where humans can travel, sometimes as much as 5,000 feet or more below the surface, Remotely-Operated Vehicles (ROVs) are used to perform maintenance and repairs.

Transocean's Discoverer Deep Seas set a world record in 2003 by drilling a well in water depths exceeding 10,000 feet. That's the equivalent of successfully navigating nearly two miles down from the surface of the ocean before even beginning to drill.

All this is possible with fewer facilities and less impact—even visual—than ever before. For example, multiple subsea wells can be connected by tiebacks to a single platform over great distances. Such an installation, if overlaid on a map of the Washington, DC area, would reach as far north as Columbia, MD and as far South as Mechanicsville, VA, and connect to a platform one mile above the city.

This cutting edge technology doesn't come cheap, however. The total cost of this type of project, including wells drilled and the subsea connection system, will often exceed \$2 billion.

An Exemplary Record of Environmental Protection and Stewardship

The outstanding environmental record of U.S. companies operating offshore around the world is well recognized as "technologies are allowing the offshore industry to venture into deeper waters than ever before, while protecting marine life and subsea habitats"¹—even in the most challenging areas such as the Arctic and North Sea and in otherwise catastrophic weather.

Off the part of our coast in which exploration and production is allowed, the safety of our operations was recently demonstrated in the most severe hurricane situations. Though many of the exploration and production facilities in the Gulf of Mexico were severely damaged or destroyed, the high-tech safety and environmental protection equipment and processes worked.

Here's a brief look at why we can be proud of our environmental record.

Careful scientific environmental study and operational planning always precede such activity. For example, our offshore geophysical companies, which conduct seismic work that allows us to "see" geologic structures beneath the seabed, have worked with the National Marine Fisheries Service and the Minerals Management Service to implement many procedures and practices designed to avoid harm to marine mammals, including:

- Monitoring for the presence of animals of concern
- Shutdown or no start-up when they are too close
- Slow, gradual ramp-up of operations just in case

During exploration, jack-up or semi-submersible rigs and drill ships have multiple systems and physical barriers to ensure that no spill occurs. Most important, along with multiple, redundant remote control systems, are "blowout preventers" which for deepwater wells are installed on the well at the seabed and are capable of immediate closure in event of any emergency.

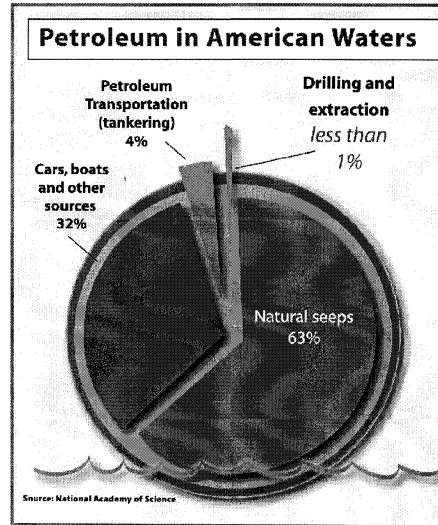
Once a field has been discovered and is in the development or production stage, completed wells flow through permanent "Christmas tree" systems—increasingly on

¹Clinton Administration DOE report: Environmental Benefits of Advanced Oil and Gas Exploration and Production Technology, 1999.

the seabed for subsea developments as opposed to on a surface facility—of multiple valves to control oil and gas flow. These may be operated from tens or even a hundred miles away with multiple, redundant communication systems.

Finally, a “downhole safety valve” is installed in the well itself below the seabed to provide an added protection barrier in the event of some catastrophic event damaging the Christmas tree.

As a result of these safeguards, the offshore oil and gas industry has a laudable environmental record.



Further proof of the safety of today's offshore oil and natural gas production comes from the 2002 National Academy of Sciences Report “Oil in the Sea III,” which finds that although the amount of oil produced and transported on the sea continues to rise, improved production technology and safety training of personnel have significantly reduced both blowouts and daily operational spills. In fact, the report states, accidental spills from platforms represent less than 1 percent of petroleum inputs in U.S. waters.

The industry remains under intense scrutiny by its two primary regulators—the MMS and the U.S. Coast Guard—as well as a host of other governmental agencies with oversight responsibilities such as the Environmental Protection Agency and the National Oceanic and Atmospheric Administration. However, it is the MMS that regulates all exploration, development, and production activities on about 8,000 active leases to ensure that these activities are conducted safely and in an environmentally sound manner. The MMS reviews and approves industry exploration and development plans before allowing any operations to commence, monitors all lease operations to ensure that industry is in compliance with relevant requirements, and conducts scheduled and unscheduled inspections. In 1997, MMS conducted over 12,000 inspections of OCS facilities.

To summarize, the latest technology and sound management practices not only allow for the continued production of domestic energy resources, but they have also made the U.S. offshore industry the envy of the world. Its environmental record is superb:

- Since 1985, more than 7 billion barrels of oil were produced in federal offshore waters with less than 0.001 percent spilled—a 99.999 percent record for clean operations.
- There has not been an incident involving a significant oil spill from a U.S. exploration and production platform in 25 years (since 1980).
- Government statistics show that the injury and illness rate for offshore workers is about 70 percent lower than for all of private industry.
- Today's modern technology includes such environmental protections as automatic subsea well shut-in devices, including sub-seabed safety valves.
- 30 percent of the 15 million fish caught by recreational fishermen annually off the coasts of Texas and Louisiana are caught near platforms.

As mentioned earlier, the industry's performance during last summer's hurricanes, which moved through a core area of offshore operations, is instructive. While it is true that 115 platforms were destroyed, the storm threatened over 3,000 facilities, the vast majority of which survived. Despite sustained winds reaching 170 miles per hour and towering waves and the resulting destruction of numerous platforms and rigs, there was no significant spill from production wells and no injury or loss of life among the 25,000-30,000 workers who are offshore at any given time.

