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The Honorable Bob Graham and The Honorable William Reilly  
Co-Chairs  
National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling  
One Thomas Circle  
Fourth Floor  
Washington, DC 20005

Dear Chairmen Graham and Reilly:

I am writing today to offer comment on behalf of the hundreds of companies that together make up the offshore energy industry.

The National Ocean Industries Association (NOIA) represents companies engaged in all aspects of domestic offshore energy production, including exploration -- both majors and independents -- production, equipment manufacture, service and supply, transportation and other related offshore support sectors. Either directly or indirectly, our member companies are all working to explore for and produce energy resources from the nation's Outer Continental Shelf (OCS) in a safe and environmentally sensitive manner.

The work of the Commission is, therefore, of particular importance to us. We urge the Commission to take into account two overarching issues of importance: first, the overriding importance of offshore energy to the nation's energy portfolio and future demands; and second, the work that industry has already done since April, through the efforts of a number of Joint Industry Task Forces, to ensure a similar accident can never again take place.

**Importance of Offshore Energy**

The OCS is a major component of the domestic energy supply for this country. Providing over 27% of the oil and 14% of the natural gas produced in this country, the OCS is vital to our energy security. Making sure the resources of the OCS are adequately surveyed and safely developed so they may play a role in providing future resources to the country will be critical in going forward toward enhancing our domestic energy security.

The United States has vast oil and natural gas resources in the OCS that should play a critical role in meeting America's future energy demand, providing jobs and fueling the economy. The Outer Continental Shelf of the United States is estimated to contain 420 trillion cubic feet of natural gas and 86 billion barrels of oil from untapped federal OCS resources.

It is important to bear in mind that these estimates may very well be conservative. The reason for such under-estimation is that many areas (like the Atlantic OCS) have not benefited from the use of new seismic and computer modeling technology and some areas remain largely unexplored. Although it is difficult to accurately estimate the amount of resources until the industry actually starts to develop an area, further exploration generally leads to increased resource estimates. For example, between 1995 and 2003, estimates of oil resources in the Central and Western Gulf of Mexico increased by over 400% (6.32 billion barrels to 33.39 billion barrels) while natural gas resource estimates in the area more than doubled (88.1 Tcf to 180.2 Tcf).

Nevertheless, even taking these current, conservative estimates as a baseline means developing these resources would translate into thousands of jobs for hardworking Americans and millions of dollars in government revenue. The offshore oil and gas industry in the Gulf of Mexico already supports nearly 200,000 jobs either directly or indirectly. Oil and gas royalty payments are the second largest revenue source to the federal treasury, trailing only income taxes. As funds from these royalties are dispersed through the Land and Water Conservation Fund, their economic impact is not limited to traditional oil and gas-producing regions, but reaches all 50 states and the District of Columbia.

In addition to fueling job-creation and economic recovery, these resources are essential to our country's future energy security. The oil and natural gas industry, by its nature, operates from a long-term perspective. Given global economic and population growth estimates, improvements in efficiency alone—or growth in alternative energy sources—will not be enough to meet our needs. We will need more energy both in the United States and around the world.

When considering the development of oil and natural gas resources, we must remember that U.S. domestic production comes from hundreds of thousands of wells in thousands of oil and natural gas fields, both onshore and offshore. With the exception of a few very large fields, the bulk of our current production comes from fields that can be characterized as only a few weeks or months of supply. Each discovery makes a proportional contribution to supplies of more than 10, 20, or in some cases, 50-plus years. Because of our significant demand needs, the United States requires a constant supply of new discoveries to replace declining production from existing and end-of-life wells.

### **Joint Industry Task Forces**

NOIA first announced plans for the formation of industry task forces to examine the response to the spill during my testimony before Congress on May 27, 2010.

Since then, two joint industry task forces have issued initial reports on lessons learned from the Deepwater Horizon spill, with recommendations for improving spill response and containment moving forward. The Joint Industry Oil Spill Preparedness and Response Task Force and the Joint Industry Subsea Well Control and Containment Task Force presented their findings in Houston to the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) in September and has also met with the Commission to brief its members and staff on the reports' conclusions.

By wasting no time in convening these Task Forces and staffing them with experts from a variety of companies, the offshore energy industry stepped up to the plate in response to the Deepwater Horizon tragedy. The reports are an indication of the tremendous effort and cooperation among industry and their trade organizations in response to the accident. Continued study, evaluation and financial resources are part of the recommendations.

The task forces comprise members from oil and gas industry trade groups including NOIA, the American Petroleum Institute (API), the United States Oil and Gas Association (USOGA), the Independent Producers of America Association (IPAA) and the International Association of Drilling Contractors (IADC).

