

**EVALUATING PRESIDENT OBAMA'S
OFFSHORE DRILLING PLAN AND
IMPACTS ON OUR FUTURE**

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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**OVERSIGHT HEARING ON “EVALUATING
PRESIDENT OBAMA’S OFFSHORE DRILLING
PLAN AND IMPACTS ON OUR FUTURE.”**

**Wednesday, May 9, 2012
U.S. House of Representatives
Committee on Natural Resources
Washington, D.C.**

The Committee met, pursuant to notice, at 10:04 a.m., in Room 1324, Longworth House Office Building, Hon. Doc Hastings [Chairman of the Committee] presiding.

Present: Representatives Hastings, Duncan of Tennessee, Gohmert, McClintock, Thompson, Duncan of South Carolina, Flores, Harris, Landry; Markey, Kildee, Pallone, Napolitano, Holt, Costa, and Tonko.

The CHAIRMAN. The Committee will come to order. The Chairman notes the presence of a quorum, which, under our rules, are two Members. And thank goodness the Chairman and the Ranking Member are here this morning. After last night, I suppose—wait, I forgot. Mr. Kildee is here. So we are 50 percent over our quorum. That is good.

Today the Committee on Natural Resources is meeting today to hear testimony on an oversight hearing on evaluating President Obama’s offshore drilling plan and impacts on our future. Under Rule 4(f), opening statements are limited to the Chairman and Ranking Member. However, I ask unanimous consent that all Members be allowed to submit an opening statement, as long as it is into the Committee prior to the close of business today.

[No response.]

The CHAIRMAN. And without objection, so ordered.

I will now recognize myself for my opening statement.

**STATEMENT OF THE HON. DOC HASTINGS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF WASHINGTON**

The CHAIRMAN. American offshore energy production plays a vital role in our country’s economic security. It supports over a million American jobs, accounts for 30 percent of our Nation’s oil production, reduces our dependence on foreign oil, and generates billions of dollars in Federal revenue.

Now more than ever, with gasoline prices still hovering near \$4 a gallon, and unemployment above 8 percent, the United States should be doing everything it can to ensure the timely and responsible production of our domestic energy resources.

Unfortunately, the Obama Administration is instead pursuing an agenda that keeps 85 percent of our offshore areas closed to new American energy production.

Every five years, the Federal Government releases a plan directing the development of our offshore resources. It includes specific locations and timelines for where and when energy production will

occur. This Administration's draft plan includes no new areas, no goals, and no new energy resources. It is a plan that reinstates the drilling moratoria lifted in 2008, and locks up vital American energy resources.

When President Obama took office, there was a plan in place to conduct lease sales in the new areas that were no longer under the moratoria. Instead of seizing this opportunity to vastly increase American energy production, President Obama discarded that plan and canceled lease sales, including one off the coast of Virginia that was scheduled for 2011.

The draft plan released last fall from the Obama Administration closes the entire Atlantic and Pacific Coasts to drilling, along with parts of the Arctic. The only areas this plan would allow energy production are in the Gulf of Mexico and, very late in the plan, in small parts of Alaska, areas that have been open in some cases for decades.

President Obama claims to support expanded offshore drilling, but the reality is that no new drilling will occur anywhere during his term in office. Or, if this plan is enacted, for the next half decade.

What is even more troubling is that, due to this Administration's delays, on July 1, 2012, the United States will have no plan to develop our offshore energy resources. Offshore drilling plans are subject to multiple levels of public comment and review. One of the final steps is that the plan must be submitted to Congress for a 60-day review. That is the law.

In order to complete all the legally required steps to have a new plan in place by the time the current one expires on June 30th, the President would have had to submit his plan to Congress by May 1st. They let that deadline come and go without any action.

This will be the first time the U.S. will not have a plan in place since that requirement became law in the 1970s. And I also want to quickly address the Obama Administration's deliberately misleading claim that their draft plan opens 75 percent of the known offshore resources. This is a calculated and outdated talking point meant to provide cover for a failed record on offshore drilling.

This Administration is using seismic data from the 1980s to estimate offshore oil and natural gas potential. Using scientific data nearly 30 years ago to shape significant energy policy is not only completely unacceptable, but shows a fundamental lack of understanding of offshore energy development. We don't know the oil and natural gas potential of new areas until we begin development of those areas.

For example, just over a decade ago, the USGS believed that the undiscovered technically recovered resources of the Marcellus Formation was 1.9 trillion cubic feet of natural gas. Today, it is estimated that Marcellus has 44 times that amount. Certainly nobody here is using a computer from 30 years ago. And this Administration shouldn't rely on 30-year-old data.

The United States' economic competitiveness is at risk if we don't act now to expand production of our resources. Last week, the Chinese announced an offshore plan to double output by 2030. World markets are not waiting for us. And if we don't plan for increased

energy production now, we will surely pay for it in the future through increased dependence and higher energy prices.

Now is the time to make these important decisions and set the stage for an energy renaissance in the United States.

And with that I yield back my time and recognize the distinguished Ranking Member, Mr. Markey.

[The prepared statement of Mr. Hastings follows:]

**Statement of The Honorable Doc Hastings, Chairman,
Committee on Natural Resources**

American offshore energy production plays a vital role in our country's economic security. It supports over a million American jobs, accounts for 30 percent of our Nation's oil production, reduces our dependence on foreign oil and generates billions of dollars in federal revenue.

Now more than ever, with gasoline prices still hovering near \$4 a gallon and unemployment above 8 percent, the United States should be doing everything we can to ensure the timely and responsible production of our domestic energy resources.

Unfortunately, the Obama Administration is instead pursuing an agenda that keeps 85 percent of our offshore areas closed to new American energy production.

Every five years, the federal government releases a plan directing the development of our offshore resources. It includes specific locations and timelines for where and when energy production will occur. President Obama's draft plan includes no new areas, no goals and no new energy resources. It's a plan that reinstates the drilling moratoria lifted in 2008 and locks up vital American energy resources.

When President Obama took office, there was a plan in place to conduct lease sales in the new areas that were no longer under moratoria. Instead of seizing this opportunity to vastly increase American energy production, President Obama tossed aside that plan and canceled lease sales—including one off the coast of Virginia scheduled for 2011.

The draft plan released last fall from the Obama Administration closes the entire Atlantic and Pacific coasts to drilling, along with parts of the Arctic. The only areas this plan would allow energy production are in the Gulf of Mexico and, very late in the plan, small parts of Alaska—areas that have been open in some cases for decades.

President Obama claims to support expanded offshore drilling, but the reality is that no new drilling will occur anywhere during President Obama's term in office, or if this plan is enacted, for the next half decade.

What's even more troubling is that due to the Obama Administration's delays, on July 1, 2012 the United States will have no plan to develop our offshore energy resources.

Offshore drilling plans are subject to multiple levels of public comment and review. One of the final steps is that the plan must be submitted to Congress for a 60-day review. That's the law. In order to complete all the legally required steps to have a new plan in place by the time the current one expires on June 30th, the President would have had to submit his plan to Congress by May 1st.

The Obama Administration let that deadline come and go without any action. This will be the first time the U.S. will not have a plan in place since it became a requirement in the 1970s.

I also want to quickly address the Obama Administration's deliberately misleading claim that their draft plan opens 75 percent of the known offshore resources. This is a calculated and outdated talking point meant to provide political cover for a failed record on offshore drilling.

The Obama Administration is using seismic data from the 1980s to estimate offshore oil and natural gas potential. Using scientific data from over 30 years ago to shape significant energy policy is not only completely unacceptable but shows a fundamental lack of understanding of offshore energy development. We don't know the oil and natural gas potential of new areas offshore until we begin development.

For example, just over a decade ago, the USGS believed that the Undiscovered Technically Recoverable Resources of the Marcellus Formation was 1.9 trillion cubic feet of natural gas. Today, it is estimated that Marcellus has 44 TIMES that amount. We know that technology has come a long way in 30 years—certainly no one here is using a computer from 30 years ago—and the Obama Administration shouldn't be relying on 30 year old data.

The United States' economic competitiveness is at risk if we don't act now to expand production of our resources. Last week, the Chinese announced an offshore

plan to DOUBLE output by 2030. World markets are not waiting for us and if we don't plan for increased energy production now, we will surely pay for it in the future through increased dependence and higher energy prices.

Now is the time to make these important decisions and set the stage for an energy renaissance in the United States.

STATEMENT OF THE HON. EDWARD J. MARKEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. MARKEY. Thank you, Mr. Chairman, very much. The beloved children's writer, Maurice Sendak, passed away yesterday. But here in the Natural Resources Committee, witnesses still get to come to the place where the wild questions are.

So, welcome, Director Beaudreau, to the place where proponents of drilling gnash their terrible teeth, show their terrible claws, and roar their terrible roars. But before we let the wild rumpus start, let us just consider a few facts. Because today, once again, is Groundhog Day in the Natural Resources Committee, where the Majority has a hearing based upon knowingly erroneous premises, but they continue to try to propound them to the American public.

The Interior Department's proposed five-year offshore drilling plan would make more than 75 percent of our offshore oil and gas reserves available for drilling. Oil production has increased under the Obama Administration. In fact, last year, onshore oil production was as high or higher than it was during each of the last three years of the Bush Administration. Oil companies are drilling in the Gulf. In fact, there are now nearly one-third more floating rigs working in the Gulf than there were before the BP spill. By the end of the year, there will be nearly 50 percent more floating drilling rigs in the Gulf, according to the industry analysts, than were there before the BP spill.

But the Interior Department's plan for offshore drilling is only one aspect of the all-of-the-above energy plan we should be debating. We need a plan to end excessive Wall Street speculation in oil markets. We need a plan to get oil companies to start drilling on the tens of millions of acres they already have under lease, and to ensure that they are doing so safely. We need a plan to ensure that American fuel and natural gas stays here to help American consumers, and is not just exported.

Yet, the Republican Majority in the House tried to cut the funding for the Commodity Futures Trading Commission, the cops on the Wall Street speculation beat, by 30 percent last year. The Majority should end its opposition to fully funding the CFTC Wall Street cops to end excessive speculation in oil markets and protect consumers. The Majority has also opposed Democratic efforts to get oil companies to start drilling on the leases they already have. Oil companies already hold the offshore drilling rights to an area the size of Kentucky on which they are not producing a single barrel of oil.

Last year the Interior Department found that there was nearly as much oil and more natural gas under these non-producing leases—non-producing because the oil companies refuse to drill on them—than we could ever get from drilling up and down the entire East and West Coast of the United States.

The Majority has refused to debate legislation that I have introduced to implement the recommendations of the independent BP Spill Commission, improve the safety of offshore drilling. The Spill Commission recently gave this Congress a grade of D on its legislative response to the worst environmental disaster in American history, and only refrained from handing out an F because it didn't want to "insult the whole institution."

And the Majority has repeatedly voted down Democratic amendments to ensure that the oil and natural gas produced from public lands here in the United States stays here in the United States to benefit American consumers here in the United States, even as oil companies exported more than one billion barrels of American fuel last year to other countries, rather than selling it here in the United States to American consumers. The increase in gas prices we saw this spring was not the result of the White House. It was the result of Wall Street speculators. It was not about Obama. It was about OPEC.

The Interior Department's all-of-the-above energy strategy includes a five-year offshore drilling plan, but it also includes permitting five times the amount of renewable energy approved by all previous Administrations, combined. It is part of a larger strategy that has reduced our dependence on foreign oil from 57 percent at the end of the Bush Administration to 45 percent last year.

But once again, those on the other side of the aisle appear focused solely on a drill baby, drill strategy that only benefits big oil. It is time to debate the other pieces of a real energy plan that benefit all American consumers and our economy.

I yield back the balance of my time.

[The prepared statement of Mr. Markey follows:]

**Statement of The Honorable Edward J. Markey, Ranking Member,
Committee on Natural Resources**

Thank you, Mr. Chairman.

The beloved children's writer Maurice Sendak passed away yesterday, but here in the Natural Resources Committee witnesses still get to come to the place where the wild questions are. So welcome, Director Beaudreau [pronounced Bo-Dro], to the place where proponents of drilling gnash their terrible teeth, show their terrible claws, and roar their terrible roars!

But before we let the Wild Rumpus Begin, let's just consider a few facts.

The Interior Department's proposed five-year offshore drilling plan would make more than 75 percent of our offshore oil and gas reserves available for drilling.

Oil production has increased under the Obama Administration. In fact, last year, offshore oil production was as high or higher than it was during each of the last three years of the Bush Administration.

Oil companies are drilling in the Gulf. In fact, there are now nearly one-third more floating rigs working in the Gulf than there were before the BP spill. By the end of the year there will be nearly 50 percent more floating drilling rigs, according to industry analysts.

But the Interior Department's plan for offshore drilling is only one aspect of the "all of the above" energy plan we should be debating. We need a plan to end excessive Wall Street speculation in oil markets. We need a plan to get oil companies to start drilling on the tens of millions of acres they already have under lease and to ensure that they are doing so safely. We need a plan to ensure that American fuel and natural gas stays here to help American consumers and is not just exported.

Yet the Republican Majority in the House tried to cut the funding for the Commodity Futures Trading Commission—the cops on the Wall Street speculation beat—by 30 percent last year. The Majority should end its opposition to fully funding the CFTC Wall Street cops to end excessive speculation in oil markets and protect consumers.

