

**EXAMINING SPENDING PRIORITIES
AND MISSIONS OF THE BUREAU OF
OCEAN ENERGY MANAGEMENT,
REGULATION AND ENFORCEMENT
AND THE PRESIDENT'S FY 2012
BUDGET PROPOSAL**

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hearing held on Wednesday, March 30, 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 J., a Representative in Congress from the State of Massachusetts	4
Prepared statement of	5
Statement of Witnesses:	
Bromwich, Hon. Michael R., Director, Bureau of Energy Management, Regulation and Enforcement (BOEMRE), U.S. Department of the Interior	6
Prepared statement of	9

**OVERSIGHT HEARING ON “EXAMINING THE
SPENDING PRIORITIES AND THE MISSIONS
OF THE BUREAU OF OCEAN ENERGY MAN-
AGEMENT, REGULATION AND ENFORCE-
MENT (BOEMRE) AND THE PRESIDENT’S
FY 2012 BUDGET PROPOSAL.”**

**Wednesday, March 30, 2011
U.S. House of Representatives
Committee on Natural Resources
Washington, D.C.**

The Committee met, pursuant to call, at 10:04 a.m. in Room 1324, Longworth House Office Building, Hon. Doc Hastings, [Chairman of the Committee] presiding.

Present: Representatives Hastings, Lamborn, Wittman, Fleming, Thompson, Rivera, Duncan, Tipton, Labrador, Southerland, Flores, Landry, Johnson, Markey, Kildee, Grijalva, Boren, Sarbanes, Tsongas, and Garamendi.

**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 examine the spending priorities and missions of the Bureau of Ocean Energy Management, Regulation and Enforcement and the President’s Fiscal Year 2012 Budget Proposal.

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 if any Member wishes to submit a statement for the record, they will be included in the record. Without objection, so ordered.

The Chair now recognizes himself for an opening statement.

The Bureau of Ocean Energy Management, Regulation and Enforcement is tasked with the very important role of ensuring the safety and responsible development of our offshore energy resources.

Given what is at stake, it is vital that this agency operate efficiently and aggressively to both encourage American energy production and ensure that it is done in the safest way possible. Although it took far too long, the Administration has started issuing a very small number of deepwater drilling permits, and after months and months of no permits, they are now coming at a slow pace.

Clearly, key questions at this hearing will include the pace of permitting and the certainty employers and leaseholders need in order to operate. Yet, I want to highlight one important point. The

fact that Director Bromwich, Secretary Salazar, and the Obama Administration have approved the few recent permits to drill very clearly demonstrates, in my mind, that they believe offshore development drilling can go forward safely.

This is a clear declaration that the Obama Administration has confidence that drilling can and will be conducted safely and they deserve credit for these actions. Yet, I do believe that we must act more swiftly on these permits. The need to act will I don't doubt require additional resources and inspectors. The question is how much. During times of record debt and deficits, Congress cannot and should not simply hand over millions of taxpayer dollars without knowing exactly how this money will be spent.

The President's Fiscal Year 2012 budget for BOEM proposes \$119 million, or a 50 percent increase above the 2010 levels. I hope today to hear specific details on how this increase would specifically be used to resume offshore drilling.

As I have stated before, bigger government does not equal better government. Extra funding should improve the process, not add new layers of bureaucracy. I also believe that enhanced funding should come from existing revenues generated from energy production. It should not be paid for by imposing new or higher taxes on American energy production. This simply leads to higher gas prices at the gas pump.

Yesterday, I introduced three bills to increase American offshore energy production. Together these three bills will, one, end the de facto moratorium on the Gulf of Mexico by requiring the Secretary to act on permits in a timely manner. Second, require that lease sales be held in offshore Virginia and the Gulf of Mexico, lease sales that were canceled or delayed by this Administration. And third, lift the moratorium on new offshore drilling by focusing drilling in areas with the most known natural gas and oil reserves.

The Subcommittee on Energy and Mineral Resources will hold a legislative hearing on three bills next Wednesday, April 6. This is the next step in the Committee's active effort to produce more American-made energy.

