STATEMENT OF
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BEFORE THE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
UNITED STATES SENATE

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Chairman Dorgan, thank you for the opportunity to appear here today to discuss with you the actions the Department of the Interior's Minerals Management Service has taken to reduce U.S. oil dependence and to protect the Nation against supply disruptions. This Committee has played an important role in shaping our domestic energy program, particularly with regard to encouraging environmentally sound development of our domestic oil and gas resources on the Outer Continental Shelf.

The Department and its agencies, including the Minerals Management Service (MMS), serve the public through careful stewardship of our nation's natural resources. The Department also plays an important role in domestic energy development. One third of all energy produced in the United States comes from resources managed by the Interior Department.

As energy demand continues to increase, these resources are all the more important to our national security and to our economy. The Energy Information Administration estimates that, despite increased efficiencies and conservation, over the next 20 years energy consumption is expected to grow more than 25 percent. Even with more renewable energy production expected, oil and natural gas will continue to account for a majority of energy use through 2030. Interior's domestic energy programs, particularly offshore oil and gas production, will remain vital to our national energy portfolio for some time to come.

The Federal Outer Continental Shelf (OCS) covers 1.76 billion acres and is a major source of crude oil and natural gas for the domestic market. In fact, according to the Energy Information Administration, if the Federal OCS were treated as a separate country, it would rank among the top five nations in the world in terms of the amount of crude oil and second in natural gas it supplies for annual U.S. consumption.[1]

Mr. Chairman, the Administration is in the process of reviewing your proposed legislation, S. 875, Title III of which addresses access to oil and gas resources on the Federal Outer Continental Shelf in the Gulf of Mexico and authorizes an inventory of resources in a portion of the Atlantic OCS.

The Administration recognizes there are many complicated issues associated with the development of these resources and is working hard to accommodate the needs of all stakeholders.

[1] EIA U.S. Imports by Country of Origin, 12-21-2006.

On April 30th the Department of the Interior transmitted to Congress the 5-Year Outer Continental Shelf Oil and Gas Leasing Program (5-year program), to guide domestic energy leasing on the OCS from 2007 to 2012. The program proposes 21 lease sales in 8 planning areas. Twelve sales are slated for the Gulf of Mexico, 8 off of Alaska and one in the Mid-Atlantic Planning Area.

The Program continues to schedule annual lease sales in the Central and Western Gulf of Mexico. The Gulf of Mexico Energy Security Act (the Act), signed by President George W. Bush on December 20, 2006, requires oil and gas leasing in portions of the "Sale 181 Area" in the Central Gulf (2,028,730 acres) and in the Eastern Gulf (about 546,000 acres) Planning Areas as well as the "181 South Area" (5,762,620 acres). The total acreage of new areas in the Gulf offered under the proposed program is 8,337,443 acres. Under the 5-year program, the portion of the "Sale 181" area in the Central Gulf would be included in the October 2007 lease sale, and the portion in the Eastern Gulf would be offered for the first time in March 2008. The 181 South area is scheduled for lease in 2009 following additional environmental studies and requirements under the National Environmental Policy Act (NEPA).

The leasing program schedules eight sales in Alaska: two in the Beaufort Sea; three in the Chukchi Sea; up to two in Cook Inlet; and one in the North Aleutian Basin – in an area of about 5.6 million acres that was previously offered during Lease Sale 92 in 1985. These areas would be subject to environmental reviews, including public comment, and extensive consultation with state and local governments and tribal organizations before any lease sale proceeds.

The program also includes a proposed sale in the Mid-Atlantic Planning Area, beyond 50 miles of the coastline of Virginia, in late 2011. This area was included in the 5-year program at the request of the Commonwealth of Virginia. This sale would only take place if the congressional moratorium is discontinued and the presidential withdrawal is modified for this area. This proposed sale area excludes a 50-mile coastal buffer from leasing consideration as requested by the Commonwealth of Virginia, as well as a No-Obstruction Zone at the entrance to the Chesapeake Bay where no leasing would take place. No lease sale would proceed without additional consultation and more site-specific analysis of its environmental effects under the NEPA.

Our analysis indicates that implementing the new 5-Year OCS Oil and Gas Leasing Program would result in a mean estimate of an additional 10 billion barrels of oil, 45 trillion cubic feet of gas over a 40-year time span, and $170 billion, in today's dollars, in net benefits for the nation.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions you have at this time.