

Chris John, President
Louisiana Mid-Continent Oil and Gas Association
Testimony: U.S. House Subcommittee on Energy and Power
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Rayburn House Office Building – Room 2123

Chairman Whitfield, Ranking Member Rush, and members of the Committee, thank you for inviting me to address your committee concerning our nation's current energy picture. I was asked to focus my remarks on how America's energy security is influenced by international events, like those occurring in Egypt, and why we should be concerned. My remarks will focus on the importance of domestic oil production, and especially oil production in the Gulf of Mexico and the Gulf Coast region and its significance to America's energy security.

As the President of the Louisiana Mid-Continent Oil and Gas Association, I represent the companies that explore for, produce, refine, transport, and market crude oil, natural gas and petroleum products in Louisiana and the Gulf of Mexico. For the most part, my comments are based on the most current available data from publicly available sources, including the U.S. Department of Energy's Energy Information Administration (EIA).

Production and Consumption

I believe it is vitally important to focus on the energy reality facing America. Oil and gas resources – fossil fuels - are going to be the backbone of this nation's energy needs for decades to come. The DOE projects that at least 60% of our energy needs will come from oil and gas for the next 25 years. This percentage could easily increase depending on the effectiveness of renewables and other future energy sources. Of the oil that is produced domestically, 29% of

that oil is produced in the Gulf of Mexico – and that’s only in the central and western Gulf of Mexico since the Eastern Gulf is off limits to exploration. I will address the issue of access a little later in my comments.

The United States consumes 20 million barrels of oil per day. The U.S. produces roughly 7 million barrels of oil per day – or a little less than 1/3 of what we consume - and the other 13 million barrels we need are *imported* from other parts of the world. We do not produce enough oil domestically here in the U.S. to take care of our needs, and anytime there is a threat, or a perceived threat, of an oil supply disruption, the immediate reaction is concern and increased oil prices. At the time of preparing my remarks, the price of Brent Crude was \$99.65 per barrel, and it has hovered around \$100 in recent weeks.

Before the *Deepwater Horizon* incident on April 20, it was projected that Gulf of Mexico oil production would climb to about 2 million barrels of oil per day (2.0 MMBBLs/D) early this decade. This would be a 22% increase from 2010 production (1.64 MMBBLs/D). DOE production estimates for this year, 2011, are 13.5% less than 2010 production (1.42 MMBBLs/D), and for 2012 even less, down 24% from 2010 levels (1.25 MMBBLs/D). The point here is that instead of oil production increasing to help meet our nation’s energy needs and moving toward energy security, we are going in the opposite direction and producing even less, making us more dependent and even more vulnerable to events and situations in other parts of the world.

OCS Access

75% of OCS waters in the U.S. are currently off-limits to drilling activity. It has been estimated by the MMS (predecessor to the BOEMRE) that these areas contain 18.17 billion barrels of technically recoverable but undiscovered oil and 77.17 trillion cubic feet of natural gas. Of these areas, the Eastern Gulf of Mexico alone is estimated to contain almost 4 billion barrels of crude oil. These numbers were produced in 2003 and are very preliminary and conservative. The only way to improve the accuracy of the numbers is to do the seismic analysis and drill the wells. Inevitably, these numbers will go up significantly when exploration begins. The point is: we have significant domestic oil and gas resources available to us – but off limits - on the federal OCS.

Refining Capacity in the Gulf Coast Region

Refineries in Gulf Coast states are also vitally important to the nation's overall energy security and are a major component of the U.S. energy supply chain. While refining capacity in the United States is about 17.6 MMBBLs/D, nearly half of that capacity (48%) is located in the Gulf States of Louisiana, Texas, Mississippi, and Alabama. Most of the energy needs of the northeastern and southeastern United States are met by oil produced in the Gulf of Mexico, or imported, and refined in Gulf Coast refineries.

Employment

Jobs are another critically important aspect of Gulf of Mexico oil and gas activity, and the oil and gas industry is critical to America's economy. Not only does it produce the energy that fuels America, but it produces millions of jobs. According to a recent American Petroleum Institute study, our domestic oil and gas industry supports 9.2 million American jobs and adds more than \$1 trillion to the national economy. According to a study done for my Louisiana Mid-Continent Oil and Gas Association, there are over 320,000 jobs in Louisiana alone dependent on the oil and gas industry.

Many of the oil and gas industry jobs in Louisiana are dependent on oil and gas activity in the Gulf of Mexico. With the imposition of the deepwater moratoria and resulting permitting delays associated with new BOEMRE regulations, a number of these jobs are at risk. To give you some idea of the impact: It has been estimated that each working deepwater drilling rig employs 230 workers. Furthermore, each working rig has been estimated to employ 920 indirect support workers. Therefore, with 33 deepwater rigs idled since the moratoria, 38,000 jobs have been affected and remain at risk. (Data from Greater New Orleans Inc. study, January 13, 2011) While the industry has kept many of these workers employed awaiting final permit decisions, the final numbers will depend on how many deepwater rigs go back to work and how soon they go back to work.

In closing, I hope that my remarks have highlighted the importance of domestic oil production, and especially oil production in the Gulf of Mexico and the Gulf Coast region and its significance to America's energy security. By increasing domestic oil production, we will enhance America's energy security by insulating the nation's economy from supply and price disruptions. Increasing domestic oil production will also increase jobs and continue to play a pivotal role in driving America's economy.

Remember: Energy security means economic security which provides national security.



LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION

730 NORTH BOULEVARD, BATON ROUGE, LA 70802-5727
TELEPHONE (225) 387-3205 FAX (225) 344-5502
E-MAIL info@lmoga.com

Chris John, President Louisiana Mid-Continent Oil and Gas Association

Chris John was named President of the Louisiana Mid-Continent Oil and Gas Association in August, 2007. Immediately prior to joining Mid-Continent, Chris was Managing Director of Ogilvy Government Relations in Washington, D.C., representing the firm's clients in matters dealing primarily with energy legislation in Congress.

Chris is a Louisiana native and former Congressman, representing southwestern Louisiana, the 7th Congressional District, from 1997 to 2005 in the United States House of Representatives. While in Congress, he served on the U.S. House Energy and Commerce Committee. A conservative Democrat, he is also a former member of the Louisiana House of Representatives, serving from 1987 to 1995, where his committee assignments included the House Natural Resources Committee.

Chris was born in Crowley, Louisiana, one of six children. His father, John N. John, Jr., served in the Louisiana House of Representatives, and his grandfather established the family's business, John N. John Truck Line, in 1925.

Chris graduated from Louisiana State University with a Bachelor of Science in Business. He is married to Payton Smith of Leesville, Louisiana, and they are the parents of twin boys.

Contact Information:

Chris John, President
Louisiana Mid-Continent Oil and Gas Association
730 North Boulevard
Baton Rouge, Louisiana 70802
225.387.3205 phone; 225.344.5502 fax
Chris.john@Lmoga.com