Now before concluding, I am compelled to comment on a report issued yesterday by the Department of the Interior regarding inactive and active leases. To be blunt, this report invents the inactive definition used to label two-thirds of Gulf leases as inactive. This definition of inactive doesn't exist in law or regulation. It contradicts information posted March 1 on the Interior Department's own website.

In fact, the report's definition for inactive offshore leases directly contradicts the definition used for onshore leases. This inventive definition allows the Administration to mischaracterize two-thirds of the Gulf as inactive. It appears this inventive definition was used to generate headlines and I have to say that disturbs me. But this Committee will continue to focus on energy development. We will move forward to take positive actions that will unlock America's energy resources to create new jobs and strengthen our national security by lessening our dependence on foreign energy.

And with that, I yield back the time and recognize the gentleman from Massachusetts, Mr. Markey.

[The prepared statement of Chairman Hastings follows:]

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

I believe all Americans understand the importance of energy production to our everyday lives. It's critical to our country's livelihood, our economic competitiveness and our national security.

Offshore oil and natural gas production directly supports tens of thousands of jobs throughout the country, generates millions in federal revenue, and provides us with American energy to lessen our dependence on foreign countries.

The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) is tasked with the very important role of ensuring the safe and responsible development of our offshore energy resources.

Given what's at stake, it's vital that this agency operates efficiently and aggressively to both encourage American energy production, and ensure it's done in the safest way possible.

Although it took far too long, the Administration has finally started issuing a very small number of deepwater drilling permits. After months and months of no permits, they now come at a slow, lagging pace.

To date, only seven deepwater permits have been approved since the moratorium was officially lifted last October. To put this into context, there were 52 permits in the Gulf of Mexico that were approved before the Administration halted all activity in May 2010. It's been over 10 months and yet over 40 projects that were already approved and underway and still waiting to resume work. Thousands of Americans in the Gulf are out of work, and the agency needs to act to get them back on the job producing American-made energy.

Clearly, key questions at this hearing will include the pace of permitting and the need to provide certainty for employers and leaseholders on how the permit process operates.

Yet, I want to highlight one very important point. The fact that the Director Bromwich, Secretary Salazar and the Obama Administration have approved the few, recent permits to drill very clearly demonstrates they believe offshore deepwater drilling can safely go forward. This is a clear declaration that the Obama Administration has confidence that drilling can and will be conducted safely. They deserve credit for these actions, yet they must act more swiftly to get the Gulf back to work.

The need to review and act on permits more swiftly will, I don't doubt, require additional resources and additional inspectors. The question is how much?

During times of record debt and deficits, Congress cannot and should not simply hand over millions of taxpayer dollars without knowing exactly how this money will be spent.

The President's FY 2012 budget proposal includes a \$358.4 million request for BOEM. This is \$119.3 million, or a 50 percent increase, above FY 2010 levels.

I hope to hear today specific details on how the President arrived at the \$358.4 million figure in the budget request and how specifically it will be used to resume offshore drilling.

As I've stated before, bigger government does not necessarily equal better government. This extra funding should improve the process, not add new layers of bureaucracy.

I also believe that enhanced funding should come from existing revenues generated from energy production—it should not be paid for by imposing new or higher taxes on American energy production. If you make energy more expensive to produce, you will make it more expensive to purchase. This is the last thing Americans need with gasoline prices climbing towards \$4 per gallon.

Addressing high gasoline prices, creating new jobs and reducing our dependence on foreign energy are what led me to introduce three bills yesterday to increase American offshore energy production. Together, these three bills will:

- end the *de facto* moratorium in the Gulf of Mexico by requiring the Secretary to act on permits in a timely manner,
- require that lease sales be held in offshore Virginia and the Gulf of Mexico that were canceled or delayed by the Obama Administration,
- and lift the moratorium on new offshore drilling by allowing drilling to occur in areas with the most oil and natural gas resources.

A legislative hearing will be held on these three bills next Wednesday, April 6th by the Energy and Mineral Resources Subcommittee.

These are just the first of what will be an array of bills that this Committee will consider and act upon as part of the House Republican American Energy Initiative.

Before concluding, I am compelled to comment on the report issued yesterday by the Department of the Interior regarding active and inactive leases.

This report was prepared at the direction of the President at his press conference two weeks ago to defend his Administration's policies in the face of rising gas prices.