Because today's weather forecasting capabilities provide ample lead-time as storms approach, operators are able to follow routine shutdown and evacuation procedures. In the case of the Katrina and Rita hurricanes, 100% of oil production was shut-in ahead of the storms.

Conclusion

The offshore oil and natural gas industry will continue to make advances in the development of new technologies, and these advances will allow us to keep bringing reliable supplies of energy to market while also ensuring the safe and efficient management of the nation's energy resources.

Thank you for allowing me to be here with you today.

The CHAIRMAN. Thank you. Dr. Enid Sisskin, Director of the Gulf Coast Environmental Defense.

STATEMENT OF ENID SISKIN, DIRECTOR, GULF COAST ENVIRONMENTAL DEFENSE

Ms. SISKIN. Mr. Chairman, Members of the Committee, thank you for this opportunity.

I live in Gulf Breeze, Florida with my husband and two children within site of the Gulf of Mexico. I have been a member of Gulf Coast Environmental Defense, a grassroots all-volunteer environmental education organization, since we moved there 13 years ago.

The EPA has said that water quality in the Gulf of Mexico is deteriorating. Seagrass beds are dying, fish stocks are declining, the numbers of sea turtles, marine mammals, and coastal birds are decreasing, and coastal wetlands and estuaries are disappearing.

A report by the Center for Health and Global Environment said that the Gulf of Mexico is more stressed than previously thought, and the health of the people and the economy of the coastal communities are at risk.

It would be ill-advised at best to add more and more pollution to an already-stressed system, particularly one that forms the basis of the economy of many of the Gulf States. In fact, environmental impact statements for lease sales and drilling permits, the MMS and EPA admit concern about the long-term effects of the wastes that would be discharged into the Gulf by drilling rigs.

In spite of some of the testimony you have heard, drilling, whether for oil or natural gas, is a dirty, polluting business. Each rig discharges drilling muds, cuttings, and produced waters, as well as producing trash. These waste discharges affect biological communities. Effects include elimination and inhibited growth of seagrasses, declined species abundance, altered community structure, and decreased coral coverage. Fish, marine mammals, sea turtles, and birds will also be expected to be impacted by the OCS operations.

EPA estimates the annual discharge of contaminants in drilling muds, cuttings, and produced waters from the OCS industry to be 1.7 billion pounds. And they say the extent of long-term impacts cannot be calculated.

Another potential impact is from spills. Yes, we have heard that there have hardly been any spills, significant spills in the Gulf of Mexico. Just a year ago almost to this day, a spill from an Amerada Hess drilling platform washed up on the Breton National Wildlife Refuge oiling more than 800 pelicans in the rookery, and killing almost 500 of them.

According to the MMS, due to Hurricanes Katrina and Rita, 113 drilling platforms were lost, and 140 hurricane-related oil condensate and chemical spills were reported. Six of at least 1,000 barrels, that is 42,000 gallons, the largest being a condensate spill of over 152,000 gallons.

Elevated petroleum hydrocarbons in the water column could be gone as early as six months after a spill, but residual water quality effects could occur as long as two years. If a spill were to reach our sugar-white beaches by a few months to two years after cleanup, the beach would return to approximately pre-disturbance conditions, although some oil would persist in beach sands and would be released periodically. During hot, sunny days tarballs could liquefy and cause a seep to the sand surface.

Any decrease in water quality, increase in trash, or an oil spill will cause catastrophic effects on our beaches and our economy, just recovering from the last two hurricane seasons. That is why the Pensacola Beach Chamber of Commerce, as well as 26 Florida cities and counties, have all come out strongly against drilling.

The bill we are here to discuss will lead to significant adverse impacts to coastal communities. For 25 years the OCS legislative moratorium and the longstanding Presidential OCS withdrawals have protected the coast. They represent a bipartisan, bicoastal consensus, and provide important coastal protection.

The OCS legislative moratorium was once again included in the Fiscal Year 2007 White House budget this January, and continues to enjoy the support of the President, and was just sustained on the House floor last month. H.R. 4761 would immediately rescind the moratoria and reverse the Presidential OCS withdrawals off the Florida Gulf Coast.

There is no justification nor any public mandate for this attack on these popular protections for America's most sensitive coastal waters. There is also no need to grant states any additional veto authority over the renewal of the legislative OCS moratorium each year beyond the existing ability that each state already has to opt out, through the efforts of their own Congressional delegation.

H.R. 4761 pits one state against adjacent states, who may want to keep their coast and fisheries clean and unpolluted, and punish the states which choose to protect their coastal-dependent economies.

The EPA and MMS agree that coastal states that have long suffered damage to the coastal zone as a result of the adverse impacts of Federal offshore drilling have a right to receive a fair and equitable share of Federal receipts derived from that income. Money from activities that cause a damage should be clearly used to fix a damage, not to bribe states to accept more and closer drilling, or to punish states that make the wise choice to continue to protect their coasts from the substantial adverse impacts.

Standards for the use of the money by states and localities are an absolute necessity, but lacking in the bill. What is being promoted is a new category. Gas-only offshore leasing is unmanageable, ill-conceived, and not practical.

Further, most of the adverse impacts of offshore gas drilling are virtually identical to offshore oil drilling, with the sole exception of the probability of a large oil spill. Liquid gas condensate is highly toxic to virtually all marine life on contact. Routine pollution occurs from either gas rigs or oil rigs. The worst part of this is it is unnecessary when there are faster, cheaper, and cleaner alternatives.

