

## **Safe, Compatible Offshore Exploration, Development and Production: Arbitrary “Buffers” Can Mean Less Energy, No Additional Benefit**

From the frozen tundra of the North Slope to the coast of Texas, the United States offshore exploration and production (E&P) industry has proven time and again that it can operate in sensitive areas to find, develop and produce natural gas and crude oil with minimal impact on the environment.

The area included in the Minerals Management Service's Eastern Planning Area of the Gulf of Mexico holds significant potential for oil and natural gas reserves. This is particularly true in an area known as the “stovepipe,” which was the northern part of the original Lease Sale 181 area. The stovepipe has never been included in any moratorium area prohibiting exploration.

Imports of oil and natural gas are at an all time high and are expected to increase substantially in the future. Despite the fact that the industry is operating at an unprecedented activity level, we are not able to grow domestic supplies of oil and natural gas. This is a direct result of the maturity of the oil and gas basins in the U.S. and our lack of ability to explore many of our best prospects – such as the stovepipe.

Some Floridians have demanded that no oil or gas drilling or production operations occur within 100 miles of Florida's coastline, including all portions of the stovepipe area which fall within this 100 mile limit. This 100-mile “buffer” is arbitrary and will, if it remains in place, continue to put significant natural gas resources off limits in waters that are also adjacent to Alabama, Mississippi and Louisiana and in which there has been safe and environmentally compatible oil and gas development for many years -- within 100 miles of the coast.

The E&P industry recognizes Florida's concerns regarding its beaches and its tourism industry. However, ensuring environmental and aesthetic compatibility of offshore operations should be based on engagement and thoughtful consideration of all relevant facts and circumstances prior to establishing limitations, including buffers such as offshore Florida, on exploration and production operations in federal waters or expanding or continuing moratorium areas by legislation or presidential decree.

The following should be helpful when considering Florida's demands:

**Fact #1:** Numerous oil and natural gas operations and production already exist within 100 miles of Florida's coastline (shown on attached maps). Much of this activity occurs in areas closer to Florida's coastline than much of the stovepipe area which Floridians want to be off limits. In 2004, daily production in the Gulf of Mexico within 100 miles of Florida was approximately 84,000 barrels of oil and 980 million cubic feet of natural gas (or approximately 5% and 10%, respectively, of total Gulf of Mexico production). If Florida's demands were taken to their logical extension, industry would be required to shut in this existing production.

**Fact #2:** Although there are no recognized State boundaries in Federal offshore waters, the MMS has recently published a map showing extended State boundaries in this area using the well established “rule of equidistance.” As shown on the attached maps, the stovepipe area would be considered within the extended boundaries of States of Alabama and Louisiana, and none of the stovepipe is within the extended boundaries of the State of Florida.

**Fact #3:** An Environmental Impact Assessment (EIS) has already been prepared on this area – and the findings were supportive of exploration and production activity. In connection with proposed Lease Sale 181 (2001), the Minerals Management Service (MMS) prepared an EIS to examine the potential impacts of oil and gas operations on the leases originally scheduled to be offered in the Sale. Among other things, the EIS assessed the likelihood of an oil spill, the possible migration path of any such spill and the affects of oil and natural gas

operations on air and water quality. The EIS concluded that the area with the highest probability of contact from an oil spill would be the Alabama coast and that the potential impact on the

Florida shore would be minimal. The EIS also found that there would be no adverse impact to air and water quality.

**Fact #4:** Oil and natural gas operations are conducted in harmony with the environment in most prospective offshore basins around the world. Exploration and production operations are conducted safely and efficiently in numerous sensitive regions, including the Gulf of Mexico (Texas, Louisiana, Mississippi and Alabama), the Caribbean offshore Trinidad, Cuba, Venezuela, Colombia, Mexico, the east coasts of Canada and South America, especially offshore Brazil, in the UK, Norwegian, Danish and Dutch sectors of the North Sea, in the Mediterranean offshore Italy, Turkey, Israel, Egypt and Tunisia, the west and south coasts of Africa, the Middle East, India and Bangladesh, SE Asia, China and Australia. Industry complies with the stringent operating conditions imposed by states and government.

Activities do not compromise important health, environment and safety standards. We are aware of no instance where a government imposes an outright, blanket ban on oil and gas exploration or production on any significant distance from their coastlines. In fact, in most of these areas, oil and gas operations occur within sight of the shoreline (although today with technology such as subsea wells it is possible to have far fewer facilities and to locate them over the horizon). Where drilling bans do occur in other jurisdictions, they are generally limited in area and are developed by considering and balancing all relevant issues (e.g., environment, tourism, fishing and need for energy resources). The needs of tourism and preservation of the environment can be effectively balanced with the economic benefits of oil and gas production.

**Fact #5:** The E&P industry has an excellent track record of conducting safe and environmentally sound operations in the Gulf of Mexico. There have been no significant oil spills from such operations in the Gulf of Mexico in the past 25 years. In the event of a spill, there are comprehensive plans in place to minimize impact to the water and area coastlines. We are aware of no documented evidence of oil from offshore exploration or production operations in the United States having reached shore from more than about 12 miles away.

**Fact #6:** The State of Florida is a major consumer of petroleum products and natural gas. According to data available from the Energy Information Agency, Florida is ranked third in total energy use in the United States, third in total petroleum consumption and 10<sup>th</sup> in natural gas consumption.