To be blunt, this report flat-out invents the inactive definition used to label two-thirds of Gulf leases as inactive. This definition of inactive doesn't exist in law or regulation. It contradicts information posted March 1st on the Interior Department's own website. In fact, the report's definition for inactive offshore leases directly contradicts the definition used for onshore leases.

This invented definition allows the Administration to mischaracterize two-thirds of the Gulf as inactive.

It also bears stating that under this invented definition, for the past 10 months, the Administration has single-handedly prevented any lease-holder to become active due to its refusal to issue new exploration or development plans.

It appears this invented definition was used to generate headlines.

This Committee will continue to be focused on energy development. We will move forward to take positive actions that will unlock America's energy resources to create new jobs and strengthen our national security by lessening our dependence on foreign energy.

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

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

For too long the Interior Department agency charged with overseeing the offshore oil and gas industry was nothing more than a rubber stamp. The former offshore regulator, the Minerals Management Service, MMS, came to stand for Malfeasance, Mismanagement and Spills. But under the leadership of Secretary Salazar and Director Bromwich, this troubled agency is being completely reformed from being a lapdog into being a watchdog.

This budget request represents an investment in the safety of our workers, our economy, and our environment. We cannot afford to have more lives lost and more livelihoods destroyed because of lax oversight and regulation of the offshore oil and gas industry.

Just last week, it was uncovered that the ultimate failsafe device touted by the industry, the blowout preventer, may be that in name only. The independent contractor for the Interior Department, Det Norske Veritas, concluded that it was the force of the blowout at the *Deepwater Horizon* that caused the drill pipe to buckle and move and kept the blowout preventer from sealing the well. In other words, the blowout preventer failed because there was an actual blowout. Far from being a failsafe device as the oil industry claimed, it appeared that blowout preventers may be sure to fail if a blowout is underway.

However, rather than focusing on the need for reform, today we are going to continue to hear the same speed-over-safety mantra from the Majority that led to the BP spill.

Just yesterday, the Majority introduced legislation that would not make drilling safer and could put our beaches from California to Florida more at risk for another catastrophic spill.

When the American people demanded a "spill bill" following the BP disaster, they didn't mean legislation that could actually increase the chances of another spill occurring. And the Majority talking points about a de facto moratorium continued to be unsupported by any actual facts. The Interior Department has approved seven deepwater drilling permits in the last month, exceeding the monthly average in 2009 before the spill. The Department has also approved the first deepwater drilling plan with new environmental review.

Because the Majority continues to block spill safety legislation I am worried that these new permits have been issued, not too late, but perhaps too soon. I believe that in light of the questions that now surround the adequacy of blowout preventers to do their job and the failure of proper oversight and the failure of this Committee and the Congress to act, the speed at which we are allowing industry to return to “business as usual” is “risky business.”

Thus far, this Committee has not done the job to oversee the safety of offshore drilling. We have not held a single hearing on legislation to improve safety. We have not heard from BP, TransOcean, Haliburton or any of the companies involved in the Gulf’s spill, despite my request for such a hearing.

We have not heard from Exxon/Mobil, Chevron, Shell, Conoco Phillips or other companies that are the leaders of this industry on what, if any, safety reforms they are making, despite my request that they testify before the Committee. We have not heard from DNV on their forensic analysis of the BP *Deepwater Horizon* blowout preventer or from Cameron, the company that makes these devices.

But what we have heard just yesterday is a news report issued by the Interior Department that oil companies are just sitting on tens of millions of acres of public land which contains tens of billions of barrels of oil.

According to the report, 70 percent of the offshore public land held by oil companies is going unused, matching the average onshore for the past decade. Oil companies have apparently been engaged in a de facto moratorium on new drilling until prices climb even higher. That is why Representative Holt and I have introduced our bill. It is legislation to create incentives for oil companies to drill on the public land and water they already have under a lease.

I commend Director Bromwich and Secretary Salazar on the reforms that they have already implemented and I look forward to their testimony here today.

[The prepared statement of Mr. Markey follows:]

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

For too long, the Interior Department agency charged with overseeing the offshore oil and gas industry was nothing more than a rubber stamp. The former offshore regulator, the Minerals Management Service—MMS—came to stand for Malfeasance, Mismanagement and Spills. But under the leadership of Secretary Salazar and Director Bromwich this troubled agency is being completely reformed from a lapdog into a watchdog.