Our country contains less than 5 percent of the world's gas and oil reserves, but uses 25 percent of its energy. And we cannot drill our way to energy independence. It is only through conservation, increased efficiency, and use of alternative renewable energy resources that we will every be self-sufficient.

Unfortunately, the pollution and potential damage from spills and accidents don't respect safe boundaries. Bringing rigs up to a line or an arbitrary distance on a map won't stop the damage that will be caused by drilling to Florida's coastal communities.

The forecasters are predicting another decade of active hurricane seasons, and we on the Gulf Coast, as well as communities on the East Coast, can expect storms with potentially severe damage to our environment and economies. We certainly don't need to add the pollution from oil and gas operations to compound what nature will send us.

[The prepared statement of Ms. Sisskin follows:]

**Statement of Enid Sisskin, Ph.D., Director,
Gulf Coast Environmental Defense**

Minerals Management Service and U.S. Environmental Protection Agency documents acknowledge that the Gulf Coast and the Gulf of Mexico are already experiencing severe environmental stress, and have been for a number of years. Large areas experience over-enrichment, low dissolved oxygen, toxin and pesticide contamination, shellfish ground closures, and wetland loss. Degradation of water quality is expected to continue due to contamination by discharges and spills, due to eutrophication of waterbodies, and due to hydrologic modification. Contamination coming from point and nonpoint sources and accidental spills entering the water system from rural and urban sources can be both localized and pervasive. Sixteen-hundred contaminants have been measured in the Gulf's waters by USEPA. These contaminants include hazardous and toxic wastes, petroleum and petroleum products, pesticides, synthetic organic compounds such as dioxin, and metal and inorganic chemicals such as cadmium and mercury. The USEPA goes even further, saying, "Water quality is deteriorating, seagrass beds are dying, fish stocks are declining, the numbers of sea turtles, marine mammals, and coastal birds are decreasing and coastal wetlands and estuaries are disappearing." Another report, this one by the Center for Health and Global Environment, in 1998, also said that the Gulf of Mexico is more stressed than previously thought, and the health of the people and the economy of the coastal communities are at risk. These declines are for the most part, caused by humans. In Environmental Impact Statements for lease sales and drilling permits, the MMS and USEPA admit concern about the long-term and regional effects of some of the wastes that would be discharged into the Gulf of Mexico by drilling rigs.

In spite of some of the testimony you've heard, drilling, whether for oil or natural gas is a dirty, polluting business. Each rig discharges drilling muds and cuttings and produced water, as well as producing trash. Again, according to the environmental documents, these waste discharges could affect biological communities by smothering living organisms or through toxicity, causing slow growth, decreased species abundance, or altered reproduction. Specifically, discharged muds have been found to cause heavy metal, mercury and cadmium, sediment contamination. Documented biological effects on benthic organisms from drilling discharges include elimination and inhibited growth of seagrasses, declined abundance in species,

altered community structure, and decreased coral coverage. Localized effects on benthic marine organisms in proximity to OCS drilling sites have been measured, causing altered community structure, and changes in abundance lasting for ten years, or in some cases, permanently. Fish, marine mammals, sea turtles, and coastal and marine birds will be expected to be impacted by the drilling discharges, pollutants and trash from OCS operations. Any pollution in the effluent could poison and kill or debilitate these organisms and adversely affect the food chains and other key elements of the Gulf ecosystem. In the case of endangered sea turtles, any loss of individuals could impact species survival, again according to the USEPA. In addition, the actual burial of pipelines would probably cause irreversible structural impacts on the seafloor, particularly in areas where hard substrates would be encountered.

The cumulative impacts of the discharged muds and cuttings on the live bottoms of the Eastern Gulf would add to long-term regional offshore water quality degradation. USEPA estimates the annual discharge of contaminants in drilling muds and cuttings over the entire northern Gulf to be 748,000 tons. The regional impacts of the discharged drilling muds and cuttings are unknown. According to the EPA, averaging estimates on annual inputs, drilling muds and cuttings and produced water discharges from the entire OCS oil industry would contribute about 1.65 billion pounds per year and 44 million pounds per year of contaminants. According to the EPA, full determination of long-term impacts can not be calculated.

Another potential impact is from spills. There's a new urban myth—that there have not been any spills from drilling rigs in years. Unfortunately, that's just not true. Just a year ago, almost to the day, a 560 gallon spill from an Amerada Hess drilling platform washed up on the Breton National Wildlife Refuge oiling more than 800 pelicans in the rookery and killing almost 500 of them. According to the MMS, due to Hurricanes Katrina and Rita, 113 drilling platforms were lost and 146 hurricane-related oil/condensate/chemical spills were reported, six of at least 1,000 barrels (42,000 gal) were identified, the largest being 3,625 barrels (152,250 gal). Based on historical spill events, it is expected that elevated concentrations of petroleum hydrocarbons measurable in the water column would be gone as early as 6 months after the spill event, but residual water quality effects could occur as long as two years after the spill. If a spill were to reach our sugar white beaches, within a few months to 2 years after cleanup, although disturbed beach configuration would adjust to approximately predisturbance conditions, some oil that penetrated to depths beneath the reach of the cleanup methods would persist in beach sands and could be released periodically when storms and high tides resuspend or flush through beach sediments. During hot, sunny days, tarballs buried near the surface of the beach sand could liquefy and cause a seep to the sand surface.

Any further decrease in water quality, increase in trash, or oil spills will have catastrophic effects on our beaches and our economy, just recovering from the last two hurricane seasons. That's why the Pensacola Beach Chamber of Commerce as well as 26 Florida cities and counties have all come out strongly against drilling. These cities and counties represent more than 8 million Floridians who are aware that our economy depends on a healthy environment.

