AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

OBAMA ADMINISTRATION'S DE FACTO MORATORIUM IN THE GULF: STATE, COMMUNITY AND ECONOMIC IMPACTS

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

Wednesday, March 16, 2011

Serial No. 112-11

Printed for the use of the Committee on Natural Resources

Available via the World Wide Web: http://www.fdsys.gov
or
Committee address: http://resourcescommittee.house.gov

U.S. GOVERNMENT PRINTING OFFICE

65-178 PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON NATURAL RESOURCES

DOC HASTINGS, WA, *Chairman*
EDWARD J. MARKEY, MA, *Ranking Democrat Member*

Don Young, AK
John J. Duncan, Jr., TN
Louie Gohmert, TX
Rob Bishop, UT
Doug Lamborn, CO
Robert J. Wittman, VA
Paul C. Broun, GA
John Fleming, LA
Mike Coffman, CO
Tom McClintock, CA
Glenn Thompson, PA
Jeff Denham, CA
Dan Benishek, MI
David Rivera, FL
Jeff Duncan, SC
Scott R. Tipton, CO
Paul A. Gosar, AZ
Raúl R. Labrador, ID
Kristi L. Noem, SD
Steve Southerland II, FL
Bill Flores, TX
Andy Harris, MD
Jeffrey M. Landry, LA
Charles J. "Chuck" Fleischmann, TN
Jon Runyan, NJ
Bill Johnson, OH

Dale E. Kildee, MI
Peter A. DeFazio, OR
Eni F.H. Faleomavaega, AS
Frank Pallone, Jr., NJ
Grace F. Napolitano, CA
Rush D. Holt, NJ
Raúl M. Grijalva, AZ
Madeleine Z. Bordallo, GU
Jim Costa, CA
Dan Boren, OK
Gregorio Kilili Camacho Sablan, CNMI
Martin Heinrich, NM
Ben Ray Luján, NM
John P. Sarbanes, MD
Betty Sutton, OH
Niki Tsongas, MA
Pedro R. Pierluisi, PR
John Garamendi, CA
Colleen W. Hanabusa, HI
Vacancy

Todd Young, *Chief of Staff*
Lisa Pittman, *Chief Counsel*
Jeffrey Duncan, *Democrat Staff Director*
Rick Healy, *Democrat Chief Counsel*

CONTENTS

	Page
Hearing held on Wednesday, March 16, 2011	1
Statement of Members:	
Hastings, Hon. Doc, a Representative in Congress from the State of Washington	1
Prepared statement of	3
Markey, Hon. Edward, a Representative in Congress from the State of Massachusetts	4
Prepared statement of	5
Statement of Witnesses:	
Angelle, Hon. Scott A., Secretary, Louisiana Department of Natural Resources	7
Prepared statement of	9
Chiasson, Chett, Executive Director, Greater Lafourche Port Commission, Louisiana	47
Prepared statement of	49
Giberga, Samuel A., Senior Vice President and General Counsel, Hornbeck Offshore Services, Inc., Offshore Marine Service Association	52
Prepared statement of	54
Jones, Christopher K., Keogh, Cox & Wilson, Ltd.	57
Prepared statement of	59
Jones, Elizabeth Ames, Chairman, Railroad Commission of Texas, State of Texas	13
Prepared statement of	15
Overton, Keith, Chairman, Florida Restaurant and Lodging Association, and President & COO, TradeWinds Island Resorts	60
Prepared statement of	62
Randolph, Charlotte A., Parish President, Lafourche Parish Government, Louisiana	44
Prepared statement of	46

OVERSIGHT HEARING ON THE "OBAMA ADMINISTRATION'S DE FACTO MORATORIUM IN THE GULF: STATE, COMMUNITY AND ECONOMIC IMPACTS."

Wednesday, March 16, 2011
U.S. House of Representatives
Committee on Natural Resources
Washington, D.C.

The Committee met, pursuant to call, at 10:07 a.m. in Room 1324, Longworth House Office Building, The Honorable Doc Hastings [Chairman of the Committee] presiding.

Present: Representatives Hastings, Gohmert, Bishop, Lamborn, Fleming, McClintock, Rivera, Duncan of South Carolina, Tipton, Gosar, Noem, Southerland, Flores, Harris, Landry, Fleischmann, Runyan, Johnson, Markey, Kildee, DeFazio, Napolitano, Holt, Costa, Luján, and Sarbanes.

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

The CHAIRMAN. The Committee will come to order, and the Chairman notes the presence of a quorum.

The Committee on Natural Resources is meeting today to hear testimony on the Obama Administration's de facto moratorium on the Gulf: state, community and economic impacts of that moratorium. Under Committee Rule 4[f], opening statements are limited to the Chairman and Ranking Member of the Committee so that we can hear from our witnesses more quickly. However, I do ask unanimous consent that all Members' opening statements be part of the record. Without objection, so ordered.

The Chair now recognizes himself for an opening statement for five minutes.

Today's hearing provides the Committee an opportunity to hear directly from local citizens who are experiencing the impacts of the Obama Administration's de facto moratorium in the Gulf of Mexico. I have personally heard directly from Gulf State members who are deeply concerned about the Administration's refusal to issue shallow and deepwater permits in a timely, efficient manner. These Members have shared stories of the real economic pain being felt by their constituents.

Rising gasoline prices only underscore the critical importance of developing our own American energy resources, not only in the

Gulf of Mexico, but also in other promising offshore areas and onshore Federal lands. The actions and policies of President Obama and his Administration to block, prevent, delay, hinder, revoke, tax, and drive up the cost of American-made energy, in my mind, is simply mindboggling.

When it comes to an energy policy for our nation, the President is headed 180 degrees in the wrong direction. His policies are taking our nation toward gasoline prices over $4 a gallon, more and more good-paying energy jobs being lost overseas, and deeper dependence on foreign sources of energy from hostile and volatile regions of the world.

In the Gulf, thousands of Americans who depend on offshore energy production for their livelihood have found themselves out of work. Rigs are sitting idle as small businesses lose millions of dollars a day, and other rigs are leaving the Gulf of Mexico entirely, sending American jobs overseas to Africa and South America.

Since last April, only 37 shallow-water permits and only two deepwater permits have been issued. For months and months and months, permits have lingered at the Department without action. Those who were actively drilling before the *Deepwater Horizon* disaster were shut down and the Interior Department won't allow them to get back to work. This is unacceptable. The need to end this de facto moratorium is not only crucial to the Gulf, but it is also a national imperative. Nearly a third of all U.S. oil is produced in the Gulf of Mexico.

The de facto moratorium also has serious national security implications. The Obama Administration's actions have already caused production in the Gulf of Mexico to decline by nearly 300,000 barrels of oil per day, but incredibly the Obama Administration has stated that OPEC can make up for this decline. The interim safety rule issued by the Interior Department on October 14, 2010, stated, and I quote, "There is sufficient spare capacity in OPEC to offset a decrease in Gulf of Mexico deepwater production that could occur as a result of this rule."

The United States should not voluntarily subject itself to the whims or happenings of unstable foreign countries. Our national and economic security should not be left in the hands of a less than friendly OPEC.

Today's hearing is part of a series being held as House Republicans' "American Energy Initiative." Tomorrow the Committee will hold a hearing on how to harness our own American energy resources to address rising gasoline prices and create jobs. Let me state very clearly that these hearings will lead to action by this Committee. As the Chairman, I intend to introduce legislation to put the Gulf of Mexico back to work, and I intend to advance that legislation through this Committee.

The Obama Administration seems unmoved by the thousands of lost jobs, rapidly rising gas prices, and the threat these higher gas prices have to our economy, but this Committee will not sit idly by.

I also intend to take legislative action to reverse President Obama's imposition of an offshore drilling moratorium outside of the Gulf of Mexico. When the President took office the offshore moratorium had been entirely lifted, but over time he has taken

step after step to reinstate it. The Committee's hearing will help guide these legislative efforts. We will listen and then we will act.

Republicans on this Committee intend to act aggressively to ensure that our American energy resources are harnessed to create American jobs and help lower fuel and energy prices.

With that, I recognize the Distinguished Ranking Member from Massachusetts for five minutes.

[The prepared statement of Chairman Hastings follows:]

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

Today's hearing provides the Committee an opportunity to hear directly from local leaders and citizens who are experiencing and feeling the impacts of the Obama Administration's *de facto* drilling moratorium in the Gulf of Mexico.

I've personally heard directly from Gulf State Members who are deeply concerned about the Administration's refusal to issue shallow and deepwater permits in a timely, efficient manner. These Members have shared stories of the real economic pain being felt by families, businesses and communities back in their home districts.

Rising gasoline prices only underscores the critical importance of developing our own American energy resources—not only in the Gulf of Mexico, but also in other promising offshore areas and onshore federal lands.

The actions and policies of President Obama and his Administration to block, prevent, delay, hinder, revoke, tax and drive up the cost of American-made energy is simply mindboggling.

When it comes to an energy policy for our nation, the President is headed 180 degrees in the wrong direction. His policies are taking our nation towards gasoline prices over $4 per gallon, more and more good-paying energy jobs being lost overseas, and a deeper dependence on foreign sources of energy from hostile and volatile regions of the world.

In the Gulf, thousands of Americans who depend on offshore energy production for their livelihood have found themselves out of work. Rigs are sitting idle as small businesses lose millions of dollars a day and struggle to survive. And other rigs are leaving the Gulf of Mexico entirely—sending American jobs overseas to Africa and South America. It is not known when, or even if, these rigs will ever return.

Since last April, only 37 shallow-water permits and only two deepwater permits have been issued. For months and months and months, permits have lingered at the Department without action. Those who were actively drilling before the Deepwater Horizon disaster were shutdown and the Interior Department won't allow them to get back to work. This is unacceptable. A federal judge has held the Interior Department in contempt for its inaction on permits and ordered decisions to be made. Instead of moving forward on permits, the Administration is wasting time and money on lawyers and appeals.

The need to end this *de facto* moratorium is not only crucial to the Gulf, but is also a national imperative. Nearly a third of all U.S. oil is produced in the Gulf of Mexico. In addition, there are hundreds of thousands of jobs throughout the country that are directly connected to offshore energy production.

The *de facto* moratorium also has serious national security implications. The Obama Administration's actions have already caused production in the Gulf of Mexico to decline by nearly 300,000 barrels of oil per day. But, incredibly, the Obama Administration has stated that OPEC can make up for this decline.

The interim safety rule issued by the Interior Department on October 14, 2010 stated that: "There is sufficient spare capacity in OPEC to offset a decrease in Gulf of Mexico deepwater production that could occur as a result of this rule."

The Obama Administration admits their actions are making us more reliant on foreign countries. The United States should not voluntarily subject itself to the whims or happenings of unstable foreign countries. Our national and economic security should not be left in the hands of a less-than-friendly OPEC.

Today's hearing is part of a series being held as part of House Republican's "American Energy Initiative." Tomorrow, the Committee will hold a hearing on how to harness our own American energy resources to address rising gasoline prices and create jobs.

Let me state very clearly that these hearings will lead to action by this Committee. As Chairman, I intend to introduce legislation to put the Gulf of Mexico back to work—and I intend to advance that legislation through this Committee. The Obama Administration seems unmoved by thousands of lost jobs, rapidly rising gas-

oline prices, and the threat these high prices pose to our economy—but this Committee will not sit idly by.

I also intend to take legislative action to reverse President Obama's imposition of an offshore drilling moratorium outside the Gulf of Mexico. When the President took office, the offshore moratorium had been entirely lifted, but over time he has taken step after step to reinstate it.

The Committee's hearings will help guide these legislative efforts. We will listen and then we will act.

Republicans on this Committee intend to act aggressively to ensure that our American energy resources are harnessed to create jobs and help lower prices.

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

Mr. MARKEY. Thank you, Mr. Chairman, very much.

The focus of today's hearing according to the hearing title, the de facto moratorium imposed by the Obama Administration on new drilling in the Gulf of Mexico. This hearing is apparently taking place in a parallel universe where we did not suffer the worst oil spill in our nation's history last year, a parallel universe where 11 men did not tragically lose their lives in the disaster, a parallel universe where the independent commission on the BP spill did not issue a scalding indictment on the entire oil industry for lax safety and called for reforms to improve the safety of our offshore drilling, and a parallel universe where new drilling is not being approved as we speak.

The BP Commission told us that we are at the bottom of the industrialized world in terms of safety at our oil rigs. That we learned from our testimony. It is possible to drill and to be safe at the same time. The rest of the world is ahead of us in that category.

There is not a de facto moratorium, only a Republican moratorium on the facts. We are not going to have an actual discussion about how many drilling holes there are today. We are going to be pulled down into a rabbit hole of unreality. In fact, I think that this hearing on the de facto moratorium could benefit from a few facts.

The fact is that the Obama Administration is issuing new permits in both shallow water and deepwater. Since June of last year, the Department of the Interior issued 38 new permits in shallow water. In deepwater, the Department issued the first deepwater permit to Noble Energy last month, and the Department issued a second deepwater permit on Friday to BHP Billiton. The fact is that from October until earlier this month no oil company was able to demonstrate that they actually had the capability to contain or respond to a deepwater blowout. That was the holdup in issuing new permits, not the Administration.

The fact is that domestic oil production has been increasing overall, and in the Gulf of Mexico under the Obama Administration. In fact, U.S. production is at its highest level in nearly a decade right now as we conduct this hearing, and the fact is that big oil is not an economic engine for job creation and innovation. Between 2005 and 2009, Exxon-Mobil, BP, Shell, and Chevron made $485 billion in profits, yet they collectively reduced their U.S. workforce by more than 10,000 employees, even as oil production was increasing in our country.

These companies aren't creating new jobs even as production is increasing, and they are making those record profits. Maybe this Committee should hold a hearing on big oil de facto moratorium on job creation in the United States as oil production increases, and meanwhile merely a year after the BP spill Congress has not enacted a single reform to improve the safety of offshore drilling. This Committee has not scheduled any legislative action whatsoever on drilling reforms recommended by the independent commission nor has this Committee heard from BP or any other major integrated oil company despite the fact that the Commission called the causes of the BP Horizon disaster systemic.

This is not about the Obama Administration's slow walking permits. This is about oil company recklessness, oil industry boosterism led to complacency which led to a disaster. Are we going to learn anything from the BP disaster? Is this Committee going to do anything to prevent such an accident from happening again by passing legislation that ensures that that is the case?

The BP Commission found that "From 2004 to 2009, fatalities in the offshore oil and gas industry were more than four times higher per person hours worked in U.S. waters than in European waters, even though many of the same companies worked in both venues."

That is what this hearing should be about, taking action to ensure that the lives of our workers and the livelihoods of millions of residents in the Gulf are protected from another disaster, and at least give them safety protections equal to the oil drilling workers off the coasts of Europe and Norway and other countries. This Committee should be taking action to implement the reforms of the Commission to ensure that we are protecting our workers, our environment, our economy; instead we are holding a hearing in which the Majority will argue that after having implemented zero reforms to improve the safety of offshore drilling, we are not drilling quickly enough.

So, the Majority can talk about de factos all they want, but we are going to talk about the facts. Thank you, Mr. Chairman, I yield back the balance of my time.

[The prepared statement of Mr. Markey follows:]

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

Thank you.

The focus of today's hearing is, according to the hearing title, the "de facto moratorium" imposed by the Obama Administration on new drilling in the Gulf of Mexico. This hearing is apparently taking place in a parallel universe where we did not suffer the worst oil spill in our nation's history last year; a parallel universe where 11 men did not tragically lose their lives in the disaster; a parallel universe where the independent Commission on the BP spill did not issue a scalding indictment of the entire oil industry for lax safety and call for reforms to improve the safety of offshore drilling; and a parallel universe where new drilling is not being approved as we speak.

There is not a "de facto moratorium," only a Republican moratorium on the facts. We're not going to have an actual discussion about how many drilling holes there are today, we're going to be pulled down the Republican rabbit hole of unreality.

In fact, I think that this hearing on the "de facto moratorium" could benefit from a few *facts*.

The fact is that the Obama Administration is issuing new permits in both shallow water and in deep water. Since June of last year, the Department of Interior has issued 38 new permits in shallow water. In deep water, the Department issued the

first deepwater permit to Noble Energy last month. And the Department issued a second deepwater permit on Friday to BHP Billiton.

The fact is that from October until earlier this month, no oil company was able to demonstrate that they actually had the capability to contain or respond to a deepwater blowout. *That* was the holdup in issuing new permits. Not the Administration.

The fact is that domestic oil production has been increasing overall and in the Gulf of Mexico under the Obama Administration. In fact, U.S. production is at its highest level in nearly a decade.

And *the fact* is that Big Oil is not an economic engine for job creation and innovation. Between 2005 and 2009, ExxonMobil, BP, Shell, and Chevron made $485 billion in profits. Yet they collectively reduced their U.S. workforce by more than 10,000 employees. These companies aren't creating new jobs even as production is increasing and they are making record profits. Maybe this Committee should hold a hearing on "Big Oil's de facto moratorium on job creation."

And meanwhile, nearly a year after the BP spill, Congress has not enacted a single reform to improve the safety of offshore drilling. This Committee has not scheduled any legislative action whatsoever on drilling reforms recommended by the Independent Commission. Nor has this committee heard from BP and or any other major integrated oil company, despite the fact that the Commission called the causes of the BP Horizon disaster "systemic."

This is not about the Obama Administration slow walking permits. This is about oil company recklessness. Oil industry boosterism, led to complacency, which led to disaster. Are we going to learn anything from the BP disaster? Is this Committee going to do anything to prevent such an accident from happening again?

The BP Commission found that "[quote] From 2004 to 2009, fatalities in the offshore oil and gas industry were more than four times higher per person hours worked in U.S. waters than in European waters, even though many of the same companies work in both venues." That is what this hearing should be about—taking action to ensure that the lives of our workers and the livelihoods of millions of residents in the Gulf are protected from another disaster.

This Committee should be taking action to implement the reforms of the Commission to ensure that we are protecting our workers, our environment and our economy. Instead, we are holding a hearing in which the majority will argue that after having implemented ZERO reforms to improve the safety of offshore drilling, we are not drilling quickly enough.

So the majority can talk about "de factos" all they want, we'll stick to the facts.

The CHAIRMAN. I thank the gentleman and I thank him very much for seeing how succinct the two of us are on this issue.

[Laughter.]

The CHAIRMAN. I would like to call up the first panel of witnesses today. Mr. Scott Angelle who is Secretary of the Louisiana Department of Natural Resources, and Mrs. Elizabeth Ames Jones, the Chairman of the Railroad Commission of Texas. Thank both of you very, very much for being here. Like all witnesses, your full testimony will appear in the record, but I ask you to confine your oral remarks to five minutes.

The microphones in front of you require you to press the button so that we can all be heard, and if you haven't been here before the timing lights in front of you have a green light, a yellow light, and a red light. The green light will stay on for four minutes. After four minutes the yellow light goes on, and when the red light goes on it means that the five minutes is up, and obviously we will allow you to finish your thoughts.

So, with that, Secretary Angelle, thank you very, very much for being here, and you may begin.

STATEMENT OF HON. SCOTT A. ANGELLE, SECRETARY, LOUISIANA DEPARTMENT OF NATURAL RESOURCES

Mr. ANGELLE. Thank you, sir. Good morning, Mr. Chairman, and Mr. Ranking Member, and the Distinguished Members of the House Committee on Natural Resources. For those of you who have a hard time understanding the dialect of Congressman Landry, you are in for a real treat today.

[Laughter.]

I thank you for the opportunity to testify this morning. I thank you for your public service and your continued efforts as we work together to meet perhaps the nation's biggest policy challenge of this generation, striking a balance of what I refer to as the three E's—energy, environment and the economy. I come here today not casting blame, but seeking solutions for the American people. I bring goodies to you from Governor Jindal and the people of Louisiana who have been working since last April to restore our way of life while never ever forgetting the families of the 11 great Americans who lost their lives exploring for the energy to fuel America. Let us all continue to keep them in our prayers.

In Louisiana, we have a long and distinguished history of fueling America. This eighteenth great state of the union is the epicenter of oil and natural gas exploration, production, distribution, transportation, refining, processing, and importing for the Nation. Our state ranks first in the Nation in OCS crude oil and natural gas production, mineral revenue for the Federal Government and foreign oil import volume. When it comes to contributing to the energy security, there is no more important piece of real estate in all of America and every American is connected to the Louisiana at the gas pump.

The impacts of the reaction to the *Deepwater Horizon* tragedy continues to unfold in Louisiana under the imposition of the government's "one size fits all" policy on deepwater drilling. The moratorium was an overreach and deemed arbitrary and capricious by the courts. In addition, five of the seven experts the Department of the Interior chose to review its safety study publicly opposed the moratorium.

Though the moratorium was lifted over five months ago, deepwater exploration remains at a standstill and even shallow water activity remains crippled. We continue to feel the burden of regulatory uncertainty which has led to the freezing of investment and expenditures and consequently a drag on our economy. We understand that it cannot be business as usual. We support that it cannot be business as usual, but we also believe that we can have regulation without strangulation.

The economic fallout has already begun as we can see in the recent Seahawk Drilling bankruptcy and the unstable futures of its nearly 500 employees. A Greater New Orleans Economic Alliance survey tells us that the owners R&D Enterprises of Harvey, a provider of specialized offshore equipment, is living off its savings since losing its entire revenue stream, trying to layoff as few employees as possible while waiting for customers to get deepwater permits. We have recently heard from the owner of Coastal Distributors, a small offshore supply company in Golden Meadow, that he will have to shut down in May if conditions do not change. Sev-

eral companies have reached out to us through the Gulf Economic Survival Team, including the AC Company of south Louisiana, and Offshore Instrumentation Rental and Servicing Company in Iberia Parish that has reported losing $100,000 a month for the past four months. Offshore Towing and Marine Towing Company from Lafourche Parish has reported to having to cut wages for all employees and using capital to manage overhead.

In addition, private conversations with impacted service companies have indicated they are avoiding layoffs by burning through cash reserves, hoping to hold onto employees through this regulatory uncertainty. Many employers are being pushed to the edge of a financial cliff while grasping for hope that the issuance of drilling permits will no longer be considered a rare and newsworthy event in America.

Yet, as with anything and with everything, uncertainty cannot continue indefinitely without consequences. This is even true in government as many have recently acknowledged the consequences of an uncertain Federal budget process with action through continuing resolutions only certain for weeks at a time.

A 2010 IHS study of the offshore industry revealed an annual impact of more than $69 billion, affecting more then 380,000 jobs. In addition to the drilling rig employees, we have impacted labor workforce includes retail clerks, hotel workers, auto mechanics, restaurant workers, caterers, and waitresses.

Twenty-five deepwater drilling rigs are currently stacked with no work. Seven have already left the Gulf of Mexico and many more may leave if permitting continue at a slow walk. Even prior to the instability in the Middle East and Africa, prices of crude spiked 23 percent and gasoline prices 37 cents a gallon by the end of 2010. Again, that is prior to the instability in the Middle East and Africa.

I am reminded that a 50-cent increase in the price of gasoline shocks the American economy at the tune of $1.4 billion a week. It is unfortunate that pricing impacts caused by regulatory uncertainty in America are now comparable to uncertainty we have come to know in other parts of the globe.

We have had six recessions in this country since 1972. Prior to each one of them the price of oil saw a sustained increase over the previous year. A major increase in fuel price has almost always been a leading indicator or a driver of a major recession or a downturn in our economy. The recent recession is the latest evidence. We cannot have a robust economy with full employment unless we have cheap and available energy.

Federal Reserve Chairman Ben Bernanke testified to the U.S. Senate Committee earlier this month that, "Sustained rises in the price of oil or other commodities would represent a threat both to economic growth and to overall price stability."

The State of Louisiana has worked to be a bridge between the industry and the Bureau of Ocean Management, churning through the many details to get permits issued. We formed the Back to Work Coalition, a working group dedicated to conquering the confusion with the permitting process. We have ironed out kinks in the process through our meeting with Director Bromwich, and I am thankful for the courtesies he has extended to us.

The issuance of the first deepwater permit on February 28th, some 314 days after the Macondo event, was positive but long overdue. Much more needs to be done with a sense of urgency. We are approaching the end of the first quarter of 2011 and now that industry has demonstrated to the government the capacity to comply with the most regulated standards on the planet today is the time for us to focus on finding the energy——

The CHAIRMAN. Mr. Secretary, can I ask you to summarize? I know you have a long statement, and it will appear in its entirety in the record. So if you could summarize, I sure would appreciate it.

Mr. ANGELLE. Very good. Thank you, sir.

I would just finalize by saying our ability to access the energy of every type—wind, solar, oil, coal, nuclear, natural gas, bio-diesel—impacts every sector of our American economy, and at my very core I believe fundamentally that if we can solve some of America's energy issues we can solve our automobile industry issues, we can solve our housing issues, and we can solve some of our employment issues.

Thank you very much for the opportunity, sir.

[The prepared statement of Mr. Angelle follows:]

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

Good morning Chairman Hastings, Ranking Member Markey, and the distinguished members of the House Committee on Natural Resources. I thank you for your public service and your willingness to serve the nation in these challenging times. I appreciate the opportunity to testify this morning on a subject matter in which I strongly believe—the role of a viable domestic energy industry in supporting our nation's economy. Thank you for your continued efforts as we all work together to meet one of the nation's biggest challenges for this generation of Americans—the balance of what I call the three E's—energy, environment, and the economy. We live in a country where energy, environment and economic policy are interrelated, and decisions made without accounting for each can upset the balance of all.

I bring greetings to you from Governor Bobby Jindal and the men and women of Louisiana who have been working, day in and day out, since last April to restore our way of life, while never forgetting the families of the 11 great Americans who lost their lives finding the fuel to energize America in the Deepwater Horizon tragedy. Let us all continue to keep them in our prayers.

The impacts of the reaction to that tragedy continue to unfold in Louisiana as the months have passed under the imposition of the government's "one size fits all" policy on deepwater drilling for oil and natural gas in the waters of the Gulf of Mexico. The deepwater drilling moratorium was lifted in October, over five months ago, but deepwater exploration remains at a near-standstill and even shallow water activity remains crippled. We continue to feel the burden of regulatory uncertainty, which has led to the freezing of investment and expenditures, and consequently a drag on our economy.