The Majority has also opposed Democratic efforts to get oil companies to start drilling on the leases they already have. Oil companies already hold the offshore drilling rights to an area the size of Kentucky on which they are not producing oil. Last year, the Interior Department found that there was nearly as much oil and more natural gas under these nonproducing leases than we could ever get from drilling up and down the East and West Coasts.

The Majority has refused to debate legislation that I have introduced to implement the recommendations of the independent BP Spill Commission improve the safety of offshore drilling. The Spill Commission recently gave Congress a grade of "D" on its legislative response to the worst environmental disaster in American history, and only refrained from handing out an "F" because it didn't want "to insult the whole institution."

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But once again, those on the other side of the aisle appear focused solely on a "drill, baby, drill" strategy that only benefits Big Oil. It is time to debate the other pieces of a real energy plan that benefit American consumers and our economy.

I yield back.

The CHAIRMAN. I thank the gentleman for his statement. And I am very pleased to welcome on our panel today Director Tommy Beaudreau, the head of the Bureau of Ocean Energy Management. Welcome back. As we spoke earlier, I am happy to see you are getting your feet wet now in your new responsibilities. No pun intended, I might add.

You have been here before, and you know how the timing lights work. When the green light is on you are doing very, very well. Yellow light means you have one minute left. And when the red light comes on, it means your five minutes have expired. Your full statement, however, will appear in the record. So I invite you to summarize.

And with that, Director Beaudreau, I welcome you to the Committee. And you are recognized for five minutes.

**STATEMENT OF TOMMY BEAUDREAU, DIRECTOR,
BUREAU OF OCEAN ENERGY MANAGEMENT**

Mr. BEAUDREAU. Thank you, Chairman Hastings, Ranking Member Markey, and members of the Committee on Natural Resources. I appreciate very much the invitation to appear before you today to discuss the Department of the Interior's proposed Outer Continental Shelf Oil and Gas Leasing Program for 2012 to 2017, referred to as the Five Year Program.

My Agency, the Bureau of Ocean Energy Management, is committed to promoting safe and responsible oil and gas exploration and development offshore the United States as a cornerstone of the all-of-the-above energy strategy that the President has stressed is necessary to grow America's energy economy and continue to reduce our dependence on foreign oil.

BOEM is working to finalize our Five Year Program for 2012 to 2017. I would like to take a moment to discuss what we are doing to promote responsible development by providing industry with access to vital offshore oil and gas resources, which fundamentally is what the Five Year Program is about.

Simply put, our plan proposes leasing where the oil is. BOEM's current offshore oil and gas resource estimates, updated last November, make this clear. The central Gulf of Mexico remains, by far, the offshore area with the richest oil and gas potential: nearly 31 billion barrels of undiscovered but technically recoverable oil. The Chukchi Sea is second, with about half that, approximately 15 billion barrels. Next are the western Gulf of Mexico and the Beaufort Sea, with more than 12 billion and 8 billion barrels, respectively.

All of these areas are included in the proposed Five Year Program. Together, these areas, along with the Cook Inlet and the portion of the eastern Gulf of Mexico not subject to congressional moratorium, which are also in the proposed Five Year Plan, contain more than 75 percent of the untapped oil and gas resources that we estimate exist offshore of the United States.

Our program is premised on resource development and leasing strategies that are specifically tailored to the resource potential and conditions of individual regions. In the Gulf of Mexico, where the resource potential is the highest, and the infrastructure to find resources, bring them to market, and respond in the event of an accident is the most mature, we propose continuing with annual area-wide lease sales. We held an extremely successful sale in the western Gulf last December, and we will be holding a central Gulf sale next month on June 20th. We anticipate holding the first lease sale under the new Five Year Program in the western Gulf in November or December of this year. This is consistent with the traditional rhythm of alternating annual lease sales for the two major Gulf of Mexico planning areas.

The proposed Five Year Plan includes potential lease sale in each of the Alaskan Arctic planning areas, the Beaufort and the Chukchi Seas. We are taking a careful and balanced approach to leasing in the Arctic that considers resource potential, the unique environmental needs and sensitivities in the Arctic, and concerns about native Alaskan culture and the reliance of many North Slope communities on subsistence hunting and fishing. We are already working on planning related to a potential special interest sale on the Cook Inlet. And in March we issued a formal request to gauge whether industry is interested in oil and gas exploration in that area.

Now, turning to the mid and south Atlantic, we are pursuing a specific strategy to develop modern scientific information about oil and gas resource potential in that region, both the size of the resource and its location. As the Chairman pointed out, seismic data that currently exists for these areas is decades old.

Therefore, in March, BOEM issued a draft EIS concerning the seismic surveys necessary to understand the magnitude and location of potential oil and gas resources in the mid and south Atlantic. We expect to complete this EIS by the end of the year, which may enable seismic surveys to move forward early next year.

The other major issue that must be thought through as we consider the future of potential oil and gas exploration in the mid and south Atlantic is reconciling offshore oil and gas activity with existing uses, including military training and operations.

For example, the Defense Department has raised substantial concerns about the compatibility of military operations in the Atlantic with oil and gas activity. For example, DoD identified significant conflicts in the Sale 220 area offshore Virginia, such that it believed that “no oil and gas activity” would be appropriate in 72 percent of the sale area, and that no permanent oil and gas facility should be located in an additional 5 percent of the Sale 220 area.

For all of these reasons, I believe our proposed Five Year Program is a major step forward in helping secure the Nation’s energy future by making areas containing the vast majority of our shared OCS oil and gas resources available for development, while also protecting sensitive environmental areas, respecting other uses such as fishing, subsistence, and military operations, and considering the interests of the states in what happens off of their shores.

Thank you very much.

[The prepared statement of Mr. Beaudreau follows:]

Statement of Tommy P. Beaudreau, Director, Bureau of Ocean Energy Management, United States Department of the Interior

Chairman Hastings, Ranking Member Markey, and Members of the Committee, I am pleased to appear before you today to discuss the Bureau of Ocean Energy Management’s (BOEM) offshore oil and gas leasing under the current Five Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program (Five Year Program), as well as our development of the next Five Year Program for 2012–2017. As the President has stressed, the Administration is committed to promoting safe and responsible domestic oil and gas production as part of a comprehensive, all-of-the-above energy strategy to grow America’s energy economy and continue to reduce our dependence on foreign oil. Expanding safe and responsible development of the nation’s offshore oil and gas resources through leasing under the Five Year Program is an important part of that strategy.

Leasing Under the 2007–2012 OCS Five Year Program

BOEM’s offshore leasing activity under the current Five Year Program reflects the Administration’s overall approach to promoting safe and environmentally responsible oil and gas resource development, including encouraging exploration and development in the Gulf of Mexico (GOM), where resources and industry interest are most extensive, and where mature infrastructure exists to support oil and gas activities. Since the start of this Administration, BOEM and its predecessor agency have held four lease sales in the GOM under the current Five Year Program, generating more than \$2 billion in bonus payments, as well as more than \$144 million in rental and royalty payments.

Most recently, on December 14, 2011, BOEM held Western GOM Lease Sale 218. This lease sale was the first offshore oil and gas sale following the *Deepwater Horizon* explosion and oil spill and DOI’s implementation of sweeping safety and environmental reforms, which heightened standards and improved oversight of offshore drilling. Sale 218 followed supplemental environmental analysis that considered new information—including information in light of the *Deepwater Horizon* event. The sale offered over 21 million acres for oil and gas exploration and development, and BOEM received bids on blocks covering over one million acres. The sale netted over \$324 million in bonus bids and over \$11 million in first year rentals.

BOEM will hold Consolidated Central GOM Lease Sale 216/222, the last remaining sale scheduled in the current Five Year Program, in New Orleans on June 20, 2012. The sale will include all available unleased acres in the Central Planning Area offshore Louisiana, Mississippi and Alabama. The proposed lease sale includes approximately 7,250 unleased blocks covering nearly 38 million acres in the Central GOM, a region that BOEM estimates contains close to 31 billion barrels of oil and 134 trillion cubic feet of natural gas that are currently undiscovered and technically recoverable. BOEM estimates that the Central GOM sale could result in the produc-

tion of 1 billion barrels of oil and 4 trillion cubic feet of natural gas. Sale 216/222 also follows the completion of supplemental environmental analysis in light of the *Deepwater Horizon event*.

The terms of recent sales reflect a range of administrative measures to ensure a fair return to taxpayers and encourage prompt and diligent development, consistent with policies articulated in the Administration's *Blueprint for a Secure Energy Future*. These include escalating rental rates to encourage prompt exploration and development of leases, as well as the opportunity for additional time if the operator demonstrates a commitment to exploration by drilling a well during the base period of the lease. The durational terms of leases are graduated by water depth to account for differences in time needed for analyses, planning safe and appropriate exploration, and if resources are found, production facility design and construction.

Moreover, beginning with Sale 218 last fall, BOEM increased the minimum bid for deepwater to \$100 per acre, up from only \$37.50, to ensure that taxpayers receive fair market value for offshore resources and to provide leaseholders with additional impetus to invest in and hold only those leases that they are reasonably likely to develop. Rigorous analysis of the last 15 years of lease sales in the Gulf of Mexico showed that deepwater leases that received high bids of less than \$100 per acre, adjusted for energy prices at time of each sale, experienced virtually no exploration and development drilling.

The terms of BOEM's lease sales also include a number of conditions to protect the environment. For example, the forthcoming Central GOM Lease Sale 216/222 will include stipulations to protect biologically sensitive resources, mitigate potential adverse effects on protected species, and avoid potential conflicts associated with oil and gas development in the region.

The 2012–2017 OCS Oil and Gas Leasing Program

With the current Five-year Program nearing its end date, BOEM is finalizing the Proposed Final OCS Oil and Gas Leasing Program for 2012–2017. We are also completing the corresponding Programmatic Environmental Impact Statement that analyzes the potential environmental effects of the Five Year Program and provides the basis for subsequent environmental analysis throughout the implementation of the Program. DOI expects to finalize and issue both documents by the end of June, when the current Five Year Program expires. The first lease sale under the new Five Year Program is tentatively scheduled in the Western GOM in November or December of 2012.

The Proposed 2012–2017 OCS Oil and Gas Leasing Program

BOEM published the Proposed Five Year Program for 2012–2017 in November 2011. It proposed making available offshore areas that contain more than 75 percent of undiscovered technically recoverable oil and gas resources that the OCS is estimated to hold. It will, as the Outer Continental Shelf Lands Act requires, represent a proper balance among the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone.

Two primary guiding principles underlie this Proposed Program. First, the Proposed Program is designed to promote the diligent development of the Nation's offshore oil and gas resources, which are and will remain central to the Nation's energy strategy, economy, and security. The Proposed Program is in alignment with the Administration's energy *Blueprint*, which aims to promote the Nation's energy security and reduce oil imports by a third by 2025 through a comprehensive national energy policy that includes a focus on expanding safe and responsible domestic oil and gas production.

Second, this Proposed Program is grounded in the lessons learned from the *Deepwater Horizon* tragedy, which caused the deaths of 11 workers and resulted in the release of nearly five million barrels of oil into the GOM. Since the *Deepwater Horizon* event, DOI has raised standards for offshore drilling safety and environmental protection in order to reduce the risk of another loss of well control in our oceans and improve our collective ability to respond to a blowout and spill. While offshore oil and gas exploration and development will never be risk-free, the risk from these activities can be minimized and operations can be conducted safely and responsibly, with appropriate measures to protect human safety and the environment.

Based on these principles, the Proposed Program provides for lease sales in six offshore areas where there are currently active leases and exploration and where there is known or anticipated hydrocarbon potential. This represents a regionally targeted approach that is tailored to the specific needs and environmental conditions of different areas in order to best achieve the dual goals of promoting prompt development of the Nation's oil and gas resources and ensuring that this development

occurs safely and with the necessary protections for the marine, coastal and human environments. This approach accounts for the differences between different areas—including differences in current knowledge of resource potential, adequacy of infrastructure to support oil and gas activity, accommodation of regional interests and concerns, and the need for a balanced approach to our use of natural resources.

Therefore, the Proposed Program in the GOM is designed to be commensurate with the maturity of the infrastructure necessary to support offshore oil and gas activity, including infrastructure for spill containment and response, as described below. I would also like to emphasize that OCS leasing should not be “one size fits all,” and consideration of lease sales in the Beaufort and Chukchi Seas will be specifically tailored to those regions. The traditional area-wide leasing model that has been used in the Western and Central GOM is not appropriate for the Arctic, and BOEM is working to develop alternative leasing strategies specifically for the Arctic in order to focus potential leasing on areas that have significant resource potential while also mitigating the impact of offshore oil and gas activity on the unique Arctic environment and its subsistence resources. I will address our regionally-tailored approach to offshore oil and gas leasing under the next Five Year Program below.

Gulf of Mexico

Of the 15 lease sales included in the Proposed Program, 12 are in the GOM, where infrastructure is unparalleled and the oil and gas resource potential is best understood and known to be most prospective. The GOM currently supplies more than a quarter of the Nation’s oil production, and both current and ongoing evaluation of offshore resources in the GOM is extremely sophisticated, contributing significantly to industry’s and BOEM’s understanding of this region’s oil and gas potential. Moreover, the infrastructure supporting the oil and gas industry, to bring resources to market and to respond in the event of an emergency, is the most mature and well developed in the GOM. Therefore, the Proposed Program schedules regular, area-wide lease sales in the Western and Central GOM throughout the Five Year Program. The Proposed Program also includes lease sales gauged to accommodate anticipated industry interest in the portion of the Eastern GOM that is not currently subject to congressional moratorium. Other areas in the Eastern GOM are not included in this Proposed Program because they are under a congressionally-mandated leasing moratorium until June 30, 2022.

