ipaa
America's Oil & Gas Producers

October 11, 2005

Ms. Renee Orr
5-Year Program Manager
Minerals Management Service (MS-4010)
Room 3120
381 Elden Street
Herndon, Virginia 20170

Subject: Comments on Preparation of the 5-Year Program for 2007-2012 and Scoping Comments on the EIS for the 5-Year Program 2007-2012

Dear Ms. Orr:

The Independent Petroleum Association of America (IPAA) appreciates the opportunity to submit comments to the Minerals Management Service (MMS) on the preparation of a new 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing program and scoping for the environmental impact statement. The members of the IPAA that operate in the OCS are dedicated to energy production from the domestic offshore and are keenly interested in the development of the next 5-Year program.

The OCS is a vital part of the nation's energy infrastructure. In 2003, the Gulf of Mexico OCS contributed 29 percent of the oil produced in the United States and 22 percent of the domestic natural gas. Unfortunately, due to limits on development through congressional and administrative moratoria that prevent exploration and production in most of the Eastern Gulf of Mexico and the entire Atlantic and Pacific OCS, 90 percent of the acreage off the lower 48 states is "off limits" to energy development. Without new access to our nation's vast oil and gas resources in the OCS, domestic oil and natural gas production will decline. As our nation's energy demand continues to increase, a failure to provide needed access to the OCS will increase domestic energy prices, slow U.S. economic growth and create hardships for industrial, chemical and agricultural producers who rely on natural gas for many of their activities.

Independents in the Outer Continental Shelf

Over the last decade, independent oil and natural gas producers have steadily increased their presence in the OCS, particularly in the Gulf of Mexico. By almost every measure, independent producers play an increasingly important role in the exploration for and development of oil and natural gas from the OCS. Independents are a major force in the federal offshore property – accounting for 80 percent of the Gulf of Mexico's shallow water leases, and 50 percent of deepwater leases.

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IPAA members own, explore, develop and operate in the OCS in an environmentally sound, protective and responsive manner. In short independent producers that operate in the OCS proudly carry an exceptional responsibility to not only deliver a large share of the nation's energy supply, but also do it in an environmentally responsible manner.

The next 5-Year program will define the shape and scope of domestic offshore energy development. It is vital that our country develop a leasing program that provides maximum flexibility for our nation to address our energy needs. The MMS and industry share a challenging task ahead to ensure the needs of the nation are met; and we accept our responsibility to do our part.

Broad Analysis is Key

The IPAA encourages the MMS to include all areas of the OCS, including those currently under administrative withdrawal or leasing moratoria, in the next 5-Year plan. The Western and Central Gulf of Mexico have been, and are expected to remain, key to independent producers in the GOM and we urge the MMS to continue the annual offering of all acreage in these areas. However, in order for our nation to fully realize the potential of the OCS for oil and gas development all areas should be included in the scoping document, including the planning areas of the Atlantic and Pacific coasts. The Eastern Gulf of Mexico is an area that holds great potential for future oil and natural gas production. We urge the MMS to include all of the lands in the Eastern Gulf planning area in the next plan and provide our nation with the opportunity to access the vast oil and gas resources in this area. This broad analysis will give the MMS increased flexibility to address the changing circumstances and energy needs of the nation.

Sale 181

The IPAA recognizes the opposition to leasing the Sale 181 area expressed by the State of Florida. However, as the energy demands of our nation continue to grow, the Sale 181 area and the entire Eastern Gulf of Mexico provide outstanding opportunities for the development of significant energy resources. Independent producers are especially interested in the Sale 181 area because we believe the region is likely to yield substantial natural gas reserves and is accessible for smaller producers.

The Sale 181 area also provides our nation with the opportunity to develop shallow water and deepwater tracts and provide balance in the next plan. The IPAA supports a balanced approach to strengthening our offshore development infrastructure. The MMS should recognize the need for a strategic development strategy that includes both short-term and long-term asset acquisition and development. It is clear that the nation needs the clean gas reserves that may be located in the Sale 181 area and the next plan should provide the flexibility to develop this region quickly and efficiently. The MMS should recognize the need for a strategic development strategy that includes all areas of the OCS in the upcoming plan which will help reduce the nation's reliance on imported fuels.

Alaska OCS

We also urge the MMS to include all of Alaska's federal offshore waters in the next leasing plan. Alaska contains some of the most important potential sources of offshore energy supply in the United States with billions of barrels of oil and significant amounts of natural gas. Although independent offshore producers have not played a significant role in Alaska in the past, areas such as the Chukchi Sea, Bristol Bay and the Beaufort Sea all have excellent hydrocarbon potential in the future.

Legislative, Regulatory and Administrative Impediments to Offshore Development

The current OCS policy is not flexible and does not allow our nation to develop reasonable solutions to issues facing offshore energy production. Instead of developing a rational program that allows the Administration and Congress to make informed decisions based on a variety of factors, including seismic, human and environmental data, the current system removes 85 percent of the lower-48 OCS from oil and natural gas leasing. This "straight-jacket" approach to OCS energy policy does not recognize the outstanding environmental improvements made in offshore production and limits these valuable oil and gas resources from being used by the American people that own it. The current system of administrative withdrawals and moratoria do not serve the best interests of our nation or the American public and should be ended.

As we move forward with development of the next 5-Year plan, IPAA urges the Administration to take a new look at our nation's OCS energy plan. Even in areas that are available for leasing, the current regulatory system is extremely onerous and causes delays and confusion for independent operators struggling to comply with the law. We urge the MMS to work with the other federal agencies that are involved with protecting offshore resources to streamline their processes and look for ways to unify the permitting process. This would not only increase efficiency, but create a better system for operators and government officials charged with administering the program.

Natural-Gas Only Leasing

As with any industrial development activity, there are minimal environmental risks associated with oil and natural gas activities offshore. However, although we realize that there may be situations in which certain offshore areas may be prone to natural gas development, we do not believe it is wise to limit leasing to natural gas only.

In 2002, the National Research Council of the National Academy of Sciences completed a report entitled "Oil in the Sea III," in which it found that from 1985-2001 offshore oil and gas development, including pipelines, accounted for only 2 percent of the volume of oil spilled in North American waters. The NRC report also found that in North America, natural seepage was the single largest source of oil in the water accounting for 63 percent of total inputs to the marine environment. The U.S. Coast Guard completed a similar study in 2002 in which it found that between 1971 and 2000, U.S. OCS offshore facilities and pipelines accounted for only 2 percent of the volume of oil spilled in U.S. waters.

Clearly, the industry continues to have an outstanding environmental and safety record and we do not believe there is a need to limit certain offshore leases to natural gas only.

We appreciate the opportunity to provide the MMS with these comments on the proposed Outer Continental Shelf Oil and Gas Leasing program for 2007-2012 and look forward to working with you as this process moves ahead.

Sincerely,

Charles D. Davidson

Charles Davidson
Chairman
IPAA Offshore Committee