In Louisiana, we have a long and distinguished history of fueling America. This 18th great state of the union is the epicenter for crude oil and natural gas exploration, production, distribution, refining and processing for the nation, as well as for imports of foreign crude oil and Liquefied Natural Gas. When it comes to contributing to America's energy security, there is no more important piece of real estate in all of America than Louisiana.

We rank:

- 1st in OCS crude oil production
- 1st in OCS natural gas production
- 1st in OCS revenue generated for the federal government
- 1st in mineral revenues from any source to the federal government
- 1st in foreign import oil volume
- 3rd in crude oil proved reserves
- 3rd in total energy from all sources
- 1st in natural gas processing capacity

- 2nd in petroleum refining capacity
- 2nd in primary petrochemical production

Because of our willingness to host the activities that many states simply refuse to do, every American is tied to Louisiana and the Gulf of Mexico through the gas pump. About a third of our nation's domestic production comes from the Gulf, and nearly 90% of that Gulf oil comes from deepwater wells.

The 2010 Dun & Bradstreet study noted that more than 2,800 small businesses in the state of Louisiana, and more than 35,000 workers are directly involved in the oil and gas exploration industry. For the Gulf Coast, those figures rise to more than 16,000 companies and 153,000 employees.

The impacts on those companies and their employees have already begun, as we have seen with recent bankruptcy declaration by Seahawk Drilling and the suddenly unstable futures of its nearly 500 employees.

And Seahawk may not be the last, as can be seen from a recent survey of companies conducted by the Greater New Orleans Inc. Economic Alliance (GNO Inc.), two of whom asked not to be named for fear of further weakening their businesses –

- The owners of R & D Enterprises of Harvey, which provides specialized equipment to the offshore exploration industry, reported that they are living off savings since the company has lost 100 percent of its revenue stream and are trying to hang on to employees while waiting for customers to get permits.
- The owners of what I will call the Offshore Solutions company, a Jefferson Parish company providing offshore equipment and specialized products, said the company lost all of its clients, and has tried to sell some of its equipment to cover costs, but has not been able to. The company has applied for Small Business Administration loans, but received none, and the owners have used their entire savings to pay monthly overhead.
- The owners of what I will call Transport Management, a Lafourche Parish company providing fuel and chemicals to offshore operations, reported they have stopped taking their salaries to help cut costs, and have cut back on hours for staff to remain afloat.

Each of those companies has also reported laying off employees.

Workers inside and outside the energy industry will bear the brunt of the continued slowdown and its cascading impact. Those workers and companies are in turn the customers and income sources for other companies, companies that will also feel the blow of lost income due the sudden, dramatic and ongoing fall in Gulf exploration. A 2010 IHS study on the economic role of offshore energy activity showed that industry to have an annual impact of more than $69 billion, affecting more than 380,000 jobs—counting direct and indirect impacts.

These are not just the men and women who work the drilling rigs—but also the service industries: the welders, the fabricators, the diesel mechanics, the pipefitters, the boat captains, the forklift operators, the dock workers, the service technicians, the plumbers, the sandblasters, the warehousemen, the carpenters, the janitors, the crane operators, the pump mechanics and the electricians. The effects do not end there. Also affected are also the hotel workers, the retail clerks, the auto mechanics, the restaurant workers, the caterers and the waitresses. The job losses and reduced spending of workers and companies will affect banks and real estate. The chain reaction will go on to impact local government revenues, rolling on to school teachers, police officers and other vital services.

In addition, private conversations with impacted service companies have indicated they are avoiding layoffs by burning through cash reserves to "hold on" to employees through this regulatory uncertainty. Many of these same impacted companies well remember the tough economic times that were followed by massive layoffs in the oil and gas industry during the 1980s, when the industry witnessed a mass exodus of key personnel that proved difficult to replace when economic conditions rebounded. To avoid a replay of this, many of these companies are sacrificing their balance sheets to maintain trained employees in spite of a looming financial cliff with a hope that the issuance of a drilling permit will no longer be considered rare and newsworthy in America. It is worth noting that a vast number of the jobs to which I am referring are through family owned, "mom and pop" companies where a culture of "taking care" of employees is more prevalent than in larger, Fortune 500 companies.

The original moratorium, which the United States federal court system called arbitrary and capricious, the second moratorium, the regulatory uncertainty, and the continued slowing of exploration resulted in a spike in crude oil prices from $74 per barrel to $91 per barrel and gasoline prices from $2.77 a gallon to $3.14 a gallon. This is all as of December 31, 2010 and prior to the recent geo-political issues of the Middle East and Africa. A 50 cent increase in the price of gasoline shocks the American economy and costs consumers around $1.4 billion per week.

Simply put, the misdirected public policy, while perhaps well-intended, results primarily in an economic sanction on middle-class Americans. In addition, it is worth noting the local governments most impacted by this oil spill and the Louisiana Seafood Research and Promotion Board all indicated they opposed the moratorium, and the slow-walking of the return to Gulf exploration extends the impact to our state.

In this unique slice of America, we have demonstrated we can fuel America and at the same time provide the nation with over 20 percent of the nation's commercial fisheries catch. We understand it cannot be business as usual, but the moratorium was an overreach, and extending the time until a full return to Gulf exploration only extends the economic damage.

This is in a time when our American families are already struggling to make ends meet, a time when our country can not afford to lose jobs. We cannot threaten more jobs when this nation has already invested nearly $800 billion in stimulus funding to boost the economy and create jobs; when we still have an unemployment rate of nearly 9 percent.

Seven deepwater rigs have already left the Gulf since the original moratorium was declared, and more may leave if permitting continues at a pace too slow to support keeping them in the Gulf.

The Shell company recently shared with us that it has maintained its fleet of offshore rigs in the Gulf, despite their having been mostly inactive, and reported an estimated $400 million loss as a result of the inability to secure permits. In the company's statement, Shell noted that while exploration and production opportunities in the Gulf are exciting and of considerable value, as a business accountable to its shareholders, Shell will not be able to sustain holding its fleet in the Gulf indefinitely without being able to drill. Shell told us that if that company, or other operators, have to relocate drilling rigs, vessels, or personnel to areas more favorable to the economic development of oil and gas, the economy of the Gulf Coast will suffer.

The longer the slowdown goes on, the more chance that deepwater rigs will be increasingly committed to other parts of the world, robbing the American workers who have worked so hard to gain the skills to do the tough work of fueling America. And, if those rigs leave our waters, we can't be sure when or if they would return.

The active drilling rig count has never recovered since the moratorium—with roughly half or fewer rigs drilling at any given time since it was declared. That is especially critical in the deep waters of the Gulf. The GNO Inc. study also indicated that each deepwater rig has an estimated economic impact of $5 million a month to local and state economies while operating.

The impact that begins on the Gulf Coast will spread the longer the slowdown continues. Shutting down new drilling threatens our ability to sustain the production we need to fuel this nation. We have seen how quickly a drop in Gulf production can hurt our economy. Looking back to 2005, Louisiana was devastated by Hurricanes Katrina and Rita—storms that interrupted production from the Gulf of Mexico. In the week after Katrina, the national average of the price of a gallon of gasoline spiked 46 cents.

The effects of the reduction in Gulf activity does not strike as swiftly as a hurricane, but the longer drilling is slowed, the more domestic production will suffer as existing wells play out with fewer new wells to replace them.

More than 330 new wells began drilling in the Gulf OCS in 2009 and all of the resulting production helped America rely less on foreign imports to fuel our nation. In 2010, that number fell to just 258—and 162 of those new wells—63 percent—were started in the first five months of the year, before the moratorium.

Currently, U.S. Energy Information Administration (EIA) figures show that the Gulf of Mexico OCS produced about 1.7 million barrels of oil a day in the months before the moratorium. Their most recent estimates show that production has dropped off by about 210,000 barrels a day—1.49 million barrels as of last month. And that figure is projected to fall off another 280,000 barrels a day on average for the year 2012. If those projections hold, that would mean a drop of almost a third in Gulf production. EIA projections prior to the moratorium showed an expectation that Gulf oil production would average about 1.76 million barrels a day for 2012—averaging close to 2 million barrels a day from 2013 through most of the next decade.

In Louisiana, that production has a second critical meaning—a share of production from OCS leases was promised to coastal producing states in the Gulf of Mexico Energy Security Act of 2006 to help fund the preservation of the coast that protects so much of our nation's energy supply infrastructure—from pipelines to shipping to support companies. The expected reduction in Gulf production would mean a dilution of that funding, leaving more of our nation's critical supply at risk to the effects of coastal erosion and storms.

Not only the production, but the mere concern for viable Gulf of Mexico production, has a very real impact on the speculation of crude oil. As previously mentioned, we witnessed crude oil increase from $74 on May 26, 2010 to over $90 by the end of 2010, which resulted in 37-cent increase in the cost of a gallon of gasoline. Again, this was before the recent unrest in the Middle East and Africa.

With regards to our nation's energy policy, it is concerning that what happens in the Suez Canal and the Mediterranean Sea may be more important than our own Gulf of Mexico.

Consider the recent unrest in the Middle East—it began in Egypt, where about 2.2 million barrels of oil help supply the world market through pipeline and Suez Canal shipping. The flow of oil was never actually threatened, but fear and uncertainty alone drove the price of oil up nearly $10 a barrel in two days.

And more recently, the cutoff of much of Libya's 1.9 million barrels a day of oil due to the insurgency drove the world price back to nearly $120 a barrel—and our domestic trading price reached $100 for the first time since 2008. The oil delivered from or through those two nations is roughly the same amount as where our Gulf production was this time last year, and each of them supplies a world market, not just one country—yet the economic foundations of all nations have been shaken by their uncertain futures.

It is unfortunate the pricing impacts caused by regulatory uncertainty in America are now comparable to what we have come to know in other parts of the globe.

That is not only the view of our state. Federal Reserve Chairman Ben Bernanke testified to Congress just a few weeks ago that sustained rises in the price of oil are a threat to economic growth and to overall price stability in this country.

Because we all need to be able to travel to work, to buy groceries, to do all the things we need to do in a nation built around the automobile, increases in the price of gasoline hit the least of our brothers the hardest. That is particularly true in poorer rural areas of our nation, where public services, jobs and essentials such as food and medical care are not accessible without a vehicle. A recent CNN survey showed that while Mississippi, the most impoverished state in the union, does not lead the nation in price per gallon of gasoline—the people of that state pay the highest percentage of their income for transportation fuel—13.2 percent as of the end of February. Louisiana, for all the energy we produce and deliver, ranks third on that same list at 12.19 percent.

We have had six recessions in this country since 1972. Prior to each one of them, the price of oil saw a sustained increase over the previous year. A major increase in fuel prices has almost always been an indicator or a driver of a major recession or downturn in our economy.

Oil reached $147 a barrel in July 2008, more than double what it had been the previous July, and we all saw what can happen when fuel prices spike too high, too fast. The reaction to the cost of oil and gas in 2008 fed the storm that swept up our national economy, and crippled our car manufacturers, our banks, and our housing markets. We cannot have a robust economy without cheap and available energy.

Again, a substantial interruption of production will mean a greater reliance on foreign sources of energy, and greater exposure to increases in price. EIA figures show that while new discoveries will increase oil production in the lower 48 states in the next two years—overall domestic production is projected to decrease by 5 percent by 2012. Along with the projected increase in consumption—we would need to increase our reliance on imported oil by 160 million barrels a year. In the past five years, through increases in production and reducing consumption, we have steadily been reducing the net percentage of imported oil we use in this nation. But now, at a time of greater uncertainty in world oil supplies than we have seen in years, the EIA predicts we will reverse that trend and lean more heavily on oil imports.

When it comes to offshore drilling safety, we recognize that it should not and cannot be business as usual, that taking a time out to huddle was appropriate. But we also believe that we can have regulation without strangulation.

The state of Louisiana has worked to be a bridge between the industry and the Bureau of Ocean Energy Management, Regulation and Enforcement churning through the many details and working our ground game hard to get this thing right. Back in December, we formed the Back to Work Coalition—a working group dedicated to conquering the confusion with the permitting process and getting folks back to work on the rigs of the Gulf.

It has not been easy, but we have hammered out a few yards at a time, grinding out progress in our meetings with Director Bromwich and his staff in Washington D.C. Since December, the Back to Work Coalition has hosted two conference calls and traveled to DC six times to meet with Director Bromwich on the permitting process. I am thankful for the courtesies extended to me by Director Bromwich.

The issuance of the first deepwater drilling permit on February 28, 2011, some 314 days after the Macondo event, was positive but long overdue. However, we are approaching the end of the first quarter of 2011 and now that industry has demonstrated to the government the capacity to comply with the toughest drilling standards on the planet, today is the time for us, as a nation, to focus on finding the energy to fuel America. The best way I know we can do that is to return to the premoratorium rate of permitting.

Offshore drilling has existed in the Gulf waters for almost 60 years, and deepwater drilling began in the 1970s. Nearly 50,000 wells have been drilled in the Gulf, 3,200 of those in deepwater, and with the exception of the Macondo event, this has been a very safe province in which to operate.

While the necessary work of finding the fuel this nation needs is going on with a renewed focus on safety, as it should, industry and government can work together to meet new standards while still maintaining the production our nation needs. If we have a sense of urgency to get this done, I am confident the United States of America has the resources to make it happen.

The daily losses of production in the Gulf affect much more than the oil industry. Access to affordable energy impacts every sector of our economy, every state in our nation and every American family. The de facto sanctions on drilling in the Gulf of Mexico are sanctions on energy security, on economic development and on American jobs.

The CHAIRMAN. Secretary Angelle, thank you very much for your testimony, and now I would like to recognize the Chairwoman of the Railroad Commission of Texas. Mrs. Jones, you are recognized for five minutes. Thank you for being here.

STATEMENT OF MS. ELIZABETH AMES JONES, CHAIRMAN, RAILROAD COMMISSION OF TEXAS

Ms. JONES. Thank you, Mr. Chairman. I would like to thank you and Ranking Member Markey and Members for the opportunity to testify today. I have submitted a more comprehensive written statement, but I will just hit on some of the high points.

As you all know, Americans are faced yet again with another round of increasing oil prices and the accompanying household budget crunches that come with higher gasoline prices and then the increase in the cost of everything else, like groceries. Being on the brink of recovery from this recession, this is the worst possible time for Americans to have to put another notch in their belts as energy costs go up.

I would like to share my perspective on the Department of the Interior's permit moratorium for drilling in the Gulf of Mexico. To give you some background, the Railroad Commission of Texas, of which I am Chairman, regulates the drilling of oil and natural gas, and our rules and regulations have been formulated over 100 years. Our jurisdiction extends to three leagues offshore, and that is a little over 10 miles.

Texas is the top energy-producing state in the country for both natural gas and oil. Over 30 percent of all the natural gas and about 20 percent of all the oil on shore in America comes from Texas. That is almost 350 million barrels of oil a year, and 7.7 trillion cubic feet of natural gas. You may have heard of the largest natural gas play that is going on in the country. It is called the Barnett Shale. The latest technology that is perfected over the Barnett Shale has made other natural gas shale plays possible across this country, and that is great for America.

But our country's energy security will rely on oil for generations to come, and what is on my mind today is the oil that is under the

Gulf of Mexico, the American jobs that it takes to drill it, the American families and businesses that need it, and the Federal coffers that could surely use the royalties and revenues and lease bonuses now more than ever. I believe we have a moral duty to Americans to develop these resources and I would like to share with you what is happening on the front lines of energy production today.

It may be an inconvenient truth but there is still a de facto moratorium against serious offshore drilling in the waters that surround the United States, including the Gulf of Mexico, but also Alaska, and that is just the reality. That is a fact. A rose by any other name would smell as sweet. You can call it what you like, but there is still a work stoppage, an embargo, if you will, on American companies working in America. Since last fall when the moratorium was lifted in name only, only two deepwater permits have been issued. Somebody is putting lipstick on a pig. These permits were for the re-entry of wells that had already been partially drilled. They were not, I repeat, not new wells.

Statistics on a page simply don't reflect the lives that have been changed by this embargo. Last summer a study determined that approximately 98 percent of the more than 15,000 businesses in the Gulf states impacted by the moratorium are considered small; 85 percent of that figure has less than 10 employees, which goes to some of the comments that Secretary Angelle made. These businesses employ over 153,000 people. They include jobs in the support industries. That is the infrastructure it takes to drill each and every well.

Who is typically drilling these wells? Let us think about it. They are good, solid American companies, independents that find more oil onshore and offshore than the majors like BP. Those are the ones who are most affected. These independents cannot just pick up and move someplace overseas to drill in other countries' deepwater, and certainly the workers on the road from the support services cannot move to places like South America where we can help them to help them drill for their oil.

We, in Texas, have lost approximately 2,500 jobs, 622 million in gross domestic product, 153 million in wages. It doesn't take a rocket scientist to figure out that the more time it takes to issue a permit the more likely these numbers were double or even triple. With the instability in the Middle East and the current monetary policy, I might add, the last thing the market needs is less supply. EIA's projected decline in production is a fact that is not lost on investors in the oil market. A one year delay could result in half a million per day per cut in world supply in the future years because, as you know, it takes many years from the idea to the drill bit going down the hole.

The talk of tapping into the strategic petroleum reserve is nonsensical when we have a reserve that is strategically placed with a lot more oil in it than the 727 million barrels that are being stored in the SPR. The Outer Continental Shelf is estimated to have close to 100 billion barrels of oil. We need to use it when we need it, and we need it now.

It is disingenuous to claim that issuing one or two deepwater permits for wells already drilled constitutes a lift in the morato-

rium. Dozens of permits are still in limbo for previously permitted wells, and we don't have a clear path forward on the thousands of leases that are waiting to be drilled. This would never be acceptable to the voters and taxpayers of Texas if the Railroad Commission were in the captain's chair, and it is not acceptable to the super majority of Americans who support oil and gas production.

As an elected official serving on the Railroad Commission, we can be voted out of office if we don't deliver. But when regulators are not accountable to the people, then Congress must provide the statutory direction and oversight, and I urge you to do so. Analysis has found that the Gulf of Mexico offshore activities could generate as much as 300 billion government revenues alone in the next 10 years. These are revenues that could be utilized to invest in our children's future. You and your colleagues could provide the same benefits for America as we do for Texans by insisting on regulatory certainty, partnered with environmental protections, and a culture that truly understands and appreciate the use of our nation's——

The CHAIRMAN. Chairman Jones, could I ask you——

Ms. JONES. Thank you for your time and attention.

[The prepared statement of Ms. Jones follows:]

Statement of Elizabeth Ames Jones, Chairman, Railroad Commission of Texas

I would like to thank Chairman Hastings and Ranking Member Markey and the members of the House Natural Resources Committee for the opportunity to testify today. Americans are faced yet again with another round of increasing oil prices and the accompanying household budget crunches that come with higher gasoline prices and then the inevitable increases in the cost of everything else, like groceries. Being on the brink of recovery from the recession, this is the worst time for economy-weary Americans to have to put another notch in their belts. Our country is rich in energy resources and only bad policy decisions force Americans to shoulder the burden of higher energy costs as we try to dig out of the recession.

I appreciate the chance to discuss how the Department of Interior's moratorium on drilling for oil and natural gas in the Gulf of Mexico has affected Texas, the entire Gulf States' region and for all intents and purposes, all of America. I am Chairman of the Railroad Commission of Texas. The Railroad Commission (RRC) has been regulating the energy that comes from below the ground in Texas for over 100 years. Our jurisdiction extends to 3 leagues offshore or a little over 10 miles. Texas has a bifurcated system for handling the mineral interests of the state. If a company wants to drill a well in the bay, i.e., state waters, it goes to a lease sale offered by the Texas General Land Office. Then the RRC permits the well and oversees the technical aspect of it while the Land Office takes the money for the state. It is the same onshore too if state lands are involved. We also oversee surface mining of coal, we regulate the propane industry, but our largest division is oil and natural gas. Texas is the top energy producing state in the country for both natural gas and oil. I might as well mention that over 30% of all the natural gas and about 20% of all the oil that comes out of the ground onshore in America comes from Texas. That's about 350 million barrels of oil and 7.7 trillion cubic feet of gas a year. The rules and regulations have been formulated, through rulemaking and statute, over the last one hundred years. The largest natural gas play in the country is in Texas, called the Barnett Shale. That is where the new technology has been perfected that makes all the other shale gas plays possible. The Barnett Shale's standing as the largest shale play has become challenged by other big shale plays like the Haynesville and the Fayetteville Shale plays in Louisiana and Arkansas and that is great for America. The Bakken Shale play in North Dakota and the Eagle Ford Shale in deep South Texas are producing large amounts of oil and have arrested the decline in the US onshore oil production. What may be the largest natural gas shale play in the country, the Marcellus, is located in Pennsylvania and New York, and there will be other new shale plays discovered around the country. The drilling programs onshore in these places are bringing economic relief and increasing jobs to communities that have been hit hard.

There is an exciting future for clean burning natural gas if we will only start using it in a meaningful way... But even if we did make the most of the huge reserves of natural gas in this country, we are still going to need oil for generations to come. What is on my mind today is the oil that is under the Gulf of Mexico, the American jobs that it takes to drill and produce that oil, the American families and businesses that need it, and the federal coffers that could surely use the royalties and lease bonuses—now more than ever. My contention is that we have a moral duty to Americans to develop these resources and it is critically important that you who were sent here to represent the best interests of your constituents have some information about what is going on back on the front lines of energy production.

Basically, there is still a de facto moratorium against serious offshore drilling in the waters that surround the United States, the offshore Gulf of Mexico, offshore Alaska, wherever there is a potential oil and gas offshore resource awaiting the drill bit. That's simply the reality. "A rose by any other name would smell as sweet." One can call it what one likes, but basically there is still a work stoppage, an embargo if you will, on American companies working in America. Only one deep water permit has been issued since the moratorium was supposedly lifted. That permit to Noble Energy, the operator, was for a re-entry of a well that had already been drilled.

The statistics on a page don't truly reflect the lives that have been changed as companies lay off crews and send rigs overseas. Dun and Bradstreet did a study last summer and determined that of over 15,000 businesses in the five Gulf States impacted by a moratorium, approximately 98% of these businesses are considered small businesses. Six hundred and sixty seven of them are classified as minority-owned, woman-owned, or veteran-owned and 97% are US-owned. These businesses employ over 153,000 employees with over 95% of them in Texas and Louisiana. These are the support businesses, the infrastructure if you will, that it takes to get an offshore well drilled. We are taking a great leap backward. Who is typically drilling these wells? Good solid American companies, large independents that find more oil and gas onshore and offshore than the majors like BP. They are the ones most affected. They can't pick up and go to Brazil to drill in their deep water and certainly the engineers, workers on the rigs, and the support services can't move to South America to help them recover their oil.

Louisiana State University's economist, Joseph Mason, conservatively reported late this past summer that due to the moratorium the Gulf Coast States would lose over 8,100 jobs, $2.1 billion in economic output, and $487 million in wages during the initial months after the moratorium. In a similar time period, Texas' share of that loss is almost 2,500 jobs, $622 million in gross domestic product, and $153 million in wages. Mr. Mason stated that the actual numbers would be larger over an extended amount of time. It doesn't take a rocket scientist to figure out that the more time it takes to issue permits the more likely these numbers could double and even triple.

These numbers don't even touch on the loss of energy at a time we need it the most to increase supply to help stabilize prices. With the instability in the Middle East and the current monetary policy, the last thing the market needs is less supply. The permitorium in the Gulf of Mexico is affecting 30% of the domestic oil production and 13% of the natural gas. A one-year delay could result in a 500,000 barrel per day cut in world supply between 2013 and 2017. Not to mention the cost increase to get it out of the ground if new, unnecessary regulatory requirements are put in place.

It simply doesn't have to be this way. The talk of tapping the Strategic Petroleum Reserve is nonsensical when we have a reserve that is strategically placed with a lot more oil in it than the 727 million barrels that are being stored there.

Now I would like to discuss my experience as an elected steward of a state's energy resources. Specifically, I would like to show you how we create a culture of safety and productivity. Though it has evolved to address the modern day petroleum industry, we have cracked the code and I think that as you contemplate the future energy needs of the country, it wouldn't hurt to look to the states, who have a vested interest in making sure their energy resources are responsibly produced. Our mission is to serve Texas by our stewardship of natural resources and the environment, our concern for personal and community health and safety, and our support of enhanced development and economic vitality for the benefit of Texans. As a part of our charter, among our main functions related to oil and gas exploration is the protection of the environment, our duty to protect public health and safety, the correlative rights of mineral interest owners, and to prevent waste of natural resources. As a disclaimer, I want you to know that safety and public health, as they should be, are our number one concern. I want to highlight that one of our statutory duties is that we must prevent waste of natural resources. Most people think of waste as a by-product that must be disposed of. We manage the disposal of oil field waste

too, but this definition as it relates to our mission is contrary to that. It is that our program must produce our natural resources for the economic benefit of individual Texans and the state as a whole or else the hydrocarbons are wasted. This charter forces us to permit wells in a timely manner so that royalty owners get their money. One of the most prominent royalty owners in Texas is the state itself. These monies are used to fund education and our rainy day fund, which is a bright star in the fiscal profile of Texas.

Allow me to compare that charter to the Bureau of Ocean, Energy, Management, Regulation, and Enforcement's (BOEMRE) mission, which is to manage the ocean energy and mineral resources under the outer continental shelf (OCS) and other offshore waters of our country and to enhance the public and trust benefits, promote responsible use, and realize fair value. While these charges are admirable, the charge to manage mineral resources, rather than to prevent the waste of mineral resources, results in two very different approaches and outlooks. Our charter encourages us to work with citizens and industry to utilize every bit of minerals we have so that our schools stay funded and our budget stays balanced while individual Texans also get to reap the benefits of responsible energy production. BOEMRE's mission does not provide this opportunity. Its tone undervalues the need to take advantage of natural resources for the economic benefit of those who own them, the American people. Maybe there needs to be a cultural shift in ideology as it relates to how Americans view the mineral gifts that God and nature has bestowed upon them as blessings.