Alaska

The Proposed Program schedules one sale each in the Beaufort and Chukchi Seas, deliberately set late in the Program, as well as a special interest sale in the Cook Inlet if industry demonstrates sufficient interest. With respect to the Cook Inlet Planning Area, BOEM published a Request for Interest in the *Federal Register* on March 27, 2012 to gauge industry interest in a potential lease sale in that area under the next Five Year Program. The period to respond to that Request for Interest closes on May 11, 2012.

The schedule with respect to the Beaufort and Chukchi Planning Areas is designed to allow for the development of a leasing approach that is appropriate for these Arctic areas and fully considers their resource potential, their specific environmental needs and sensitivities, concerns related to Native Alaskan culture, and the reliance of many Arctic communities on ocean resources such as marine mammals and fish for subsistence. The later scheduling of the potential sales in the Beaufort Sea and Chukchi Sea Planning Areas represents a balanced and careful approach to leasing in the Arctic. This approach takes into account the significant inventory of existing offshore leases in the Beaufort and Chukchi Seas. Most important, this approach is designed to allow time for further work in a number of critical areas.

First, the schedule allows time for further scientific study and environmental assessment of the Arctic. In June 2011, the United States Geologic Survey issued its *Evaluation of the Science Needs to Inform Decisions on Outer Continental Shelf Energy Development in the Chukchi and Beaufort Seas, Alaska*, as requested by the Secretary of the Interior. The report recognizes that a substantial body of scientific work and knowledge exists with respect to the Arctic and recommends areas of focus for ongoing and future study, as well as further synthesis of existing scientific information from various sources within and outside of the government. Moreover, this approach is consistent with Executive Order 13580, which was issued by President Obama in July 2011 and established a high-level Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska. This working group is chaired by the Deputy Secretary of the Interior and is focused on facilitating coordinated and orderly decision making in Alaska, including development and sharing of scientific information in support of regulatory processes.

Second, the Proposed Program is specifically designed to ensure that planning and designing lease sales in the Beaufort and Chukchi Seas take into account any information about geology and resource potential that may be developed as a result of exploration of current leases in those areas. Exploration may provide valuable data for defining the best areas for potential development and for assessing reservoir characteristics such as volumes and pressures that are central to ensuring that appropriate safety measures and spill response resources are in place.

Third, as offshore exploration and development in the Arctic moves forward, so too must the development of spill response preparedness and infrastructure. Current spill response planning is focused on certain, limited near-term proposed drilling operations in the Arctic OCS. Longer term planning and infrastructure development are also necessary, particularly if major oil deposits are found and producers seek to engage in year-round production activities. Longer term planning is another major focus of the interagency working group. The potential evolution toward additional drilling activities in offshore waters in the Arctic could raise significant additional complexities regarding the availability of adequate response capability and infrastructure in this difficult frontier environment. The Proposed Program provides time for contingency planning and infrastructure development that is needed to address these issues.

Atlantic

This Proposed Program does not include lease sales in the North-Atlantic, Mid-Atlantic, and South-Atlantic planning areas based on, and in alignment with, the principles that underlie the entire Program. Many Atlantic states expressed concerns about oil and gas development off their coasts. While an OCS development strategy announced in 2009 included the Mid- and South-Atlantic under consideration for potential inclusion, a number of specific considerations supported the Secretary's decision not to schedule lease sales in these areas under this Proposed Program. Accordingly, BOEM is proceeding with a specific strategy to address these considerations and support decision-making on whether potential lease sales in the Mid- and South-Atlantic would be appropriate in the future.

First, the oil and gas resource potential in the Mid- and South Atlantic is not well understood and surveys of these areas are incomplete and out of date. Prior to scheduling lease sales in these planning areas, it is prudent to develop information evaluating the oil and gas resource potential of these regions. Accordingly, BOEM is moving forward expeditiously to facilitate resource evaluation in these areas, including conducting a programmatic Environmental Impact Statement (EIS) relating to seismic surveys in the Mid- and South- Atlantic. BOEM announced on March 28, 2012 the publication of the draft EIS and has just concluded a series of public hearings across the Mid- and South-Atlantic states. Second, there are complex issues relating to potentially conflicting uses, including those of the Department of Defense, which should be addressed so that any potential future leasing activity in these areas is designed appropriately. Finally, while evaluation of the resource potential of the Mid- and South Atlantic regions moves forward, so too should analysis and planning regarding the additional infrastructure necessary to support potential oil and gas activities, including spill response resources.

Pacific

Areas off the Pacific coast are not included in this Proposed Program. This approach is consistent with Section 18 of OCSLA, which gives priority leasing consideration to areas where the combination of previous experience; local, state, and national laws and policies; and expressions of industry interest indicate that potential leasing and development activities could be expected to proceed in an orderly manner. The Proposed Program specifically seeks to accommodate the recommendations of governors of coastal states and local government. The exclusion of the Pacific Coast is consistent with state interests, as framed in an agreement between the governors of California, Washington, and Oregon signed in 2006, which expressed their opposition to oil and gas development off their coasts. Western states have continued to voice these concerns.

Finalizing the 2012–2017 OCS Oil and Gas Leasing Program

The Proposed Program, released in November of 2011, led to a significant outpouring of public interest. BOEM received over 280,000 comments during the 90-day comment period that followed the release of the Proposed Program. These comments came from a variety of sources, including affected states and local governments, including Native Alaskan villages and associations; congressional members; Federal agencies; the energy industry; non-energy industries, including small businesses; public interest and environmental groups; and the general public.

In addition to receiving written comments, BOEM held a series of public hearings in GOM states, Washington D.C., and across Alaska's North Slope. I personally presided over a number of these hearings—including a number of the hearings in Alaska, which provided an invaluable opportunity to hear directly from native communities about their needs and concerns, and to learn from their traditional knowledge about the environment, marine mammal populations, and other natural and cultural resources. BOEM is committed to integrating this critical information into the scientific and environmental analysis that informs our decision-making.

My agency takes this input very seriously, and we are working hard to consider the feedback we received and to integrate comments into our Proposed Final Program, as you will see in the coming months.

Conclusion

BOEM is working to help secure our energy future by contributing to an all-of-the-above energy strategy, including safe and responsible development of our conventional energy resources on the OCS. Mr. Chairman, thank you again for the opportunity to be here today to discuss the Bureau's effort in creating an oil and gas leasing program that will safely and responsibly reduce our dependence on foreign oil and create jobs through the development of these important energy resources. I am happy to answer any questions that you or the Committee may have.

Response to questions submitted for the record by Tommy P. Beaudreau, Director, Bureau of Ocean Energy Management, U.S. Department of the Interior

Questions from Chairman Hastings:

- 1. In your testimony, you alluded to a solicitor's opinion supporting the ability of Bureau of Ocean Energy Management to issue a Notice of Sale and take other steps to move forward with lease sale plans prior to the final enactment (under Section 18 of OCSLA) of the upcoming 5-Year Plan, which as you clarified in testimony will not complete its 60 day Congressional review prior to July 1, 2012. Please provide the Committee with the full documentation of that opinion and any other support for the Bureau's opinion that moving forward with a sale without having a final plan in place can occur.**

Response: On February 10, 1986, then-Solicitor Tarr issued Solicitor's Opinion M-36954, 93 I.D. 125; 1986 LEXIS 10, which concludes that the Department of the Interior may engage in pre-sale procedures for a lease sale before the approval of the five-year schedule on which it is listed. Therefore the Department can notice this fall's Western Gulf of Mexico lease sale before the Five Year Outer Continental Shelf Oil and Gas Program has been finalized. We have routinely issued the proposed notices of sale for a program's first sales prior to the finalization of a program, going back to the first Five Year Program issued in 1980 and this practice is consistent with the requirements of the OCS Lands Act. I also want to clarify a statement made during the hearing that this would be the first time the July 1 date has not been met for finalizing a program. The Five Year Program for 1987–1992 was finalized after July 1, 1987. As will be the case with the upcoming Five Year Program, this had no effect on the lease sale schedule.

- 2. In testimony, you mentioned a letter that you had received from the Department of Defense expressing significant concern over offshore drilling in certain areas of our nation's OCS. Please furnish the Committee with a copy of that letter. In addition, can you update the Committee steps you have taken to address the concerns raised by the Department?**

Response: Attachment 1 is an April 30, 2010, letter from the Department of Defense to the Director of the then-Minerals Management Service. The letter provided DoD's review of the Preliminary Revised Five Year Program for 2007–2012.

The Proposed Final Five Year Program for 2012–2017 does not include areas off the Atlantic coast for leasing. The Bureau of Ocean Energy Management is pursuing a specific strategy for the Atlantic that is focused on expediting efforts to facilitate updated resource evaluation to support future leasing decisions. This includes completing an environmental review that could support approval of new seismic and other survey activity in the Mid- and South Atlantic as early as 2013. BOEM continues to work with DoD and others to identify and resolve potential conflicts that have been identified in this region.

- 3. Can you define for the Committee the differences between the position of the Department of Defense with regards to lease sale 220 as expressed in the question above and the responses that the Bureau received from the Department of Defense during the development of the 2007–2012 OCS plan that included the Virginia sale area in the 2007 plan when the Defense Department agreed to the sale inclusion in the plan?**

Response: There is no difference between the position of the DoD with regard to Sale 220 and its comments concerning the Mid-Atlantic area. DoD expressed concerns over the lease sales in the Mid-Atlantic throughout the preparation of the 2007–2012 Five Year Program, as indicated in Attachments 2 (April 10, 2006, letter on the February 2006 Draft Proposed Five Year Program) and 3 (November 27, 2006, letter on the August 2006 Proposed Five Year Program). As noted in the response to the previous question, DoD's April 30, 2010, letter on the Preliminary Revised Five Year Program for 2007–2012 presented its analysis of possible oil and gas activities in the area.

- 4. Can BOEM provide to the Committee an estimate of the amount of undiscovered technically recoverable resources in the Southern California OCS Planning Area in lease blocks that currently remain undeveloped, but are accessible from existing developed lease blocks using modern technological advances?**

Response: The longest reach well in the Pacific OCS Region is slightly greater than six miles, therefore BOEM estimated resources within six miles of existing platforms. BOEM estimates of potential oil and gas resources located within 6 miles of existing Santa Maria Basin and Santa Barbara Channel OCS platforms range from about 146 million barrels of oil and 130 billion cubic feet of natural gas for Contingent Resources (defined below), to about 650 million barrels of oil and 1,090 billion cubic feet of natural gas for Undiscovered Resources (also defined below).

To add perspective to these numbers, BOEM expects the production of the remaining reserves of the producing Pacific OCS fields to be about 307 million barrels of oil and 667 billion cubic feet of natural gas.

As noted above, two categories of resources were identified and assessed: Contingent Resources, and Undiscovered Resources. These categories are distinguished by the level of uncertainty of both the existence and volume of recoverable oil and gas of the postulated accumulations.

Contingent Resources consist of accumulations that have been discovered by drilling, but where certain factors prevented commercial development of the accumulation. Based on our level of knowledge, this category can be considered informally as "probable resources."

Undiscovered Resources consist of resources postulated to exist on the basis of geological and geophysical information, but not yet drilled and discovered. This category can be considered informally as "possible resources." The estimated volume of Undiscovered Resources is less certain than the volume of Contingent Resources.

Questions from Rep. Hanabusa:

- 1. Several of the official reports on the *Deepwater Horizon* spill noted the need for increased understanding of our oceans, including assessments of baseline environmental conditions. The Gulf Coast Ecosystem Restoration Task Force report specifically noted the need for a robust data collection regimen. In light of the budget pressures facing your agency, how does the FY 2013 budget baseline support environmental data collection activities? Is the Department of the Interior considering persistent, unmanned vehicles to enhance these data collection efforts?**

Response: The increases requested in BOEM's Fiscal Year (FY) 2013 Budget consist of \$700,000 for Environmental Studies.

In each fiscal year, the majority of the Environmental Studies Program's budget supports data collection activities and generates the scientific information needed to support decision making for the Bureau. A list and description of all environmental studies proposed for consideration in FY 2013 are contained in the BOEM Environmental Studies Development Plan, which is available on the BOEM website at [http://www.boem.gov/uploadedFiles/2013–2015 Studies Development Plan.pdf](http://www.boem.gov/uploadedFiles/2013-2015%20Studies%20Development%20Plan.pdf). The approved studies list for FY 2013 will be available on the BOEM website in the near future. BOEM has requested an additional \$700,000 for high-priority baseline characterization and monitoring studies.

The use of autonomous underwater vehicles is a topic of much discussion within the federal and academic research communities, and BOEM is a highly active participant in these discussions.

2. **At the recent Offshore Technology Conference, Dr. Watson discussed the importance of the offshore oil and gas industry adopting innovative technologies to improve spill response capabilities.'**

What role does your agency play in the development and adoption of these technologies?