The bill we are here to discuss will lead to significant adverse impacts to the coastal communities. For 25 years, the OCS Legislative Moratorium and the long-standing Presidential OCS Withdrawals, have protected the coasts. They represent a bipartisan, bicoastal consensus and provide the most important cornerstone of U.S. coastal protection. The OCS Legislative Moratorium was once again included in the FY 07 White House Budget Document this January, continues to enjoy the support of the President, and was just sustained on the House floor last month. H.R. 4761 would immediately rescind the Legislative OCS Moratorium nationwide, in all U.S. coastal waters for both oil and gas drilling, and would reverse the Presidential OCS Withdrawals off of the Florida Gulf Coast. There is no justification, nor any public mandate, for this attack by H.R. 4761 on these popular protections for America's most sensitive coastal waters.

There is also no need to grant states any additional "veto authority" over the renewal of the Legislative OCS Moratorium each year beyond the clear existing ability that each state obviously already has to "opt-out" through the efforts of their own congressional delegation. The House delegation from any state could, right now, openly work to exempt their own state's coastline from continued protection in any given year. H.R. 4761 permanently writes all Members of Congress out of the decision making process as to how, where, and when expanded offshore drilling takes place off of their state. H.R. 4761 unnecessarily complicates the existing state role, in fact, and entangles the Governor and the state legislature of a coastal state in an onerous and time-consuming process that repeatedly imposes an unnecessarily high burden of proof, and very tight deadlines that are unlikely to be achievable,

upon the Governor and state legislature of each state. State legislatures are not in session year-round in most states, making gaining concurrence at multiple junctures between a Governor and a state legislature unnecessarily complicated at best, and often virtually impossible. H.R. 4761 pits one state against adjacent states who may want to keep their coast and fisheries clean and unpolluted, and punishes states who choose to protect their coastal-dependent economies with continued legislative measures. States rights are seriously eroded in other ways, as the siting of transportation corridors through state waters, for subsea pipelines or tankering of crude oil from offshore rigs, would be pre-empted by the federal government in provisions contained in H.R. 4761.

As previously stated, the EPA and MMS agree that coastal states that have long suffered damage to their coastal zone as a direct result of the adverse impacts of federal offshore oil and gas drilling have a legitimate right to receive a fair and equitable share of federal receipts derived from federal offshore lease bonus bids and rents and royalties. Scientific studies tell us that extraction of oil and gas has caused significant subsidence (sinking) of coastal wetlands along an extensive portion of the Gulf Coast. The oil industry has cut deep channels for pipelines and for drill barge and vessel access to wellheads and other petroleum facilities, while sequential tropical storms have further eroded important coastal wetlands by scouring out these dredged channels and thus made coastlines even more vulnerable to storm damage. Money from the industrial activities that caused that damage should clearly be channeled to fix the damage, however, there is no legitimate justification for arbitrarily designing an allocation formula for directing federal OCS receipts to states in a manner that bribes states to accept new federal offshore drilling and more drilling closer to shore, or that punishes all states that make the legitimate choice to continue to protect their coasts from these same kinds of massive adverse impacts. It is obvious that all federal OCS receipts directed to states and localities should be utilized to mitigate damage from OCS activities, not to construct additional damaging infrastructure to attract even more drilling or to build inappropriate and harmful projects that further degrade the coastal zone, so strong standards for the use of the money by states and localities is an absolute necessity, but is lacking in H.R. 4761.

What is being promoted as a new category of so-called "gas-only" offshore leasing is unmanageable and ill conceived, and H.R. 4761 grants undue discretion to the Secretary of the Interior in deciding what combination of gas and liquid gas condensate would be deemed a "gas-only" lease. To provide a Governor and a state legislature with only 180 days in which to react to an "accidental" discovery of crude oil on what was originally promoted as a natural gas lease, or else the "gas only" lease would automatically become an oil and gas lease, is simply not practical, when most state legislatures are not in session throughout the year. Further, most of the adverse impacts of offshore gas drilling operations are virtually identical to offshore oil drilling operations, with the sole exception of the probability of creating a large oil spill. Liquid gas condensate is highly toxic to virtually all marine life on contact. Routine ocean dumping of spent drilling muds containing cadmium and mercury, random discharges of "produced waters" sometimes containing radium, and daily discharge of toxic hydrocarbons like benzene, toluene, and Polycyclic Aromatic Hydrocarbons (PAH compounds) occurs from either gas rigs or oil rigs.

The worst part of this it is unnecessary when there are faster, cheaper and cleaner alternatives. Our country contains less than 5% of the world's gas and oil reserves and uses 25% of the world's petroleum. We cannot drill our way to energy independence. It's only through conservation, increased efficiency, and use of a combination of alternative, renewable energy sources that we'll ever be self sufficient.

Unfortunately, the routine water and air pollution and potential damage from spills and accidents don't respect state boundaries. The Gulf is already stressed, and bringing rigs up to a line or an arbitrary distance on a map, won't stop damage that will be caused by drilling to Florida's coastal communities. The forecasters are predicting another decade of active hurricane seasons, and we on the Gulf Coast, as well as communities along the East Coast, can expect storms with potentially severe damage to our environment and economies. We certainly don't need to add the pollution from oil and gas operations to compound what nature will send us.

The CHAIRMAN. Thank you. Mr. Jindal.

Mr. JINDAL. Thank you, Mr. Chairman. I thank the witnesses for their testimony.

Jeff, I have a couple of questions for you. In the testimony you heard from Mr. Cleveland before he had to leave, he noted in his

testimony energy production activities in Wyoming coexist with wildlife, and that a state doesn't have to choose one over the other.