This budget request represents an investment in the safety of our workers, our economy and our environment. We cannot afford to have more lives lost and more livelihoods destroyed because of lax oversight and regulation of the offshore oil and gas industry.

Just last week it was uncovered that the ultimate fail safe device touted by the industry—the Blowout Preventer—may be that in name only. The independent contractor for the Interior Department, Det Norske Veritas, concluded that it was the force of the blowout at the Deepwater Horizon that caused the drill pipe to buckle and move and kept the blowout preventer from sealing the well. In other words—the blowout preventer failed BECAUSE there was an actual blowout. Far from being a “failsafe” device as the oil industry claims, it appears that blowout preventers may be “sure to fail” if a blowout is underway.

However, rather than focusing on the need for reform, today we are going to continue to hear the same speed-over-safety mantra from the majority that led to the

BP spill. Just yesterday, Republicans introduced legislation that would not make drilling safer and could put our beaches from California to Florida more at risk for another catastrophic spill. When the American people demanded a "spill bill" following the BP disaster, they didn't mean legislation that could actually increase the chances of another spill occurring.

And the Republican talking points about a "de facto moratorium," continue to be unsupported by any actual facts. The Interior Department has approved 7 deepwater drilling permits in the last month, exceeding the monthly average in 2009 before the spill. The Department has also approved the first deepwater drilling plan with new environmental review.

Because Republicans continue to block spill safety legislation, I am worried these new permits have been issued not too late, but perhaps too soon. I believe that in light of the questions that now surround the adequacy of blowout preventers to do their job and the failure of this committee and this congress to act, the speed at which we are allowing industry to return to "business as usual" is "risky business."

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But what we have heard just yesterday in a new report issued by the Interior Department is that oil companies are just sitting on tens of millions of acres of public land, which contain tens of billions of barrels of oil. According to the report, 70 percent of the offshore public land held by oil companies is going unused, matching the average onshore for the past decade. Oil companies have apparently been engaged in a de facto moratorium on new drilling until prices climb even higher. That's why Rep. Holt and I have introduced our USE IT legislation to create incentives for oil companies to drill on the public land and water they already have under lease.

I commend Director Bromwich and Secretary Salazar on the reforms they have already implemented and I look forward to your testimony today.

The CHAIRMAN. I thank the gentleman for his statement and now we are ready to hear from our only witness today, Mr. Michael Bromwich, the Director of the Bureau of Ocean Energy Management, Regulation and Enforcement.

And like witnesses that appear in front of the Committee, your written statement will appear in its entirety in the record. I would ask that you keep your oral remarks to five minutes. I know sometimes that is difficult. I will say, however, at the last hearing we had, we had a panel of five that were just absolutely excellent, Director Bromwich, so the pressure is on to keep that record going.

I will also note that there are timing lights in front of you. The green light goes on when you have five minutes. When the yellow light goes on, you have 30 seconds. And obviously, when the red light goes on, the time is up. So once again, Mr. Bromwich, thank you very much for taking the time to be here, and you are recognized.

**STATEMENT OF HON. MICHAEL R. BROMWICH, DIRECTOR,
BUREAU OF ENERGY MANAGEMENT, REGULATION AND
ENFORCEMENT [BOEMRE], U.S. DEPARTMENT OF THE
INTERIOR**

Mr. BROMWICH. Thank you, Mr. Chairman, Ranking Member Markey, and members of the Committee.

I very much appreciate the opportunity to testify today on the subject of the spending priorities and missions of the Bureau of Ocean Energy Management, Regulation and Enforcement.

Over the past nine months, we have carefully reviewed and examined our ongoing operations and responsibilities, as have bodies ranging from the President's Commission on the BP Oil Spill to DOI's Inspector General to the Department's OCS Safety Oversight Board to multiple committees of the House and Senate.

The President's Fiscal Year 2012 budget request reflects the insights of these reviews and examines and supports the most aggressive and comprehensive reforms of offshore oil and gas regulation and oversight in U.S. history.