Response: The Bureau of Safety and Environmental Enforcement, through the Oil Spill Response Research Program, evaluates industry innovations in spill response technology and uses these evaluations in the Oil Spill Response Plan review process. Frequently, these evaluations are conducted at Ohmsett—the National Oil Spill Response and Renewable Energy Test Facility (www.ohmsett.com). Ohmsett is a unique oil spill response research test facility located at the U.S. Naval Weapons Station Earle, Leonardo, New Jersey which is managed by BSEE and operated by a contractor.

With an increased budget allocation for oil spill response since FY 2011, BSEE has initiated a development project to utilize ultrasound technology to determine the effectiveness of subsea dispersant applications by measuring oil droplet size in the immediate vicinity of the subsea release. Additionally, BSEE is examining possibilities for modifying conventional dispersants to accommodate the dispersion of emulsified oil. In FY 2012, BSEE awarded funding for research and development projects geared toward advancing technology to enable detection and mapping of oil under ice, as well as subsea containment systems.

All research that is not deemed proprietary is published on the BSEE web site and is thus publicly available to inform science and promote innovations in mechanical and alternative response technologies.

BSEE cannot endorse specific products, but requires operators to show that they have under contract the appropriate response equipment to respond to a worst case discharge scenario from one of their facilities. BSEE has recently funded a research project to assess planning standards for offshore operations and will use the data to establish new policies that will promote the use of the best available technology, thus incentivizing the development, acquisition, and use of newer technologies that promise greater recovery or treatment efficiencies in offshore environments.

BSEE and BOEM are members of the Interagency Coordinating Committee on Oil Pollution Research, a committee mandated by the Oil Pollution Act of 1990 in order to coordinate research activities, disseminate research findings, prepare National research priorities, and report to Congress on completed research as well as plans. BSEE staff also participate in the National Response Team Scientific and Technical Subcommittee, providing yet another venue for sharing information on research, coordinating interagency research programs, and establishing policies on the use of new technologies.

Is the Department of the Interior considering the use of unmanned maritime platforms to allow immediate detection of and response to oil spills?

Response: Offshore facilities are already equipped with safety devices that can detect drops or spikes in pressure, changes in flow rates, and other variables that can be indicators of system upsets or leaks, and, based upon these variables, are equipped to shut down affected production systems or pipelines as needed. These safety systems are subject to routine inspection by BSEE staff and are effective in immediately activating block valves and/or subsurface safety valves to stop oil flow at the source. Immediate detection and abatement is thus already built into offshore safety systems.

BSEE has participated in a pilot program with the National Oceanic and Atmospheric Administration on the use of satellite imagery for the detection and delineation of oil spills in offshore waters and has also funded research on other remote sensing devices that can be deployed on fixed wing aircraft.

Questions from Rep. Tonko:

1. **Mr. Beaudreau, I have several follow-up questions regarding the time and investment required to develop oil and gas resources in the Arctic, and the potential challenges and risks associated with expanded development of oil and gas resources in the region. Is the current infrastructure, including facilities the Trans-Alaskan pipeline, that supports production and distribution of oil from Prudhoe Bay sufficient to support additional safe oil and gas production and distribution from leases in the Beaufort and Chukchi Seas?**

Are the potential environmental impacts of any additional infrastructure that may be needed to support development and distribution of oil and gas resources from these two areas included in the impact evaluation done by the Bureau?

What are the estimated amounts of private and government investment in additional infrastructure that would be required to support development of these resources and to ensure that it is done safely including the infrastructure required to support additional personnel working the industry who would be based in the area?

You indicated in your testimony before the Committee that there is a significant inventory of existing offshore leases in Beaufort and Chukchi Seas. How many of these are currently being development?

Response: BOEM does not have jurisdiction over onshore pipelines, and it would be difficult to project future infrastructure needs at this time—given significant uncertainty regarding future activity levels and the need to account for findings from any near-term exploration. However, BOEM actively coordinates with agencies across the Federal government with jurisdiction over issues related to long-term infrastructure planning. This is an important area of focus for the Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska, established by executive order in July 2011 and chaired by the Deputy Secretary of the Interior. BOEM will continue to factor new information and projections into the environmental and economic analyses that support leasing decisions.

There are 670 current leases offshore Alaska. A complete list of current leases is available on BOEM's website at: [http://www.boem.gov/uploadedFiles/BOEM/Oil and Gas Energy Program/Leasing/Regional Leasing/Alaska Region/detailed active leases.pdf](http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Leasing/Regional_Leasing/Alaska_Region/detailed_active_leases.pdf). Of the 670 current leases, 19 are currently active—including those covered by proposed or conditionally approved exploration plans. Current information regarding the status of current exploration plans on existing leases is also available on BOEM's website at: <http://www.boem.gov/About-BOEM/BOEM-Regions/Alaska-Region/Leasing-and-Plans/Plans/Index.aspx>.

2. The U.S. is not the only country interested in expanding oil and gas production in the Arctic. A recent report by the largest insurance company, Lloyd's of London, "Arctic Opening: Opportunity and Risk in the High North", predicts the Arctic region is likely attract significant investment over the next decade especially in the oil and gas, mining, and shipping industries. The report also points out unique risks and challenges associated with expansion of these activities in the Arctic region, and the need to develop strategies to address them. The report also notes there are major differences between regulatory regimes, standards and governance across the Arctic states, and that some spills or accidents that may occur will impact more than one nation's resources.'

As the Bureau is developing its policies to govern oil and gas exploration in the OCS, are we also working with other nations through the Arctic Council to ensure that exploration and development occurring in other Arctic nations will not place communities and resources in Alaska at undue risk?

Response: The Department, acting through BSEE, is a leader in the work of the Arctic Council on spill prevention, preparedness and response, including development of the Arctic Offshore Oil and Gas Guidelines and Guidelines for In-Situ Burning, an Arctic-wide instrument for Emergency Prevention, Preparedness and Response, and other projects. Examples of work with other Arctic nations include shared research between the U.S. and Canada in spill response in the U.S.-Canada Northern Oil and Gas Research Forum. Results of these studies, assessments, programs, as well as our experience in offshore Arctic operations, are valuable to Arctic nations. Our active participation in the Arctic Council and communications with other northern nations complement efforts within the Federal government to ensure readiness to respond in the event of an oil spill.

Questions from Rep. Markey:

1. Mr. Beaudreau, the Department recently reached an agreement on the exploration and development of oil and natural gas reservoirs along the maritime boundary between the United States and Mexico in the Gulf of Mexico to remove uncertainties regarding the development of oil and gas resources in the area. This agreement will allow for the development of nearly 1.5 million acres of the Gulf containing as much as 172 million barrels of oil and 304 billion cubic feet of natural gas, according to the

Department. The Department will soon be submitting legislation to Congress relating to the Transboundary Agreement. Why is legislation action needed by Congress and what would happen to the possibility of developing these substantial resources should Congress not act? When does the Department anticipate leasing and development would occur in these areas?

Response: On Monday, February 20, 2012, the Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico was signed by U.S. Secretary of State Hillary Clinton and Mexico's Foreign Minister Patricia Espinosa at a meeting of the Group of 20 nations in Los Cabos, Mexico. The Agreement was approved by the Mexican Senate on April 12th. Legislation is needed to enable the United States to fully comply with the agreement and the Administration looks forward to working with Congress.

The main area of interest is in the Perdido Fold Belt area of the Alaminos Canyon Protraction Area, in the Western Gulf of Mexico Planning Area about 225 statute miles off the coast of Galveston Texas. To date, no transboundary reservoir has been discovered by drilling, but there are 8 active U.S. leases adjacent to the maritime boundary and a few dozen additional leases within 10 miles of the boundary. Shell operates the Perdido Hub production facility 7 to 8 miles from the maritime boundary, with the capacity to produce 100,000 barrels of oil per day and 200,000 cubic feet of gas per day.

2. Director Beaudreau, how does the fact that the United States has not yet ratified the Law of the Sea treaty affect our ability to lay claim to oil and gas resources in areas such as the Arctic or the Gulf of Mexico where we share maritime boundaries with other nations? Is industry less willing to make investments to access oil and gas resources unless a Nation has had their territorial claim approved by the Law of the Sea Commission on the Outer Continental Shelf, as evidenced by the fact that the American Petroleum Institute, the International Association of Drilling Contractors, and the National Ocean Industries Association, along with many other industry trade groups support ratifying the Law of the Sea? Does the Department have estimates for the amount of oil and natural gas that could be accessed if the United States ratified the Law of the Sea treaty and was able to resolve territorial claims in the Arctic or in the Gulf of Mexico?

Response: The U.S. has the world's second longest coastline, so we benefit greatly from the Convention's favorable provisions on offshore natural resources. Only as a Party to the Convention can the United States fully secure its sovereign rights to the vast resources of our continental shelf beyond 200 miles from shore (the "extended continental shelf"), an area likely to be at least 385,000 square miles and potentially extending beyond 600 nautical miles off the coast of Alaska. The Convention provides the needed international recognition and legal certainty regarding shelf areas beyond 200 nautical miles that will allow oil and gas companies to attract the substantial investments needed to extract these far-offshore resources. The energy resources contained in the U.S. extended continental shelf are believed by many to be significant, potentially equaling billions of barrels of oil and trillions of cubic feet of natural gas.

3. In explaining the decision to keep the Atlantic off the table in the proposed 2012-2017 OCS Oil and Gas Leasing Program, BOEM cited "lack of infrastructure to support oil and gas exploration and development, as well as spill preparedness and response." Drilling in the Arctic comes with these same challenges on an even greater scale. Please explain the Department's decision to include new lease sales in the Arctic Ocean in the new plan despite the clear lack of infrastructure and spill response capabilities.

Response: The region-specific strategies reflected in the Proposed Final Five Year Program's approach to offshore areas across the OCS are designed to take into account current and developing information about resource potential, the status of resource development and emergency response infrastructure to support oil and gas activities, recognition of regional interest and concerns, and the need for a balanced approach to our use of the Nation's shared natural resources.

In the Arctic, current spill response planning is focused on certain, limited near-term proposed drilling operations. Longer term planning and infrastructure development are also necessary, particularly if major oil resources are found and producers seek to engage in year-round production activities. As offshore oil and natural gas

exploration under existing leases moves forward, so too must near- and long-term planning with respect to infrastructure, including spill response preparedness. Potential, single sales in the Beaufort and Chukchi Seas are deliberately set late in the program, in part to provide time for the contingency planning and infrastructure development needed to address these issues.

The CHAIRMAN. Thank you very much, Director Beaudreau, for your testimony. We will now begin the question period, and I will recognize myself for five minutes.

The offshore drilling plan that you are about to complete originated in 2008, which is nearly 4 years ago. And that plan was originally proposed to begin on July 1, 2010 to be the 2010-2015 plan. That plan has had repeated delays. And now you are working on a new plan for 2012. But it now appears that that deadline, as I alluded to in my opening remarks, will not be met on July 1st, because of the 60-day requirement. Now, that is the first time, as I also mentioned in my testimony, that that deadline has not been met by any administration.

So, my question to you, then, when will the new deadline that was July 1st now be, in order to satisfy the 60-day requirement of notice to Congress?

Mr. BEAUDREAU. Thank you, Mr. Chairman. Just to be clear, the current plan under which we are holding lease sales—we held a lease sale on the western Gulf last November under the current plan, we are holding a central Gulf sale on June 20th under the current plan—

The CHAIRMAN. I understand.

Mr. BEAUDREAU [continuing]. Does not expire until the end of June.

The CHAIRMAN. I understand. I am talking about the new plan.

Mr. BEAUDREAU. Right. So there is a plan in place. The new plan, which covers 2012 through 2017, will be issued by the Department of the Interior, the EIS completed, which takes into account the effects following the *Deepwater Horizon* oil spill only two years ago, and is a major consideration in the development of our current plan. The EIS will be complete, and the program will be issued by the Interior Department before the expiration of the current plan, which is June 30th of this year.

The CHAIRMAN. So, June 30th—and so then, the 60-day clock for us, then, starts on June 30th. Is that correct?

Mr. BEAUDREAU. We will issue on or before June 30th. It will be delivered to the Hill. There are some mechanics, and then the congressional review period under OCSLA will begin at that time.

The CHAIRMAN. So June 30th—and so that means that the end of August is when the 60-day review period would apply. Is that correct?

Mr. BEAUDREAU. Approximately, depending on the mechanics. And there are no lease sales anticipated during that period. And so there is absolutely no consequence or significance to the timing of the issuance of this plan. The first sale—which, again, is consistent with the traditional rhythm of alternating lease sales in the Gulf of Mexico—is scheduled for November or December, later this year.

The significance of having a plan in place is under OCSLA you can't have a sale unless the plan is in place and approved by Con-

gress, or has gone through that process. We are not in jeopardy of postponing any sales as a result of the issuance of our plan.

The CHAIRMAN. Well, depending on the timing of that, then, let me just ask this question. Do you have an opinion that you can notice a sale before this plan is complete?

Mr. BEAUDREAU. Yes. We are going through that process right now. For example, in the Cook Inlet, we have already issued request for industry interest, whether they would be interested in a sale in the Cook Inlet under the new plan, assuming that plan is approved and goes forward.

And so, the machinery—

The CHAIRMAN. But my observation was, do you have an opinion that you can notice a sale prior to this plan being completed?