In Louisiana we have seen evidence that rigs off of our coast have provided some of the most fertile grounds for aquatic life, and have spawned lush marine habitats. I have been told in one MMS study they found that 22 percent of the recreational fishing trips, 94 percent of the dive trips in the Gulf, from Alabama to Texas, are taken within 300 feet of an oil or gas structure or an artificial reef created from these structures.

I guess I am asking you, based on your knowledge and experience, do you agree with the order of magnitude of those numbers? Is it possible for you to quantify the ecological benefits of the Rigs to Reefs Provision in this bill, and the positive impacts it might have on fostering marine life out in the Gulf, especially as it relates to Louisiana?

Mr. ANGER. Thank you, Congressman Jindal. There is no question that when a fisherman is fishing in the Gulf, he is typically, if he is fishing for reef fish, not going to be fishing in the vast open waters. He is going to be looking for structure.

We have great practical experience in the Gulf that we catch fish at rigs. We catch more fish at rigs that have been converted to reefs. And the nation's foremost expert, as a matter of fact, Dr. Bob Shouppe, who is the Chair at the University of South Alabama, is the nation's foremost expert on the conversion of rigs to reefs.

Many scientists have studied the impact of this method of habitat enhancement to determine if it creates more fish, or if it just encourages the aggregation of fish that happen to be in the surrounding area. The red snapper example is best, and seems to produce the most long-term definitive benefit.

Yes, habitat creates more fish. Sound fishery management is still necessary to address the health of the entire stock. But as a fisherman, more fish is better than less fish. Artificial reefs are new habitat or continuing habitat, and we support their use in shore and off. And our members benefit from them, and the general public benefits from them universally.

Mr. JINDAL. Thank you, Jeff. Mr. Fry, I have a question for you. We heard in testimony that between 1980 and 1999 there were 3 million gallons of oil spilled as a result of oil and gas drilling. I am told that MMS estimates that 1,000 barrels naturally seep into the ocean every day; that would be about, just to do the math, 7.3 million barrels, or 306 million gallons, during the same time. I will repeat that: 3 million barrels, 306 million gallons naturally seeped during that same time period.

Could you comment on the newest technology? Do you think that technology has advanced to the point that oil spills don't pose the risks that they did maybe several years ago, from decades ago?

Mr. FRY. Certainly with the technological advances that have taken place, we have reduced the opportunity for and the risk of oil spills.

I think you are referring probably to the study done by the National Academy of Sciences, wherein, using percentage figures rather than gross figures, two thirds of the oil that is in the sea comes from natural seeps. You can see it. That is how people found the oil that is offshore California, Santa Barbara, because there was oil

on the shoreline, and said oh, there must be some oil down there, let us drill for it. So that is where most of the oil in the sea comes from.

The second place, of the remaining portion, you take two thirds out, another two thirds of what remains is from runoff. It is runoff from people changing the oil in their car, it is runoff from agricultural activity that comes down the Mississippi or other rivers.

One percent or less than 1 percent of the oil that is in U.S. waters comes from drilling operations.

Mr. JINDAL. I have one final question. Dr. Sisskin, I suspect you and I are going to disagree about a couple of things. But I see that historically you have supported 100-mile leasing moratoria, a moratorium around Florida.

I am trying to understand why you oppose our legislation if it gives the people of Florida the opportunity to impose a 125-mile moratorium. And I know we don't have a lot of time, and I apologize for that. But could you explain to me, why would you oppose giving the people of Florida the power to control 125 miles from their coast when they don't have that power today?

Ms. SISSKIN. Well, part of it would be because it would be pitting one state against the other, bribing states to accept more drilling closer, and setting up a cumbersome process where the Governor and the legislator would have to meet to renew in incremental amounts, and do this on a regular basis.

We believe that if the state does not want to have drilling, they can opt out in a dear Member letter. They can say that they don't want to be in the moratorium.

And we actually have not, my group itself has not agreed that 100 miles is good. I think at this point with the Gulf of Mexico, we should be weaning away significantly from drilling anywhere in the Gulf of Mexico. We should be having basically a Manhattan Project to take the money that we are giving to the fossil fuel industry, and get alternatives, more conservation, give major tax breaks for conservation. We should be doing what we can do right now.

We can reduce our dependence on foreign oil immediately, rather than in a 10-year time span that it would take to get all this drilling done, by just increasing conservation efficiency and start relying on more alternative and renewable sources. Countries in Europe are doing it all the time.

Mr. JINDAL. I guess I am confused. I mean, off your web page I have a document in front of me I will be happy to share with you that says that the Gulf Coast Environmental Defense Fund and another group support a 100-mile buffer zone for the entire State of Florida.

Ms. SISSKIN. That is not our web page. So I wish you would show it to me.

Mr. JINDAL. I will be happy to do that after the testimony. Thank you very much for being here today.

In closing, Mr. Chairman, I certainly agree that we need to be pursuing conservation alternative to energy. I certainly hope your group is in support of a variety, a full range of alternatives, whether it is nuclear power, whether it is wind power, whether it is other renewable powers by diesel, ethanol.

However, I would certainly like to suggest that in the near future we are going to continue to be dependent on energy taken out of the Gulf Coast. And I think it is to all of our benefit that we manage that responsibly, and we give states ultimately the decision of what happens off their coasts.

But thank you for your testimony. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Melancon.