In Texas, our permitting process is comprehensive and efficient due to several reasons, one of which is that my fellow commissioners and I are statewide elected officials. If our stewardship is not acceptable to the people of Texas, then we will be voted out of office. One of the most sensitive charges of our position is ensuring regulatory certainty and a fair and efficient permit process. It is our responsibility to clearly draw the lines of the playing field and the rules of the game, and it is private industry's responsibility to abide by those rules.

Once an application meets our standards then it is our responsibility to issue that permit in a timely manner. In fiscal year 2010, we processed over 21,000 applications. Due to continuing activity within the 3 shale plays, the Haynesville, Eagle Ford, and Barnett, we expect to match or exceed that count for fiscal year 2011. When fully staffed, our permitting division employs 11 people. A performance standard of 100 reviews per day has been initiated. We have received approximately 500 applications per week for the last 2 months. Our processing time is posted at the bottom of our website's home page. The approval performance is updated weekly. Our goal is to process expedited requests within 1 day and standard applications within 3 days.

I read a report from the Louisiana Oil and Gas Association on March 7th that before the Macondo blowout, BOEMRE permits were issued at a rate of approximately 10 per week. Subsequent to the lifting of the moratorium in October, BOEMRE has issued only one deepwater permit. This would never be acceptable to the voters and taxpayers in Texas.

Some may criticize our swift manner of permit issuance claiming that we lack a focus on environmental mitigation. Since 2005, only 0.0004% of our wells have experienced a blowout. The most recent total of wells we have in Texas is 394,600. Industry best practices and know-how on deck accounts for that low number. Any injuries related to drilling on the platform fall under the jurisdiction of the Occupational Safety and Health Administration (OSHA). To address environmental issues related to the drilling of the past, the Oil Field Clean Up fund was instituted in 1991 to remediate sites and plug abandoned/orphaned wells. This environmental program is our shining star in the Lone Star State. Few regulatory regimes globally can boast as much, and many call us for direction when establishing their own programs.

Our enforcement, penalties and compliance structure is quite different from the federal way of business. We do not like the idea of speed traps in the market place created to punish companies in order to drive up revenue in low budget cycles; thus, our focus is on compliance. Penalties from enforcement actions do not go into the Commission's operating budget; those revenues go into the state's general treasury and our environmental clean up fund. That restriction allows us to focus on what is most important: the development of our natural resources while working with industry participants to ensure compliance with safety and environmental protection standards.

In conclusion, I would like to reiterate the economic facts. The OCS was conservatively estimated by the former Minerals Management Service to have undiscovered, technically recoverable resources of over 419 trillion cubic feet of natural gas and 86 billion barrels of oil. In 2009, the OCS was producing 27% of the entire

US oil production. Further studies reveal that offshore activity in the Gulf of Mexico in 2009 generated almost $70 billion of economic value and nearly 400,000 jobs. These are good-paying jobs. According to the 2007 Bureau of Labor Statistics, oil and gas wages averaged $93,575 per year. That is twice the annual pay of all other jobs in the US.

IHS Global Insight analysis states that the Gulf of Mexico offshore activities could generate as much as $300 billion in governmental revenues alone in the next 10 years. These are revenues that could be utilized to invest in our future, as we invest them in Texas. Over 30 school districts' budgets in our state are more than 70% funded by oil and gas revenues. We do it right in Texas. By offering regulatory certainty, partnered with environmental protections and a culture that truly understands what it means to appreciate and utilize our region's mineral assets, we provide an economic engine that creates value and prosperity for all Texans. I respectfully urge you and your colleagues to provide the same for Americans everywhere across our nation.

Thank you for your time and attention. I look forward to addressing your questions.

The CHAIRMAN. Thank you very much. My timing was perfect there, too, I guess.

Ms. JONES. Yes.

The CHAIRMAN. Thank both of you very much for your testimony. I know it is very difficult to try to condense all that is leading up to where we are today and why we have this hearing in five minutes. I fully understand that, but your full record, as I mentioned, will be in the record.

Ms. JONES. Thank you.

The CHAIRMAN. I want to ask each of you to respond to this question. Since the *Deepwater Horizon* spill, can you explain to the Committee what you have done in your respective states as far as changes to oil and gas operations in state waters since the *Deepwater Horizon* spill? Secretary Angelle.

Mr. ANGELLE. Thank you, sir. Yes, Louisiana is governed somewhat unique in that area, and we have, if we would, a department within a Department of Natural Resources, so there is a statutory firewall between myself and the Commission of Conservation, so I will attempt to give you what I know the Commission has in fact done.

They commissioned a study done by LSU to come up with perhaps proposed rules and regulation changes to require additional cementing and casing situations, additional reporting requirements, additional BOP, blowout preventive requirements, all things, again, that would lead to a safer situation. But I would also remind the Committee that in Louisiana in our state waters the deepest water we have is 248 feet, so all of our blowout preventers are in fact on the surface and not on the ocean floor, so much very different situation than you would have offshore. We have taken those steps through LSU to come up with a variety of tweaks, if you would, to make the province safer although, again, we didn't recognize a problem before.

The CHAIRMAN. And let me ask if you would just briefly answer, have you shut down operations while these changes are made?

Mr. ANGELLE. No, sir.

The CHAIRMAN. Chairman Jones.

Ms. JONES. Mr. Chairman, we go out to, our jurisdiction goes out to 10 miles.

The CHAIRMAN. Right.

Ms. JONES. And we have not shut down operations. We are always revisiting our rules and regulations regarding the offshore. We really have about a thousand wells at this time offshore. Some are in the bay. The majority are in the bay wells. Those are some shallow permits. And we have not shutdown. The people of Texas would insist by now if we had, we would be back up and started. The people of Texas benefit from the royalties and the hydrocarbons that are developed from those offshore out to 10 mile, that development and it is critical that we would be on the fast track if we had, but we have had a good safety record offshore.

The CHAIRMAN. Thank you. One last question, and again to both of you. If you had one change that you could make to Federal permitting on the OCS, what would that be?

Mr. ANGELLE. I do believe that the well-by-well assessment, environmental assessment, which is a new requirement that has been placed upon the Nation by the Bureau of Ocean and Energy, is not a necessary requirement.

It is my understanding that prior to a lease/sale being authorized by the government a very exhaustive environmental impact study is done at the 35,000 foot level, and it has been the policy of this nation between Presidents of different parties that well permits were therefore categorically excluded from the environmental assessment because of the overriding environmental assessment that was—I am sorry—the overriding EIS that was done at the 35,000 foot level. This will be a very, very cumbersome and very slow process that must be done by in-house government employees, and I am very, very concerned that that process.

Let me remind the Committee that the first environmental assessment on a well-by-well basis has not yet been completed. The well permits that have already been issued are for wells that were exempted from the EA process. There are a total of 57 wells that have been exempted from this EA process by the director. However, not one well yet has been permitted requiring the new EA requirement. I think it is duplicative and not necessary.

The CHAIRMAN. Chairman Jones.

Ms. JONES. Chairman, there are so many things that I could suggest that I don't have the time.

The CHAIRMAN. I know, I only gave you one. That is not fair.

Ms. JONES. I think right out the gate they have to establish a timeline for issuing permits and live up to that timeline, and if it takes your oversight to do that I hope you will engage in that immediately.

The regulatory certainty is very, very important. As these companies make long-term capital investments, they have to know what they are actually looking at, and that is not the case right now, and that is why so many are being held in limbo right now. So, regulatory certainty which will come if there is a timeline for these permits to be issued.

I would like to suggest also that they call a permit a permit, and moving a piece of paper back and forth, back to the operator to fill out and to give new information, to come back and not recognize that as an application for an amended permit or anything is dishonest actually. They are proclaiming that there are not that many

permits out there, but there are many, many in the queue that have not been actually technically called permits yet.

Those are but three of the things that the agency could do to improve the situation as it is, but hopefully we will continue to have this conversation and I can continue to submit suggestions, if you will, that more or less track what we do at the Railroad Commission.

The CHAIRMAN. We look forward to that. We look forward to those suggestions.

My time has expired. The gentleman from Massachusetts is recognized for questioning.

Mr. MARKEY. Thank you, Mr. Chairman, very much.

One of the problems is that it was cookie cutter environmental impact statements produced by the oil companies pursuant to the categorical exclusions that the Department of the Interior routinely granted during the Bush Administration that led to absurdity such as plans requiring the evacuation of walruses from the Gulf of Mexico in the event of an accident, even though walruses hadn't lived there for two million years. So, you know, we have just got to be realistic here about what kind of job the oil companies were doing. They were absolutely irresponsible, and their irresponsibility is something that goes to their safety record.

Secretary Angelle, on page 225 of the independent commission said that from 2004 to 2009 fatalities in the offshore oil and gas industry were more than four times higher per person hours worked in the United States waters than in European waters even though they were the same companies. So give that it is four times more deadly to work offshore in U.S. waters, and that the Commission found that the safety problems were systemic and not a single new safety measure has been enacted into law since the BP disaster, don't you think we need to ensure that these rigs are operating safely in order to protect the lives of workers on these rigs and the livelihoods of all Gulf residents so that we increase the level of safety up to international standards rather than having the lowest in the industrialized world? Don't you think the safety recommendations of the BP Commission should be implemented?

Mr. ANGELLE. I am not familiar with all of those safety recommendation, Mr. Ranking Member.

Mr. MARKEY. You have not analyzed the safety records?

Mr. ANGELLE. I have not, sir. I would say that——

Mr. MARKEY. Given your job don't you think you should have looked at those safety record recommendations?

Mr. ANGELLE. Actually, I have not analyzed all of those recommendations, sir.

Mr. MARKEY. Could you analyze them and give a set of responses to the safety recommendations back to the Committee?

Mr. ANGELLE. Sir, I have not analyzed all of those recommendations. I will tell you that in my comments I indicated that it should not be business as usual, and we support it not be business as usual. Certainly understand that and——

Mr. MARKEY. Does that include implementing the safety recommendations of the BP Commission?

Mr. ANGELLE. I am not aware of all of those safety recommendations of the BP Commission.

Mr. MARKEY. Are you aware of any of the safety recommendations of the BP Commission?

Mr. ANGELLE. I am aware of some of the safety recommendations, yes, sir.

Mr. MARKEY. Are there any of those safety recommendations that you recommend be implemented?

Mr. ANGELLE. Yes, sir.

Mr. MARKEY. Can you tell us what those are?

Mr. ANGELLE. I would just simply say that generally I believe that, you know, repetitive safety measure of blowout preventers and those kind of things are very, very important. I certainly understand containment issues being very, very important. But I would say again that having the new regulations that have been promulgated we are not at a point where the industry has demonstrated to the government the ability——

Mr. MARKEY. Even though you are not familiar with the safety recommendations of the BP Commission, you are ready to say that it is safe and people should go out there. Is that what you——

Mr. ANGELLE. No, that is not what I said, sir. I said that it is my understanding that the Bureau of Ocean and Energy has promulgated new rules and regulations, and the industry has demonstrated the ability to comply with those, and now is the time to begin issuing permits inasmuch as industry has completed—has begun to comply with those recommendations.

Mr. MARKEY. And they issued those recommendations last month, so the way to go. Are you satisfied with the recommendations that were promulgated by the Department of the Interior?

Mr. ANGELLE. It is not for me to be satisfied. It is for me, as I said earlier, sir, I come here not seeking blame, but to bring about a solution. The industry has demonstrated the ability to comply with those regulations, and we need a sense of urgency issuing permits. I am not looking backwards. I am looking forward.

Mr. MARKEY. I am, too. I am trying to look forward. In your testimony you state that seven deepwater rigs have already left the Gulf since the original moratorium was declared, but according to the Department of the Interior at least four of these seven rigs are scheduled to return to the Gulf in 2011, and five new rigs have already arrived or are scheduled to. Overall, there are 125 rigs in the Gulf of Mexico compared to 122 one year ago.

Doesn't that misrepresent what is actually happening in the Gulf to only mention the rigs that have left without mentioning the new ones that have come in?

Mr. ANGELLE. Well, I would say whatever new ones have come in they are not working. They are just inventory, they are stack coal, and it is just like having automobiles on a lot. You have a lot of automobiles on the lot, but if you are not selling them, you are not creating economic activity, sir.

Mr. MARKEY. All right. But we have the new regulations. They are ready to go, and the Obama Administration is now issuing new leases, and the rigs are returning. Obviously these companies are capitalists so they are returning and new ones are arriving, so it represents a confidence in the oil industry in what is happening or else they would not be returning and they would not be adding new rigs. Don't you think that is an economic conclusion?

Mr. ANGELLE. Again, I would say with all due respect the Obama Administration is not issuing new leases. In fact, the lease sales that were scheduled for this year have in fact been canceled. What I would say is that certainly we had a policy break-through on February the 28th when the first deepwater permit had been issued 314 days after the Macondo event.

Mr. MARKEY. I do not think, sir, that oil companies are sending the rigs back just to idle. I do not think they are sending new rigs in just to idle. That is not how oil companies operate. They are sending them back because there are new opportunities for them as the new regulations have been promulgated.

Thank you, Mr. Chairman.

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

Mr. GOHMERT. Thank you so much, Mr. Chairman, and from what I understand the rigs are being returned for repair, and so that is the purpose of that just so we know.

It is interesting to get a big picture look at this administration and prior administrations' policies. We know that during the Clinton Administration, they had an attorney that actually intentionally removed language from the standard lease that would have provided billions of dollars to the U.S. Treasury, but it was removed by the Clinton Administration attorney at Interior to the benefit of British Petroleum, friends like that.

We also know that that attorney went to work for a company called British Petroleum, and it was a big announcement in 2009 when the Obama Administration hired that attorney back to work for their Interior Department to help with offshore leases. So very convenient, and we know that President Obama has talked about "a cozy relationship" between government and big oil companies, apparently with one in particular called British Petroleum.

We know that British Petroleum was negotiating in coming out in support of the Administration's grab and trade bill, and they were negotiating a time for them to come make that public so we would have a big energy company out there supporting this Administration's grab and trade bill, and that was going on, the negotiations were going on the very day that the *Deepwater Horizon* blew. So, you can understand how the Administration might not want to jump on BP if it was going to be a small deal out in the Gulf, and it might help explain their delay in actually coming out there and doing something about that disastrous blow in the spill.

I am also glad to hear we share concerns about safety violations because it has been a great concern of mine, that we would have an Administration that would allow a company like British Petroleum to have nearly 800 safety violations while other oil companies would have one or two, and yet they allowed that company to keep having safety violation after safety violation, and from what my friend from Massachusetts points out, apparently BP didn't have such a cozy relationship with those overseeing European waters, so they were not allowed to keep having those type of safety violations, and I am glad my friend from Massachusetts pointed that out.

Now, Obama Administration sends two-party teams, two teams out to inspect offshore rigs, we found out, and they are the only

group that was unionized, so they could negotiate how many hours they might work when they are out there standing between us and disaster, and we know from the director of BLM that their safety valve, their check and balance was to send two people at the same time so they watch each other and they would report each other if they were not really on top of any type of safety violation, and then we find out that the last two-man team that this Administration sent to the *Deepwater Horizon* was a father and son unionized team.

So, it is interesting to hear about safety concerns. I am glad that some are finally concerned about that. The Obama Administration's biggest financial supporter, George Soros, we know has his biggest investment in Brazilian drilling, and we also know that this Administration authorized a $2 billion loan for Brazilian drilling in their offshore area, and that a moratorium in our Gulf of Mexico directly benefitted this Obama's biggest financial supporter.

So, let me get to my question, and please convey my hello to my friend Bobby Jindal, that we served together here in Congress. I think a lot of him. But I know Chairman Jones very well, and I would like to ask, do you know who the only recent offshore drilling permit was issued to that was actually a new permit?

Ms. JONES. There has not been a permit for a new well issued.

Mr. GOHMERT. Who is it that they talk about being then?

Ms. JONES. The recent one that the operator is Nobel Energy, the majority interest in that well is BP. The second——

Mr. GOHMERT. Well, let me ask you, what does the Obama drilling moratorium do to independent drilling companies?

Ms. JONES. I have, as you do, a constituent of mine, a Texan, an independent, a solid company who in fact is awaiting two amended permits only to put on his new state-of-the-art safety rig. This independent has invested a billion dollars in the state-of-the-art drilling rig, and to only change his already—his permit that he was already given to complete two weeks, he just wants to change and put on a rig that is even more reliable safety-wise than the other one that he was using, and that permit is in limbo. He cannot get it to complete two other deepwater wells that he drilled.

The point I am trying to make here is a solid American company, an independent who made a tremendous capital investment in a rig that is built in America and a rig that he could have bought and had shipped over here for half the cost if he had chosen to buy one in China, but he made a deliberate decision to keep it all American made, and he has been precluded from even using that new state-of-the-art American-made rig, and he has recently laid off 100 people. He postponed it until after Christmas, and these are the lives that are being affected.

And so I don't know about the facts that Ranking Member Markey was mentioning.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GOHMERT. OK.

The CHAIRMAN. I appreciate that.

Mr. GOHMERT. Thank you, Chairman.

Ms. JONES. Thank you, Congressman.

The CHAIRMAN. The gentleman from Michigan, Mr. Kildee is recognized.

Mr. KILDEE. Thank you very much, Mr. Chairman.

Mr. Secretary, the Administration implemented the safety precautions after the *Deepwater Horizon* disaster. It requires companies to show that they can contain a deepwater blowout. Two companies have met those standards and received permits thus far.

You say that there is not drilling going on. However, the Administration will give out more permits if companies simply meet these new minimum safety standards. Do you disagree that companies should be held to this higher standard to prevent another disaster from happening, or do you believe these safety precautions really should be significantly modified?

Mr. ANGELLE. I do believe that some of the changes that have been made with regards containment assets being required and available, if you would, on the first day rather than the 60th day as we saw with the BP event. I believe those changes represent some positive public policy.

However, I would say that now that we have—the industry has met that standard and has proven to Secretary Salazar who he himself visited and touched and witnessed some of that equipment, that has been perhaps three to four weeks since that happened, and we still only have two permits that have been issued.

So, I am not here to argue whether or not the regulations that were imposed are regulations that should not have been imposed, I am here to say that for America we need the bureaucracy to go to work seven days a week to be able to issue the permits in an industry that works 365 days a year.

Mr. KILDEE. I appreciate the distinction you made there. You know, having the Gulf of Mexico reserves is kind of a mixed blessing, but it is a blessing, but we have to be very careful, and I think you would agree with that, very careful in dealing with a mixed blessing to make sure that we have the safety precautions to make sure that blessing doesn't turn into a curse. I think we could all agree upon that. The question may be you are not objecting so much to the new standards, you are objecting to the slowness of implementing them by giving permits to go ahead and start drilling again. Am I correct in——

Mr. ANGELLE. I am concerned that some of the drilling standards, and particularly something that I have worked very closely with Dr. Bromwich on, what is called the interim final rule which by rule took the word "should" and turned it into "must" in 14,000 situations; by reference adopted 80 different API documents that were not meant for "must", they were meant for "should", and they were designed that way, and with one stroke of the pen to grasp 80 documents and make them instead of recommended practice required practices was what was a concern.

I have been working with Dr. Bromwich on that issue. We have brought about a great deal of evidence about this perhaps setting the safety goals actually backwards instead of moving forward.

So, again, Louisiana understands that it should not be business as usually and it cannot be business as usual, but we, again, as I was saying earlier, we can have regulation without strangulation, and we are currently existing in strangulation right now.

Mr. KILDEE. Thank you very much for your testimony.

Mr. ANGELLE. Thank you, sir.

The CHAIRMAN. The gentleman yields back?

Mr. KILDEE. I yield back.

The CHAIRMAN. The Chair recognizes the gentleman from Colorado, Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman. Thank you both for being here.

Secretary Angelle, in your testimony you mentioned the impact of the de facto moratorium not only on people working directly in the oil and gas industry, but also those in the services industry that support oil and gas. Some in Congress or in the Administration who profess to be on the side of the working man turn around and support energy policies of this Administration which put men and women out of work in the Gulf and elsewhere.

Would you be able to guess the number of jobs that have been lost as a result of the lack of production in the Gulf?

Mr. ANGELLE. All I can say, sir, is in excess of certainly several thousand jobs, and there is a cascading impact. The moratorium is not hurting the stockholders of BP or Exxon or Chevron. It is hurting the every day men and women of America in the service companies and the cascading impact on hotel workers and on automobile mechanics and on just regular retail folks who get up every day, the middle class of America who try to pay the bills.

There is no question that this moratorium is impacting what I refer to as the Cheramies, and the Collies and the Boudreaus and the Thibodeaus, all very, very prominent families in south Louisiana.

Mr. LAMBORN. And when you say that are you focusing only on Louisiana or are you including the other states close by?

Mr. ANGELLE. Obviously I believe that the impact cascades. I think that as we all know in economics a dollar spent somewhere in America trickles down to other places. And so when folks in Louisiana are either unemployed or underemployed it means perhaps that it is one less vacation they can take to Disney World in Florida. It means that it is one less restaurant they get to go to. It is one less ball game they get to go to. So certainly the impact is more profound in Louisiana as Louisiana is the epicenter of OCS production in America, but I would dare say that it does include neighboring states as well, sir.

Mr. LAMBORN. Well, and we are going to have a hearing tomorrow on the rising prices of gasoline, which is one of the indirect effects of lack of production, but thank you for answering that question about the direct impact.

Madam Chairman, some who are ignorant of how offshore oil and gas leases work claim that when leases are not drilled on that the oil or gas company paying for the lease is somehow derelict in its duties. Is that how offshore leasing works?

Ms. JONES. It is no more how offshore works than it is how onshore leasing works, and that is a wonderful question, Congressman, and I appreciate your bringing that up to help educate people how the industry works to get hydrocarbon out of the ground, whether it is oil or natural gas.

You know, geologists will look at seismic and make suggestions to companies. Most of them are independent companies that drill for and discover over 80 percent of all the oil and natural gas on-

shore and off, and they will put together drilling packages, and they will go to these lease sales. They will buy the leases. Just because you have invested in a lease doesn't even mean that oil or natural gas may be found there. In fact, people have to understand that dry holes are still drilled, even with the latest technology, and so these are risks that companies make, and they put their money and capital and human capital on the line, and just because there is a lease in existence, for which they are paying a rental price I might add, does not mean they may even drill there because they may determine after the shoot seismic that there are not hydrocarbons there, and there is no way the Federal Government in Washington, D.C. can make them drill there. That would be an unconscionable act of the Federal Government.

Mr. LAMBORN. Well, I am glad you are pointing that out because I think there are some, frankly, who do not understand that, and on top of all of that the litigation climate——

Ms. JONES. Yes.

Mr. LAMBORN.—can you comment on that, how that might slow down production or exploration?

Ms. JONES. There are so many roadblocks in the way today in this environment of getting crude out of the ground, and one of those is the—absolutely, the litigation climate that takes advantage of torts that are created even in statute to micro manage industry and put one more little roadblock, one more "must", to change a "should" to a "must" here and there. You think it has got a very little effect until you get a plaintiff's lawyer involved who then wants to put a hurtle or a roadblock to Americans reaping the benefits of a production of they hydrocarbons.

And it is yet another roadblock that is based on regulatory statutory language that is taken advantage of by the trial bar, I am afraid to say.

Mr. LAMBORN. OK, thank you both.

Ms. JONES. Thank you, Congressman.

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

Mr. HOLT. Thank you, Mr. Chairman.

Of course a reason for this moratorium is to make sure that the practices are carried out safely in environmentally acceptable ways. Mr. Angelle, Secretary Angelle, evidently you did not come to the hearing today prepared to comment on the safety recommendations of the BP Commission. Let me ask Ms. Jones if you have for us your analysis of these recommendations and how they—you know, one by one, whether they should be applied, whether they should be modified because that is really what we——

Ms. JONES. Thank you, Congressman Holt, and I would like to preface this and saying that there is nobody in this room, certainly who I know, would be in any way trying to imply that we should encourage or be part of a culture of being less safe, and, of course, as a state regulatory, the Railroad Commission of Texas, I am concerned over—I have seen some of the——

Mr. HOLT. So, you have, ma'am, recommendations for us?

Ms. JONES. Yes, I believe that——

Mr. HOLT. Could you present those to us, if not orally now, in writing?

Ms. JONES. I would have talked to many people out there. If the recommendations are not making us any safer, they should not be made. It is my understanding that there are some in there, as Secretary spoke, the "should" to "must". There are 14,000 of arbitrary "should" that were changed to "must"——

Mr. HOLT. Can I ask the witnesses——

Ms. JONES. And that makes no sense at all.

Mr. HOLT. Can I ask the witnesses sometime in the next couple of weeks to present—this report has been out for a month. There are specific recommendations in it. Could you look at those recommendations, get back to us in writing on which ones make sense, and if they don't make sense, how they might be modified?

Ms. JONES. I would be happy to.

Mr. HOLT. And if you would do that, and for now, for the moment could you name a single one that you think should be in?

Ms. JONES. I like the remote controlled blowout preventer actually. I think that is a very good idea, and most of the companies are already doing that. BP did not have that on the well. But I would like to suggest that maybe the states ought to regulate their offshore because OSHA, of course a Federal agency, and another Federal agency were in the oversight position of the BP well. It would not be——

Mr. HOLT. It would be helpful to us if you would let us know what your states are doing to implement new regulations.

Ms. JONES. I would certainly be worried if I were——

Mr. HOLT. Mr. Angelle, you had commented that you had thought a good containment mechanism was a good recommendation. Would it not make sense to make sure that that is in place before the moratorium is lifted, that the industry actually has available and in place good containment mechanisms?

Mr. ANGELLE. Yes. And it is my understanding that that containment is in place, sir.