Mr. BEAUDREAU. I believe we can go forward—

The CHAIRMAN. I can understand the interest. I am sure there is a lot of people that have an interest. I am talking about the procedure of noticing the sale.

Mr. BEAUDREAU. Yes. We can go through all the mechanics based on the Secretary of the Interior's approval of the plan, go through all the mechanics that we need to, the regulatory process that we need to, in anticipation of this sale.

Now, if for some reason Congress delays the finalization of the program, and we don't have a plan—

The CHAIRMAN. That hasn't happened, to my knowledge. So, assuming everything goes well—my question to you is this. The timing of the final plan kicks in a 90-day requirement for the notice of a sale. And so, you said you think it is going to be the end of June. That means that the end of August is when the final plan would be. Then your 90-day kicks in after that.

So, my question is, can you proceed with the notice of a sale prior to the finalization of the plan?

I understand everybody is going to be looking at this. It doesn't come out of mid-air, saying, "OK, all of a sudden we want to bid." I understand the interest. I am talking about the legal requirement of noticing before a final plan.

Mr. BEAUDREAU. Yes. Based on the Secretary of the Interior's issuance or approval—

The CHAIRMAN. Would you share that with the Committee, that opinion?

Mr. BEAUDREAU. I have shared that opinion now, but—

The CHAIRMAN. Well, but—I mean there has to be some written statement, I guess, in order for that.

Mr. BEAUDREAU. Yes.

The CHAIRMAN. If you could share that with the Committee, I would very much appreciate it. All right.

My time has expired. I recognize the gentleman from Massachusetts.

Mr. MARKEY. I thank you, Mr. Chairman, very much. As I said earlier, Director Beaudreau, the bipartisan BP Spill Commission led by William Reilly, who was the EPA Administrator under George Bush I, has given the Congress a D for its legislative response to the BP spill.

Now, the Department, DoI, has taken a number of reforms and put them in place in response to the spill. But there are many

other reforms which you do not have the actual authority to implement. So, my question to you is, would you support codification of your reforms, so that they are not just temporary, but permanent, so that those safety reforms that you have already put on the books are not rolled back in the future?

Mr. BEAUDREAU. Yes. And I believe we, the Interior Department and the Administration, have been very clear in our support for that type of legislation. And to be clear—and I believe the Commission, in its report card, said this as well—there have been attempts in Congress to pass that sort of legislation. Unfortunately, they have been stymied for various reasons. But we continue to be supportive of that—

Mr. MARKEY. But you do want that, your reforms, made permanent?

Mr. BEAUDREAU. Yes.

Mr. MARKEY. And next, an increase in the liability cap to ensure that oil companies are held fully responsible for their spills. You do want to see a legislative—

Mr. BEAUDREAU. Yes.

Mr. MARKEY [continuing]. Increase in the liability—

Mr. BEAUDREAU. Yes. We have done what we can, administratively, to increase that liability cap. We are continuing to explore ways to effect that administratively. But legislation would be extremely helpful.

Mr. MARKEY. And creating a dedicated funding stream paid for by the oil industry for offshore regulators, that area has been woefully funded, historically. You do agree that that should be put in place?

Mr. BEAUDREAU. Yes. Secure funding for both of the new Bureaus established following the *Deepwater Horizon* oil spill is a major priority to ensure that offshore oversight remains vigorous, and that safety enforcement remains vigorous.

Mr. MARKEY. And you also want 80 percent of the Clean Water Act fines to go to the Gulf States. Is that correct?

Mr. BEAUDREAU. Consistent with legislative proposals that the Administration—

Mr. MARKEY. We did not pass that legislation, either. And you also support an increase in the civil penalties for companies who violate the law, so that it is a real financial deterrent. Is that correct?

Mr. BEAUDREAU. Absolutely. And again, we have done what we can, administratively. But legislative solution to increase those penalties, again, would be extremely helpful.

Mr. MARKEY. Again, none of that has happened. None of that legislation has yet been brought up by the Majority in order to ensure much greater safety for drilling in the United States. And, as you know, in 2010 the Democrat-controlled House passed that legislation that would have effectuated those kinds of reforms so that they would be on the books permanently as a deterrent to the kind of nefarious activity that BP and the other companies were engaging in in the Gulf of Mexico.

And Director Beaudreau, the Majority has alleged that offshore drilling has slowed. But according to industry analysts, there are now nearly one-third more floating rigs operating in the Gulf than

there were before the BP spill. And by the end of the year there are scheduled to be nearly 50 percent more rigs operating in the Gulf.

So, that is a sign, is it not, of success, that now the oil industry is viewing the Gulf of Mexico has a place where they want to drill if there is going to be upwards of 50 percent more drilling rigs by the end of this year than there were before the BP spill?

Mr. BEAUDREAU. I meet frequently with operators to discuss their forward-looking plans, strategic plans for activity in the Gulf of Mexico. And I do this for a lot of reasons, including to have an understanding so that we can align our resources with those plans.

Industry, in my view, is extremely optimistic about the Gulf of Mexico, and is making aggressive capital plans to expand exploration and development in the Gulf of Mexico, all being done more safely now, in light of the heightened standards that we put in place since the *Deepwater Horizon* spill. That is good news.

Mr. MARKEY. No, and I think it is a big success story for President Obama. He has cleaned up a mess that had been created, put in place the safety standards—although it would be great if the Republican Congress would pass the additional safety standards, especially the penalties on oil companies, we just wish that they would do that so that, going forward, even more rigs—that is, it is not just a 50 percent increase in the total number of rigs that were there during the Bush Administration, which is what Obama has done, but an even higher number.

And I know that is President Obama's goal. And I hope that, you know, this Congress would recognize that and praise him for his excellent work in restoring confidence by the oil industry in the—drilling possibilities in the Gulf of Mexico.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from Louisiana, Mr. Landry.

Mr. LANDRY. Thank you, Mr. Chairman. Mr. Beaudreau, I would like to commend you for reaching out to the industry. What you just said earlier is a testament from what I hear back home. And I appreciate you working on solutions to get the people of South Louisiana and the Gulf Coast back to work.

Do you have a production goal that you all are going to try to set for the new Five Year Plan?

Mr. BEAUDREAU. No, we do not. As the Government, we do not set production goals for private industry. We have projections, based on the resource potential and anticipated levels of activity that we believe is the potential there. But actual production over time, especially over a long period of time, depends on a lot of different factors, including prices and other factors.

Mr. LANDRY. And, of course, and one key component of that would be actual expiration, actually drilling test wells. Well, you know, first of all, doing seismic drilling test wells, trying to see what the reserves are.

My concern is that the general manager for the Chinese national offshore company last week in Houston made a comment that their goal in the South China Sea was to have a 159-reserve replacement ratio in 2011. And that is a very aggressive replacement of minerals in that area and to that country. I mean I don't know that we have that type of replacement going on in the OCS.

And so, I wanted to mention that to you because there has been a lot of criticism about speculation and speculators. And I believe that the President, if anyone is affecting speculators, it would be the President. Because when you take off the table potential reserves, or the ability to determine what other areas of the OCS have the potential for finds such as the Gulf of Mexico, then you affect a speculator, because he recognizes that there is going to be a restriction in supply.

And we know right now, because of a downturn in the European economy which could affect the globe, we are seeing a depression of all prices. So we do know that supply and demand affects the price. And if there is anyone that is guilty of causing speculators to raise the price, I believe that it is the Administration, by taking off the table the ability of the United States to adequately tap the supplies that are out there.

And so, I wish you would take that message back up the chain of command. Because I think if we went out and we did some good seismic data out in the Mid-Atlantic, we would find that there are great potentials out there. I mean 20 years ago they said the Gulf of Mexico was dead. That is what the Government estimates were. And think about where we are today.

And so, I just would appreciate if you would take that back to the Secretary, and let them know that these Five Year Plans are important, not only to Americans for lowering their costs, but also to the markets, as well.

Thank you, Mr. Chairman. I yield back.

Mr. BEAUDREAU. May I respond?

Mr. LANDRY. Sure.

Mr. BEAUDREAU. Thank you. Let me just respond by making clear that the Five Year Plan—and we designed it specifically for this reason—does include the areas that we know have the most abundant resource potential, that those areas are well understood, there is good seismic in those areas, and good resource potential, and we understand that potential.

With respect to other areas such as the mid and south Atlantic, while we don't schedule lease sales, we understand and agree with what you just said about the need to develop additional scientific information about the resource potential in those areas. It is for that reason that my agency issued a programmatic EIS, a draft programmatic EIS, last month regarding geological and geophysical surveys in the mid and south Atlantic. We aim to finish that EIS by the end of this year, after receiving public comment, which would put us in a position to permit seismic surveys in the mid and south Atlantic as early as next year to develop that type of information, and to supplement our knowledge of the resource potential in that area.

And so, we are moving forward with that. That is the Administration policy.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from Michigan, Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman. Director Beaudreau, last week BP unveiled a 500-ton spill containment device that is designed to be flown to any part of the world at a moment's notice. BP's containment kit would be flown on 5 huge cargo planes with

wing spans approaching the size of a football field, as well as 2 Boeing 747 planes.

Director Beaudreau, has the Department evaluated the efficiency of BP's new containment device, which the company claims can operate at depths of 10,000 feet and withstand pressures up to 15,000 pounds per square inch?

Mr. BEAUDREAU. One of the major reforms coming out of the *Deepwater Horizon* oil spill was we established the requirement that companies operating in U.S. waters and deep water in the U.S. need to have the ability to cap a well. That didn't exist prior to the Macondo accident, as we are all painfully aware. And those systems were improved and developed on the fly to respond to that incident, and took nearly three months. That is not the case any more. So any deep water operation in U.S. waters must have a system.

Now, the Secretary of the Interior has leaned forward very hard on the international front to encourage the development of these systems around the world, any place where deep water activity is happening, because the risk potential is there, as well.

And so, speaking for myself, I applaud BP's efforts to make a mobile system available globally for its operations in order to respond in the event of an accident in the North Sea, off of Africa, any place else that these multinational oil companies have interests and are drilling. I think it is extremely important.

We have not—BSEE, our counterpart agency, as far as I know, has not tested that system. But again, I applaud BP for developing this technology and making it available for their operations, globally.

Mr. KILDEE. Has the Department evaluated whether BP would be able to deliver this containment device to remote locations such as the Arctic?

Mr. BEAUDREAU. With respect to—

Mr. KILDEE. It is a huge device, huge combination of devices. Is it deliverable, practically?

Mr. BEAUDREAU. We have not analyzed the delivery of that system you are referring to. But with respect to potential operations in the U.S. Arctic, such as Shell's operation that is contemplated for this summer, we are requiring specific containment systems to be on hand in the Arctic, not dependant on, you know, mobile deployments or anything else, but to have a tested containment system on hand if those operations go forward. So they are not dependent on the logistics and mobilization that BP describes with respect to that system.

Mr. KILDEE. Would you comment on the Department's evaluating BP's new device if it could be used in U.S. waters?

Mr. BEAUDREAU. Under our regulatory regimes, under our requirements, we are not dependent on the mobilization of equipment such as the system that you are describing that BP has developed. We require those systems to be on hand already, where the drilling is. That is our policy for operations in the U.S. waters, including the Arctic.

Mr. KILDEE. Should all oil companies be required to have such a device?

Mr. BEAUDREAU. Operating in deep water, in light of the risks of deep water? I believe so, yes.

Mr. KILDEE. Thank you. Thank you very much.

The CHAIRMAN. Would the gentleman yield?

Mr. KILDEE. Happy to yield to the Chairman.

The CHAIRMAN. I am very pleased that Director Beaudreau applauded BP, and I will take the opportunity to extend that to the whole industry. Because over a year ago we had a Committee meeting in Houma, Louisiana, where in testimony, the industry had come together, and to a direct question that I asked, if something similar to a BP spill had happened, would they be able to respond to it, in both cases, two independent—one witness represented a consortium of a number of companies and another was a private company—said that they would be able to respond and have it capped in a timely manner—a very timely manner—like less than, I think, within the 60 days.

And so, I appreciate the line of questioning that the gentleman from Michigan presented, because I have said right from the get-go on this that the industry has a responsibility to respond. And I appreciate the Director's remarks in that regard, and I appreciate the gentleman from Michigan for bringing that to attention.

The Chair recognizes the gentleman from Texas, Mr. Gohmert.

Mr. GOHMERT. Thank you, Mr. Chairman. Thank you, Mr. Beaudreau.

Let me just follow up on that. With regard to the Gulf Coast, you had indicated that you are utilizing more strict scrutiny with regard to safety violations. You know, we came to find out through hearings and evidence that was obtained that British Petroleum had had nearly 800 egregious safety violations out there in the Gulf. Was there any other operator/driller in the Gulf that even came close to having that many egregious violations?

Mr. BEAUDREAU. With respect to the safety records of companies in general, I don't know the answer to that question. I will say that—

Mr. GOHMERT. You don't know if anybody has got up to 800 safety violations, but you are using strict scrutiny to check them out?

Mr. BEAUDREAU. Yes—

Mr. GOHMERT. They don't seem to be in concert with each other.

Mr. BEAUDREAU. Our standards, particularly the heightened standards in place following the spill, apply to all operators in the U.S.—

Mr. GOHMERT. And that, the new standard, would apply even to companies—as far as I know, British Petroleum was the only operator in the Gulf Coast that was about to endorse the Administration's cap and trade bill, and were negotiating for the big rollout of that endorsement at the very time *Deepwater Horizon* blew.