Mr. MELANCON. Thank you, Mr. Chairman. Jeff, let me ask a question, because this came to my attention yesterday. On the Rigs to Reefs, there are reef areas where they are depositing the rigs that the oil companies want to take down. And I am understanding that there is a move to try and just knock them down where they are, rather than put them into the reef areas. Have you heard anything about that? I mean, that is something I just heard yesterday, and it is from since the storm, I understand.

Mr. ANGER. No, sir, I am not familiar with it. But you know, the concern, we do continue to have the concern about them removing some of the platforms where we have had habitat built up that we would like to figure out a way to retain. And that is one of the great things that this Act might do for us.

Whether they are tipped over in place or moved to another spot, we would just like to keep the structure out there.

Mr. MELANCON. My only concern is that the navigational hazards that are out there, especially when you get into the shallow waters.

Mr. ANGER. Yes, sir.

Mr. MELANCON. Ms. Edwards, you made a statement, I think, and correct me if I am wrong, that it is proven that offshore drilling is environmentally bad, or something similar to that.

Ms. MCCORMICK. Ms. McCormick. I think you said Ms. Edwards.

Mr. MELANCON. Ms. McCormick, I am sorry, yes.

Ms. MCCORMICK. That is fine. That drilling is bad?

Mr. MELANCON. Yes.

Ms. MCCORMICK. Yes, I did make that statement.

Mr. MELANCON. Environmentally bad? Is there any numbers anywhere that we could put our hands on that show the deterioration due strictly to the offshore drilling?

Ms. MCCORMICK. Yes, sir, I can certainly get some information to you and some facts to you. Absolutely.

Mr. MELANCON. I would like to see that. You know, one of the things—and of course, I have always kind of had in my mind—I wasn't sure about the global warming, but now that I have seen the enormity and the locations of different weather patterns throughout the United States that are just not the norm. I am 58 years old, and it is nowhere close to norm. I have become pretty convinced that the global warming is a reality, or I think it is something we need to look at.

And I agree with Mr. Jindal, we need to conserve, we need to do those kind of things, find additional sources of renewable energy.

But in the meantime, we have to do something to make sure that our jobs, industry, and everything else doesn't go away. Because it doesn't do us a bit of good if people don't have work, or they are all leaving this country. I mean, sometimes I wish I didn't have

neighbors, too. But at the same time, I think they have as many rights.

What I have seen in the Gulf Coast, and as I have told Representative Putnam not long ago, he caught a big shark and they were all big smiles and happy about it. And I invited him to come over to Louisiana and we would catch him some fish that he could eat, and catch a whole bunch of them. It wasn't going to be just one fish and it is over.

You know, the estuaries of the coastal wetlands, which is what the bills and the revenue sharing is all about, is to rebuild what is the biggest or largest and most productive wetlands in the United States, and to try and start saving Louisiana.

You know, thousands upon thousands of years ago, Cape Girardeau was where the coast was. And the government, after the floods of 1927, decided they needed to build levees to protect all the people in central, western, northwestern, and east central United States. And the problem that left us with was all that sediment that kept our wetlands building is gone, and it goes off into the Continental Shelf.

At the same time that I support drilling, I feel very, very strongly, significantly and enormously strongly, about the fact that we are not looking at what we have done to the coast, to the Gulf Coast. And we need fuel, and we need the energy. And if it is done as environmentally friendly, then what do we do if we don't drill? Either of you ladies? What do we do for energy?

Ms. MCCORMICK. Well, part of the problem is lack of a comprehensive energy policy that we have not had for years and years and years. Our policy has been to stick another hole in the ground and pull up some more fossil fuel.

We need to immediately, immediately—I mean, right now we have no alternatives, you are right. We can't tomorrow stop drilling. But we can tomorrow put a bill in front of the Congress that gets us a rational energy policy, one that subsidizes significantly conservation. Get the cafe standards of automobiles up there. Just raising them to 40 miles per gallon could do away with most of our imported, or needs for imported oil.

We need to be working diligently right now to get alternatives out there. I mean, you have people, you are talking about engineers, have them working on alternative fuels.

The problem is Europe is doing that right now. Germany and Denmark are getting up to about 35 percent of their energy needs from wind power. There are countries in Europe who are getting it from all sorts of alternatives. When I was researching a different talk I was giving, I was amazed at the alternatives I had never even heard of.

But we are going to be a debtor nation again when we have to buy the technology from other nations when they figure out how to get alternative fuels to be both cost-efficient, as many of them are right now, and to substitute for the fuels we are using.

Yes, in the short term we are going to have to keep doing what we are doing. But we have to turn it around and seriously start looking to wean ourselves away from fossil fuel.

Mr. MELANCON. Mr. Chairman, could I ask for a minute or two extra?

I have been to Europe; I know what the price of gas is over there. The natural gas is cheaper, and they use quite a bit of it. But their gasoline isn't so. They were forced to conserve, and I think we are going to be forced to conserve if we don't start paying attention.

As far as getting a policy out of the Congress, Congress, probably as most of you know, works a lot slower than anything else. And even if you did a bill tomorrow, it would take a number of years to get that conversion. Even if we did a bill for outer Continental Shelf drilling, it is going to take several years before we get out there and start producing.

In the meantime, our dependency on foreign oil and foreign gas is ever-growing. And I don't know if you were in earlier. I represent that south Louisiana area. And the jobs that used to be at those fertilizer plants, that used to be at those plastic plants, they are gone. They are leaving. They are leaving this country, and they are going to China and other places that are exploring worldwide.

For instance, China and Cuba are going to be having rigs within sight of the coast of Florida, as I understand, if not already. Mr. Fry started to, I think they have done all the seismic work, it is a matter of starting to move the rigs out.

So we are going to be here where I think those rigs will be within 60 miles of the Florida coast, but our country is not going to drill within 60 miles of Florida. And we will continue to have an energy crisis. And China is not going to have the problem, and Cuba is not going to have the problem.