Jay Collins, President and CEO of Oceaneering International and former NOIA Chairman, is co-chairing the Oil Spill Preparedness and Response Task Force with Keith Robson, Manager of Corporate Safety, Security, and Emergency Preparedness for Marathon Oil Company. Consisting of 60 members from 30 companies, this task force is examining spill response plans, oil sensing and tracking, dispersant use and application, in situ burning, mechanical recovery capabilities, shoreline protection and cleanup and alternative response technologies.

The preliminary findings of the Oil Spill Preparedness and Response Task Force indicate that due to the actions of many, only a fraction of the nearly 5 million barrels of oil and gas released at the Macondo well site actually reached shore, but that doesn't mean improvements in response and containment technology and methods are not necessary.

The use of dispersants proved to be a major tool in preventing oil from reaching shore, and the task force recommends more education concerning the use of dispersants, and continued research and development to improve and target the use of dispersants.

The task force also found that mechanical recovery methods, such as skimmers and vacuums, typically result in a fairly low percentage of recovered oil. While incremental improvements have been made over the last generation, continued research and development, particularly concerning increased storage capacity, is encouraged.

In situ burning proved to be a very useful arrow in the response quiver, but the task force recommends more research in fire boom design, pre-staging of fire boom and increased education and cooperation from regulatory agencies to shorten the time frame for approval of in situ burning.

One of the key factors in responding to an oil spill is knowing where the oil is located. While the task force noted the great advances that have been made in oil observation, scanning and sensing of oil, it recommends further research and development for advancing technologies in surface and subsurface oil sensing and tracking (i.e. satellites, modeling, sonar, high frequency radio wave methods, and laser fluorosensors.) Ranking of research and development projects and identification of potential funding of those projects is also recommended by the task force. Potential sources of funding include industry, both as individual companies or as joint efforts, state and federal governments, and research institutions.

Response plans in place at the time of the Macondo well accident received a great deal of attention by the press and Congress. The task force found that, in order to meet federal requirements, industry response plans were often very similar. Recommendations include additional information in response plans to address worst case discharges, better identification and use of potential available resources and additional training and availability of specifically trained personnel in spill response management.

The Subsea Well Control and Containment Task Force is chaired by Charlie Williams of Shell and has over 30 participants representing over 20 organizations. This task force is examining subsea intervention and containment on a well following a BOP failure or failure allowing flow outside of the casing at the wellhead.

This task force focused in the areas of well containment at the seafloor, intervention and containment within the subsea well, subsea collection and surface processing and storage, continuing research and development, and relief wells. The task force identified 29 recommendations including that industry must: own/provide containment technology and capability, develop capability to remove lower marine riser platform (LMRP) from blowout preventer (BOP) using a surface intervention vessel and remotely operated vehicle (ROV), develop new methods to release LMRP without riser tension, develop capability to remove damaged BOP for installation of new BOP in special situations, and develop capability to regain full functionality of BOP stack.

The reports can be viewed in their entirety on the NOIA website at [www.noia.org](http://www.noia.org).

### **Conclusion**

While the Macondo well accident has raised concern over off shore development safety – and rightfully so – it is important to note that the industry has a remarkable safety record over the long term. In the shallow water alone, 46,011 wells have been safely drilled in less than 1,000 feet of water since 1949. Looking specifically at more recent history, the same safety claims are borne out: 11,070 wells have been drilled in less than 500 feet of water in last 15 years, with a total of only 15 barrels of oil spilled. In fact, the actual worst case shallow water spill took place on March 8, 2003 offshore Louisiana, resulting in a total of only 10 barrels of oil spilled.

Spill totals don't tell the whole story of safety either. It is important to note that, according to the Bureau of Labor Statistics, oil & gas extraction has a lower injury rate than 89% of the total 134 million working Americans based on industry groups. The same report shows that Oil & Gas Extraction accounted for 21 of the 5,214 total fatal workplace injuries in 2008 – among the lowest number of fatalities across all industries.

Offshore energy production does not compromise either environmental or personnel safety when done correctly, and we have a long track record of doing just that. While the events of 2010 require a concentrated assessment of where further improvements must be made, let us not lose sight of the bigger picture and the historical record this industry has built over decades.

No one can absolutely promise that another accident will not occur, but this industry has shown the ability to learn from earlier accidents and to build on a solid base of safety. Can offshore resources be produced safely? Yes, and we look forward to continuing to work with the Commission to provide the opportunity to do so.

Sincerely,



Randall Luthi  
President