



The largest US independent natural gas and oil exploration and production companies, high tech leaders investing more than earnings and 100% of cash flow to find, develop and produce energy for America.

Memorandum

To: Members, House Committee on Appropriations

**From: Bill Whitsitt
President, American Exploration and Production Council (AXPC)**

Date: June 17, 2008

Subject: Change in Offshore Access Policy Can Increase Energy Supplies and Benefit Consumers

Increasing access to offshore natural gas and oil resources, coupled with ongoing improvements in conservation and alternative energy approaches, can provide nearer-term supply and price benefits to consumers – residential, automotive, agricultural, commercial and industrial.

Policymakers should rethink past restrictive policies in light of today's national energy needs, technology improvements in the energy exploration and production sector over decades, and the solid environmental record of this sector that makes it a worldwide leader.

Policymakers should also be wary of opposition claims based on misunderstanding or even inadvertent erroneous conclusions about the energy industry and its operations. Consider:

- Expanded, responsible, offshore exploration and production may have the single greatest positive potential impact on our nation's energy future for decades as we bridge to new technologies for energy supply and use. That is far different than any claim that drilling alone is our long-term energy solution.
- Although offshore projects in new areas take years to be brought into production if successful, the prospect of more supply can have significant market effects long before the first cubic foot of natural gas or barrel of oil flows. In addition, supply consequences of access-restricting policy decisions of a decade or more ago that are being felt today should encourage us to change those policies for the future.
- Resource estimates for potential new offshore areas are a function of available information. Naturally areas that have not been available for exploration have relatively low resource estimate numbers. Conversely, in the Gulf of Mexico areas open for energy activity we have produced more than three times the originally-estimated amount of natural gas – and now believe that there is more than five times that amount left to discover and produce. The more we explore, the more we know.
- New leasing offshore is critical to keeping long-term natural gas and oil projects in the pipeline. Leasing comes at the beginning of a very complex, methodical and expensive geoscience and engineering process to determine exactly where energy resources may be and whether those discovered may be economically producible. That takes time. And more time is needed to design drilling programs, drill wells that may cost more than \$100-million each, evaluate results, and, if a project is successful, build infrastructure that may cost \$1-billion or more. All this may occur over many years, or a decade or more, in which not a penny of revenue is received. There is no incentive to waste time or have leases "inactive".

The members of the American Exploration & Production Council urge changes in offshore energy access policy that can lead to more natural gas and oil supplies for the benefit of consumers.

(202) 742-4300
www.axpc.us