And I understand the fairness thing. But at the same time, people expect, at the same time they criticize government, they expect their government to do a lot for them. And without raising more taxes, which I am opposed to, we need to find some ways to do it.

And this disaster that happened in Louisiana, if I can put it maybe in some perspective, the largest property loss in the history of the State of Louisiana that was insured was half a billion dollars after Andrew. And now the largest property loss in Louisiana after Rita and Katrina is \$40 billion. And we have to rebuild. Our government is already bankrupt. We are a debtor nation past what anybody even wants to talk about, and we have to get that back on course.

But if we don't drill to provide the energy we need, two things happen to Louisiana. One is the jobs and the quality of living is going to be going. And then the second thing is that we just won't ever be able to rebuild, and all the fisheries that we concern ourselves with, and I think Jeff and his group and I personally don't want to see those kind of things going away. And I think global warming is maybe more the cause, from what I have read, of the reefs and this other deterioration. The sea itself is changing.

But anyway, I thank you, Mr. Chairman, for letting me do that and have a little extra time. I will turn it back.

The CHAIRMAN. Thank you. Dr. Sisskin, one of the frustrating things that I have got, and one of the difficulties that we have in this Committee, I agree with you that we have not had a comprehensive energy policy in this country for decades. And I think that anybody that claims that we have either doesn't know, or they are just not being very honest about it.

In the seventies we had the initial energy crisis in this country. At that time a third of our energy came from foreign countries.

Since then, our energy policy has not been to drill another hole. Our energy policy has been "No." Our energy policy has been no to opening up anything new, to expanding anything, to doing anything to actually address an energy shortage.

And in that time we have gone from a third of our energy coming from foreign countries to two thirds of our energy coming from foreign countries. And that is growing dramatically.

If you compare what we have done over the last 30 years to develop new energy in this country, it is dwarfed by just about every other developed country in the world. Because they haven't said no. They have done things that expanded energy production domestically, which we haven't.

I find it interesting, you talk about wind energy. I am, and have been, a big proponent of wind energy. One of the very first wind farms that was built anywhere in this country was built in my district, and it has been extremely successful over the last 20 years, to the point where it produces a huge amount of electricity out of that wind farm.

Those windmills are up for renewal right now, their permits to be renewed. And environmental groups are filing lawsuits against the renewal of those wind energy permits, because of the impact that it has on birds.

It doesn't seem like, no matter what we propose, that people are in favor of it. Someone is going to file a lawsuit to stop anything.

You talk about last year's energy bill. Almost half of that energy bill was dedicated toward conservation and efficiencies, and that side of the equation, which I think all of us agree is important.

But as Mr. Jindal said and Mr. Melancon and others on the Committee, even if we put as much money as we have, billions of dollars, into research and development on alternative energy and try to expand that, none of it is going to happen overnight. And we have to do something to produce, in the short term and the medium term, what we need to meet our demands on energy. And we are just not doing that.

People complain about \$3-a-gallon gas and electricity rates going up, and the impact that that has on all of us. But very few people are willing to stand up and be honest, and say we have to do something. And what we are doing right now is not really working.

This whole issue with, I believe it was Ms. McCormick that mentioned that in the middle of all of this, the Resources Committee is having a hearing on a horrible bill about offshore oil and gas development. This issue was thrown in our lap. I have heard several people that have talked about, you know, once again the House has reaffirmed the moratorium. We barely hung onto that moratorium.

Ms. MCCORMICK. I know.

The CHAIRMAN. And that is at today's prices, without a concerted effort on the part of anybody to do away with that moratorium. We were within a few votes of losing that moratorium for the entire country within three miles of your coast, and it would have been gone.

That temporary moratorium that was put in place 20 years ago, 20-plus years ago, was put in place because Congress decided that

they wanted to take a break, and say let us reform how we deal with our outer Continental Shelf. And for 20-plus years, we have been waiting, and it hasn't happened.

What Mr. Jindal and Melancon and the authors of the other two dozen bills dealing with offshore have come up with is to try to deal with what the reality is, and how do we expand energy production in this country, at the same time allowing states like Florida, that do not want any kind of offshore development within 100 miles of their coast, the ability to have some say and control over that. Because right now you don't.

And I come from the biggest delegation in the House, 53 of us. And if Congress decides they want to develop off the coast of California, there is not a heck of a lot the 53 can do. And we can all vote against it, but if their constituents are demanding that we do something about the high cost of oil and the high cost of gas, the rest of the delegations that don't represent California aren't so interested in it.

And what we are trying to do, what the attempt is is to give states the ability to have some say over what happens off of their coasts.

Now, you know, obviously there are Members of this Committee that feel differently than I do. There are Members that think that we ought to do away with the moratorium, and start going right now. But I have to try to find a balance between the ones who want to do away with the moratorium tomorrow and those that want absolutely no new energy produced in this country no matter where it comes from. And you have heard from both of them today.

And what we are trying to do is find that balance and that compromise, and somehow we are going to do it by the time this over with. But I have a responsibility, as every Member of this Committee does, that we have to find additional resources to provide energy for this country. We cannot, in good conscience, continue to say that our national energy policy is "No." And that is what it has been for the last 30 years, and we have to change that.

I will give it to you, part of that has to be research and development in new technology on alternatives. That absolutely has to be part of the equation. But the other side of it is we are dependent on fossil fuels today for our energy, and we can no longer afford, morally afford, to rely for two thirds of our energy to come from foreign sources.