Mr. HOLT. OK. So you would support a moratorium until that was in place, and if it is in place, then——

Mr. ANGELLE. Yes, I am a little confused. I thought I was coming here, sir, to testify about the issuance of permits in the deepwater drilling area. We seem to be now talking about recommendations that were out for the last month. I understand that rules and regulations——

Mr. HOLT. The reason for the moratorium, sir, of course, is to see that the practices are in keeping with health and safety.

Mr. ANGELLE. I get that and understand that, sir, but I think what I am trying to get across is that the Federal Government instituted a set of rules, OK. They established a goal line that was here and moved the goal line further down the field. I get that and understand that. And in my testimony I so indicated that I supported it could not be business as usual.

What I am here to say and my testimony clearly said that government has demonstrated the ability to comply with the toughest standards now in the planet. It is time now to get the bureaucracy to issue the permits that the industry has demonstrated that.

Mr. HOLT. With respect, where you have been for the last year? This was an enormous accident. Lives were lost, and industry was turned on its ear. The report that came out was a blistering indict-

ment of the safety practices. You know, in addition to the documented accidents there have been 79 documented, this is reported in the report, 79 near misses of loss of control. This is something that we really as a nation have to get our hands on. This is not just a bureaucratic slowdown. This is a necessary step to see that this industry is operating properly. And as Mr. Markey said, it is much more dangerous to do this in the United States than it is to do it in Europe for the same companies. We have to get on top of this.

Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired. The Chair will remind Members that the first Committee hearing we had was precisely on the recommendations of the President's Commission dealing with safety records. The purpose of this hearing is to try to ascertain from people that live in the impacted area, the state, the community and the economic impacts of the de facto moratorium that we have been describing, and the witnesses in their written statements have responded to our request on the subject matter. I would like to remind Members that our first hearing was on precisely the President's Commission.

The Chair now recognizes the gentleman from Louisiana, Mr. Fleming.

Mr. FLEMING. I thank the Chairman. I would also follow up to say that obviously Administration is comfortable with the regulations because there has been two permits issued, so I think that really ends that debate. But I want to lay the foundation for, I think, some important questions.

I asked Secretary Salazar, I actually laid the case for Secretary Salazar in this room on March 3rd the fact that oil production is going down, number of rigs are going down, and this was his answer. "When you look at the production in the Gulf of Mexico, even within the midst of the national crisis of the *Deepwater Horizon*, the production has remained at an all-time high, and we expect that it will continue as we bring new production on line."

The President has said this, and you heard just moments ago the gentleman from Massachusetts make the same claim, and then you also heard him talk about that he brings the facts here and that we are in parallel universes and all that, yet he fails to stipulate not one fact, not one number, or even an authority for that, so let me do that.

In the first quarter of 2010, 1.7 million barrels of oil was produced each day in the Gulf of Mexico. By the fourth quarter of 2010, production had fallen to 1.59 million barrels of oil per day, and this comes from the Energy Information Administration, very well respected.

They also go on to say that the Gulf of Mexico production is going to, or the production in the Gulf of Mexico will drop by 240,000 barrels per day in 2011, and another 200,000 barrels per day in 2012.

And then there is domestic production, and that is going down, I won't even get into that, but I have all kinds of numbers to back that up.

Then the President goes on to say, for heaven sakes, we only have 2 percent of the oil in the world and we use 25 percent. Well,

again Congressional Research Service, very well respected, says the United States combined recoverable oil and natural gas and coal resources is the largest in the world outranking Saudi Arabia, China, and Iran. It goes on to say that while there have been previously some estimates of 19.1 billion barrels of oil that we have that God put in storage here rather than our strategic reserve, there are actually, in fact, 145.5 billion barrels of recoverable oil. Total recoverable energy reserves to the United States combining oil, natural gas, and coal is 1.3 trillion barrels of oil equivalent, the largest in the world.

The USGS estimates that our oil shale reserves could be greater than 1.5 trillion barrels of oil. This is five times larger that Saudi Arabia's proven reserves.

Now I want to shift just for a moment. We have a quote from Secretary Chu just prior to being Secretary in 2008, he says, "Somehow we have to figure out how to boost the price of gasoline to the levels in Europe." President Obama in 2008 said, "Under my plan of cap and trade electricity rates would necessarily skyrocket." And then in 2008, President Obama asks, "So could these high prices help us?", or that was a question to the President, and Obama responded, "I think that I would have preferred a gradual adjustment."

My point in all of this is that I think a much bigger picture here is what is our administration doing in terms of actually deliberately allowing, if not driving, oil prices, gasoline prices up to fit a larger ideological belief, and I would love to have your reaction to that.

Mr. ANGELLE. Thank you, sir. Certainly I am concerned about the Administration's certainly disdain for hydrocarbons. The President made it very clear in his State of the Union Address that oil was perhaps a commodity of the past, and I am paraphrasing, and I would simply say that if we are going to pronounce something to be of the past I sure would like to know what is the replacement today before we are taking hydrocarbons out of the picture.

You know, I have a great deal of concern that when I look at the natural gas reserves that we have in this nation, and I am reminded of the fact that the previous Federal Reserve Chairman testified to the U.S. Congress in 2003 that we did not have enough natural gas in 2003 to fuel our economy; that we needed to import natural gas from other countries, and some five or six years later we now found ourselves on a 100-year supply of natural gas.

And so it seems to me, and I am aware, sir, in your particular district where there is a fueling station that was built by a very progressive city, Bossier City, and right now you can buy natural gas for $1.85 gasoline equivalent, and when I compare that buck 85 to 3.50 for unleaded gasoline, and I know that a 50 cent increase in the price of gasoline shocks the American economy at the tune of $1.4 billion a week, I think that we could actually make some serious improvements in an energy policy that would have a positive impact on the economic policy for all of us, and certainly give almost every American a pay raise, if you would, by making fuel cheaper at the pump.

I am concerned that there is not enough of a move to that kind of innovation because I believe that it does perhaps play into the

hands of stifling the alternative and renewable agenda that may be more, you know, prominent.

Mr. FLEMING. Yes.

The CHAIRMAN. The time of the gentleman has expired. The gentleman from New Mexico, Mr. Luján.

Mr. LUJÁN. Thank you very much, Mr. Chairman, and I want to thank the witnesses for taking the time to come and visit with us today on drilling in the Gulf and the impacts that bad actors have on the drilling industry and local economies. I think one thing that we have heard from industry experts as well as most advocates is that when there are bad actors in the industry that they should follow the rules just like everybody else, and when those rules are being broken they are going to impact everybody and they are going to give everyone a scar, and no one is going to forget that scar for some time. It is real ugly like the scar that we now have in the Gulf.

You know, some things are easier said that things are better there, but, you know, lives and families have been impacted there for generations to come; not to forget the families that lost loved ones. This is real, and I certainly hope we understand the seriousness of this as we deliberate this, as we talk about the future of energy in the country, and we make sure that we are making decisions so we can stop sending hundreds of billions of dollars to other nations. The suggestion of natural gas is something that we are going to be working on to see what we can do to diversify fuel sources for our vehicles.

But nonetheless we are here to talk about what is happening in the Gulf, what is happening in the Gulf, and how we can make sure that what happened in the Gulf never happens again. I just want to make clear what everybody already know, that the BP oil spill has changed the Gulf forever. It has changed local economies forever. It has changed tourism in the Gulf Coast forever. It has changed wildlife habitat forever, and it has changed the nature of drilling in the Gulf forever.

This is a significant point because as we discuss the moratorium today we must also recognize that the spill is the exact reason that the moratorium was put in place. I recognize that a big part of Gulf economies like Houston and other areas are connected to drilling, but in our first hearing of this Committee in the 112th Congress we examined the BP spill and how we could make policy changes to make drilling safer. I certainly appreciate the Commissioner's response that no one is trying to say that drilling should not be safer, and despite recommendations to implement policy measures that would make drilling safer from a nonpartisan commission established to investigate this spill, that the new majority has continued to ignore that there is a problem with the way some of these oil companies do business, and I will repeat that—the way that some of these oil companies do business.

The unnecessary risk taken by BP in terms of safety is the root cause of what is hindering domestic oil production on our shores. Ignoring that there is a problem is, in fact, hindering our ability to drill on the Outer Continental Shelf in the Gulf despite whether we want to recognize it or not.

In 2005, Commissioner, you will remember what happened in Texas. Fifteen lives were lost. In 2007, there was an independent bipartisan commission that gave recommendations to BP to make changes to that refinery so that we would never see something like that happen again. Many of those changes we are still waiting for. It is not right. People that are going to make a lot of money in this country should play by the rules.

Look, we need to get people to work. There is no doubt about it, and I appreciate very much, Lieutenant Governor, when we talk about how if someone is not making a dollar that is one less dollar to take their family to Walt Disney World or one less dollar to take a family to a ball game. Where I come from that is one less dollar to buy a gallon of milk and one less dollar to buy a loaf of bread.

This problem is very real, and we have to make sure we get our hands around this. The truth is big oil companies have not done a good job of maintaining public confidence and being good stewards of public waters that they drill in. As a result of the spill, we have seen the lack of willingness to take the necessary precautions on their own to ensure drilling can be done safety with the minimized risk and putting the lives of their employees at risk.

The nature of this situation is such that because of this terrible track record companies like BP and Halliburton have occurred over the last decade, repeating safety violations, repeating spills, placing profits over consumer protections, placing profits over the people and over the environment. These factors are what prompted the Administration's moratorium in the Gulf. Not because the President woke up one morning and decided to pick on oil companies, or because we don't agree that the economy is impacted in Gulf states, and has a direct tie to drilling.

I represent a district that has the largest natural gas production in the State of New Mexico and number two in oil production. I understand that this is very real. Let us call it like it is though, and after the worst oil spill in the United States history the Administration took time by imposing a moratorium to reevaluate its regulatory enforcement, which many people here agreed, here in Congress and asked for this in the report, let us wait for this report before we see what happens.

Then after these changes took place at MMS, we said, hold on, wait a minute here. Maybe things are not as bad as we are saying they are.

We have now seen the moratorium lifted and the permitting process begin again, and Mr. Chairman, I look forward to a second round of questions here so that we can put a few of the facts that we are seeing that are coming out of the Administration that I think that none of us would be able to disagree with.

So, thank you again, Mr. Chairman, for letting us be here today.

The CHAIRMAN. The time of the gentleman has expired. The gentleman from California, Mr. McClintock.

Mr. MCCLINTOCK. The gentleman from New Mexico seems to argue that that one bad actor, BP, required the imposition of the moratorium. In other words, one bad actor required shutting down everyone of the good actors that are out there with excellent safety records, employing thousands and thousands of American workers

to produce American resources. The gentleman reminds me a little of the old Flip Wilson routine, "The devil made me do it."

Mr. LUJÁN. Mr. Chairman, will the gentleman yield?

Mr. MCCLINTOCK. For a moment.

Mr. LUJÁN. Mr. McClintock, I appreciate that, Mr. Chairman, very much. What I am suggesting that as a result of the BP spill it seemed unanimous even with industry experts that not one of those oil companies that is in the Gulf had an adequate plan to be able to cap the problem that we had. What we are trying to do is——

Mr. MCCLINTOCK. I would like to reclaim my time because he has already had his.

On that very point, what we know is that the blowout preventer failed catastrophically. Had the blowout preventer not failed, we would not have had the catastrophic oil spill in the Gulf.

When the Challenger exploded, all we knew at the time there was a catastrophic failure of the launch vehicle. We commissioned the Rogers Commission. They meticulously recovered every part of the wreckage they could from deep under water. They reassembled it. With a panel of expert engineers determined the cause of that explosion. They corrected the cause, and went on with the program.

We received the Commission's report just last month right here in this very room. I was shocked to learn, and I wonder if you would be shocked to learn that that Commission was responsible for determining the cause of the disaster, again we know the blowout preventer failed. Why did the blowout preventer fail? They did not bother to inspect the blowout preventer. They did not even bother to look at the blowout preventer, and yet we are told that their recommendations ought to be controlling in this matter. What are your thoughts?

Mr. ANGELLE. Again, not having analyzed the recommendations, certainly the blowout preventer did fail and certainly that would have been the most important piece of evidence to look at, in my mind. Again, there is no evidence of a systemic failure on the parts of oil and gas companies to explore for hydrocarbons in the Gulf of Mexico. In fact, there have been over 50,000 wells that have been drilled, over 3,500 of them in deepwater, over a thousand of them in water deeper than the Macondo Well, and again a "one size fits all" to make the good actors pay for the sins of the bad actors, this was not only a blowout preventer, but certainly an indication that the responsible party made some poor management decisions.

We see it all the time in every industry. We see it with regards to the automobile industries with some manufacturers making poor management decisions on certain safety features. We certainly see it in the airline industry, and to have a "one size fits all" is not the America that I grew up in.

Mr. MCCLINTOCK. The Secretary of the Interior sat right where you are sitting a couple of weeks ago, admitted that they still don't know the cause of the catastrophic failure of the blowout preventer, which I find absolutely stunning, and a result of the policies that they have adopted without that crucial determination has meant thousand of workers unemployed, billions of dollars lost to the economy, billions more lost in royalty revenues to a Federal Government that is teetering on the brink of bankruptcy.

What would you recommend Congress do to correct the folly of the Administration?

Mr. ANGELLE. Well, my number one recommendation would be that, again, the environmental assessment rule, again prior to the Macondo event the rule of the land was that when an environmental impact study was done prior to a lease/sale being authorized by the government a categorical exclusion was given for the individual well-by-well permits. OK? Meaning that the massive EIS took care and contemplated the drilling of the individual wells, and that was a categorical exclusion that was given and provided, and it has been the policy between different presidents of different parties for a long time in this country.

We now have an executive decision to require environmental assessments to be done on a well-by-well basis. Fifty-seven wells have been exempt from that requirement, but moving forward we will now enter into a program in the Nation where each well permit will require individual environmental assessments. That to me is duplicative and time consuming and it will not reveal anything that that an EIS doesn't reveal at a 35,000 foot level already. Thank you.

The CHAIRMAN. The time of the gentleman has expired. The gentleman from Maryland, Mr. Sarbanes.

Mr. SARBANES. Thank you, Mr. Chairman. Thank you all for your testimony.

Mr. Lamborn had mentioned that there are people in Washington that profess to be on the side of working people, and I will include myself in that, I know you do. I think we all addressed to the concerns of working people across the country, no less so in the Gulf, and I understand your concern about the direct and indirect impact that the moratorium may have had, did have on the livelihood of certain people, I would say much more so BP's oil spill had that effect. You have made the case that the continuing situation is having a direct impact on workers, correct?

I just wanted to point out because this is useful information and this is something you can take back, which is good news, is as you know BP has set aside $100 million initially to help the rig workers that have been directly affected. The information I have is that of that 100 million there has been only now 5 million distributed, but that is because there has only been 352 applications received.

Now, in light of that the fund has recently been expanded in terms of its coverage. It will now reach those indirectly affected, and that can include people who work for companies that supply the rigs with everything from industrial equipment to food and toiletries and things of this nature. So, it is being expanded more broadly, and I would hope that there would be more applications now coming forward and there would be relief. The relief can be hardship grants of 3,000 all the way up to $30,000. So, I encourage you to encourage others to make applications if they can demonstrate that they have been affected negatively, and, frankly, if there is not enough money to cover those applications that come forward out of the existing fund then BP, who is the perpetrator here, they started this whole thing, they ought to be made to pay, and you can, I think, rest assured that Members on both sides of

the aisle will push them to do so. So, I just wanted to make that point.

I don't really understand the argument that this is a de facto moratorium. I mean, yes, there was an official formal moratorium in place. The Secretary of the Interior, Secretary Salazar lifted that on October 12, 2010, but that didn't mean that everybody should come rushing back into the space created without being able to demonstrate that they met safety standards.

You indicated a moment ago that you resist and consider almost un-American the notion of "one size fits all," and I agree with you, and what we saw with the Gulf oil spill response plans when we went in and looked at them in the wake of the disaster in the Gulf was that they very much were "one size fits all," a cookie cutter kind of approach to safety, and as a result of this disaster and the response on the part of the government and the agencies involved, and in concert with the recommendations that have been made by the Commission, there is a recognition now that when companies come forward and want to do this kind of production they need to have a plan that is specific to the enterprise they are seeking. In other words, let us get away from "one size fits all" when it comes to safety.

Now two companies have become successful recently. They have been issued permits based on being able to demonstrate that they have a safety plan that is workable and is specific to what they are trying to do, and as other companies come forward with similar specific plans I think you can expect that those permits will be forthcoming, and that is how it ought to be, but we shouldn't sacrifice the safety dimension of this, and I thin using this phrase "de facto moratorium" is not helpful, it is not constructive. There is no moratorium in place anymore. There is enhanced scrutiny of the safety dimension with respect to drilling offshore, and I think that that is appropriate.

Has my time expired?

The CHAIRMAN. Your time has expired.

Mr. SARBANES. I yield back. Thank you very much.

The CHAIRMAN. The gentleman from Texas, Mr. Flores is recognized.

Mr. FLORES. Thank you, Secretary Angelle, and Chairman Jones for joining us today.

The opening remarks I found to be fascinating about a parallel universe, and there really is a parallel universe. You have the real world where people that know when they go to fill their tank up that the oil that produced that gasoline comes from hard working Americans and companies that have spent trillions of dollars of investment in getting that oil out of the ground and refined, and into peoples' tanks.

Now, when you live here in fantasy land, in Washington, D.C., a lot of people think it comes from the gas pump when you put your credit card in it. So there is a parallel universe and I am glad to have people from the real world here that understands what actually happens.

I also appreciate your comments on strategic reserves. The strategic reserves this country has are not in the strategic petroleum reserves, they are under the ground owned by the taxpayers off-

shore and on public lands, and the quicker that we get our arms around this and recognize this, and the value of those assets to the taxpayer and to our economy and to our educational systems the better off we will be.

Now, I want to provide my condolences to everybody who was impacted by the Macondo incident, particularly the families that lost their loved ones, but I don't think that it is appropriate to shut down an entire industry just because of one accident, and I believe that has happened. We do have a de facto moratorium. The statistics prove it. The matrixes are there, it is very clear because we are not issuing permits.

By the way, and I want to say that I have introduced two pieces of legislation to try to address this issue. Number one is a lease extensive act to give those operators who through no fault of their own were adversely impacted by this moratorium and extend those leases for a year, and today we are going to introduce legislation to remove the bureaucratic overreach from the permitting process, and also to codify the timelines of the permitting process, pretty similar to what you were talking about, Chairman Jones. Those will be hopefully considered soon and will help this process.

Chairman Jones, you talked a little bit right at the end of your testimony about the difference between permits and pushing paperwork, and I think that there is an implication coming from the Administration that people are not interested in drilling in the Gulf of Mexico anymore because the volume of permits are down. I think somebody is playing hiding something here in terms of what a permit is. Can you help clarify that for the benefit of the Committee? What is a permit and what is actually happening there in terms of these matrixes?

Ms. JONES. I don't know, Congressman, if you actually said hide and go seek, but I think that is what I heard you say and that is what is going on at this time. And so the reality is there is a moratorium regardless of—if you don't want to call it a de facto moratorium, there is a permatorium, and they are using—the agency is using tools, they are returning the paperwork back to the companies forcing them for more information. One of our operators in Texas actually, he said there is just no more information I can give them. I can't help but think that if these people are so intelligent as we expect them to be that they don't know what they are doing, and so what is going on is an attempt to slow down the process to get the hydrocarbons out of the ground.

I will go back to this one particular, and there are many stories like it, what is going on, and that is why I am here to bring the message of what is really happening, not what you think is happening in fantasy land up here in Washington, Congressman, and I appreciate your sensitivity to what is going on in the field, and that is that the permits for old already permitted wells are not being let and our country is worse off for it, and our energy security, and the lives of Americans, the quality of life who depend on energy security and what it can do for our country, we are not reaping the benefits of the responsible production of the oil that is in the Gulf of Mexico.

I would suggest that, the tragedy, the sadness, the tragedy that took place, there will be another tragedy if American cannot be energy secure in the coming decades.

Mr. FLORES. Mr. Chairman, how much time do I have left?

The CHAIRMAN. You have 15 seconds.

Mr. FLORES. Can you give me five second answers, each of you, on the impact, financial impact on your states of the loss of revenue from the moratorium?

Mr. ANGELLE. We are experiencing a $1.5 billion budget deficit in Louisiana, partially because of the lack of activity in the Gulf of Mexico and the revenue that would present to the state.

Mr. FLORES. Chairman Jones.

Ms. JONES. Houston is home to many of the companies that are drilling in the Outer Continental Shelf, the headquarters are in Harris County. At this point they are letting people go. We are seeing an approximate 2,500 jobs lost, 622 million in our GDP, and 153 million in wages. There is no state, no country that can afford these kind of losses for much longer.

Mr. FLORES. Thank you.

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

Mrs. NAPOLITANO. Thank you, Mr. Chairman.

I would like to take a little bit of a different tact on my question to Chairwoman Elizabeth Jones, and dealing with a report of June 2010, updated in 2011, revealing the drinking water in the Town of Dish, Texas, was contaminated and attributed to drilling activities. Tragic, contaminated aquifer, victims had to be compensated, arsenic 10 times the acceptable level, lead at 21 times the acceptable level, chromium more than double the limit.

What has the Railroad Commission done to work out this issue, and could the contamination be avoided, and what lessons have been learned?

Ms. JONES. The Railroad Commission has no record of groundwater contamination from oil and gas activities in the State of Texas, and we have made that very clear to all of the Federal agencies who care to know the facts, and I would suggest that the engineering firm that had done those test in Dish and the mayor who I understand has moved from Dish, do not have the requirements and the education, academic standing that many of the other engineering firms who have that, so the Railroad Commission, while we do not oversee the air quality, we do oversee from the ground below, and there are no record of any groundwater contamination.

Mrs. NAPOLITANO. That is something else we need to look into.

Ms. JONES. Well, come on down.

Mrs. NAPOLITANO. It also stated that RRC permits wells and oversees technical aspects, and you produce the largest amount of oil in the U.S. In 2010, you received 21,000 applications, 500 per week for the last two months, so you may see approximately 26,000 for 2011 proposing the same rate. Your process expedited requests within one day and standard applications in three days. How many applications out of the 21,000 in 2010 were approved that you know of?

And with contamination issues that affect water supply and lives at risk, is it safe to approve permits giving a more rigorous over-

sight approach, and increase evaluation time of those? And do you feel your review process is adequate to determine all potential impacts for the citizens?

Ms. JONES. I would suggest that the Federal Government could look to a state like Texas who has hundreds of years of oversight of oil and natural gas operations underground and in fact——

Mrs. NAPOLITANO. Would you answer the question about the applications?

Ms. JONES. It is incumbent upon us to let these permits, and these are permits to drill a well, and we have a lot of oil and natural gas in Texas, and a new shale play in south Texas.

Mrs. NAPOLITANO. Would you answer the question?

Ms. JONES. Well, I will. I am so excited to say that, yes, we are getting a lot of permit requests from companies who want to drill for our hydrocarbons, and that is the first permit, the P-5, if you will, and I think that in fact the Federal Government could look at what we are doing in Texas to reap the benefits of the hydrocarbons that are under our ground, and we do have no record of groundwater contamination from oil and natural gas activities, but we do have a record of economic security in those counties where there is a lot of natural gas, and the public and the schoolchildren of Texas and our general revenue are benefitting greatly.

Mrs. NAPOLITANO. Thank you. Given your answers, and I am running out of time, and I am very concerned because I am the Ranking Member on water and power, so that is a great issue with me.

Ms. JONES. I understand.

Mrs. NAPOLITANO. And I have an issue with hydraulic fracturing given the contamination of the water it produces and it is left to the citizens to clean up, or at the expense of the taxpayer, if you will, and I am wondering if you could suggest how the citizens can protect themselves from those impacts.

Ms. JONES. Well, with all due respect, the cleanup is not left with the taxpayers or the citizens because we have no record of groundwater contamination. Hydraulic fracturing goes on thousands and thousands and thousands of feet below the water table. It would be geologically impossible for the frac water to migrate up to the water table, and so these are myths that must be put to rest around the country, and there is a certain fraction who would in fact like to cripple the natural gas and oil——

Mrs. NAPOLITANO. I am not asking for any information in regard to anybody else. I am concerned about Texas.

Ms. JONES. Yes.

Mrs. NAPOLITANO. I am a Texas by birth, and while you may say that you go very much thousands of feet, the water that is brought up sometimes has chemicals in it that are left in ponds and to settle and not cleaned up. That is one of my concerns.

Ms. JONES. We have very, very strong rules about pit lining, and when water is kept in a pit, or rather, water before it is disposed back underground in an injection well that is permitted by us at a very specific pressure, and with extra casing and cement. Nobody in Texas has to go to bed at night wondering whether or not their groundwater is going to be contaminated. Our rules are very stringent, I might add.

Mrs. NAPOLITANO. Right. Even with a strong rule there are sometimes things that happen in the aquifers that might be intersected somewhere along the line.

Ms. JONES. Well, I will look forward to—if you have a friend who has a claim or has a concern, I hope they will call me directly, but I will say that the oil field cleanup fund is something we are very proud of in Texas, and in fact the industry pays into it. We have one of the most—the biggest fund moneywise oil field cleanup funds to take care of the issues of the past because it is not our grandparents Railroad Commission anymore, and the focus of our generation is to make sure that we leave the land better than we found it——

Mrs. NAPOLITANO. I hope so. Thank you, ma'am.

Ms. JONES.—Railroad Commission, too. Thank you, madam.

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

Mr. LANDRY. Thank you, Mr. Chairman. I want to apologize. I had to go to a markup and vote, and I wasn't able, Mr. Secretary, to hear the remarks of the gentleman from Massachusetts made. You can assure him that your congressman has read that report though. So if he asks you again just defer it over to me. I will be more than happy to talk to him about it.

I was curious, did the Oil Spill Commission give you an opportunity to testify in front of them?

Mr. ANGELLE. I testified in front of the Commission in the time period that I was serving as the Interim Lieutenant Governor——

Mr. LANDRY. OK.