So you are saying the new policy now, even if a company is willing to endorse cap and trade and Obamacare, you are still going to scrutinize them closely. Correct?

Mr. BEAUDREAU. Absolutely.

Mr. GOHMERT. All right.

Mr. BEAUDREAU. Politics has nothing to do with our safety regime following the spill—

Mr. GOHMERT. Well, I don't think you can honestly say that when *Deepwater Horizon* blew.

But let me take you over to the Southern California Coast. We know that from 30 years ago, information existed that there was perhaps 5.74 billion barrels of oil just off the Southern California Coast. We know there are some old rigs in the area that are offshore that are producing.

You know, you had said that your plan opens up 75 percent of undiscovered resources. So let me ask you. Since our old—our analysis of the Southern California oil is so old, if it turned out there were seven or eight billion barrels of oil off the coast of Southern California, would you then be willing to allow permits in that area?

Mr. BEAUDREAU. Our resource estimate for Southern California is that there are 5.32 billion barrels—

Mr. GOHMERT. Well, that wasn't my question. So if you would, just answer my question. I am asking you a hypothetical. You say you are going after resources. If it turned out that there were information that came out that there were seven or eight billion barrels of oil, and it was reliable information, would you then open up that area to permitting for drilling?

Mr. BEAUDREAU. So resource potential is one factor. Another factor that we must consider under OCSLA is the interest of the States off of whose coast this activity would be—

Mr. GOHMERT. OK. So it is OK to mess up the Louisiana Coast, but Southern California, being Democratic, is much more delicate to allow to be—

Mr. BEAUDREAU. There has been consensus from all of the West Coast States for decades, across Administrations, Republican and Democrats—

Mr. GOHMERT. All right. Well, that is not what I am asking. I am asking if there were seven or eight billion barrels of oil, and it could be established by a clear evidence, would you then open that area up?

Mr. BEAUDREAU. There are nearly six billion barrels that we believe exist there. That is one factor. Other factors are the States' interests in those—

Mr. GOHMERT. If there were 10 or 15 billion barrels of oil, would you open that area?

Mr. BEAUDREAU. We would still have to consider other factors, including—

Mr. GOHMERT. If there were 20 to 50 billion barrels of oil, would you open that area up for the good of our own national security?

Mr. BEAUDREAU. I am describing the OCSLA process. Resource potential is one issue. The fact is, the resource potential—

Mr. GOHMERT. So you can't say, even if there were 50 billion barrels, that you would open that area, that that would be so persuasive that you—and you knew how many billions of dollars we were sending to people that are funding terrorism, you would still say it is too politically indelicate to risk smudging the California beaches like we did the Florida beaches.

Mr. BEAUDREAU. I am saying I always respect the interests of the states that are involved. That is an important factor for us to continue, and we will always consider that.

Mr. GOHMERT. Well, that is apparent. Thank you. I yield back.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from New Jersey, Mr. Pallone.

Mr. PALLONE. Thank you, Mr. Chairman. I wanted to say right from the beginning that I have great concerns with the Department of the Interior's Five Year Plan, and the path it has placed on us.

In particular, I strongly oppose the plan to move forward with seismic testing in the Atlantic Ocean. And my opposition includes any preparatory steps, including seismic testing in our waters off the Atlantic Coast. The time and resources that the Department of the Interior is allocating to seismic testing could be better used on higher priorities that will allow us to move away from dirty fuels and faster achieve U.S. energy independence through renewables, such as wind and solar power.

New Jersey's beaches, like those up and down the Atlantic Coast, are incredibly important, not only to residents, but also for countless visitors. They are the primary driver of the New Jersey tourism economy that supports nearly 500,000 jobs and generates 38 billion in economic activities each year. Seismic testing is the first step in the direction of opening up the Atlantic Coast to oil drilling.

In the two years since the BP spill, none of the proposals recommended by the National Commission on the *Deepwater Horizon* Oil Spill and Offshore Drilling have been put in place. And most of the drilling off the Atlantic will be in deep water, which is at least as deep as the—or even greater, I should say—than with the BP oil spill. And the BP spill, in my opinion, the technology doesn't exist, and the protections are not available to prevent another BP spill from happening off the coast of the Atlantic.

I am simply asking—which I have many times in the past—that the Department halt the process that will lead to drilling off the coast of the Atlantic. There isn't enough potential in the Atlantic to offset the potential damage to the tourism and economy, and the jobs it generates at the off-the-Atlantic Coast.

Recently the Department held a public listening session in Atlantic City, New Jersey on the process leading to seismic testing. Local environmental organizations, fishermen, divers, and people from all backgrounds were there to oppose this decision. And I really call on the Department to earnestly listen to the concerns and opposition.

I don't want to get into the comments you made about the West Coast, but it is certainly true that on the Atlantic Coast there is overwhelming opposition to offshore drilling. And I don't really understand how you can say that, you know, you are listening to the people off the Western Coast and saying there shouldn't be drilling there, yet when we do the same thing off the Atlantic Coast and say we shouldn't have drilling, that somehow it is going to be allowed here. It makes no sense to me. I think the decision that led the Administration to say that the West Coast is off the table should be the same for the Atlantic Coast.

I have a couple of questions in the two minutes that I have left here. So let me just say that, as I said, we should be prioritizing the development of clean, renewable energy. Yet the Department is clearly placing considerable funds and resources toward drilling in the Atlantic that will not yield any reduction in price at the pump for years to come.

How much will it cost BOEM and the Department of the Interior to manage this program over the next 10 years? What is the cost of, you know moving forward with the seismic testing and other things that would lead to drilling off the Atlantic?

Mr. BEAUDREAU. Yes, thank you for those comments. And I do want to be clear that we do respect the interests of the States along the Atlantic, as well. There are no lease sales planned—

Mr. PALLONE. No, I understand that. But look, to suggest that you can do it in Virginia or Delaware and that it is not going to impact New Jersey is absurd. I mean we know that the BP spill, which was off of Louisiana, was impacting the coast of Florida, which is much further away than from Virginia to New Jersey. So no use going down that road. It doesn't—

Mr. BEAUDREAU. Well, and that is why, despite the fact that New Jersey, strictly speaking, it doesn't border the planning areas we were talking about, we did have a hearing in New Jersey, out of consideration that any activity may—

Mr. PALLONE. No, I appreciate that. But could you answer my question? The cost.

Mr. BEAUDREAU. The cost? We don't conduct these surveys ourselves. And so the costs for our bureau relate to the environmental assessment of the potential impacts these surveys may have.

Mr. PALLONE. Well, —could I ask you, Mr. Chairman, if they could get back to us in writing with—to respond to the question about the costs? I would appreciate that.

The CHAIRMAN. If the gentleman would yield, this is typical. And I would ask—there are further questions—and this is a very legitimate question—and so I would ask that the Department do respond in due time with that.

Mr. BEAUDREAU. Yes, absolutely.

Mr. PALLONE. Let me just ask one more thing, because I only have 30 seconds.

The DoI has said that these seismic surveys will be needed for renewable energy siting. But explain how knowing what is buried miles below the seafloor helps us to understand where to—I don't understand how this seismic testing helps you with renewables. How is that the case?

Mr. BEAUDREAU. It doesn't. The EIS covers geological and geophysical surveys, geological being bottom surveys. The EIS relates to that. Seismic surveys, I agree with you, they don't have relevance to the siting of renewable—

Mr. PALLONE. Mr. Chairman, let me just express my opposition to one more thing. We had requested extending the deadline for the 60 days comment period, and that was denied. I wish you would reconsider that.

I mean this plan took your office two years to come up with, and yet you ask us to, you know, to turn around the comments in two months. I really don't understand why they didn't—they rejected the request to extend the comment period beyond the 60 days. And if you could reconsider that, I would appreciate it.

Mr. BEAUDREAU. I will take that into consideration.

Mr. PALLONE. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you, Chairman. Good morning, Director. Director, in some of the past hearings you suggested that the reason the Administration is prohibiting drilling in new areas is because you are focusing on areas where there are known resources.

Let me tell you a story about my home state, Pennsylvania. Ten years ago the Federal Government thought that the Marcellus Shale Formation contained 1.8—1.925 trillion cubic feet of natural gas. You know what the Federal Government believes we have today? 84.2 trillion cubic feet. That is 44 times the amount that the Federal Government “knew” we had, and that was in 2002. If you look at other analyses, the size of Marcellus is over 500 trillion cubic feet.

Now, the data you are using to come up with these assessments for areas off the coast of Virginia were—quite frankly, where they want to drill—is from the late 1970s and early 1980s, at best. I mean that is the era of the floppy disk.

Mr. BEAUDREAU. That is true.

Mr. THOMPSON. The advancements since then have been amazing. Major places like the Marcellus Shale have changed the face of natural gas in our country, and gas—natural gas prices are a sixth of what they were in 2008. And I can tell you firsthand that it has generated thousands of well-paying jobs in Pennsylvania, as well as provided very affordable energy.

Now, as we see in Pennsylvania, when areas are made available, generally production will happen. So, a couple of questions.

Do you believe that this plan that opens no new areas for offshore drilling is going to keep our Nation competitive in the coming years?

Mr. BEAUDREAU. I do. This plan keeps areas open that have established resource potential, that we know have significant resource potential—

Mr. THOMPSON. So, if you could, tell me what has changed since 2002, when known resources—you used that term again in just your current statement, and I referenced that before. I mean the Government was only off by a factor of 44 in 2002. So what has changed that would make me believe that the Federal Government has any—has done a better job of going in and assessing what actual resources are owned by the American taxpayers?

Mr. BEAUDREAU. Going to your earlier point about how dated the geological information is in the mid and south Atlantic, I agree with you completely. It is 30 years old. We don't know—we don't have modern data about the magnitude of the resource or the location of the resource. It is for that reason that we are moving forward with this EIS, to allow seismic surveys to go forward in the mid and south Atlantic, so that we can develop that scientific information.

Mr. THOMPSON. Well—

Mr. BEAUDREAU. That is exactly why we are doing it.

Mr. THOMPSON. I appreciate that. But let me speak to the practical parts of that. You are going to allow them to go forward. I mean do you really think operators are going to go out on that limb and—given the performance, especially the past number of years—to invest in seismic activity conducting that, when that land is not

open to—and I don't see any prospects of the Federal Government at this point, or this Administration, opening that land to actually production? Why would somebody make that kind of a business decision?

Mr. BEAUDREAU. I believe that the oil and gas industry has every incentive to develop that scientific information about the resource potential for exactly the reason you describe. Find out what is there. Find out if it is worth the investment.

When you are talking about drilling, you are talking about—especially in Deepwater, you are talking about the investments of hundreds of millions, billions of dollars. These seismic surveys, compared to that, are relatively inexpensive. And I believe industry has every incentive to move forward with them. We have had expressions of interest from seismic contractors to do just that. We need to have the EIS completed so that we can make sure that this activity is done in an environmentally responsible way, including marine mammal protections. But we are moving forward with that—

Mr. THOMPSON. Well, I—

Mr. BEAUDREAU [continuing]. For exactly the reasons you described.

Mr. THOMPSON. You know, the best predictor of future performance is past performance. I don't see that in the actions of locking that, and making that out of bounds, I don't see where that message is coming through. And so I really doubt that seismic activity is going to occur. And it is the Federal taxpayers that are the losers. Let's not just talk about energy, but do you know how much money in taxes the oil and gas industry pays to the Federal Government?

Mr. BEAUDREAU. I don't know the specific number. I know that there are—

Mr. THOMPSON. It is obviously a significant amount. Now, granted, this is onshore and offshore, but it is about \$87 million a day. So, just from that point, when we are in a budget situation that we are in today—so—but appreciate your candid responses.

Thank you, Chairman.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from New Jersey, Mr. Holt.

Dr. HOLT. Thank you. Let me just say a word about drilling off the Atlantic Coast. It doesn't make sense for all sorts of reasons, not the least of which is strong public opposition to it. And so, it does not make sense to be proceeding with the preliminaries now.

I would also join in the request that the comment period be reopened. The plan to move forward with seismic exploration is not necessary. Nothing is going to be happening soon, and it shouldn't be.

Now, the draft EIS for seismic surveys, you know, is out there. It is my understanding that some of my Republican colleagues have proposed legislation—and this is in keeping with what Mr. Thompson was asking about—proposed legislation to provide taxpayer subsidies for the oil companies to conduct this seismic work. Do you see any reason for that at all?

Mr. BEAUDREAU. No.

Dr. HOLT. Any reason for additional taxpayer subsidies to oil companies to do this?

Mr. BEAUDREAU. No, no.

Dr. HOLT. Good. Well, thank you. Recently Representatives Waxman, Bobby Rush, Ranking Member Markey, and I sent a letter to the Department having to do with enforcement of air standards for drilling activities in the Arctic Ocean. The other signers, Representatives Waxman and Rush, are involved in legislative oversight of the Clean Air Act, which doesn't apply exactly here.

And so, we are asking that the Department apply all existing regulations in a way that would protect the air quality if this were done in other locations. When can we expect a reply from the Department on this?

Mr. BEAUDREAU. It takes more time to respond to letters that are as thoughtful as yours, frankly. It touched on a lot of the same issues that we are considering internally, and I found it to be an extremely helpful letter.