I appreciate the testimony of this panel. Obviously there are differing opinions from all of you, but I think it is important that at some point, that we look at this in terms of how do we come up with the best possible policy for the long term for the United States, and not just look at what our short-term interests may be, as we have done in the past.

Unfortunately, there are a number of other hearings and mark-ups that are going on at the same time as this, and we have Appropriations bills on the floor. But there are several other Members of the Committee that did want the opportunity to ask questions of this panel. They will submit their questions to you in writing, and if you could answer those in writing I would greatly appreciate it, because I would like to have it be part of the Committee record. So thank you very much for your testimony.

Yes, Mr. Melancon.

Mr. MELANCON. And I would like to reiterate the Chairman's comments. And I have only been here a short time, and I have seen you try to make the balance between conservation and environmental protection and production of oil for the entire United States to keep going. And my door, and I think I speak for everybody that is on this Committee, is open to people with ideas to make this thing work, and to protect the environment as best we can.

If we didn't have to do it, we wouldn't be doing it. That is the reality. And so I thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I want to thank all of our witnesses today and Members of the Committee for participating in this.

If there is no further business before the Committee, the Committee stands adjourned.

[Whereupon, at 3:54 p.m., the Committee was adjourned.]

[Additional material submitted for the record follows:]

[The prepared statement of Mrs. Cubin follows:]

**Statement of The Honorable Barbara Cubin,
Representative for All Wyoming**

Mr. Chairman:

For three decades, this country has been on the path toward a serious energy supply shortage. Home heating costs are up and everything that rolls, floats, or flies costs more to operate. But the supply crunch we are facing doesn't only affect the energy costs for our homes, cars or tractors; it jeopardizes our national security.

Adequate energy deposits exist within our borders and just off our coastlines to meet the majority of our nation's energy needs. Technology to best access these energy sources is improving everyday, and efforts to manufacture new renewable energy supplies are also on the rise. However, outdated environmental rules and a lack of an aggressive domestic production strategy have kept this country from securing our own energy future. Domestic production simply must increase to address this very real national security issue, and production on the Outer Continental Shelf (OCS) is an important piece of that solution.

I am a cosponsor of the bill before us today because it takes the responsible action to produce the valuable energy resources on the OCS while providing affected coastal states a voice as to where leasing occurs. These states are also guaranteed a significant financial return from that development through appropriate revenue sharing when successful production occurs.

Over the past several years, Wyoming has enjoyed billions of dollars in state budget surplus, due largely to royalties collected from an active energy industry in the state. I spent eight years as a state legislator in Wyoming and I can tell you firsthand—the burden of trying to figure out how to allocate those funds is a pretty nice problem to have. With the passage of H.R. 4761, our nation's coastal states have a real opportunity to experience this "problem" for themselves.

This legislation does not only benefit coastal states. Despite the obvious national benefits of increased domestic energy production, H.R. 4761 contains several other provisions that will assist western states like Wyoming pursue additional energy resources—and in a manner that is sensitive to environmental concerns such as natural habitat.

One innovative provision in the bill would create a Federal Energy Natural Resources Enhancement Fund to monitor wildlife and fish habitats and air and water quality. This would provide financial resources to assist state and federal agencies working in concert with the energy industry to better manage the careful balance between development and habitat protection.

Another provision of this bill would aggressively promote continuing education programs in the applied science and engineering fields necessary to fill current labor gaps in an increasingly advanced domestic energy industry. H.R. 4761 would also establish a royalty framework for the new oil shale leasing program established through the Energy Policy Act signed into law last summer. Vast western oil shale deposits—including those that reside in the Green River and Washakie basins in Wyoming—total some two trillion barrels of oil resource. This bill will ensure western states share in the revenue created when this massive resource is tapped.

As we move forward with this legislation, it is important we continue to gather input from the local level. I am happy to see that our panels today will assist us in doing so. I would also like to personally welcome both Terry Cleveland, Director of the Wyoming Game and Fish Department, and a fellow former Wyoming State Legislator, Acting Assistant Secretary Johnnie Burton. I look forward to both of your testimonies.

Thank you, Mr. Chairman, for holding this important hearing and I yield back the balance of my time.

[A letter submitted for the record by George Swift, Interim President and CEO, The Chamber SWLA, follows:]



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June 12, 2006

Re: Bill H.R. 4761

Honorable Richard W. Pombo, Chairman
House Resources Committee
1324 Longworth House Office Building
Washington, D.C. 20515-6201

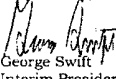
Congressman Pombo,

The Chamber SWLA supports Representative Bobby Jindal's efforts to pass H.R. 4761 which will increase Louisiana's share of energy royalties produced offshore. This bill to extend the presidential ban on offshore oil and natural gas production through 2012 establishes boundaries where each coastal state can drill and allows Louisiana to request that no leasing take place after 2012 within 125 miles of our coastline.

Similar in scope to Senate Bill 2384 sponsored by the Senators of the Gulf Coast, H.R. 4761 provides the Gulf Coast states compensation for the effects of producing the energy needed by our nation on our coastline and environment. After the devastating effects of Hurricanes Rita and Katrina on our coastal communities, it is evident now more than ever that steps must be taken to provide the resources necessary to rebuild and strengthen our ailing wetlands and coastlines.

The energy produced off the shores of Louisiana lights our nation's cities and fuels our American drive. While we strongly advocate new production off of our shores to meet demands and facilitate American energy independence, the inequity of not sharing offshore mineral revenues with the states effected by process of energy production spells disaster for our environment and our ability to protect our citizens from the onslaught of future natural disasters.

Respectfully,


George Swift
Interim President and CEO
The Chamber SWLA

cc: U.S. Congressman Bobby Jindal

AW/MT