The CHAIRMAN.—on a matter affecting tourism and fisheries. I did not have an opportunity to testify, to my recollection, to the Commission on matters affecting oil and gas inasmuch as during the time that they were investigating I was pulling a duty as Lieutenant Governor, as you know, in Louisiana.

Mr. LANDRY. OK. I just wanted them to understand that you didn't have any—you were not able to give any technical testimony to the Commission. See, they can't hide from the rising gasoline prices, that is the problem here, and they don't want to admit that the production in the Gulf of Mexico is actually projected to decline rather than increase, and they also point back to the BP fund that was set up to help offshore workers, but what they don't understand is that as they use the banner to try to keep jobs in the United States, that some of those offshore workers have actually left the country with the rigs that are moving out of the Gulf of Mexico. Wouldn't you agree with that?

Mr. ANGELLE. Right. Certainly there are many folks, when we talk about seven or eight rigs actually leaving the country, in a lot of cases men and women from south Louisiana are actually working 30 and 30 hitches where they are actually flying to other parts of the globe to be employed.

Mr. LANDRY. Right. They would much rather that paycheck than the unemployment check that they would like to give them.

Mr. ANGELLE. Well, certainly I think our Governor has made it very clear, and I am sure this applies to every state in the Union, our people want to work. Our people don't want a check.

Mr. LANDRY. That is correct. Thank you.

And I want to address this de facto moratorium that they seem to not want to believe in. Do you have any—I hate to put you on the spot, but do you know of the backlog at BOEM on the amount of permits that are currently pending both from shallow water and deepwater?

Mr. ANGELLE. I don't have that number specific in front of me. My last conversation certainly indicated well over 30 or 40 permits that were pending. Again, that would be my best recollection from a meeting that I probably had several weeks ago.

Part of the problem with this issue just real quickly is that, quite frankly, you know, I think the Bureau of Ocean and Energy is a group of good men and women who are trying to do what they can but, quite frankly the regulator has a duty to explain to the regulated community what the rules mean and what they are and how they interpret, and that has been a fundamental problem that has caused a very, very significant time slow down is that, you know, we continue—at one time we were continuing to have, well, we have to get that question answered by the Solicitor General.

I mean, for a time period every question we were asking we had to get an answer from the Solicitor General, and I understand that this is a complex, complicated situation, but the regulator has a duty to make sure that its staff can answer questions of the regulated community. My question is if the Solicitor General decided to take two weeks vacation, what was going to be the next thing we do?

Mr. LANDRY. And I apologize for putting you on the spot. I will tell you, and I know it is really not your job as Secretary of Natural Resources in Louisiana, your jurisdiction is within the state, but the backlog is actually 270 shallow-water permits and 52 deepwater permits. Would you call that a robust energy policy?

Mr. ANGELLE. Well, it certainly indicates to me that we have a capital market that is willing to invest dollars. We have a labor force that is capable of drilling, but we can't get the license and the permission to begin drilling.

Mr. LANDRY. Thank you so much.

Mr. ANGELLE. Thank you, sir.

The CHAIRMAN. The gentleman yields back his time. The gentleman from Florida, Mr. Southerland.

Mr. SOUTHERLAND. Thank you very much, and I appreciate you coming today and telling your side of the story.

You know, a few weeks ago Secretary Salazar came and I personally was bothered by the report that had been delivered to us a month prior because the findings that were determined by the 400-page report stated that—or did not state that the government bore any responsibility after issuing 720 citations and refusing to rescind the Jones Act. It seems like the disaster, which is obviously being felt by my region, I live in Panama City, Florida, but there was no recognition, OK, that the government in any way was an accessory to this crime, OK, and I find that rather bothersome.

I know that our Ranking Member talked about a parallel universe, and so in using his own words I don't know what universe that he may be in, but I know the universe that I am in has 12 percent unemployment. The universe that I am in, OK, has $14 trillion of Federal debt. That universe I am in is not leading the

world perhaps going forward in our self-reliance upon energy. The parallel universe that I live in is seeing hurt and pain, and the family budgets in this country having to learn to do more with less. The parallel universe that I live in, OK, is suffering right now by what I believe is manmade problematic ideas that only furthers this pain, and I would say I consider that immoral. I know that is pretty much a statement but I wanted to make a point.

In August 20th of 2008, the now President Obama made a statement that high oil prices will help us move into a different direction, OK, and I am just quoting his words. So apparently he believes that high oil prices, OK, are an answer for us to move in a different direction. I am just quoting his own words. With that being his statement, is the policy of this Administration aiding and pushing forward higher oil prices because he does believe that we need to go in a different direction and that high oil prices are a tool to make that happen? Is what you are seeing now by this Administration a reflection of his own public statement? And that is for both of you.

Mr. ANGELLE. Again, I would say, Congressman, and especially coming from Panama City, a place that I visit every year with my family, and thank you for the great hospitality.

Mr. SOUTHERLAND. And we do have direct flights from Baltimore to Panama City now, I just want you to know. Invite everyone.

Mr. ANGELLE. Great hospitality there. You know, in Florida, 70 million people visit every year, and I am reminded that if there is one place in the Union that needs cheap and available energy it is the State of Florida. When I think of what made Florida, certainly air conditioning and——

Mr. SOUTHERLAND. Hear, hear. I live with five women so we have to have that.

Mr. ANGELLE. Absolutely. I have five sisters and three daughters, so I am with you.

[Laughter.]

Mr. ANGELLE. But having said that, and certainly the Eisenhower Interstate System is all roads lead to Florida. When I think of the automobile industry, after World War II the automobile industry and the union workers, and I can say that because I am a son and a grandson of a Ford dealer, it was made by cheap and available energy.

Mr. SOUTHERLAND. Right.

Mr. ANGELLE. What separates the middle class in this country from other areas is that we have cheap and available energy and we can be mobile, and a middle class person can get on a plane from New Orleans, Louisiana, and be in New York for $250.

Mr. SOUTHERLAND. Right.

Mr. ANGELLE. And a middle class can do that, and when cheap energy threatens it, so, yes, I am concerned that there is a concern that oil is bad. I mean, again with all due respect to the Office of the President, the President made very clear in his State of the Union Address that oil is a commodity of the past, and again, as I said earlier, show me a better way, and I want to sign up for it.

Mr. SOUTHERLAND. Ms. Jones.

Ms. JONES. Congressman, thank you so much for that astute observation, and one can't help but think if that were the goal that

one was trying to achieve you could not have put in place a better plan to achieve it and to stifle the energy production right here. It is in our own back yards, and that is offshore as we have been talking about, and it is onshore, and it is offshore Alaska as well, the Beaufort Sea. So it is around the country, and I think whether—I cannot speak to the intent, but I can speak to the outcome, and the outcome is that, yes, in fact, these policies are aiding and abetting this crisis and energy costs that we have now.

I don't know why somebody wouldn't be proud of the role that American energy has played in the lives of people for decades, and in fact it should be remembered and perhaps many in the Administration don't remember or recall unless one was studying one's history that the allies floated to victory in World War II on a sea of American energy, and I might add that came from the east Texas oil field at the time, but that is just the beginning of the fields of natural gas and oil that we are going to need for decades to come so that we can float to victory again, and I appreciate so much your realization and recognition of the truth. Thank you.

Mr. SOUTHERLAND. Thank you, Madam Chair. I yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. SOUTHERLAND. I was trying to be proper.

The CHAIRMAN. That was very timely, too.

The gentleman from South Carolina, Mr. Duncan, is recognized.

Mr. DUNCAN OF SOUTH CAROLINA. Thank you, Mr. Chairman, and it is great to hear a southern accent up here on the Hill, and I want to thank you guys for coming.

In the post-Katrina years, actually within that year, I visited Louisiana and New Orleans, and actually went offshore. I don't know how many Members of this Committee other than Mr. Landry, Mr. Flores, have actually been to a deepwater production platform and a deepwater drilling platform. I have, so I have seen it for myself. I have seen the refining capacity in St. Bernard Parish, and my heart still goes out to the folks in Louisiana for the Katrina Hurricane.

So, when I visited Lafayette, Louisiana, back in the late nineties, I was amazed at the amount of industry that is tied in with offshore energy production, whether it is the service industry, offshore service industry, or the welders for the pipes, just everything you can imagine is tied to that, and Congressman Landry has been very gracious to explain to us some of the impacts that you are sharing with us today on the Louisiana economy, on all the gulf states' economy, not just with the direct drilling, but also the trickle down to the guys that are servicing that industry, so I understand impacts and I appreciate you sharing that with the Committee. I also understand the long historic issues that the lady from Texas has shared.

So what I want to talk about this afternoon, or it is still morning, I guess, is offshore drilling provides one-third of the U.S. energy and oil production, and it is concerting to me that I saw $4.69 a gallon gasoline in Georgetown last night. I hope it is not that high in South Carolina in my great state, but $4.69. It is tremendous.

I remember the fall of 2008, late summer 2008, diesel, I drive a diesel truck, it was $4.85 a gallon. I know what $4.85 a gallon fuel did to my business. I can only imagine what the rising fuel prices

are doing to businesses all across this great land, and I realize that that impact will have a significant negative impact on the recovery.

I believe in American energy resources, I believe in solving our energy independence through offshore/onshore deepwater GOM, deepwater Alaska, onshore on Federal lands, natural gas production, fracking, everything we can do to meet our energy independence in this country and lessen or dependence on foreign oil is very, very important.

Mr. McClintock was very clear, I think, on talking bout this report, and the fact that they sat in here and told us that they did not examine the blowout preventers. Those blowout preventers were laying on a dock in Louisiana, and they said that it wasn't in the scope of their commission and that is for someone else to do.

Well, if that was the number one attributable cause to the *Deepwater Horizon* accident, why in the world aren't they looking at that? And I think there was an intent in this report, in this Commission to come to a conclusion, and I think that is wrong for the American people.

I want to address the de facto moratorium comments my colleague across the way said. On April 26, 2010, Interior Secretary Ken Salazar instructed the MMS to physically inspect all deepwater rigs within two weeks, followed by a physical inspections of all deepwater platforms. MMS did that and they found no problems with any of the exploration rigs similar to the *Deepwater Horizon* or any of the deepwater production platforms.

You said there is not a de facto moratorium when in fact this Administration is currently being held in contempt of court for slow walking permits, and is currently trying to appeal the Federal judge's ruling. There is a de facto moratorium, and it is affecting energy production, and it is definitely affecting the economies in Louisiana.

So, as this de facto moratorium continues to be the practice of choice by this Administration while we continue to rely heavily on foreign supply or countries that did not have concern for America's best interest, and I ask you this question. What are the long-term consequences for the economy and for gas prices if this de facto moratorium is not lifted and new permits are issued?

And let me just preface that with saying I served under the last administration on the Department of the Interior's MMS five-year planning subcommittee that looked at oil and natural gas leases on the OCS. I understand it is a very convoluted process of public hearings, and if these leases expire and no leases are being issued, and I don't know what the next five-year plan is, if they have to go through the same process that I experienced, we are say out in the future before any leases are offered in this country.

And so what kind of impact is this going to have on the American economy?

Mr. ANGELLE. Certainly I am concerned, Congressman, and thank you for your concern for the people of Louisiana following Katrina, and we owe a great deal of gratitude to every American for sharing their treasure with us to rebuild a great American city.

Certainly we cannot take the Gulf of Mexico providence and put it on the sidelines and expect to have a robust economy in this country. Again, since 1972, we have had six recessions, each one

of them have been preceded by a spike in energy prices. There is absolutely no question that we are married to the automobile in this country. There is absolutely no question that it hits the least of our brothers the hardest. Even though the State of Mississippi does not have the highest gasoline prices, they are the most impoverished state in the Union and they pay 13.2 percent of the average Mississippian's income goes to pay for the cost of gasoline, so the cost of fuel just absolutely cripples folks on the lower end trying to get to the middle class.

Mr. DUNCAN OF SOUTH CAROLINA. Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired. The gentleman from Florida, Mr. Rivera.

Mr. RIVERA. Thank you, Mr. Chairman. My questions have been asked and answered.

The CHAIRMAN. Well, I am not sure how to respond to that.

[Laughter.]

The CHAIRMAN. Let me just say because I think you asked the question, the gentleman from South Carolina asked a question of both witnesses, is that correct?

If the gentleman from Florida would yield his time for the purpose of a response to that question, that would allow Chairwoman Jones to answer.

Mr. RIVERA. Certainly.

Ms. JONES. The long-term consequences are very dire to what has been in place now, and I would like to bring attention to—thank you, Congressman, for giving me this opportunity as well to follow up, and that is that the leases are not—there are no lease/sales being planned. One has been canceled. The production that you are seeing today has been planned five to seven years ago. You just can't turn on the spigot and have it come out. And so if we are not having lease/sales so that oil finders can go in and drill and produce that oil, we are going to see a tremendous deficit in the five years to come. Five hundred thousand barrels a day that could be taken out of our supply.

So, we have as Americans, all of us, an invested interest in making sure that statutory requirements that you might, and I hope you come up with to ensure that the permits a let in a timely and reasonable way so that there is certainty out there so oil finders, independent companies, not all majors, which I think people continue to think that this is all a major company working, but I think it is important to know that we will be suffering a severe hardship, not just in the jobs and revenues lost today but in the energy lost in the next five years. Thank you.

The CHAIRMAN. Thank you very much, and I want to thank both of you for appearing on this panel. As sometimes happens, there are question that come up again, and if you are asked a question in writing we would ask you to respond back to the Committee as quickly as you possibly can.

So once again, Secretary Angelle and Chairman Jones, thank you very much for taking the time to come up here to respond to what your inquiry was as to the economic impacts you are feeling on the Gulf. Thank you very much and you are dismissed.

Mr. LUJÁN. Mr. Chairman, we are not going to have a second round of questioning?

The CHAIRMAN. The reason not is because in the interest of time we have another panel and the next votes are anticipated to be in the 1:50 to 1:30 time zone, so we want to try to get the second panel in fairness to them because they, too, traveled. Thank you once again.

At this time I would like to call up the second panel of witnesses, and if you would seat yourself in this order I would certainly appreciate it: Ms. Charlotte Randolph, the President of the Lafourche Parish Government in Louisiana; Mr. Chett Chiasson, Executive Director, Greater Lafourche Port Commission in Louisiana; Mr. Samuel Giberga, General Counsel, Hornbeck Offshore Services, Offshore Marine Services Association; Mr. Christopher Jones from Keogh, Cox & Wilson, Limited; and Mr. Keith Overton, Chairman of the Florida Restaurant and Lodging Association, and President and Chief Operating Officer of TradeWinds Island Resorts.

[Pause.]

The CHAIRMAN. Thank you very much for coming and thank you for your patience with the first panel. Once again to go over the ground rules, your full statement will appear in the record and I ask you, because the pressures of vote are coming, to keep your oral remarks limited to five minutes if that is possible. Obviously, I know you have a lot to say in a short period of time, and I certainly respect that.

Once again, the timing lights are such where the green light is four minutes. Once the yellow light goes on you have 30 seconds, and when the red light goes on it means five minutes have expired.

So with that, thank you all very much for being here, and I would like to first recognize Ms. Charlotte Randolph, the President of the Lafourche Parish Government. Did I say that correctly? Good. Well, if Jeff said I said it correctly, then I know I said it correctly. So you are recognized for five minutes, and press the button on the microphone so we can all hear you.

STATEMENT OF MS. CHARLOTTE A. RANDOLPH, PRESIDENT, LAFOURCHE PARISH GOVERNMENT, STATE OF LOUISIANA

Ms. RANDOLPH. Thank you, Mr. Chairman and Members of the Committee. I particularly want to thank Mr. Markey for returning.

We have watched you since the moratorium was issued and certainly know that you are not a—well, that you are a proponent of the moratorium, and for various reasons, and so I appreciate the opportunity to express to you what is going on in reality in Louisiana right now.

I represent a parish that is in the epicenter of the oil spill and also at the epicenter of the oil and gas industry, and one of the quotes that Secretary Salazar often attributes to me is that we are standing knee-deep in oil and asking for more, but it is a reality. So if I may, I would like to offer my statement now.

That characterizing of what happened in the Gulf of Mexico and beyond as simply an oil spill doesn't begin to describe the tragic magnitude of this event. Eleven men died, thousands of wildlife were sickened or killed, fishing waters were tainted, and miles upon miles of beaches from Florida to Texas were stained. Two words cannot sum up this disaster.

But those of us who have lived with this disaster for 329 days have witnessed a semblance of recovery. BP's early commitment enabled many to recapture what they were losing in earnings in 2010, but the cleanup workforce has been reduced to a skeleton crew, and we approach the next fishing season with trepidation.

But that is not where the money is. The number of full-time fishermen has diminished over time. While fishing still defines our culture, we are traditionally harvesters of our natural resources. The oil and gas industry has been the mainstay of our economy for over 80 years. All of the top 10 taxpayers in Lafourche Parish are located at Port Fourchon that services all 33 rigs singled out in the initial moratorium. This bill has decimated the fishing industry. A continued de facto moratorium will essentially end life as we know it in our parish.

Up to 40 percent of our tax base could be lost by 2012 as a result of the drilling ban. At hearings last year, testimony by rig owners indicated that without work their equipment would leave the Gulf. The Lafourche Parish Government's 2011 budget is based on anticipated property tax losses of 18 percent, allowing for only one capital project.

In March of last year, in 2010, our unemployment rate was 4.4 percent. Some employees have been transferred to locations in other states and countries. Families are now making decisions as to whether the husband and family and father will live elsewhere with the rest of the family staying behind to finish schooling or to work. At least for now the paychecks are coming home.

The residual effects of this policy is quantifiable in that while most have retained their job, some may begin to lose benefits. Perhaps the best example lies in our parish hospitals. Two are acute care, one is a major regional medical center which just completed a major $90 million expansion cash. The men and women who work in oil and gas not only are paid significant salaries, but are also covered by excellent health and retirement benefits. Expensive hospitalization policies could now be targeted for reduction in coverage which results in a more uninsured people putting a greater strain on our area hospitals. Reduction in coverage results in higher deductibles, reducing expendable income. As we are all acutely aware, private insurance covers a patient more extensively. Government policies don't cover near what privates do.

Follow me here for the ripply effect ensures. If medical centers and clinics are not paid adequately, current staffing is reduced. More people are out of work, less people carrying health insurance. Unemployed and underemployed people do not shop, do not buy cars. Employment levels at grocery stores and car dealers are thus impacted. The final result, a reduction in sales taxes. Schools, law enforcement and public services suffer. Roads and bridges deteriorate, less senior citizens are fed through the Meals on Wheels Program.

Too often in this country we vilify major corporations, forgetting that it is the individual men and women who are the company. Mr. Markey, there is no Mr. Chevron, but there is a Mr. Cheramie whose grandfather converted his fishing boat to a vessel that would serve the oil and gas industry. Mrs. Cheramie is a teacher whose retirement is invested in port oil and gas stock. Their children at-

tend schools funded by property taxes paid for by oil and gas. They guy their cars at Golden Motors, and groceries at Frank's Super Valu, and eat out at B&E Seafood. The parish estate and the Federal treasury lose contributing taxpayers. It is a vicious cycle that only immediate action by the Bureau can rectify.

My time is almost up, so I will sum it up. The President's promise for a greener nation should not cause unemployment and higher energy prices. That is change for which no one bargained. Let us go back to work to fuel America. Thank you.

[The prepared statement of Ms. Randolph follows:]

Statement of Charlotte A. Randolph, Parish President, Lafourche Parish Government

Good morning Chairman Hastings and members of the House Committee on Natural Resources. Thank you for the opportunity to represent Lafourche Parish on this very important national issue.

Characterizing what happened in the Gulf of Mexico on April 20, 2010 and beyond, as simply an "oil spill" does not begin to describe the tragic magnitude of the event.

Eleven men died in the explosion, thousands of wildlife were sickened or killed, fishing waters were tainted and miles upon miles of beaches from Florida to Texas were stained. Two words can't sum up this disaster.

Those of us who have lived with this disaster for 329 days have witnessed a semblance of recovery. BP's early commitment enabled many to recapture what they were losing in earnings in 2010. But the cleanup workforce has been reduced to a skeleton crew and we approach the next fishing season with trepidation.

But that's not where the money is. The number of full-time fishermen has diminished over time. While fishing still defines our culture: we are traditionally harvesters of our natural resources—the oil and gas industry has been the mainstay of our economy for almost 80 years.

All of the top 10 taxpayers in Lafourche Parish are located at Port Fourchon, which services all 33 rigs singled out in the initial moratorium. The spill has decimated the fishing industry; a continued de facto moratorium will essentially end life as we know it in our parish.

Up to 40% of our tax base could be lost by 2012 as a result of the drilling ban. At hearings last year, testimony by rig owners indicated that without work, their equipment would leave the Gulf for other opportunities elsewhere in the world. The Lafourche Parish government 2011 budget is based on anticipated property tax losses of 18 percent, allowing for only one capital project.

Some employees have been transferred to locations in other states and countries. Families are now making decisions as to whether the husband and father will live elsewhere, with the rest of the family staying behind to finish schooling or to work. At least for now the paychecks are coming home. These are the fortunate ones; the rest will be terminated.

The residual effect of this policy is quantifiable in that while most have retained their jobs, some may begin to lose benefits. Perhaps the best example lies in our parish hospitals. Two are acute care, one is a major regional medical center which just completed a major $90 million expansion—cash.

The men and women who work in oil and gas not only are paid significant salaries, but are also covered by excellent health and retirement benefits.

Expensive hospitalization policies could now be targeted for reduction in coverage, which results in more uninsured people, putting a greater strain on our area hospitals. Reduction in coverage results in higher deductibles, reducing expendable income. As we are all acutely aware, private insurance covers a patient more extensively. Government policies do not cover near what private insurers do.

Follow me here, for the ripple effect ensues. If medical centers and clinics are not paid adequately, current staffing is reduced. More people out of work, less people carrying health insurance. Unemployed and under employed people do not shop and do not buy cars. Employment levels at grocery stores and at car dealers are thus impacted.

The final result? A reduction in sales taxes. Schools, law enforcement and public services suffer. Roads and bridges deteriorate. Less senior citizens are fed through the Meals on Wheels program.

Too often in this country we vilify major corporations, forgetting that it is individual men and women who are the company. There is no Mr. Chevron, but there

is Mr. Cheramie, whose grandfather converted his fishing boat to a vessel that would serve the oil and gas industry. Mrs. Cheramie is a teacher, whose retirement is invested in part in oil and gas stock. Their children attend schools funded by property taxes paid by oil and gas. They buy their cars at Golden Motors in Cut Off, buy groceries at Frank's Supervalu and eat out at B & E Seafood.

The parish, the state and the federal treasury lose contributing taxpayers. It is a vicious cycle that only immediate action by BOEMRE can rectify.

Next week I will be Norway to present my perspective of the Macando disaster. In that region is an ongoing debate about whether to allow and encourage oil and gas exploration. The proponents see an opportunity for increased revenue, jobs and investment. The opponents are very concerned about the pristine environment. Sound familiar?

I will tell them that it has been 40 years since a major flow of oil was unleashed into the environment. I will say that we have happily coexisted for many years. Recreational fishing is great near the energy platforms. We sheltered Katrina evacuees in a community center powered by a generator donated by BP. Many, many people have lived a good life working for oil and gas. And they have taken great pride in that the work they do fuels the corn farmer in Nebraska and the boats in Los Angeles' harbor.

I have no doubt that creative, innovative, enterprising Americans will one day fuel this nation on alternative energy. It could happen with the energy industry we now know. But this won't happen for another 30 years, at least. Until then, America cannot rely on Egypt, Libya or Saudi Arabia. Americans are relying on us. Right now.

The President's promise for a greener nation should not cause unemployment and higher energy prices. That's change for which no one bargained.

Finally, statistics indicate that an oil tanker has a four times greater chance of spilling its cargo than an oil well has of blowing out. 3000 tankers a month from around the world carrying up to 3 million barrels of oil travel the Gulf past the Florida Keys, up the Mississippi River, all the way to the Port of Houston daily. The only superport in American waters is located 18 miles off of our coast. With the Gulf of Mexico shut down, the demand for foreign oil will only increase, and so will the danger of a spill. With the unrest in the Middle East continuing, does that not make those of us who live along the Gulf Coast more susceptible to a potential attack on an enemy's ship? Does inaction by BOEMRE put American lives in danger?

Let us go back to work to fuel America.

Mr. LAMBORN [presiding]. Thank you for your testimony. Next we have on the panel Mr. Chett Chiasson, Executive Director, Greater Lafourche Port Commission, State of Louisiana. I hope I pronounced all that correctly, Thank you.

STATEMENT OF MR. CHETT CHIASSON, EXECUTIVE DIRECTOR, GREATER LAFOURCHE PORT COMMISSION, STATE OF LOUISIANA

Mr. CHIASSON. Thank you, Mr. Chairman and Ranking Member, Members of the Committee. I appreciate the opportunity to appear before you today.

As you said, my name is Chett Chiasson, the Executive Director of the Greater Lafourche Port Commission, otherwise known as Port Fourchon. I have a more detailed written testimony which I have submitted to the Committee for the record, and I will summarize my remarks now.

Port Fourchon is located on the Gulf of Mexico near the mouth of Bijou Lafourche, and it is the only Louisiana port directly on the Gulf of Mexico. Port Fourchon is an inter-modal offshore supply port. More than 250 companies utilize Port Fourchon in carrying equipment, supplies, and personnel to offshore locations. Port Fourchon tenants provide services to 90 percent of all deepwater rigs in the Gulf of Mexico and roughly 45 percent of all shallow-

water rigs in the Gulf. In sum, Port Fourchon plays a vital role in 18 percent of the nation's oil supply.

A recent study conducted by Dr. Loren Scott, former Chair of the LSU Economics Department, finds that more than $63 billion in total value of oil and gas are associated with Port Fourchon. With the Chairman's permission, I would like to submit that study for the record.

Mr. LAMBORN. If there is no objection, so ordered.

Mr. CHIASSON. Thank you.