And so, we are lining up some of the suggestions in that letter with our work that is ongoing with respect to how to implement this authority that was bestowed upon us last December. We will get back to you promptly. I want to provide you with a thorough response that reflects the thoughtfulness that went into the letter.

But let me just say this. We are—and we talked a little bit about this in my last appearance before this Committee—we are taking an approach on air permitting in the Arctic that is very focused on ensuring that the highest evaluation of air quality and the highest application of air quality standards is made use of in the Arctic. That includes through our regs, it includes through NEPA, it includes our close work with the operator and with the EPA, to make sure that there is no slippage in the evaluation of air quality. And we are also working on how we evaluate air quality in the Gulf of Mexico, as well. So these are significant issues for us.

Dr. HOLT. I appreciate hearing you say that. The flattery in saying that we gave you a thoughtful letter—

Mr. BEAUDREAU. Was sincere.

Dr. HOLT [continuing]. In no way diminishes our determination to get from you a prescription for strong protection of the air.

Offshore wind leasing, I think, requires a different approach from the purely financial auction approach that has been used for offshore oil and gas leasing. And I am very eager to see this move along. We have only a couple of seconds, but considering the fact that offshore wind doesn't actually exist as an industry, what can you say about the role of States in determining the feasibility of the projects and the ability to go ahead with leasing?

Mr. BEAUDREAU. Yes, and especially on the economic terms, we are working very closely with States, including New Jersey, to make sure that our auction process lines up with the States' goals and the States' incentives with respect to standing up offshore wind projects. And so we are quite focused on that, we are quite engaged on it. I meet with Commissioner Martin on this issue.

We are also focused on making sure that once leases are issued, that analysis and development actually happens. And so, I know that is a concern that many States have, that these leases may lie fallow. And so we are developing lease terms to ensure diligence in

the development of those leases, as well, so that these projects come to fruition.

Dr. HOLT. Thank you. And thank you, Mr. Chairman, for your generosity.

The CHAIRMAN. I will note that, for future reference.

[Laughter.]

The CHAIRMAN. The Chair recognizes the gentleman from California, Mr. McClintock.

Mr. MCCLINTOCK. Thank you. I would like to continue the line of questioning that Mr. Thompson started, to which you informed us that the Administration is confining its exploration activities, its development activities, to those areas where we have known reserves. Did I hear you correctly?

Mr. BEAUDREAU. The Five Year Program, which is a leasing program, covers areas where there are active leases.

Mr. MCCLINTOCK. Right.

Mr. BEAUDREAU. We are pursuing strategies with respect to other areas, such as the mid and south Atlantic, that do not currently have active leases.

Mr. MCCLINTOCK. But again, if we are confining it to areas where we know we have resources, we are not looking for new resources.

You know, I remember in the 1960s we were told that we were going to run out of petroleum by the 1980s. I remember the dire warnings of Jimmy Carter that we were going to be out of oil by the turn of the century. And the funny thing about that is we kept looking for oil where we didn't know it was, and we kept finding it. If we had confined our development to areas of known reserves back in those days, we would have run out of oil. But we kept looking in the areas where we didn't know.

That seems to be the difference between this and prior Administrations, is when the President said we are—he is directing his Administration to open more than 75 percent of our potential offshore oil and gas resources, we began scratching the surface of that and found out that is the areas where we have already explored. It excludes the entire Atlantic Coast, the entire Pacific Coast, nearly all of the eastern Gulf of Mexico, which have been little explored. If the Administration would allow leasing in those areas, exploratory work could proceed, and we would have a much better sense of what is out there, which is probably a lot more than the Administration assumes.

The fact remains that, under these policies, about 85 percent of our offshore areas remain off limits. And what my constituents want to know of this Administration is what in the world are you people thinking?

Mr. BEAUDREAU. So, let me give you an example of just what you described, that through the development of scientific information, through the development of technology, areas that once upon a time were predicted to be limited or near exhaustion actually have tremendous potential. And that is the central Gulf of Mexico.

I meet with operators regularly—

Mr. MCCLINTOCK. But why is that an argument not to look everywhere else within our vast borders?

Mr. BEAUDREAU. The central Gulf of Mexico is—and it is funny to talk about it this way, but this is the way the companies talk about it—is a burgeoning frontier for oil development, because of developments in technology-related—

Mr. MCCLINTOCK. Well, pardon me, but the oil companies make money by producing lots of oil. They produce lots of oil because they go out and look for it and they find it. And it seems to me that is what this Administration is standing in the way of.

You know, those who know me know I have very few nice things to say about the Bush Administration. But at least it did one thing. It passed on to the Obama Administration a thriving U.S. oil and gas industry. The industry was investing record sums in new exploration and development, which meant record investments in our communities, as well as huge streams of revenues for our States and Federal Government.

When this Administration took office, this industry was poised to produce more American energy than we had at any time in our past. And the Federal Government stood as a ready partner to provide reliable, predictable, regulatory structure, and an ambitious agenda of opening public lands and waters to develop for the public's benefit. That is a pretty stark contrast with what we have three years later.

This Administration has sharply reduced the acreage available for offshore leasing. It has increased the length of the regulatory process. It has removed any shred of certainty that that process once held. And that is just for offshore development. When you look at what the Department of the Interior is doing to promulgate new regulations for onshore development, where our shale reserves alone dwarf those of Saudi Arabia, you begin to realize what damage this Administration's policies have done to our energy situation.

I mean, can people honestly say that our Nation is more energy-independent today than it was four years ago? I think not.

Mr. BEAUDREAU. I think the facts bear out that we are, in fact, more energy independent, through the development of domestic resources' increased efficiency and other factors. We, in fact, are.

And if you look at the production estimates, especially offshore—onshore, as well, but offshore is my area—EIA, all objective observers, anticipate burgeoning production offshore, as well, a large part coming out of the Gulf of Mexico. It is the crown jewel of the U.S. OCS.

Mr. MCCLINTOCK. Because that is about the only area that you are allowing American enterprise to develop. And that is an outrage.

Mr. BEAUDREAU. And it is being done more safely than it ever has been before, as well.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from New York, Mr. Tonko.

Mr. TONKO. Thank you, Mr. Chair. Director Beaudreau, welcome.

In your response to a letter from Ranking Member Markey sent to the Secretary earlier this year regarding the December Gulf of Mexico lease sale, you state—and I quote—“While there are well over 100 companies qualified to operate on the OCS, only a relatively small subset of them has the technical capability and finan-

cial wherewithal to manage or operate deep water projects while meeting the environmental and safety standards required. In addition, the costs in deep water limit the number of projects any one company will invest in and undertake.”

In the December lease sale on the western Gulf, just 20 companies bid on 191 offshore tracts covering 1.1 million acres. More than 3,700 tracts covering 20 million acres received no bids at all. ConocoPhillips, ExxonMobil, and BP combined to submit 71 percent of the bids. This is typical. The oil industry does not even bid on most offshore areas that are offered to them.

If oil companies apparently cannot handle the volume of valuable areas currently being offered, do you think that they could quickly and effectively develop new areas where there is little or no existing infrastructure, such as off the East and West Coast, as the Majority has proposed?

Mr. BEAUDREAU. I do not. I believe, for a number of reasons, including the current economic environment and the prices of oil, that they are going to go where they know the resource is, and they are going to develop that resource as quickly as possible.

Mr. TONKO. And, Director, as Mr. Markey asked earlier, right now oil and gas companies hold roughly 26 million acres offshore on which they are not producing oil. Last year the Department concluded that there was nearly as much oil and more natural gas under these idle leases than there is off the East and West Coasts. The Department has implemented a number of reforms designed to incentivize more timely production offshore, such as establishing and increasing a rental rate for leases that are not producing, and shortening the length of leases.

What is going on here, when oil companies already are not producing oil on an area offshore that is the size of the State of Kentucky, but are saying that we need to open up new areas in the Atlantic and Pacific, and risk those coastal economies?

Mr. BEAUDREAU. It is hard for me to speculate on what the companies’ interests are, or what they believe is in their interests. Let me just say that—and this is part of the reason why we have raised the minimum bid—if we open an area up for sale, and we don’t have robust information about the resource potential, or we are selling it for too cheap, the companies will purchase those leases. Why not? Hold them in their inventory.

The strategy this Administration is taking is to make areas available where the resource potential is there, where we know companies can bring the resources to market, provide fair value to the American taxpayer, and for other areas that may be more marginal, or there may be less information about. Keep that in the people’s inventory, develop information about it, and then consider leasing only when we have that scientific information.

Mr. TONKO. Thank you. Director Beaudreau, you stated in your testimony that the central GOM lease sale will include provisions to protect biologically sensitive resources, mitigate potential adverse effects on protected species, and avoid potential conflicts associated with oil and gas development.

Would you elaborate on these provisions, and just how do they differ from requirements for other lease sales?

Mr. BEAUDREAU. So, in light of *Deepwater Horizon*, we had to, and this was the right call. We had to take a step back, and we had to evaluate what the impacts of that oil spill may have been, develop some baseline information about what those impacts may have been, before moving forward with the sales. So, we did supplemental EISs in both the western and the central Gulf to inform the decision as to whether to go forward with the lease sales.

Now, of course, we have. But it was only after doing an analysis of the best available information of what the impacts of those spills might have been.

Mr. TONKO. Thank you. And what infrastructure is available now, and what additional infrastructure is required to support safe oil and gas development in the Beaufort and Chukchi Seas?

Mr. BEAUDREAU. So, Shell has pending applications to move forward with drilling in the Beaufort and Chukchi Sea this summer. One of the key systems that they must have online and must be tested by our counterpart agency, BSEE, before it goes forward, is a devoted capping and containment system in those theaters before any activity may go forward. That infrastructure has to be established on a case-by-case basis at this point.

Part of our strategy on the Five Year Plan is to consider if any additional lease sales are to be held in the Arctic, what established infrastructure—rather than working on a case-by-case basis, what established infrastructure would be appropriate for the Arctic.

Mr. TONKO. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from South Carolina, Mr. Duncan.

Mr. DUNCAN OF SOUTH CAROLINA. Thank you, Mr. Chairman. And what we see out of this Administration, it appears that they are wanting really to handcuff or hold the reins back on American energy independence. I go back to the days in the latter years of the Bush Administration, when I served on the Five Year Planning Subcommittee under MMS, and a precursor to your agency, and the discussions that went on during that time about the next Five Year Plan, the input that we had to get from the outside groups, the citizens, before we made the recommendation to the whole OCS Planning Committee of what we thought the next Five Year Plan should look like.

And I know it is a long, convoluted process to pick those areas that the Nation is going to say, "You know what? We believe we have the resources there. We need to put our efforts there, we need to have a lease sale there, we need to allow the exploration to happen there, we need to allow the production there to meet the Nation's energy needs." And there is a lot of input from the States, there is a lot of input from the environmental groups during that process.

The delaying tactics of the Administration—if you look at some of the information we were provided that goes from chronological order from 2007 to current, and you see the delaying tactics of a Five Year Plan, and even the court being involved, as well, I am reminded of the words of Senator John Kerry about 10 or 11 years ago when he said, you know, even if we open up areas to exploration and drilling, and we started drilling, it would be 10 years before those resources came online to meet our energy needs. That

was 10 years ago, pushing 11 years ago. Those resources would be online, providing gasoline and hydrocarbon products to the Nation today. But yet we keep delaying, and keep tying the hands.

I think the gentleman from California was exactly correct in that we are finding more and more resources as we, as a Nation, allow that exploration to take place.

Off the coast of South Carolina in the Atlantic Ocean there hasn't been any seismic or exploration work done in at least 30 years. Probably longer. But you are going to make the determination that there is probably not any resources out there. And I am not saying today, I am just talking about over the last—since the Bush Administration opened up the whole OCS for exploration, we seem to hear from the Administration that, “Oh, we don't believe there is any resources out there, so we are not going to allow the exploration to take place, we are not going to allow the lease sale, we are going to close these areas that the Bush Administration—and Congress, I might add—had opened up for energy exploration. Not necessarily production, but the exploration side of it, to find out what is out there.

So, the question I have—you said earlier that it was fundamentally important to consider the opinion of the State when you are crafting the future lease sales. And we see in Virginia that Virginia's Governor, their General Assembly, the bipartisan congressional delegation, all supported going forward with a Virginia lease sale. And that was 220, I believe. So why, exactly, were they kept out of your plan?

Mr. BEAUDREAU. There are a couple of reasons why we didn't schedule lease sales at this time in the current Five Year Plan. One is the need to develop exactly the type of seismic scientific information that you described, both to inform the magnitude of the resource, but also its location, so that if a lease sale occurs in the future it is situated properly where the resource is.

Mr. DUNCAN OF SOUTH CAROLINA. But—

Mr. BEAUDREAU. The other major issue is there are major concerns expressed by the Department of Defense about their activity, which I know we all respect. Everybody on this Committee respects the mission of the military in protecting our shores and our country's interests. We need to work through those issues with DoD.

Mr. DUNCAN OF SOUTH CAROLINA. Let me ask you this, because before you—and even the Obama Administration felt like it was appropriate back then. That is why it was in the last plan. So why is it inappropriate now? Why, all the sudden, is that inappropriate?