**Fact #7:** In a recent case involving an existing lease located within the stovepipe area, the State of Florida did not find that drilling would be inconsistent with its coastal zone management policies. This lease is located 97 miles from the westernmost point in Florida and is closer to both Louisiana and Alabama than Florida. There was no legitimate basis for Florida to find inconsistency which would provide a legal basis for the prohibition of oil and gas operations. Florida objected to drilling on purely political grounds and on that basis the MMS declined to issue a drilling permit.

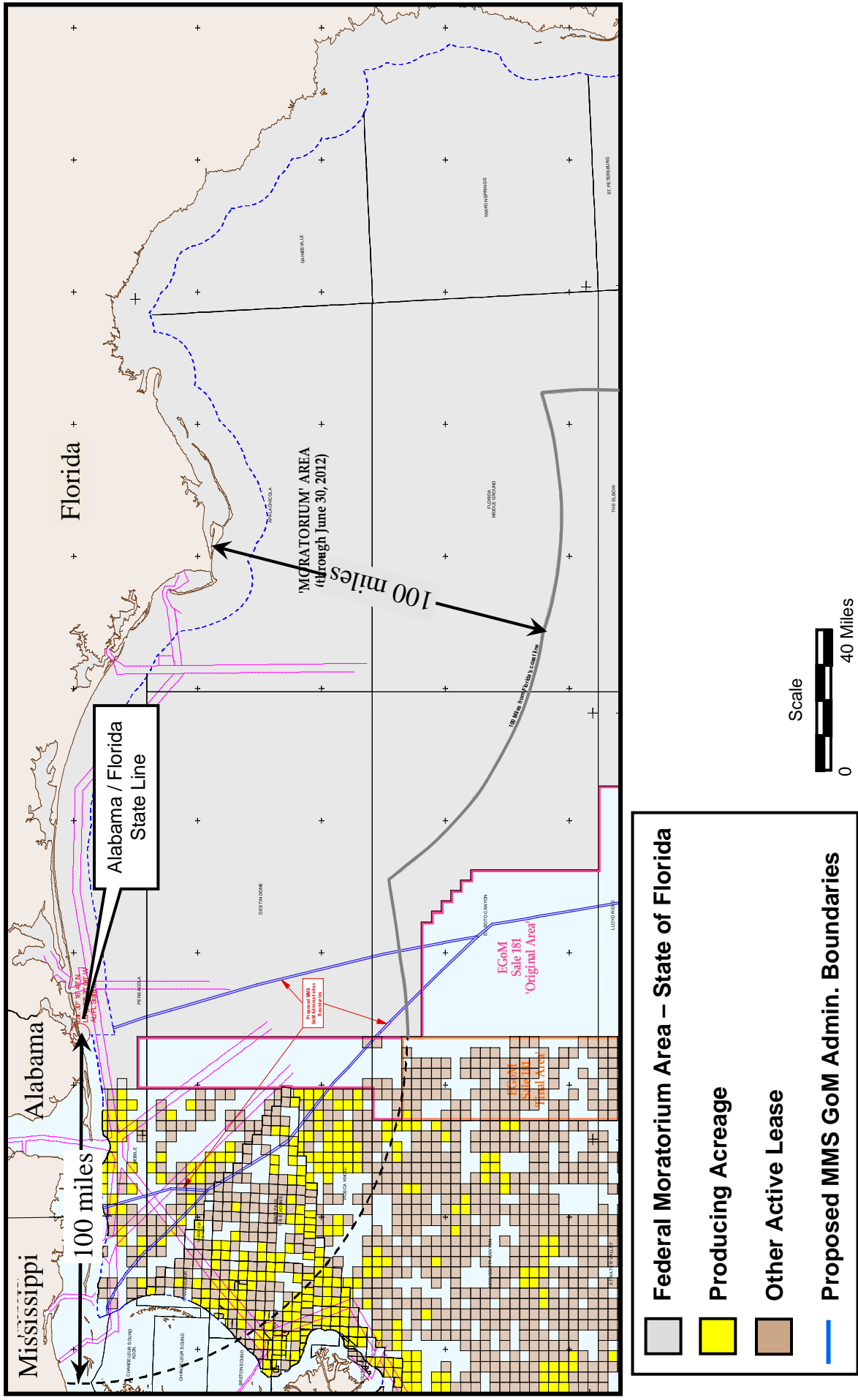
**Fact #8:** The discovery and production of oil and gas in the stovepipe area and the eastern Gulf of Mexico could help reverse our near-term dependence on imported hydrocarbons. The federal government has stated its desire to reduce our growing dependence on foreign oil. We have domestic sources of energy that can be tapped to aid in this effort.

**Fact #9:** Exploration for oil and gas creates good jobs and subsequent production would yield substantial royalties and taxes to the federal government. In the event Congress eventually authorizes revenue sharing with states from offshore oil and gas operations in federal waters, additional revenues generated from the stovepipe area would be shared with several states – except that an arbitrary 100-mile buffer around Florida would reduce those shares since it would prevent production off their coasts as well.

The above facts should be considered and debated prior to any Congressional or Presidential action that would arbitrarily restrict energy access within the original Lease Sale 181 area – an area that has never been subject to a moratorium on oil and natural gas exploration and production – or other offshore areas that can see safe, compatible exploration, development and production operations.

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# Current GoM Leases Proximity to Florida



# Current GoM Oil/Gas Fields within 100 Miles of Florida