Among other things the study contemplates the economic impact to the Nation of a three-week disruption of activities at Port Fourchon. Port Fourchon itself and the oil and gas rigs and platforms it services were impacted to varying degrees by Hurricanes Katrina, Rita, Gustav and Ike. Our port and our community, and the offshore industry know how to recover quickly, but never did we consider that the interruption of our operations and the economic impact it would have would be at the hands of our own government.

Before I discuss this impact though let me speak for a moment on the BP spill itself. First and foremost, our community and our industry lost 11 lives on April 20th. This was a tragedy that should not have occurred. As a community and as an industry, we applaud the government's attempt to ensure a safer work environment.

With respect to the effects of the oil spill, Port Fourchon was not at all spared. Fourchon Beach remains closed due to continued oil spill response efforts. We engaged in significant response efforts to protect our own property. To date, our response costs over $550,000, which BP has reimbursed. Our port continues incurring increased operational cost. Our community continues to be pensive over what additional oil may turn up in the future or with the long-term impact on our natural resources and commercial fisheries may be from this spill. I urge you to maintain a focus on these issues in the coming years.

From the very beginning our community opposed President Obama's moratorium. We did so not with callous disregard for human lives or for our environment, but because the energy industry is an integral part of our lives. One does not need to be employed in this industry to be reliant on it. There is no better place than Lafourche Parish to observe the co-existence of energy activities on the one hand, and commercial fishing or recreation on the other, which brings me back to Port Fourchon.

Soon after the moratorium was initiated the Port Commission was forced to reduce the basic rent charged by our tenants by 30 percent and suspend annual escalation anticipating this severe economic impact that would come. This resulted in a loss of revenues to the port to date of nearly $2.4 million. This loss of revenue reduces the basic services and capital construction that the Port Commission can provide to create jobs and economic development. Our fears of lost business in Port Fourchon is becoming a reality.

What is even more concerting to me though is the long-term impact that this moratorium and the delay permitting process will have. When President Obama enacted his moratorium, Secretary Salazar strongly assured this Committee that BP would pay all legitimate claims, which included those economic damages arising

from the moratorium, a statement that was backed by the President. Unfortunately, those commitments have not come to be. BP's fund administered in part by Mr. Feinberg and in part by BP itself is denying claims which it finds to be caused by the moratorium.

Port Fourchon recently submitted a claim to BP for compensation of lost revenues which was denied by BP for being a moratorium-related damage. With the Chairman's permission I would like to submit this letter for the record as well.

Mr. LAMBORN. No objection, so ordered.

Mr. CHIASSON. Thank you.

BP was responsible for the spill but the President is responsible for the moratorium and responsible for the continued slow pace in the permitting process. Therefore the government should be held accountable for damages caused to numerous companies, ports, local and state governments throughout the country who have been impacted by this moratorium. Some mechanism, if not the OPA Fund, then some other means must be identified to compensate the severe economic impact that has occurred as a result of this moratorium and continues delays in permitting.

But just as important as addressing past harms is to avoid any future harm. This can only happen with the permitting process once again functioning properly. If I may just conclude my remarks now.

It is now time to get the critical projects back on schedule that created the economic activity which fuels our economy and the energy resources which literally fuel our nation. It is now time to end the government-induced harm to our local and national economies in order to get people back to work.

I appreciate this opportunity. Thank you.

[The prepared statement of Mr. Chiasson follows:]

Statement of Chett Chiasson, Executive Director, Greater Lafourche Port Commission

Good morning Mr. Chairman and Members of the Committee. I appreciate the opportunity to appear before you today. My name is Chett Chiasson, and I am the Executive Director of the Greater Lafourche Port Commission, otherwise known as Port Fourchon.

With this testimony, I hope to impress upon you several points: the importance of Port Fourchon to the offshore oil and gas industry; the contribution that Port Fourchon therefore makes to the national economy; the impact that the Deepwater Horizon incident had on our Port; and the impact that the President's moratorium on offshore drilling has had and continues to have on our Port as a result of the continued delays in the permitting process.

By way of background, The Greater Lafourche Port Commission, a political subdivision of the state of Louisiana, facilitates the economic growth of the communities in which it operates by maximizing the flow of trade and commerce. We do this to grow our economy and preserve our environment and heritage. The Port Commission exercises jurisdiction over the Tenth Ward of Lafourche Parish, south of the Intracoastal Waterway, including Port Fourchon and the South Lafourche Leonard Miller, Jr. Airport. The Port Commission has been in existence since 1960 and the 9 member Board of Commissioners is the only elected Port Commission in the State of Louisiana. Port Fourchon is located on the Gulf of Mexico near the mouth of Bayou Lafourche and it is the only Louisiana port directly on the Gulf of Mexico. Although 675 million barrels of crude oil per year are transported via pipelines through the Port, Port Fourchon does not handle any bulk oil and gas per se. Rather, we are an intermodal offshore supply port—more than 250 companies utilize Port Fourchon in servicing offshore rigs in the Gulf of Mexico, carrying equipment, supplies and personnel to offshore locations. In terms of service, Port Fourchon's tenants provide services to 90 percent of all deepwater rigs in the Gulf of Mexico and roughly 45 percent of all shallow-water rigs in the Gulf. 70% of all Gulf oil now

comes from deepwater Gulf of Mexico operations. In sum, Port Fourchon plays a vital role in 18% of the nation's oil supply.

In a recent study conducted by Dr. Loren C. Scott, former Chair of the LSU Economics Department, of the economic impact to the nation of Port Fourchon, Dr. Scott finds that more than $63 billion in total value of oil and gas are associated with Port Fourchon. With the Chairman's permission, I would like to submit this study to the Committee for the Record. The Port commissioned Dr. Scott to conduct this economic study as a means of documenting the importance of Port Fourchon to the Nation. The study contemplates the economic impact to the Nation of a three-week disruption of activities at the Port. We did this to demonstrate to Congress and to Executive Branch Departments the significance of our Port, as a means of justifying federal participation for a variety of infrastructure development needs, such as modernizing Louisiana Highway One which connects the Port to the rest of the world, or for seaport security funding, or for additional hurricane protection. Indeed, in back to back years, Port Fourchon itself and the oil and gas rigs it services were impacted to varying degrees by Hurricanes Katrina, Rita, Ike and Gustav. All of these were significant storm events. We live with these every year. Our port, our community and the offshore industry know how to recover, and in these and many more similar events, we recovered quickly. But never did we consider that the interruption of our operations and the impact it would have would be at the hands of our own government. Before I discuss this impact though, let me speak for a moment on the BP spill itself.

First and foremost, our community and our industry lost eleven lives on April 20th. This was a tragedy that should not have occurred. And for as significant as the environmental damage from this incident was on our community, the loss of eleven lives impacted us in a much deeper way, albeit and unfortunately with much less media coverage than the spill itself or even the impacts of the subsequent moratorium. As a community and as an industry, we applaud the government's attempt to ensure a safer work environment. With respect to the effects of the oil spill, the impact was seen at least as far west as Terrebone Parish, and as far east as Pensacola, Florida. Lafourche Parish was not at all spared. And Port Fourchon was not at all spared. Our beaches were fouled, and our marshes were severely damaged in many places by the oil. To date, Fourchon Beach remains closed to pedestrians and vehicles due to continued oil spill response efforts. Port Fourchon engaged in significant response efforts to protect our own property. We incurred significant costs for our own cleanup response, and in providing additional governmental services. To date, our response costs are over $550,000. Our Port continues to incur increased operational costs; our community continues to be pensive over what additional oil may turn up in the future, or what the long term impact on our natural resources and commercial fisheries may be from this spill. And to the extent that worker safety and the environmental impacts of this spill are within this Committee's jurisdiction, I urge you to maintain a focus on these issues in the coming years. But as Parish President Randolph states in her testimony today, there is no better place than Lafourche Parish to observe the coexistence of energy activities on the one hand, and commercial fishing or recreation on the other. This coexistence is for a variety of reasons—perhaps it's due to our heritage; perhaps it's because we are a close-nit community. But mostly, it's because it's what we *have.* We have been blessed with abundant marshes and beaches which serve as nurseries to support commercial and recreational fishing and other activities. And we have been blessed with abundant fossil resources beneath our marshes and off our coastlines. We have been blessed with the heritage of earning a living off the land and the water. Today, the resources available to us help to feed our Nation with our seafood, and fuel our Nation with the energy we help to produce. And so the coexistence which occurs in our part of the country is not limited there; it is reflected across the entire Nation. The average citizen of this country is not aware of where the shrimp that they are eating comes from any more than from where the gasoline that fuels their cars come. And, at least perhaps until the BP spill last year, they did not realize that there is a good chance they come from the same place. Which brings me back to Lafourche Parish and Port Fourchon.

Mr. Chairman, I indicated that my Port, our community and our industry have proven our ability to respond to and recover from any natural disaster set upon us. But never did we imagine the type of sustained and substantial economic impact that has resulted from the President's moratorium, the length of time in developing new permitting requirements, and the delay in issuing new permits by BOEMRE. Soon after the moratorium was initiated, the Port Commission was forced to reduce the basic rent charged to our tenants by 30% and suspend annual escalation, anticipating the severe economic impact that would come. This has resulted in a loss of revenues to the Port to date of nearly $2.4 million. This loss of revenue reduces the

basic services and capital construction that the Port Commission can provide to create jobs and economic development. Our fears of loss of tenant business in Port Fourchon are becoming reality. Just last week I had a tenant come to me literally crying, saying if something does not change soon, he will be lucky to keep his doors open until May. This is a small, family owned supply business that employs four people. Not too devastating in and of itself, but the problem is that there are several businesses in Port Fourchon that will realize the same fate, without a dramatic increase in the number of permits being issued by BOEMRE.

What is more concerning to me as the Port Director and as a citizen of South Louisiana is the long term impact that this moratorium and delayed permitting process will have. I can count the cost of responding to the oil spill; I can document the reduction in rents that my Port Commission had to approve last year in order to help business facing significant economic distress. But what I cannot predict is the continued harm in the future caused by the delay in the government's actions.

When President Obama enacted his moratorium, assurances were made by the Administration that BP would pay for the economic consequences caused by the *moratorium.* Secretary Salazar strongly assured this Committee and the Senate Committee on Energy and Natural Resources that BP would pay all "legitimate claims", which included those arising from the moratorium. Then Press Secretary Robert Gibbs, speaking on behalf of President Obama, confirmed that assurance in a public statement.

Unfortunately, those commitments have apparently not been remembered.

- BP's Fund, administered in part by Mr. Feinberg and in part by BP itself, is denying claims which it finds to be caused by the Moratorium. Port Fourchon recently submitted a claim to BP for compensation of loss revenues, which was denied by BP for being a moratorium-related damage. With the Chairman's permission, I would like to submit this letter for the record.
- The Oil Spill Liability Trust Fund is also denying claims on that same basis;
- Finally, our counsel advises us that BP is likely to defend against any action to obtain restitution from it by arguing that the moratorium is an unforeseeable "supervening cause" which excuses BP from liability.

The law provides the Administration with powerful tools to provide injured parties with prompt and adequate compensation for spill related injuries or to require the Responsible Parties to do so. Although Secretary Salazar, when he appeared before this Committee last May, gave assurances that these tools would be used, those assurances are yet to be fulfilled. As a result of these failures, the Government's actions to date have, on balance, impeded, rather than facilitated the ability of injured parties to obtain the compensation to which they are entitled.

BP was responsible for the spill, but the President is responsible for the moratorium and responsible for the continued slow pace in the permitting process. Therefore the government should be held accountable for damages caused to numerous companies, ports, local and state governments throughout the country who have been impacted by this moratorium. Some mechanism—if not the OPA Fund then some other means—must be identified to compensate the severe economic impact that has occurred as a result of this moratorium and continued delays in permitting. But just as important as addressing past harms is to avoid any future harm. This can only happen with the permitting process once again functioning properly.

As Secretary Angelle indicated in his testimony, the oil industry has worked steadfast with the government in developing a robust regulatory environment to ensure increased safety for our workers in the offshore industry, and protection of our natural resources. I am confident that industry has fulfilled its obligation to a new regulatory regime, several times over. Our industry and our community embrace increased safety measures. We never again want to see such an incident that occurred on April 20th of last year, and I am confident that as a result of industry and government working together since the spill, we never again will. But it is now time to get the critical projects back on schedule that create the economic activity which fuels our economy, and the energy resources which literally fuel our Nation. And it is now time to end the government-induced harm to our local and National economies.

Mr. LAMBORN. Thank you for your testimony, and for all of you we know you have come a long ways today, and we appreciate that.

Our next panelist is, and I hope I pronounce this correctly Mr. Samuel Giberga, General Counsel, Hornbeck Offshore Services, Offshore Marine Service Association, and the floor is yours.

STATEMENT OF MR. SAMUEL A. GIBERGA, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, HORNBECK OFFSHORE SERVICES

Mr. GIBERGA. Thank you, Mr. Chairman. It is Giberga.

Mr. Chairman and Members of the Committee, on behalf of Hornbeck Offshore Services, the second largest deepwater supply company in the Gulf of Mexico, and the Offshore Marine Services Association, I appreciate this opportunity to address this Committee on the devastating impacts resulting from the decisions made by the Obama Administration to shut down oil and gas drilling activities in the Gulf of Mexico.

Mr. Chairman, I am simply here to ask you for your help. We have fought this Administration in the Federal courts. We have fought this Administration in Congress and in the media, and yet in defiance of Federal court orders and repeated bipartisan requests from Congress, this Administration continues to pursue a destructive policy, a policy that has been struck down by a Federal court, and has led to the Department of the Interior being held in contempt.

Their strategy is cynical, but so far amazingly successful. Secretary Salazar tells your Committee that he is in favor of a robust oil and gas industry in this country, but then aggressively blocks the issuance of drilling permits. He tells your Committee that rigs are not leaving the Gulf of Mexico, but at least 12 rigs have left; seven deepwater, five shallow water, and more expected to follow, and one drilling company has been forced into bankruptcy.

He tells your Committee that oil and gas production in the Gulf of Mexico is at an all-time high, but the fact is, as a result of the Administration's policies, production in the Gulf has already fallen by 300,000 barrels per day, and it is going to get a lot worse. The Energy Information Administration is now forecasting a drop of 600,000 barrels a day by July of next year. So this Administration publicly paints a rosy scenario in hopes that nobody will take notice that an entire industry is being dismantled rig by rig, vessel by vessel, worker by worker.

To understand the real agenda, we only need to be reminded of Secretary Steven Chu's statement, and I quote for you, Mr. Chairman, "Somehow we need to figure out how to boost the price of gasoline to the levels in Europe."

Well, Mr. Chairman, I guess we are well on our way. Mr. Chairman, we need your help to make sure that the American people understand the outrageous behavior of this Administration. We need your help to make the Administration understand that we are a nation of laws, and three co-equal branches of government. We need your help to make sure that the Administration realizes that the oil and gas resources in the Gulf of Mexico are the real strategic petroleum reserve of our nation.

The Administration turns a blind eye to the risks brought by sky-rocketing oil prices, instead pursues an extremist policy designed to weaken our industry and ultimately undermine our commitment to developing oil and gas resources in a safe and environmentally sound manner. Mr. Chairman, we cannot let that happen.

Contrary to the Administration's statements, a de facto moratorium is alive and well in this nation. Since its implementation in

May 2010, there have been only two permits issues to resume the drilling of deepwater wells and shallow water activity has been drastically curtailed. At least 8,000 jobs have already been lost and more layoffs are being made each week.

At Hornbeck Offshore, we have felt these losses directly. We have reduced our payroll, laid off workers for the first time in our company's history, and deferred spending on important capital projects. We are moving assets out of the Gulf of Mexico into foreign markets in order to keep our vessels working.

Mr. Chairman, it is clear that terrible mistakes were made concerning the *Deepwater Horizon* well and lessons need to be learned. I, sir, have read the Presidential commission's report cover to cover. I was shocked by its blanket and unsupported conclusion of an systemic failure. I have also read Mr. Fred Bartlit's report. Mr. Bartlit was the chief counsel to that commission, and he concluded something different. He did not conclude that there was a systemic problem. He concluded, and I quote, "the event was the result of an over-arching failure of management by BP."

We also have to recognize that since the 1950s over 40,000 wells have been safely drilled in the Gulf of Mexico. We do not get better, sir, by not working. In fact, by not working we lose crucial assets and, more importantly, experienced personnel who have the necessary know-how to work safely. Mr. Chairman, Secretary Salazar will tell you that by not working we are somehow safer. We know that a safe Gulf is a working Gulf.

When the Administration's offshore drilling moratorium was first announced, Hornbeck quickly concluded that a punitive industry-wide shutdown was unprecedented in this nation. The Administration justified its actions upon the erroneous premise that the *Deepwater Horizon* event proved the existence of a systemic industry-wide problem. In June of last year, Hornbeck filed suit against the Department of the Interior challenging the unlawful moratorium and its faulty premise.

In the course of that litigation Hornbeck learned that the Administration's own experts for the National Academy of Engineers did not peer review the six-month drilling moratorium contrary to Secretary Salazar's announcement. This misrepresentation became an central issue in the Hornbeck case and led to Judge Martin Feldman's injunction. Secretary Salazar immediately defined the court's order by imposing a mirror image moratorium. Judge Feldman later took the extraordinary step of holding the Federal Government in contempt for violating his order. He identified conduct at the highest levels of the Federal Government to have deliberately defying of a co-equal branch of the government. Sir, as a lawyer and as a citizen I found this conduct to be extremely disappointing and troubling.

Mr. Chairman, our employees do not want an unemployment check or a bail-out. We simply want to go back to work. We urge you to use all options at your disposal to compel this Administration to reverse its dangerous energy policies and restore oil and gas production in the Gulf of Mexico.

Mr. Chairman, thank you very much for the opportunity to address your committee this morning.

[The prepared statement of Mr. Giberga follows:]

Statement of Samuel A. Giberga, Senior Vice President and General Counsel, Hornbeck Offshore Services, Inc.

Mr. Chairman and Members of the Committee:

As the Senior Vice President and General Counsel of Hornbeck Offshore Services, Inc. (Hornbeck), and on behalf of the member companies of the Offshore Marine Service Association (OMSA), I appreciate the opportunity you have provided today to address the devastating short and long-term impacts resulting from the decisions made by the Obama Administration to shut down oil and gas production activities in the Gulf of Mexico.

Mr. Chairman, on behalf of the employees of my company and thousands of others who make their living in the offshore oil and gas industry, I am simply here to ask for your help. We have fought this Administration in the Federal courts. We have fought this Administration in Congress. We have fought this Administration in the media. And, yet as we sit here today, in defiance of Federal court orders and repeated bipartisan requests from Congress, this Administration continues to pursue a destructive policy—a policy that has been struck down by a Federal court and has led to the Department of the Interior being held in contempt. Their strategy is cynical, but so far, amazingly successful. Secretary of the Interior Ken Salazar tells your Committee that he is in favor of a "robust" oil and gas industry in this country—but then aggressively blocks the issuance of drilling permits. Secretary Salazar tells your Committee that drilling rigs are not leaving the Gulf of Mexico—but at least 12 rigs have left and more are expected to follow, and one drilling company has been forced into bankruptcy. Secretary Salazar tells your Committee that oil and gas production in the Gulf of Mexico is at an all-time high—but the fact is that, as a result of Administration policies, production in the Gulf has fallen by over 300,000 barrels per day. So, for public consumption, this Administration paints a rosy scenario and hopes that nobody will take notice that an entire industry is being dismantled, rig by rig, vessel by vessel, employee by employee.

Mr. Chairman, I can assure you that we have noticed. And, we need your help before it is too late. We need your help to make sure the American people understand the outrageous and illegal behavior of this Administration as it pursues an extreme philosophy despite the country's need for domestic oil and gas resources. We need your help to make the Administration realize that the oil and gas resources in the Gulf of Mexico are the real strategic petroleum reserve of our Nation. We need your help to take whatever steps are necessary to stop this Administration before it completely destroys our industry while putting our national and economic security at great risk. Those risks are readily evident—all one has to do is turn on the television to any news broadcast. The price of oil has skyrocketed to over $100 per barrel. The price of gas at the pump is rapidly approaching $4.00 per gallon. The Middle East and North Africa remain in turmoil. And what is our Administration's response? It turns a blind eye to these risks. It pursues an extremist policy designed to eliminate our industry. Mr. Chairman, we cannot let that happen.

Hornbeck Offshore Services is one of the many proud participants in that offshore industry. The Hornbeck story is not unlike that of many companies that have been formed over the last 50 years to serve the needs of the offshore oil and gas industry. Todd Hornbeck, the founder of the company, was 27 years old when he started Hornbeck in 1997. After gaining experience through working with his father's offshore service company, Mr. Hornbeck formed our company in order to provide support services to meet the needs in the next expanding phase of offshore drilling—in the deepwater regions of the Gulf of Mexico. Today, Hornbeck is the second largest deepwater supply vessel company in the Gulf of Mexico with a fleet of new generation offshore supply vessels operating off the United States and other locations around the world. Additionally, Hornbeck owns and operates the two largest supply vessels and two of the most advanced deepwater construction vessels in the world. These four vessels alone represent nearly a $500 million capital investment by Hornbeck, and were vital components in the operational response to the DEEPWATER HORIZON incident. Hornbeck directly and indirectly employs thousands of workers and mariners, has spent billions of dollars in U.S. shipyards, and like many other companies in our industry, has invested millions of dollars to ensure safe and environmentally sound operations. Indeed, Hornbeck has consistently added jobs within the company since its founding in 1997, and had planned to increase company employment in 2010 and 2011. With the *de facto* moratorium in place, not only has Hornbeck been unable to add any jobs in the last year, but it has been forced for the first time to reduce its workforce as a result of the significant slowdown in offshore drilling activity in the Gulf.

The DEEPWATER HORIZON incident and the current (and completely avoidable) offshore energy crisis in the Gulf of Mexico are unprecedented events for our

country and for companies like Hornbeck that strive each day to work in a safe and environmentally sound manner in the offshore industry. We understand that changes must be made, but the Administration's response to the Gulf oil spill has been unreasonable, unwarranted, unfair, and unlawful. The resulting *de facto* moratorium on drilling activities in the Gulf threatens the livelihood of hundreds of thousands of American workers and significantly undermines critical energy, security, economic and other national policy interests.

The Administration repeatedly tells us that the offshore drilling moratorium has been lifted and that there is no *de facto* moratorium. On the contrary, the moratorium on offshore drilling is alive and well. Since its implementation in May 2010, there has only been one permit issued to resume the drilling of a deepwater well, and shallow water activity has been drastically curtailed. As a result, the Administration's policies have already taken a terrible economic toll on the Gulf Coast. This industry supports 150,000 high-paying jobs. At least 8,000 jobs have already been lost and more layoffs are being made each week. Seahawk Drilling, the second largest shallow water drilling company in the Gulf of Mexico, declared bankruptcy a few weeks ago for one overriding reason—a lack of drilling permits. Bear in mind, Mr. Chairman, that Seahawk only drills in the shallow waters of the Gulf and had absolutely nothing to do with the DEEPWATER HORIZON spill. Yet, the Administration has forced that company and its 1,000 employees out of business. We fear that more bankruptcies will follow if the Administration does not immediately change course.

And yet, the Administration continues to ignore the truth. Mr. Chairman, your Committee observed that first-hand when Secretary Salazar testified that Gulf of Mexico production has "remained at an all time high". Hornbeck was pleased that your Committee quickly corrected the Secretary and advised the public that Department of Energy data tells a drastically different story about declining production in the Gulf. Without a change in the Administration's policies, production levels will continue to plummet, rendering Americans even more vulnerable than they are today to political instability in the Middle East and higher fuel prices at the pump.

It is clear that terrible mistakes were made concerning the DEEPWATER HORIZON well. And lessons must be learned from those mistakes. But that does not mean that the industry has been "lucky" up to this point after drilling thousands of wells in the Gulf of Mexico without a significant environmental incident. The characterization of our industry as having been "lucky" is one that I want to refute because it was made by Michael Bromwich, the Director of the Bureau of Ocean Energy Management, Regulation and Enforcement (formerly the Minerals Management Service) and the principal regulator of offshore oil and gas exploration and production activities. The truth is this—our industry has an impressive safety record and it has worked hard and diligently to attain that record. Since the 1950's, over 40,000 wells have been drilled in the Gulf of Mexico, with only one DEEPWATER HORIZON-type event. The extrapolation of this single event into an industry-wide failure is breathtaking in its lack of regard for the facts and vital economic, energy, security and other national priorities.

When the Administration's offshore drilling moratorium was first announced in May 2010, Hornbeck quickly reached three basic conclusions:

- Notwithstanding the stated six-month period for the moratorium, the halt in offshore drilling activities was likely to extend well beyond that time period.
- The moratorium policy, if left unchecked, could cripple the web of physical and human capital required to support safe deepwater offshore exploration and production operations. In other words, a working Gulf is a safe Gulf. Without the work, people and assets would soon leave the region, rendering the offshore industry less capable in its pursuit of safe and environmentally-sound deepwater operations.
- And, most importantly, the moratorium was not legal. The Administration's actions were based upon the erroneous premise that the DEEPWATER HORIZON event itself proved the existence of a systemic, industry-wide problem. Hornbeck knew that was not the case.

Hornbeck and other service companies take seriously their obligations to work in a safe and environmentally sound manner. We dedicate significant financial and personnel resources to industry safety and training. Consequently, we intuitively understood that the Administration's premise for its industry-wide shutdown was wrong. Hornbeck concluded, together with other offshore industry companies, that there was no choice but to sue the Federal government. With the Gulf of Mexico as the company's principal operating theater, the government's actions threatened the very viability of Hornbeck, and could lead to the dismantling of an industry that employs hundreds of thousands of people and upon which the Nation depends for its energy security. Thus on June 7, 2010, Hornbeck filed suit against the Depart-

ment of the Interior (DOI) seeking an injunction to bar the enforcement of the moratorium. We did not take this step lightly. But, we felt an obligation to our country, our industry, and our employees to stand up and fight this injustice.

