



STATEMENT BY
THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA
BEFORE THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
REGARDING S. 2253

February 16, 2006

The Independent Petroleum Association of America (IPAA) represents over 5,000 producers of domestic oil and natural gas. Independent producers drill 90 percent of the nation's oil wells, produce 85 percent of America's natural gas and 60 percent of domestically produced oil. IPAA appreciates the strong efforts of Senators Domenici and Bingaman and the other cosponsors of S. 2253 in recognizing the need to open a portion of the Sale 181 lease area and encourage the Senate to be even bolder and open the entire region to exploration and production.

Independent producers play an increasingly important role in offshore energy development. Independents now hold 90 percent of the leases in the Gulf of Mexico, including 75 percent of the deepwater leases. IPAA's members are the leaders in providing natural gas and oil from the U.S. waters that are open to exploration and production.

Continued development of the nation's offshore areas is needed to meet the country's demand for energy resources. Unfortunately, only about 10 percent of the nation's Outer Continental Shelf (OCS) areas outside of Alaska are available for our producers to apply the best energy technology in the world. According to resource estimates made by the American Petroleum Institute, if all of the restrictions on America's OCS lands were lifted, the nation could replace oil imports from the Persian Gulf for the next 59 years. If America is to meet its growing demand for oil and natural gas, access to federal offshore areas like Sale 181 is essential.

Although the IPAA supports any effort to open additional areas of the OCS to exploration and production, it does not believe S. 2253 needs to include an arbitrary 100 mile buffer from the State of Florida. The Senate should not reduce the size of the Sale 181 area, but open the entire region for exploration and production. Every other state should not be denied access to the valuable energy resources contained in the Sale 181 area in order to placate the imaginary concerns of a vocal minority in the State of Florida.

Through the use of advanced technology, the offshore oil and natural gas industry has compiled an outstanding record for operating safely in the OCS. 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 two 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 two percent of the volume of oil spilled in U.S. waters. Finally, the recently completed U.S. Commission on Ocean Policy, citing figures from the Minerals Management Service, found that 97 percent of OCS spills from 1985-2001 were one barrel of oil or less in volume and that the total volume and number of spills continues to decline. Clearly, the industry continues to improve its environmental and safety record even as worldwide offshore production expands.

The entire Sale 181 area is a vital part of the nation's energy future. The environmentally safe development of urgently needed oil and natural gas supplies through access to the region is a vital component of an effective national energy strategy. The limited offshore region considered in S. 2253 contains an estimated 4.8 trillion cubic feet of natural gas, which can play a critical role in helping America address its energy needs. Finding new natural gas supplies from the Gulf of Mexico is not simply a regional issue. The reserves in the sale area would provide needed oil and natural gas throughout most of the United States. In fact, the impact may be especially significant in the Midwest, where natural gas is used in more than three-fourths of the households and is a major energy source for agriculture and industry.

IPAA is pleased the committee is engaged in a serious effort to increase access to America's offshore energy resources. Providing access to the Sale 181 area is critical and requires making new policy choices with regard to offshore federal lands. Offshore oil and gas development has and can occur while accelerating the protection and improvement of the environment, and increase America's energy security.

IPAA stands ready to work with the committee to address the nation's energy needs and looks forward to working on expanding access to the Sale 181 area.