Mr. BEAUDREAU. For the reasons I described. One, we need to find out what the resource is. Two, we need to resolve the conflicts with DoD. DoD, after the definition of the Sale 220 area, sent a letter to the Interior Department saying, “We have major issues with 80 percent of that area.” How could we go forward with a lease in that area encumbered by concerns from the military? What would an operator even do with it?

So we are very serious about resolving those conflicts, understanding what the resource potential is here. We haven't kicked the can. We are moving forward with a concerted strategy to develop exactly the type of information you described about what is the re-

source potential, where is it, and can it be developed in an unconflicted way. That is what our strategy is.

Mr. DUNCAN OF SOUTH CAROLINA. It appears to us, as Americans, that it is a delaying tactic before you have a lease sale. And so my time is up, Mr. Chairman. But—

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentlelady from California, Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chair. And it is very interesting. I don't have any areas that I have direct concern with, but California has a white coast, a long stretch, and listening to some of the comments of my colleagues makes me wonder. If they had as many earthquakes as we do in California, you expose them to seismic exploration—you know, those tectonic plates do move—and conceivably we could have more frequent, heavier earthquakes, or more—stronger than the 7.5 that we have had not too past.

There is very strong public opposition from all of the Western Coastal states that I know. The Nation enjoys the revenue that California produces, whether it is in transportation, agriculture, the tourism. All of that has an impact on what the rest of the Nation gets, so to speak. So, to me, I am very sure that folks understand that they may—there are leases offshore, I just don't know how many.

I would like to ask a question and be able to have a response to all the members of this Committee of how many current leases there are off the coast of California, Oregon, and Washington. How many are active? How many have been taken out but not put into effect? So that we have a better idea of what is happening in that coast or not happening, for that matter.

We do need to leave resources for future generations. We can't just go in—and I am—he is—the gentleman was right, it does take over 10 years for even just the beginning, from determining where they can drill or how much they are going to drill.

The opposition isn't for the drilling, it is for the drilling. It is for the safety of the drilling for the spills that are going to affect—maybe some of the other States like to have the additional work, which is very, very commendable, of the drilling, the revenue it brings in to the coastal cities. And yet—Texas and Louisiana, they have enjoyed for years, and I commend them. We just want to be sure they are safe in the future, as we want to be safe in our area.

I am not sure whether I have really a real critical question. But could you tell us, this Committee, the drilling industry, how are they, the industry itself, how are they responding to your drilling safety rules and the workplace safety rules?

Mr. BEAUDREAU. Yes, I will say this. The industry has—following the accident, *Deepwater Horizon*, the industry has stepped up in a number of ways. While it is our requirement that they have these systems, the industry invested tens of millions of dollars into the development of sub-sea containment systems that could respond to a blowout like Macondo and Deepwater. Industry, through two consortia, have made that investment. And they deserve all the credit in the world for doing that. They have invested not only in the development of the systems, but in ongoing readiness in the event that the systems need to be deployed. They conduct drills, they con-

duct testing, and we are continuing to oversee that and push them on that. But industry deserves credit.

For the most part, industry—and it has taken time and it has taken hard work, both on industry's side and on Government's side, on our side, to promote compliance with the new standards. And industry, in large part, has done that. And that is the reason why we are seeing the increased activity in the Gulf of Mexico that we have been.

There is increased activity. I anticipate that that activity will grow even further. And deep water drilling will be conducted more safely and more environmentally responsibly than it ever has been before. Industry deserves its share of credit for that.

Mrs. NAPOLITANO. Thank you, Director. And having been born and raised in southern Texas off of the shores of, well, Padre Island, to be exact, and also being a Californian now and taking my children over to the beaches, and sometimes finding the pollution of tar on those beaches is not necessarily something that anybody would look forward to. So, the more we protect those coastlines and keep them clean and safe so that it is not only recreation, but it is safe for the environment and for the rest of the folks that want to be able to see it stay clean.

I don't have any other questions. I may have some, and I will submit them for the record. Thank you, Mr. Chair.

Mr. BEAUDREAU. Thanks.

The CHAIRMAN. The time of the gentlelady has expired. The Chair recognizes the gentleman from Texas, Mr. Flores.

Mr. FLORES. Thank you, Mr. Chairman. Thank you, Mr. Beaudreau, for being here today. I have a few questions for you.

First of all—and I have a statement that seismic activity and oil and gas activities does not cause earthquakes. I need to disabuse anybody of that notion.

Now, what is the definition of an area with known potential, in the eyes of your agency?

Mr. BEAUDREAU. [No response.]

Mr. FLORES. I mean you refer to that many times in your report. You are making areas with known potential available. What is the definition of that?

Mr. BEAUDREAU. So we do a resource evaluation of all the OCS areas. And as I have described, there are varying amounts of resource available in those areas. They are not all created equally. The resource isn't spread evenly across the OCS.

Mr. FLORES. OK.

Mr. BEAUDREAU. So the areas that are included within our lease sale are areas where: A, have the most significant resource potential; and B, there are active leases there.

Mr. FLORES. OK.

Mr. BEAUDREAU. So, there have been exploratory drilling—

Mr. FLORES. So my next question is there are areas that are not included in your lease sale that do have known potential, though, correct?

Mr. BEAUDREAU. That we have estimates around. And speaking of the mid and south Atlantic, we have recognized and want—

Mr. FLORES. Just yes or no. I mean the answer is yes, right? There are areas that are off limits in your lease sale plan that do have known resource potential.

Mr. BEAUDREAU. That we estimate have a certain degree of oil and gas—

Mr. FLORES. OK, thanks. Now, why do companies lease? I mean they lease because they want to find oil and gas, right?

Mr. BEAUDREAU. Right. Presumably, yes.

Mr. FLORES. OK. So, if there is an area that is in a lease sale area that is available, but it is not leased—this is to Mr. Tonko's point, who is not here—the reason they are not leased is because the companies that would notionally lease that area don't think there is anything but goat pasture there, so they are not going to lease it. Right?

Mr. BEAUDREAU. As to specific decisions about leasing—

Mr. FLORES. I will just answer it. The answer is yes. They don't lease it because there is nothing there. It doesn't mean that they are trying to inventory acreage, or hold acreage off for some, you know, hidden reason.

Mr. BEAUDREAU. And I wasn't being pejorative about it. There are—

Mr. FLORES. No, I am just trying to be quick, because I have only got a limited amount of time.

In the areas that are off limits, are we allowing any sort of seismic data activity to go there? Seismic acquisitions, so that we can determine with better fidelity what is available?

Mr. BEAUDREAU. Yes, that is our—

Mr. FLORES. OK.

Mr. BEAUDREAU [continuing]. Specific strategy with respect to the mid and south Atlantic.

Mr. FLORES. OK. So we are allowing seismic activity. That is good.

Mr. BEAUDREAU. We are trying to move forward in that direction.

Mr. FLORES. I applaud you for that. Eastern Gulf areas that are currently excluded from the sale, do they have known resource potential?

Mr. BEAUDREAU. We have resource estimates. The areas that are not included in the eastern Gulf are currently subject to congressional moratorium.

Mr. FLORES. Correct. But there is—I mean—I am not trying to—I am just saying they have known resource potential.

So we got in a jam and we wanted to drill and there was no mandate—no moratorium, we could drill?

Mr. BEAUDREAU. If Congress took action in that area, we would consider what to do there.

Mr. FLORES. OK. The Atlantic. One of the questions—one of the statements says that the reason you are not doing anything in the Atlantic is because there is no infrastructure and no containment. So this is kind of what comes first, the chicken or the egg. How do you—how are you ever going to develop the infrastructure if you never allow the leases to take place?

Theoretically, you know, when I was in the oil and gas business, we would lease an area and then the infrastructure would follow. So, you know, we are not going to have somebody just plunk down

the tens or hundreds of millions of dollars to build the infrastructure or build the containment capabilities if the lease is not available—I mean if you are not going to put it in the plan, right?

Mr. BEAUDREAU. Yes. I want to be clear on that. What we say in the plan is we need additional information about the resource. We need to deconflict. While we are doing that, as a matter of smart planning, let's think through and start talking about what infrastructure—both to bring the resource to market, but also to deal with the potential of an accident—would have to be in place there, and to work with the States on that.

Mr. FLORES. OK. And Mr. Duncan covered my issue about, you know, on one coast you listen to the Governors, on the other coast you don't listen to the Governors.

Now, what are you doing in terms of deconflicting with the DoD? I mean are you having substantive discussions, or just say, "OK, we have buried this baby for five years, we don't have to worry about it"?

Mr. BEAUDREAU. No, I personally met with officials from DoD a number of times—

Mr. FLORES. OK.

Mr. BEAUDREAU [continuing]. On this issue.

Mr. FLORES. OK. Very good. I will yield back the balance of my time, and then I will have more questions later, if somebody yields time to me.

The CHAIRMAN. OK. The gentleman yields back. The Chair recognizes the gentleman from Tennessee, Mr. Duncan.

Mr. DUNCAN OF TENNESSEE. Well, thank you, Mr. Chairman. And I will yield my time to the gentleman from Texas, Mr. Flores.

Mr. FLORES. Thank you, Mr. Duncan. What is the resource potential off the Pacific?

Mr. BEAUDREAU. Our current estimates from November is—for Southern California, 5.32 billion barrels of oil; central California, 2.4 billion barrels; northern California, 2.08 billion barrels; and Washington/Oregon, .4 billion barrels.

Mr. FLORES. OK, so it—

Mr. BEAUDREAU. All oil. Natural gas estimates is—

Mr. FLORES. Right, OK. Substantial resource potential, then. I mean has there been any conversation with the Governors to talk about the impact on their economic activity that this could have? The potential to help alleviate the energy resource concerns from a—probably—you know, California probably, per capita, uses more energy than anybody else.

So, I mean, are we having any of those discussions to say, "Hey, you know, why don't we try to find a middle ground where we can make some of these areas available for your own economic benefit?" I mean California's fiscal situation is a basket case. I would think they would want to be looking at something like this.

Mr. BEAUDREAU. Just to put those numbers in perspective, though, to understand how they fit—you know, the central Gulf of Mexico, for example, is 31 billion barrels—

Mr. FLORES. I understand.

Mr. BEAUDREAU [continuing]. Of potential. So those numbers, on their own, are less significant than if you compare them with other regions.

Mr. FLORES. I understand, but—

Mr. BEAUDREAU. With respect to the West Coast and the Governors' offices there, yes. In the context of our evaluation under the Five Year Plan and the EIS that we conducted with respect to the Five Year Plan, there has been engagement with the States on those issues. They expressed a point of view, as representatives of their States, and we take that into consideration.

Mr. FLORES. OK. Back to Virginia for a minute, how long do we think it will take to have—conclude the deconflict conversations with DoD?

Mr. BEAUDREAU. I don't know. And it will require creative thinking on both parties. I mean I will say this. The Department of Defense has not been—the Department of Defense has been cooperative on this, they really have been.

Mr. FLORES. I assume that they—

Mr. BEAUDREAU. Yes. They have legitimate needs, legitimate concerns. We all respect it. But they are not, you know, putting us off. They are engaging on it. They are willing to make accommodation where they can. So—

Mr. FLORES. What—

Mr. BEAUDREAU [continuing]. I can't predict how long that process will take. But I will tell you that I am pleased with the constructive tone of the conversations.

Mr. FLORES. I mean do we have a feel? Are we talking 1 year, 2 years, 10 years?

Mr. BEAUDREAU. I can't predict it, I am sorry.

Mr. FLORES. I would think that shorter would be better than longer. I mean, after all, the military is one of our biggest users of fuels, and it is important to our national security, as we go forward.

Mr. Chairman, I think that is all I have for today. I yield back to Mr. Duncan, if he has any—

Mr. DUNCAN OF TENNESSEE. No.

The CHAIRMAN. OK. The gentleman yields back his time.

Director Beaudreau, thank you very much for being here. And as I stated earlier in response—kind of follow-up to what Mr. Pallone—a lot of times there are questions that are—come up after testimony, and they will obviously be submitted to you in a very timely manner. And I ask your response be submitted also in a timely manner.

Two other issues. One I covered on the solicitor's opinion that you and I talked about in my line of questioning. If you could just simply give us that solicitor's opinion, I would very much appreciate it. And the other one is regarding the Gulf of Mexico, the trans-boundary legislation that the Administration is going to send up. One of the ironies of this is that Secretary Salazar was somewhat critical of our not acting on it—of course it hasn't been sent up. Now, I understand we have our view and they have their view.

So, my question to you is when will that be sent up, and can you tell us what likely will be in that legislation?

Mr. BEAUDREAU. Yes. It will be sent up very soon.

The CHAIRMAN. OK.

Mr. BEAUDREAU. It is going through final review. The Secretary, obviously, is quite anxious to get it to you. And we will do that very soon.

It is a straightforward piece of proposed legislation for you to consider that simply codifies and implements the agreement. And so we, in working with State Department and others, try to craft the legislation to be as bare bones and straightforward as possible, with an eye toward making it easier for you to consider.

The CHAIRMAN. OK, very good. I appreciate that. And if you could convey to the Secretary that, you know, we will pass something when we get it, I—you get my point.

Mr. BEAUDREAU. I do.

The CHAIRMAN. OK. With that, if there is no other business that comes before the Committee, thank you very much again, Director Beaudreau, for being here.

The Committee stands adjourned.

[Whereupon, at 11:39 a.m., the Committee was adjourned.]