In the course of this litigation, Hornbeck uncovered information calling into question the Federal government's good faith in the imposition of the offshore drilling moratorium. We learned that some experts from the National Academy of Engineers claimed, contrary to reports from the Administration, that they had not peer reviewed or recommended the six-month moratorium announced by DOI. The experts further informed Hornbeck that the suspension of ongoing drilling operations could actually compromise safety. They were extremely embarrassed that their views were being misrepresented to the American public as having been in support of a drilling moratorium.

This distortion by the Administration became a central fact in the Federal litigation brought by Hornbeck. In his decision striking down the moratorium on June 22, 2010, Federal Judge Martin Feldman, of the U.S. District Court for the Eastern District of Louisiana, expressed his apprehension about the integrity of the Administration's review and "misleading text in the Executive Summary [of its report] that seem[ed] to assert that all the experts agree[d] with the Secretary's recommendation" to impose the drilling moratorium. Not only was a peer review of the moratorium decision not obtained, but the Administration at its highest levels appeared to have misrepresented to the public that expert peer review of the decision had in fact occurred. These facts caused Judge Feldman to question the "probity" of the process followed by DOI in issuing a moratorium that was, in essence, an industry-wide shutdown. Notably, in a subsequent investigation by the DOI Inspector General on this point, Secretary Salazar's counselor explained to investigators that "[t]he decision to invoke the moratorium on current deepwater drilling projects was a policy decision made by Secretary Salazar and President Obama. . .the moratorium was never peer reviewed by the experts".

Additionally, based upon a review of the administrative record, Judge Feldman determined that the Administration "failed to cogently reflect the decision to issue a blanket, generic, indeed punitive, moratorium with the facts developed during the thirty-day review", and that Hornbeck and the other parties had "established a likelihood of successfully showing that the Administration acted arbitrarily and capriciously in issuing the moratorium." With the moratorium struck down, Hornbeck expected an immediate resumption of at least some offshore drilling activities while the industry and its governmental oversight agencies worked to learn from the mistakes of the DEEPWATER HORIZON incident. Unfortunately, the Administration's response to Judge Feldman's ruling did just the opposite. Notwithstanding the fact that Judge Feldman enjoined the enforcement of the blanket, generic and punitive moratorium, Secretary Salazar set about almost immediately to defy the Court's order.

Within hours of Judge Feldman's ruling, the Secretary issued a written statement announcing his intention to issue a second moratorium. In testimony before a Senate hearing the very next day, the Secretary characterized the enjoined moratorium as the "moratorium in place" and he promised that DOI would impose shortly a new moratorium. And in fact, the second moratorium was issued by Secretary Salazar on July 12, 2010. All the while, DOI subjected Hornbeck and the other litigants in the Hornbeck case to considerable expense through its posturing and other litigation tactics that have since been criticized by the courts.

While Hornbeck did not participate in a legal challenge to the second moratorium, Ensco plc (Ensco) did. It is important to note that the Administration's ultimate decision to lift the second moratorium in October 2010 occurred the same day that parties were to submit additional briefing before Judge Feldman. Judge Feldman remarked during the Ensco case that the Administration's conduct in the Hornbeck matter could well be contemptuous. Later on February 2, 2011, finding that the "second moratorium disabled precisely the same rigs and deepwater drilling rigs and activities in the Gulf of Mexico as did the first one", Judge Feldman took the highly extraordinary step of holding the Federal government in contempt for having defied his order in the Hornbeck case. This ruling is notable in that it identifies conduct, at the highest levels of the Federal government, to have been deliberately defiant and dismissive of a co-equal branch of the government. In a Nation of laws, even the President must accept the rulings of a Federal court.

Against that backdrop, and with the issuance of new DOI safety, equipment and other requirements within weeks of the DEEPWATER HORIZON incident, offshore drilling operators have had significant difficulties in deciphering the steps needed to receive a drilling permit. The DOI notices and regulations, none of which have been implemented with public input, contain enormous areas of ambiguity that operators have legitimately claimed cannot be met.

At a time when significant regulatory, environmental compliance, and other hurdles have been placed in the path of the resumption of offshore drilling activity, instability within foreign countries in North Africa and the Middle East further threatens the national and economic security of our country. Our Nation should be using every opportunity to safely develop its oil and gas resources to ensure that we are not dependent upon foreign oil and the tangled obligations that go with it. That said, in one of the most astounding pronouncements from the Administration, DOI in October of last year specifically stated that:

> Currently, there is sufficient spare capacity in OPEC to offset a decrease in [Gulf of Mexico] deepwater production that could occur as a result of this rule.. . .However, more of the oil for domestic consumption may be purchased from overseas markets because the cost of OCS oil and gas production will rise relative to other sources of supply.

75 Fed. Reg. 63366 (Oct. 14, 2010).

The Administration so much as admits that it prefers to rely on foreign markets, even those hostile to United States interests, rather than to encourage and incentivize domestic resource development and production.

Hornbeck and other industry participants recognize that there will be changes in the post-DEEPWATER HORIZON world. That said, the industry needs to be a participant in a meaningful dialogue about those changes and how best to achieve the shared goal of a safer deepwater oil and gas industry. Instead, there has been nothing more than one-way, uninformed pronouncements from the Administration with little or no regard for the enormous economic and national security contributions made by this industry. Even when faced with multiple losses in the Federal courts and a contempt citation, this Administration has remained "dug-in" to a policy that is harming our Nation on a daily basis.

Mr. Chairman, through this hearing and your continuing oversight, Hornbeck very much appreciates your efforts to illuminate these major issues confronting the offshore industry. The discussion must include the costs to the economy and the Nation in losing a key component of the energy industry. And, we need to discuss all relevant costs, including those associated with greater dependence on foreign oil. We need to consider, as the industry is dismembered rig by rig, the loss of human capital and expertise that truly jeopardizes any advancement of safety in the Gulf. We need to talk about the ability to deliver economic and self-sustaining prosperity to the Nation without tripling—or more—the cost of energy.

Mr. Chairman, our employees do not want an unemployment check. We are not asking for a bailout. We simply want to go back to work. We urge you and the Committee to continue to use every opportunity and all options at your disposal to compel this Administration to reverse its dangerous energy policies and restore oil and gas production in the Gulf of Mexico.

Mr. Chairman, thank you for allowing me to appear before you today.

Mr. LAMBORN. OK, thank you for your testimony. In a moment Representative Landry will be taking the Chair unless the Chairman—he is back now. So, thanks for the offer to help, Representative Landry.

So our next person on the panel will be Mr. Christopher Jones of Keogh, Cox and Wilson, Ltd. Thank you for being here today.

STATEMENT OF MR. CHRISTOPHER K. JONES, KEOGH, COX & WILSON, LTD

Mr. JONES. Chairman Hastings, Ranking Member Markey and other Members of the Committee, thank you for the opportunity to appear before you today.

My name is Chris Jones and I am not here to talk about the timely extent of the moratorium. That is for you to debate and discuss. Instead, I am here to describe the profound impact my brother's death while working on a rig engaged in deepwater drilling has had on our family. My brother is Gordon Jones. He is my only brother. He was tragically killed aboard the *Deepwater Horizon* while earning his living as a mud engineer for M-I SWACO, a contractor for BP.

Gordon had nothing to do with this disaster. He was simply doing his job and making his way through his shift so he could get back home to his family. Instead he never saw his family again. We can thank poor and likely grossly negligent decisions by many people in companies for that. Besides his extended family, Gordon is survived by a wife and two young sons. Stafford will turn three on Monday, Max will have his first birthday on May 14th. Gordon's wife Michelle was eight months pregnant with Max when she learned she would never see her husband, the father of her two sons, and best friend again. This is a picture of what Gordon left behind. This photograph was taken in the hospital shortly after Max's birth.

In the past year Michelle has faced some extremely difficult occasions, Gordon and Michelle's anniversary, Max's birth, Gordon's birthday, Thanksgiving and Christmas were all celebrated without Gordon. Truly it does not feel like it has been a year. It feels more like 10 years. I promise you that spending one day in my shoes or in Michelle's shoes will give you an entirely different perspective on the topic of worker safety.

Just the other day as I was driving Stafford and one of my sons to my house, Stafford as a matter of fact told me that his daddy is in heaven. It broke my heart.

No one denies that my brother's death and the death of the other 10 men could and should have been prevented. I understand that accidents happen. But companies engaged in oil exploration should do everything in their power to prevent accidents that have such horrible consequences. In the case of the *Deepwater Horizon*, they did not.

I am here today because I committed to Michelle, Stafford and Max and to my family that I would do anything and everything to support them and try and make sure that no one would have to endure this pain again. No one should have to needlessly risk their lives to earn a living. No one should be allowed to risk the lives of hardworking men and women under their supervision and care in hopes of doing the job faster or cheaper. Gordon and the other workers killed that day took safety very seriously and trusted their coworkers. Had every company engaged in operation of that rig taken safety as seriously as they did there would have been no blowout.

I find it interesting how hard the oil industry is working to get back into the Gulf. BP and others want to put this disaster behind them. Meanwhile no one with BP has bothered to place a single phone call to anyone in my family, not once. I don't expect a profuse apology for widowing my brother's wife or killing the father of my nephews, I don't expect them to accept responsibility for Gordon's death because that would likely be asking too much. All we expected is for someone from BP to call and tell us they were sorry for our loss. Maybe they were too busy hiring public relation firms and producing commercials. Clearly they were too busy moving forward trying to continue drilling and making more money while we were left to pick up the pieces.

As many of you know, despite our best efforts we have been unable to get Congress to pass a bill that would allow these families to recover damages against those at fault by changing laws passed

almost 100 years ago. The House of Representatives commendably tried to do that when it passed the SPILL Act last year. The Senate almost passed its own version. However, a single senator prevented its passage by unanimous consent. I would hope that BP was not responsible for convincing that senator to block that bill, but I don't know that.

What I definitely know they were not doing over the past year was trying to comfort these families, including mine. At the very least BP could join our efforts to change the law, the law that would allow this family to move on with their lives; at the very least BP and others could work with Congress to improve workers' safety so this never happens again.

Now, I am from Louisiana and I have lived in Louisiana all my life. No one needs to tell me the importance of the oil industry to my state. While I have very little knowledge about the business, I know it supports the livelihoods of thousands of people in Louisiana and other Gulf states, and I understand the criticism of the moratorium. However, as Gordon's brother and uncle to two little boys who won't even remember their father, I plead with you to consider the repercussions of not ensuring the safety of these workers before allowing BP and others to keep doing business as usual.

Please don't forget the men and women who work on these rigs and the family they leave behind. They need and deserve those jobs. They just shouldn't be forced to choose between providing for their families and working on a rig where safety, not speed, is what is most important. Please remember Gordon, Michelle, Stafford and Max and the families of the other victims. Hopefully that thought effectively challenges you to encourage and support worker safety reforms that are desperately needed and might have saved my brother's life.

Thank you. I am more than happy to answer any questions that you may have.

[The prepared statement of Mr. Jones follows:]

Statement of Christopher K. Jones, Brother of Gordon Lewis Jones, Who Died Aboard the Deepwater Horizon

The Effect of—A Brother's Statement

Chairman Hastings, Ranking Member Markey, and other members of the Committee, thank you for the opportunity to appear before you today.

My name is Chris Jones and I am not here to talk about the timing or extent of a moratorium. That is for you to debate and discuss. Instead, I am here to describe the profound impact my brother's death, while working on a rig engaged in deepwater drilling, has had on our family.

My brother is Gordon Jones. He is my only brother. He was tragically killed aboard the Deepwater Horizon while earning his living as a mud engineer for MI SWACO, a contractor for BP. Gordon had nothing to do with this disaster. He was simply doing his job and making his way through his shift so he could get back home to his family. Instead, he never saw his family again. We can thank poor, and likely grossly negligent, decisions by many people and companies for that.

Besides his extended family, Gordon is survived by a wife and two young sons. Stafford will turn three on Monday. Max will have his first birthday on May 14th. Gordon's wife, Michelle, was eight months pregnant with Max when she learned she would never see her husband, the father of her two sons, and best friend again. This is a picture of what Gordon left behind.

This photograph was taken in the hospital shortly after Max's birth.

In the past year, Michelle has faced some extremely difficult occasions: Gordon and Michelle's anniversary, Max's birth, Gordon's birthday, Thanksgiving and Christmas were all celebrated without Gordon. Truly, it does not feel like it has

been a year, it feels more like ten years. I promise you that spending one day in my shoes, or in Michelle's shoes, will give you an entirely different perspective on the topic of worker safety. Just the other day, as I was driving Stafford and one of my sons to my house, Stafford matter of factly told me that his Daddy is in Heaven. It broke my heart.

No one denies that my brother's death, and the death of the other ten men, could and should have been prevented. I understand that accidents happen. But companies engaged in oil exploration should do everything in their power to prevent accidents that have such horrible consequences. In the case of the Deepwater Horizon, they did not.

I am here today because I committed to Michelle, Stafford and Max, and to my family, that I would do anything and everything to support them and try and make sure no one would have to endure this pain again. No one should have to needlessly risk their lives to earn a living. No one should be allowed to risk the lives of hard working men and women under their supervision and care in hopes of doing the job faster or cheaper. Gordon and the others workers killed that day took safety very seriously and trusted their co-workers. Had every company engaged in the operation of that rig taken safety as seriously as they did, there would have been no blowout.

I find it interesting how hard the oil industry is working to get back into the Gulf. BP and others want to put this disaster behind them. Meanwhile, no one with BP has bothered to place a single phone call to anyone in my family. Not once. I don't expect a profuse apology for widowing by brother's wife or killing the father of my nephews. I don't expect them to accept responsibility for Gordon's death, because that would likely be asking too much. All we expected was for someone from BP to call and tell us they were sorry for our loss. Maybe they were too busy hiring public relations firms and producing commercials. Clearly, they were too busy moving forward, trying to continue drilling and making more money, while we were left to pick up the pieces.

As many of you know, despite our best efforts, we have been unable to get Congress to pass a bill that would allow these families to recover damages against those at fault by changing laws passed almost one hundred years ago. The House of Representatives commendably tried to do that when it passed the SPILL Act last year. The Senate almost passed its own version. However, a single Senator prevented its passage by unanimous consent. I would hope that BP was not responsible for convincing that Senator to block that bill. But I don't know that.

What I definitely know they were not doing over the past year was trying to comfort these families, including mine. At the very least, BP could join our efforts to change the law. A law that would allow this family to move on with their lives. At the very least, BP and others could work with Congress to improve worker safety so this never happens again.

Now, I am from Louisiana and have lived in Louisiana all my life. No one needs to explain to me the importance of the oil industry to my state. While I have very little knowledge about the business, I know it supports the likelihoods of thousands of people in Louisiana and other Gulf states. And I understand the criticism of the moratorium. However, as Gordon's brother and uncle to two little boys who won't even remember their father, I plead with you to consider the repercussions of not ensuring the safety of these workers before allowing BP and others to keep doing business as usual.

Please don't forget the men and women who work on those rigs and the families they leave behind. They need and deserve those jobs. They just shouldn't be forced to choose between providing for their families and working on a rig where safety, not speed, is what is most important. Please remember Gordon, Michelle, Stafford and Max and the families of the other victims. Hopefully, that thought effectively challenges you to encourage and support worker safety reforms that are desperately needed and might have saved my brother's life.

Thank you. I am more than happy to answer any questions you may have.

The CHAIRMAN. Thank you very much for your testimony. Mr. Overton is recognized.

STATEMENT OF MR. KEITH OVERTON, PRESIDENT AND CHIEF OPERATING OFFICER, TRADEWINDS ISLAND RESORTS

Mr. OVERTON. This is tough testimony to follow. It makes my testimony seem a bit insignificant. Nonetheless, you asked me to come

here to tell you about the economic impacts to Florida, and I would like to do that.

TradeWinds is the largest beachfront resort on the west coast of Florida, situated just west of Tampa for reference. As Chairman of the Board for Florida Restaurant & Lodging Association in 2010, I witnessed Florida's tourism industry face its toughest challenge since the terrorist attacks of 2001 when the *Deepwater Horizon* well blew.

Additionally, as a member of Visit Florida's Board of Directors, which in Florida is the marketing agency for the State, I saw firsthand how difficult it was to combat the negative perceptions that Florida faced throughout that crisis.

Florida's brand was damaged more than any other time in history. Visitors prior to the oil spill had distinct impressions of Florida that included warm sunshine, blue waters, sugary white sand beaches, fresh seafood and a natural environment like no other, and that certainly is true of Representative Southerland's great city of Panama City.

Florida has spent billions over the years to create this imagery in the minds of its repeat and new visitors. Tourism to Florida means a lot. It is big business to us. We hosted 80 million visitors in 2009, and captured nearly 17 million vacations by Floridians within the State of Florida. Collectively, our visitors spent over $60 billion on travel last year alone generating nearly $4 billion sales tax collection, and what that means is more than one-fifth of Florida's sales tax dollars are paid by our visitors. It also means jobs. Nearly a million Floridians are directly employed in travel and tourism within our state.

By now you know about the billions in damages that have occurred to Florida's tourism industry and that we have suffered. The question becomes when are we going to be made whole. It is great that we are moving on and we are talking about how to continue our economy and stimulate growth and demand in offshore oil drilling, but we have forgotten that Florida's number one engine is still trying to recover and we have not been paid for the losses that have already been sustained.

I would like to compliment in this hearing Ken Feinberg and the Gulf Coast Claims Facility for getting our industry's emergency claims paid in recent months. This process certainly wasn't perfect, but he has done a good job and most claimants have been paid at least their emergency losses to date, and it is certainly no secret that none of our business owners feel like the new protocol that was released by Mr. Feinberg is fair to anyone, and that we are going to need to look at how we can establish a different methodology to make our industry whole so that we can recover as everybody else here today is talking about with respect to their industry.

I asked Mr. Feinberg this question just last week, and I would ask each of you to ponder the same question. What would this money do in the hands of the business owners instead of the Gulf Coast Claims Facility?

One, it would create more jobs, lots of jobs. It would allow us to staff at higher levels and operate with normal buying frequency an expenditure ratios. It would provide for much needed capital improvements, creating more jobs. It would provide for redevelopment

and the new development in many cases that needs to be done, again creating more jobs. We could give your employees pay raises again. Many of them could afford health insurance again. It could possibly pay more dividends to our investors how might come off the side lines and reinvest in the stock market, and all of this is because of one oil spill; one we were told that would never happen.

Mr. Sarbanes mentioned earlier the importance of the release of the funds and I wanted to just make that point. I appreciate the opportunity to do that but there are other needs that our state faces today, three of them to be exact. All of our tourism industry businesses, hotels pay bed taxes. Those bed tax dollars are now depleted as a result of revenues that have fallen within Florida, further giving us the inability to market our state effectively. The fishing industry and seafood industries and our wildlife are critical to tourism in Florida's economy, and I urge this Committee to influence or obtain appropriate funding to restore and maintain the Gulf of Mexico fisheries and wildlife. Whether these funds come from the Gulf Coast Claims Facilities or not, NOAA and other key agencies continue to be underfunded in this regard.

We must continue to spend money on the marketing efforts of Florida, both domestically and internationally. Each time the media covers a new report published by someone in the scientific or academic communities the rest of the world is again reminded about the uncertainties surrounding the well being of the Gulf of Mexico, its fisheries, and other natural resources. Visit Florida still needs money to advertise our brand as negative perceptions are simply not gone yet despite the television commercials you see.

I will close by saying this. We all understand the need for less dependency on foreign oil. The risks of more drilling in the Gulf of Mexico need to be seriously considered, and I know you are doing that here today. Estimates that I continue to read about how at most a $500 million economic impact from drilling in close proximity to Florida. These same studies also suggest that the drilling really won't affect gas prices at the pump in the near term. We have seen what devastation once slip up can bring to Florida's tourism industry, a $60 billion economic impact to Florida.

When you consider all of the other segments of Florida's commerce, such as fishing, seafood and real estate, it just doesn't make sense. Drilling exploration off of Florida's shores changes our brand and our image forever. Thank you very much.

[The prepared statement of Mr. Overton follows:]

Statement of Keith Overton, CHA, President and Chief Operating Officer, TradeWinds Island Resorts, and Immediate Past Chairman of the Board, Florida Restaurant and Lodging Association

Good Afternoon Chairman Hastings, Ranking Member Markey and Committee Members:

My name is Keith Overton. I am the President of TradeWinds Island Resorts located on St. Pete Beach, Florida. TradeWinds is the largest beachfront resort on the west coast of Florida situated just west of Tampa.

As Chairman of the Board for the Florida Restaurant & Lodging Association in 2010, I witnessed Florida's tourism industry face its toughest challenge since the terrorist attacks of 2001 when the BP Deep Water Horizon oil well blew and much of the Gulf of Mexico was taken over by uncontrolled crude oil. Additionally, as a member of Visit Florida's Board of Directors, Florida's advertising and marketing agency, I saw first-hand how difficult it was to combat the negative perceptions that Florida faced throughout that crisis.

Florida's brand was damaged more than any other time in history. Visitors prior to the oil spill had impressions of Florida that included warm sunshine, blue waters, sugary white sand beaches, fresh seafood and a natural environment like no other.

Florida has spent $billions over the years to create this imaginary in the minds of its repeat and new visitors.

Tourism in Florida is big business.

- We hosted over 80 million visitors in 2009;
- We captured nearly 17 million vacations taken by Floridians;
- Collectively our visitors spent over $60 billion on travel last year;
- Generating nearly $4 billion in sales tax collections;
- What that means is more than 1/5 of Florida's sales tax dollars are paid by our visitors;
- And it also means jobs;
- Nearly a million Floridians are directly employed in travel and tourism.

By now you are fully aware of the $billions in damages that Florida's tourism industry has suffered. The question now is, "when will our industry be made whole on these losses?"

I would like to compliment Ken Feinberg and the Gulf Coast Claims Facility for getting our industry's emergency claims paid in recent months. While this process was not perfect, almost all of Florida's emergency claims have now been paid to affected tourism businesses.

It's no secret that virtually no industry business owner feels that Mr. Feinberg's recent protocol for long-term settlements is fair as it relates to covering our losses into the future. However, based on my recent discussions with Mr. Feinberg, I am very hopeful that he will consider our modeling and forecasting which speaks to our future losses from our perspective, and make the necessary adjustments to his formula. However, I should also point out that failure to modify this methodology (two times the eight months of losses in 2010 equals the long-term claim value) will only result in law suits and a considerable delay in the eventual deployment of these funds.

You should know that I believe Mr. Feinberg and his team continue to work hard toward a mutual resolve. I asked Mr. Feinberg this question just last week, and I would ask each of you to ponder this same question;

"What would this money do in the hands of the business owners, instead of the GCCF?"

- It would create jobs, lots of jobs!
- It would allow us to staff at higher levels and operate with normal buying frequency and expenditure ratios.
- It would provide for much needed capital improvements, subsequently creating more jobs.
- It would provide for redevelopment and new development in many cases, subsequently creating even more jobs.
- We could give our employees pays raises again.
- It would allow many of our employees to afford health insurance again.
- It will flow into the hands of our purveyors and vendors, resulting in even more of all the above.
- We could possibly pay dividends to our investors at levels which might give them the confidence to come off the sidelines and invest in the market again.

There are three other key needs you should be aware of:

1. All of our tourism-based businesses in Florida rely on "bed tax" dollars collected on hotel sales by our counties for marketing and advertising. Without these dollars it is impossible to compete with other states and other destinations domestically and abroad. Our revenue losses extrapolate to significantly reduced bed tax collections and we must make each county whole based on their respective losses. This is critical to our recovery process.
2. The fishing & seafood industries and our wildlife are critical to tourism and Florida's economy. I urge this committee to influence or obtain appropriate funding to restore and maintain the Gulf of Mexico fisheries and wildlife. Whether these funds come from the GCCF or not, NOAA and other key agencies continue to be underfunded in this regard.
3. We must continue to spend money on marketing efforts both domestically and internationally. Each time the media covers a new report published by someone from the scientific or academia communities, the rest of the world is reminded again about the uncertainties surrounding the well-being of the Gulf Mexico, its fisheries, and other natural resources.

Visit Florida still needs more money to advertise our brand as the negative perceptions are simply not gone. I plan to provide you with a follow-up survey to the original Y–Partnership study which was produced in June just after the oil spill.

I think the magnitude of the damage to Florida's brand will be made clear in these findings (see the original survey attached).

Lastly, while we all understand the need for less dependency on foreign oil, the risks of more drilling in the Gulf of Mexico need to be seriously considered. Estimates that I continue to read about show at most a "possible" $500 million economic impact as a result of drilling close in proximity to Florida's shores. These same studies also suggest that near-shore drilling in Florida will have little impact on gasoline prices paid at the pump.

We've seen what devastation one slip-up can bring to Florida's tourism industry, a $60 billion economic impact to Florida. When you also consider all other segments of Florida's commerce such as fishing, seafood, and real estate, it just doesn't make sense. Drilling exploration off Florida's shores changes our brand and image forever, a brand and image we have spent $billions to establish over the years.

Thank you very much for the opportunity to speak with you.

NOTE: The report entitled "VISIT FLORIDA: Gulf Oil Spill Research Report" dated June 18, 2010, submitted for the record has been retained in the Committee's official files.

The CHAIRMAN. The time of the gentleman has expired.

Let me just start with questions here, and the purpose of this hearing as we mentioned several times at the outset was the economic impacts and that is why we called those of you from the affected areas as to the impact of this de facto moratorium, and you all alluded to this a little bit. Let me be a little bit more specific.

Director Bromwich has said that the Bureau will never get back to the previous pace of permitting for the Gulf of Mexico. So if the Department continues, which obviously I would interpret as a slow down in the future prospectively, what impact would that have on you directly? And I want to ask Ms. Randolph, Mr. Chiasson and Mr. Giberga on that because you all represent parish port and economic company, and I know I have brutalized your name again, so I apologize for that. Ms. Randolph?

Ms. RANDOLPH. Mr. Chairman, the most difficult part of appearing here today was the ability to quantify for you, numbers for you what we anticipate. A continued permatorium will certainly affect us in a way that we may not be able to operate in the future. We are a parish of about 95,000 people. We are heavily dependent on the industry. The President promised me personally that he would send an economic team to the area to study the long-term impacts of this. That study has been conducted and concluded, I can get that report to you. There have been many suggestions about transitioning to other industries. But the here and now is that if we don't pick up the pace all the ancillary businesses, not the major oil companies, but the ancillary businesses which can't follow these oil companies to other parts of the world will go under, and therefore our tax base will be decimated.

The CHAIRMAN. Thank you very much. Mr. Chiasson.

Mr. CHIASSON. Thank you, Mr. Chairman. Let me make this statement. The term "uncertainty" is what we have used throughout this entire time, and it is uncertainty of what is going to happen with this industry and I think it is key to this answer.

If the industry knows what the pace of permits will be, which we don't know now, if we know what that pace is going to be we can plan, the industry can plan, but this uncertainty that we have been seeing, the industry cannot plan. They don't know what to do. And alluding back to what Parish President Randolph said, and what Secretary Angelle said about one of our tenants in Port Fourchon,

Coastal Distributors, that is just one example of a business who cannot wait. They will shut their doors in May if there is no difference in the amount of business that they can see, and right now it looks like they are going to have to shut their business down in May. A small business, obviously, but something that we are going to continue to see in Port Fourchon if we don't get permits moving in the Gulf of Mexico.

The CHAIRMAN. Mr. Giberga.

Mr. GIBERGA. Yes, Mr. Chairman, absolutely. There is no question that in our business and all the ancillary businesses that support us the issuance of drilling permits is the number one demand driver for our services. Without drilling permits there is no need for a drilling rig. If there is not a need for a drilling rig, there is not a need for our vessels. If there is not a need for our vessels, there is not a need for our mariners, there is not a need for the shipyards to support us and all the various ancillary shore-side support services, including Mr. Chiasson's port. I don't need his port anymore, so I will reduce and curtail my investment there.

So there is absolutely no question that a, and as Mr. Bromwich has and you have correctly quoted him, you know, he has said that he does not see us getting back to a level that existed prior to Macondo, and that is one of the reasons that some of us call it a de facto moratorium. Some of us call it a permatorium, you know, but we see it, unfortunately, from this Administration's vantage as a permanent feature in terms of our ability to execute the necessary work that is required in order to exploit the resources that are on the OCS.

So there is no question in our mind that we will have to deploy our vessels to foreign locations. That means that we will have to let go more of our mariners, that means mariners that live in north Florida and support the industries that are there, and I just want to observe that interestingly a large number of our mariners actually do live in north Florida, so it is not just unique to Louisiana. This is a regional problem and we will all be affected by it, and so I think we have to think of it in that manner.

The CHAIRMAN. Thank you very much. The gentleman from Massachusetts, Mr. Markey.

Mr. MARKEY. Thank you Mr. Chairman. Thank you, Mr. Jones, for being here, and our hearts go out to your family.

Let me ask each one of you this: The BP Deepwater Commission reported back to this Committee that from 2004 to 2009 fatalities in the offshore oil and gas industry in the United States were four times higher per person hours worked in the United States waters than in European waters, even though many of the same companies work in both venues.

We can just go across, would you support legislation that raised the safety standards in the United States to those of the other countries in the world which were mentioned in the BP Commission? We will just go right across, if we could begin with you, Mr. Overton.

Mr. OVERTON. I have not read the report.

Mr. MARKEY. Do you think the United States should have safety standards——

Mr. OVERTON. I do.

Mr. MARKEY.—as high as the rest of the world?

Mr. OVERTON. Absolutely.

Mr. MARKEY. Thank you. Mr. Jones.

Mr. JONES. Of course, and maybe if only one of those recommendations as to worker safety maybe my brother would still be here today if those had been implemented.

Mr. MARKEY. Mr. Giberga, do you think that we should have safety standards in our country equal to the other countries in the world that are drilling offshore?

Mr. GIBERGA. Sir, I think that we are all responsible for ensuring that we are operating safely but what I do say is that while those safety standards are being developed and while we are passing the regulations that we need to pass in order to effect them we don't have to shut our entire industry down.

Mr. MARKEY. Should we, Mr. Giberga, have safety standards equal to the standards that the European, the same standards that the companies abide by in European waters that result in four times less fatalities there, yes or no?

Mr. GIBERGA. Sir, we should have——

Mr. MARKEY. Yes or no, please. Do you support it or not?

Mr. GIBERGA. Sir, we should have the best safety standards——

Mr. MARKEY. In the world.

Mr. GIBERGA.—in the world and as far as I am concerned I would also note for you, sir——

Mr. MARKEY. That is all I need to know. Let me go to you, Mr. Chiasson. Do you believe that we should have safety standards equal to the European standards so that we don't have four times the fatalities as people working in the rigs because it is BP, ExxonMobil, same people, do you believe we should do that?

Mr. CHIASSON. Yes sir, I do.

Mr. MARKEY. You do. Thank you.

Ms. Randolph, do you believe that we should pass regulations and laws that ensure that we have the same safety as the same companies abide by off European waters?

Ms. RANDOLPH. Yes, I do.

Mr. MARKEY. So if this Congress does not pass that kind of legislation would your constituents be unhappy, Ms. Randolph?

Ms. RANDOLPH. Actually, we have seen most NTLs and everything associated with the Department of the Interior.

Mr. MARKEY. There have been no new laws passed since the accident.

Ms. RANDOLPH. That is correct.

Mr. MARKEY. Would you want new laws and regulations put on the books, Ms. Randolph, to protect your constituents that ensure that they run no higher risk than the same workers working for the same companies off European shores, would you want that for your workers?

Ms. RANDOLPH. I would rather see laws than the fiats that we are having right now.

Mr. MARKEY. So you would like to see safety laws passed that ensure that we protect those workers?

Ms. RANDOLPH. Yes, I would like to see it debated in the halls of Congress, not issued by the EPA.

Mr. MARKEY. We have already had a debate. We are waiting for the—I am trying to just have you say that you do want—that you want safety laws at least as strong as the Europeans get for the workers because we lost so many lives and so many injuries, so many families. What do you support, Ms. Randolph, please?

Ms. RANDOLPH. Actually we have people who live in Lafourche Parish who work throughout the world, Mr. Markey.

Mr. MARKEY. Thank you.

Mr. RANDOLPH. And they have been in Egypt.

Mr. MARKEY. Does it bother you that they are more at risk in the Gulf of Mexico——

Ms. RANDOLPH. In Egypt——

Mr. MARKEY.—than they are off of the coast of Europe in terms of the same company and the same safety standards?

Ms. RANDOLPH. Actually I am traveling to Norway tomorrow to experience what is out there. I do know that the people who work in the Gulf of Mexico are many of my friends' family members and neighbors.

Mr. MARKEY. Yes.

Ms. RANDOLPH. And safety is paramount for them.

Mr. MARKEY. So you want the highest standards.

Ms. RANDOLPH. Yes, sir.

Mr. MARKEY. So if Europe has the best standards and the same companies are abiding by the European standards, and there are four times fewer fatalities, wouldn't you want those standards?

Ms. RANDOLPH. Yes.

Mr. MARKEY. OK, great.

Ms. RANDOLPH. But I don't want the same standards as in Nigeria.

Mr. MARKEY. Thank you. I appreciate that. That is what I am saying. I am saying the highest standards, not the lowest. We are down with Nigeria in terms of accidents, unfortunately. We are not up with Norway and the other countries, so a big debate is going on here, and the oil companies are blocking—the same oil companies that say they want to drill are blocking our ability to improve safety standards. They are the ones stopping the legislation.

What would you say, Ms. Randolph, to the oil companies blocking safety legislation from moving even as they are in here trying to get more drilling? Do you want the safety to go along with it? Do you want that legislation to pass, Ms. Randolph?

Ms. RANDOLPH. Sir, in order for the permits to be issued the have to comply with the safety regulations.

Mr. MARKEY. No, safety has not been improved from—the recommendations have not been implemented. Do you want those recommendations to be made statutory to protect the workers?

Ms. RANDOLPH. They have been issued by the Bureau of Ocean and Energy.

Mr. MARKEY. I just want you to send a message to the oil industry: make yourself as safe as Europe is, the same companies. Why do people have to die at four times the rate? Can you say that to them here? They need to hear it.

Mr. GIBERGA. Mr. Markey——

Mr. MARKEY. No, no, I am not asking you the question. I am not asking you a question.

Mr. GIBERGA. I would say something.

Mr. MARKEY. Thank you so much.

Ms. RANDOLPH. I think what is happening here, sir, is that we probably have three times the amount of drilling going on here, and so it is difficult to actually compare.

Mr. MARKEY. What is your message, Mr. Jones, to them? Can you tell us from the workers' perspective?

Mr. JONES. And again, in my statement I did not say anything about the moratorium, but it has been a year and nothing has been passed as to improving safety regulations or doing anything to increase the protections to the people that are working on these rigs. There is no incentive for them to do anything different than what was done a year ago on April 20th of 2010.

The CHAIRMAN. The time of the gentleman has expired. I would just say that, and I am sure that we all want to hear responses to Mr. Markey's questions. If you did not have a chance to respond as he asked, obviously a written response would be very welcome by this Committee.

So, the Chair recognizes the gentleman from Florida, Mr. Southerland.

Mr. SOUTHERLAND. I appreciate the Ranking Member. I am not, I will tell you, never have been more enamored by European nations really in any way when compared to the greatness and the exceptionalism of this great nation, and I think we are a shining City on a Hill, and I am not afraid nor apologetic by recognizing that, so that kind of bothers me that in that parallel universe that the Ranking Member very well, I mean, noted that they are so admired.

I would like to ask, though, since, you know, we were polling, would each of you like a competent Federal Government that would have the courage and the intestinal fortitude of standing up and saying that they bore and bear, should bear some responsibility in preventing this accident after issuing 720 citations and refusing to rescind the Jones Act, and at least keeping the massive expansion of this accident from spreading? Would each of you like a Federal Government that had the intestinal fortitude that would admit when it is wrong and that it bears some responsibility in its incompetence to track and elephant in the snow, OK, to prevent this? Would you like a Federal Government that would do that?

Mr. OVERTON. Yes to both questions.

Mr. SOUTHERLAND. Thank you.

Mr. JONES. I want anyone and everyone who is responsible for my brother's death to be held responsible.

Mr. SOUTHERLAND. Including the Federal Government?

Mr. JONES. Everyone.

Mr. SOUTHERLAND. Including the Federal Government?

Mr. JONES. Everyone.

Mr. SOUTHERLAND. That would include——

Mr. JONES. If that is the case, then yes.

Mr. SOUTHERLAND. Yes, very good.

Mr. GIBERGA. Yes, sir, we absolutely need a Federal Government that regulates effectively.

Mr. SOUTHERLAND. Very good.

Mr. CHIASSON. I agree as well, and to mention some of the safety plans that were in place, I believe MMS approved some of those plans.

Mr. SOUTHERLAND. Sure.

Mr. CHIASSON. So that is a——

Mr. SOUTHERLAND. Right, but they don't want to talk about that.

Mr. CHIASSON. Right.

Mr. SOUTHERLAND. In the 400-page report that was issued to us with nine findings not one of the nine findings, not one gave any recognition that the Federal Government bore any responsibility. The only recommendations were to give more money, more expansion, more involvement because of this parallel universe where we raise Europe as the shining model, and I didn't ask—Ms. Randolph, do you want a Federal Government that is competent?

Ms. RANDOLPH. Yes, I do, and I agree with Mr. Jones that anyone and everyone responsible for his brother's death should be made accountable for it.

Mr. SOUTHERLAND. And I agree. Let me say this. Mr. Jones, you are a great brother. I am a funeral director by trade, and I will tell you it bothers me greatly that you have not received a phone call, that you have not received a personal visit. That is immoral. And so I want to make sure that the tenor of my questions recognize that there is a common decency that makes this nation great, and it bothers me, my heart hurts for you and your family and these children, so I want you to know that you have my deepest sympathies. That doesn't help, I understand that, but I want to recognize the bravery of you coming to this broken place, standing here for your brother and standing here for your family. I thank you. And it doesn't matter what side of the aisle that any of us sit on, we must not lose the fact that this was real people, real families trying to provide for their family to provide a better future. And so I would not want you to misinterpret my question. I am not callous. I am not hard, and I thank you for being here today.

Mr. JONES. Thank you for your comments, and I certainly understand what we are here about. I am here to give a different perspective.

Mr. SOUTHERLAND. I understand, and God bless you and your family, and please relay my deepest sympathies to your family.

Mr. JONES. Thank you.

Mr. SOUTHERLAND. Thank you. Mr. Chair, I yield back.

The CHAIRMAN. The gentleman yields back. The gentleman from New Jersey, Mr. Holt.

Mr. HOLT. I thank the Chair. I join my colleague in expressing personal sympathy of Members of this Committee to you and your family, and to all of the others whose lives were lost in the *Deepwater Horizon*, and sympathy to those whose lives and economic well being were shattered by this. That is what we are talking about: how we can have the best possible industry operating at the best possible standards.

Sure, America is great. We all don't wait just for the 4th of July to say so, but it is not a point of pride to be able to quote from the report that says from 2004 to 2009, fatalities, these are people, working people that the gentleman was talking about, fatalities in the offshore oil and gas industry were more than four times higher

than per person hours worked in U.S. waters than in European waters. They go on to say this is not necessary. It depends on the differing cultures and regulatory systems.

It is really in tribute to, in memory of those who died that we want to insist on the highest standards and to follow on what Mr. Markey said, somebody needs to send a message, and you can send it as we can send it to these industries, to these companies, that we can't go on like this. It is not worthy of America, it is not worthy of those hard working men whose lives were lost.

The *Deepwater Horizon* accident was not an exception, it was not an anomaly. I have here in front of me from the Bureau of Ocean Management Regulation and Enforcement, 79 events over the last decade, loss of well control, blowout injuries, fatality, fatal; blowout, fall; riser disconnect and blowout; loss of well control. I mean, this is off the Louisiana coast, off the Louisiana coast, off the Texas coast, off the Louisiana coast; Mississippi. Any one of these 79 events might have been the *Deepwater Horizon* event.

Now, the Chairman, I am not sure how much time remains, two minutes, so let me quickly change course a little bit and talk about what the Chairman said was the point of today's hearing, which is, loss of revenue. Let me first turn to you, Mr. Overton.

Have you seen the numbers? What I have seen is that there has been $23 billion in lost tourism, some hundreds of millions yet to be tallied in loss of fishing revenues. Are those numbers approximately right?

Mr. OVERTON. They are.

Mr. HOLT. How does this compare with the lost oil revenues? Has the oil pumping continued so that oil is still being extracted from the Gulf is it not?

Mr. OVERTON. It is.

Mr. HOLT. Can you put these losses in perspective, the economic losses in tourism and fishing?

Mr. OVERTON. Well, I can't do that quantifiably, but what I can say is that our losses have stifled the state's economy more so than any other episode that has happened in the state's history. We were already $7 billion behind where we needed to be. So the oil industry seems to be doing just fine. BP seems to be recovering in its stock price. Yet we are still left with the facts of not being recovered.

Mr. HOLT. Now I gather a lot of these small businesses can't just turn off and turn on again. Some of them have gone away.

Mr. OVERTON. Yes, they have, unfortunately.

Mr. HOLT. And would you say this is a direct result of the laxness, whatever the source of it is, that led to the *Deepwater Horizon* accident?

Mr. OVERTON. There is no question.

Mr. HOLT. Thank you, Mr. Chairman, and I thank the witnesses.

The CHAIRMAN. The gentleman's time has expired. the gentleman from Texas, Mr. Flores.

Mr. FLORES. Thank you, Mr. Chairman. I want to thank each of the witnesses for appearing here today and I would like to start with you, Mr. Jones.

Your description of the loss of your brother Gordon brings back painful memories about the loss of my brother back in 1978 from

a drilling accident, and so my heart has a natural empathy with you, so I am sorry for what happened to your family, and I think it does reenforce the importance of strong, sound safety regulations in this business, and that everybody that participates in this business use those regulations.

I think the Oil Spill Commission report, it started out by saying that there were a few bad actors in the Gulf of Mexico, but then it unfairly went on and painted the rest of the industry with a broad brush that said we had a systemic industry problems. I don't know what I can do, but I will see if I can get BP to give you a call, because they owe that to you.

Now, I would like to go on. Ms. Randolph and Mr. Chiasson, I am sorry for what has happened to your communities. As a person who used to operate across the Louisiana Gulf Coast and had a district headquarters in Morgan City, operated in Terrebonne and St. Mary and Lafourche Parish, I know what is happening to you all.

Mr. Giberga, did I get that right?

Mr. GIBERGA. Sure did.

Mr. FLORES. I have a question for you. You were trying to respond to Mr. Markey's comments about, and I think the two of you were, too, about the fact there has been an allegation that nothing has changed. There have been no new regulations. But as I understand it there has been a fair number of notices to leaseholders, NTLs as they are called in the business.

Why don't you walk through what the real story is here in terms of improved safety responsiveness?

Mr. GIBERGA. Thank you, Congressman.

There have been a number of—there were a number of recommendations that were issued early on following the disaster. Many of those were implemented as interim regulations and then final regulations, and the industry has engaged, I think, in an unprecedented attempt in order to not only try to understand these regulations, many of which were extremely complex, but do everything it could to immediately come into compliance with them.

I will try to keep this short. I appreciate that. The point I was trying to get to was that the allegations there has been no change in the safety standards in the Gulf of Mexico is patently false, is that correct?

Mr. GIBERGA. Well, it is absolutely false, sir.

Mr. FLORES. That is what I thought.

Mr. GIBERGA. If it were true, then I have no idea what the BOEM has been doing for the last several months.

Mr. FLORES. They have issued——

Mr. GIBERGA. They have been doing nothing but regulations.

Mr. FLORES.—hundreds of pages of new regulations on the Gulf of Mexico, and supposedly after all these regulations were issued and the moratorium was lifted people began to comply with the new permitting process, and they have begun to comply with that new permitting process, however very few permits are being issued.

You have sued, your company has sued the Federal Government, and you have—the Judge has found the Secretary of the Interior to be in contempt of court because of a deliberate slow down in the issue of permits. Tell us what your perspective is on what is really happening.

Commissioner Jones of the Railroad Commission a few minutes ago talked about the fact that there are allegations that nobody want to drill in the Gulf of Mexico anymore; that there are no permits, but that there are a slow down in the number of permits that are being requested. Why don't you tell us what is really happening from your perspective.

Mr. GIBERGA. Well, from our perspective and, of course, we are in the supply industry side of this, so we support offshore drilling efforts. From our perspective what we are seeing is a drastic reduction in activity on the OCS. Even though there was no moratorium that was ever issued in the shallow water, for instance, there has been a radical reduction in shallow water activity. Well, if there was no moratorium in the shallow water, where did all of that activity go?

Mr. FLORES. Right.

Mr. GIBERGA. It has been bottled up in a bureaucratic morass that has prevented those activities from advancing even though——

Mr. FLORES. I think we are getting your points. I have one more question I need to ask Mr. Overton.

Your industry has been adversely impacted by the spill. What will the impact of $4, $4.50 gasoline prices add to the pain that you are currently feeling?

Mr. OVERTON. Oh, there is no question that we don't want that either, and it is a tough situation for us to be in because clearly our visitors that come to Florida by vehicle, and even through the cost of an airline ticket will be impacted by the oil prices. But I would tell you that I don't think it is nearly as significant as the losses we have sustained over the past, you know, nine months now, eight months now. We don't want either, we don't want a loss to occur as a result of the oil spill, and we want gas prices to be low, and we are not against offshore oil drilling Our industry is not against becoming interdependent from foreign oil. We want that. But we also want to do it in a way that it makes sense to the commerce of Florida.

Mr. FLORES. Again, I want to thank Mr. Jones again. You have my condolences for your entire family.

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

Mr. LANDRY. Mr. Jones, I want to pass on my deepest condolences to your family as well. I, like Mr. Flores and yourself, have experienced a loss of loved ones, people that I knew, I grew up with people whose fathers had tragically been killed in oil and gas accidents, and I am looking at the Oil Spill Commission's report, and looking at how we can better protect those men and women on those platforms. I am actually in the process of drafting some legislation in regards to that. So, you have my commitment to work on the safety of the people up on the platforms.

Ms. Randolph, could you tell me, would you say that Lafourche Parish is a good example of America in the aspect of the amount of people who—middle class people there, indigents, some minimum wage earners. Tell the Committee the level of health care that you all have in Lafourche Parish.

Ms. RANDOLPH. Lafourche Parish is 100 miles long and we have three medical facilities. One that is actually a regional facility. The level of care within our community is, I would qualify as excellent simply because with more resources than the health community can bring in additional specialists, additional assistance in providing better health care. It is a cascading effect.

Mr. LANDRY. And you wouldn't say that many people in Lafourche Parish regardless of whether they have insurance or don't have insurance don't have access to that quality care.

Ms. RANDOLPH. That is correct. They all have access to this care.

Mr. LANDRY. And what is the driving point that brought that first-class quality health care to Lafourche Parish?

Mr. RANDOLPH. Certainly a successful energy industry and we are grateful to those who make certain that we do it correctly and there has to be oversight, better oversight than what MMS was doing at the time. We are grateful for those people.

Mr. LANDRY. So as they cripple our oil and gas industry they cripple our health care system in Lafourche Parish.

Ms. RANDOLPH. That is correct. I mean, it has that type of effect.

Mr. LANDRY. OK. One other question. During Hurricane Katrina, Lafourche Parish was a recipient of a lot of evacuees from Hurricane Katrina, is that correct?

Ms. RANDOLPH. That is correct. Many of the residents of New Orleans and Saint Bernard Parish escaped to Lafourche Parish, and one of the community centers where we house them was powered by a generator donated by BP.

Mr. LANDRY. Oh, that is what I wanted to ask. I am glad you—that was my next question because I am sure that this influx of evacuees certainly put a strain on the resources of the parish government.

Ms. RANDOLPH. That is correct.

Mr. LANDRY. And that is what I wanted to ask you. If there were any third party or if there were any corporate companies or businesses who came to that aid who helped you, and I guess you—so what you are saying is the oil and gas industry basically helped those people in a time of need even when your resources were strained.

Ms. RANDOLPH. When we needed a major generator at Port Fourchon in order to pump the gas to get to the other generators at the companies in order for them to recover, another oil and gas company provided us with that. It has been a good relationship.

Mr. LANDRY. And so, again, if they cripple our industry and they drive those people off of our shores, you got anybody else to turn to if we have another Katrina-like event?

Ms. RANDOLPH. Not at the present time.

Mr. LANDRY. OK. All right. Thank you.

One other question just real quick again. Could your tourism industry take $6 gas for the next 24 months?

Mr. OVERTON. That would be devastating.

Mr. LANDRY. More devastating than what you currently experience?

Mr. OVERTON. I don't know how to answer that for all of Florida, but certainly it would be for certain areas of Florida, yes.

Mr. LANDRY. Thank you.

The CHAIRMAN. The time of the gentleman is about to expire in one second. It has now expired.

Thank you very much. I want to thank the panel for coming—the gentleman from New Jersey.

Mr. HOLT. If I may, I would like to have a minute or two for a comment.

The CHAIRMAN. OK, I will conclude. I will recognize the gentleman for a couple of minutes.

Mr. HOLT. Thank you. First of all, I just want to say in general hearings are more useful, policy hearings are more useful if we are dealing with the facts. I mean, we just heard about a crippled industry. You know, oil profits have never been higher, but even more to the point, oil production from the Continental Shelf, Outer Continental Shelf has increased by more than a third in the last three years. It has reached an all-time high in 2010, and onshore it has increased by five percent also.

Furthermore, as for permits, there is no permatorium. Let us be clear. Here are the facts. According to Department of the Interior records, and Mr. Giberga, I am not sure where you were getting your numbers, but these are the official numbers. In 2009, so this is before the moratorium, before the blowout, the Department of the Interior averaged fewer than eight shallow-water permits per months. Since October of last year, so 2010, through the most recent month, so through February the Department is averaging six shallow-water permits. Well, six is not very much different from eight. Thirty-eight total since June of 2010, so six per month.

Moreover, even before the spill the number of shallow-water permits had been declining. They declined by about 30 percent during the last three years of the previous administration, the Bush Administration. So, right now there are 16 shallow-water permits pending, of which 11 were submitted in the month of March where we are right now, since March 1st, so the industry seems to think that permits are picking up.

Let us deal with the facts here. Thank you, Mr. Chairman.

The CHAIRMAN. Well, I thank the gentleman.

Ms. RANDOLPH. Please let us deal with the facts.

The CHAIRMAN. I thank the gentleman. We have had over a three-hour hearing, and we invited people that are impacted, and their testimony overwhelmingly, overwhelmingly was that there is an impact on their community notwithstanding the statistics that the gentleman from New Jersey cited. In fact, the panel before this, the Chairwoman of the Railroad Commission, stated a similar observation, and one of my colleagues here talked about this being fantasy land and how we come up with thoughts. Perhaps this is an example of that because the people we invited up here are testifying that this is how this has impacted them period.

I want to make one other observation. There has been some discussion here about—in fact a lot of discussion about the President's report. I have said over and over that Congress out to react after we get the facts, and the issue of the BOP was brought up several times. We don't know what happened with the BOP because the Commission did not look at the BOP, as Mr. McClintock said, and there is an investigation going on by the Coast Guard and by BOEM right now.

Now, I just want to point out for the record that report is not due until July of this year on the BOP. How can we completely tie the knot here unless we know what the facts are? And so when this report comes out we will respond in kind. But to suggest that we should just react because it is the nice thing to react I think once more quantifies that sometimes what we do here doesn't meet reality.

So, I just want to once again thank the witnesses for coming, for traveling this far. Your testimony is very, very much appreciated. There may be Members that would like to ask you further questions or follow up, or I will offer you. If you feel that a position that you had or a point that you had made wasn't as good as you felt it could have been, please feel free to elaborate.

With that if there is no further business before the Committee, the Committee will stand adjourned.

[Whereupon, at 1:12 p.m., the Committee was adjourned.]

○