Our Fiscal Year 2012 request is \$358.4 million, an increase, as the Chairman noted, of \$119 million over the Fiscal Year 2010 and active budget after making certain adjustments. The request is offset by \$151 million in offshore rental receipts, cost recovery fees, and \$65 million in inspection fees.

Now these additional resources are essential to effectively protect our nation's natural resources as well as to address the need for an efficient, effective, transparent, and stable regulatory environment.

On April 20, 2010, as we all know too well, the *Deepwater Horizon* rig lost control of the Macondo Well. The loss of well control resulted in an explosion, fire, and the eventual sinking of the rig—a disaster that killed 11 workers, seriously injured many others, and ultimately resulted in the release of nearly 5 million barrels of oil into the Gulf of Mexico, creating the largest oil spill ever in American waters.

The *Deepwater Horizon* blowout and oil spill exposed serious deficiencies in the regulatory framework for offshore drilling. Since that time, we at BOEM have worked hard to address these deficiencies and to restore public confidence in oil and gas drilling offshore.

As you know, on January 11 of this year, the President's Commission released its full report containing key findings from its extensive investigation into various issues relating to the blowout of the Macondo Well. The Commission concluded that weaknesses have existed for many years in the regulation and oversight of offshore drilling, stemming largely from conflicting missions, a lack of authority, lack of resources, and insufficient technical expertise.

The reorganization and related reforms that would be funded by this budget request are intended to address these shortfalls while at the same time allowing for continuity of operations and ongoing exploration and production activity.

The *Deepwater Horizon* tragedy has shaken government and industry out of the complacency and overconfidence that had developed over the past several decades and has resulted in necessary new regulations. We have promulgated new prescriptive regulations to bolster safety and to enhance the evaluation and mitigation of environmental risks. We have introduced for the first time performance-based standards similar to those used by regulators in the North Sea.

These important steps have been accomplished through two new rules announced in the fall of 2010 that raised standards for the

oil and gas industries' operations on the OCS. The first rule is the drilling safety rule, which was an emergency rule prompted by *Deepwater Horizon* that has put in place tough, new standards for well design, casing, and cementing and well equipment, including blowout preventers. For the first time, operators are now required to obtain independent, third-party inspection and certification of each stage of the proposed drilling process.

The second rule is the workplace safety rule, which aims to reduce the human and organizational errors that lie at the heart of many accidents and spills. As a result of these new regulations, operators are now required to develop a comprehensive safety and environmental management program that identifies the potential hazards and risk reduction strategies for all phases of activity.

Now in addition to these new rules, we have issued Notices to Lessees that provide additional guidance to operators for complying with existing regulations. We issued them in June of 2010, in December of 2010, and again one earlier this week.

We think this information will help BOEM evaluate operators' compliance with current spill response regulations and help operators understand what is expected of them.

The aim of the reorganization is to create three strong, independent entities to carry out the missions of promoting energy development, regulating offshore drilling, and collecting revenues. In the past, these three conflicting functions resided within the same bureau, creating the potential for internal conflicts of interest among the objectives of the agency. This process began on May 19 when Secretary Salazar signed an order which dissolved MMS and called for the establishment of three new entities consisting of No. 1, the Bureau of Ocean Energy Management, No. 2, the Bureau of Safety and Environmental Enforcement, and No. 3, the Office of Natural Resources Revenue. I will skip the detailed descriptions of those agencies in the interest of time.

The budget request calls for additional resources for a number of critical functions. One is an increase in inspection capacity; a second is an investment in permitting; third, it is an expansion of NEPA and environmental studies staff; fourth is additional support for high priority environmental studies; fifth, funding for an environmental and operational oversight compliance program for the first time; sixth, an investment in engineering studies; and finally, last but not least, an increase in oil spill research.

So, in closing, as I have said, the *Deepwater Horizon* tragedy exposed significant weaknesses in the way this agency has historically done business. It had simply not had the resource to provide an appropriate level of regulatory oversight of offshore oil and gas development. These shortcomings have become pronounced as operations have moved into deeper and deeper waters.

We believe the substantial budget increases contained in the Fiscal Year 2012 budget is an important step to bridge the gap between the resources the agency currently has and the resources it needs.

Mr. Chairman, thank you very much and I look forward to taking any questions from you and the other members of the Committee.

[The prepared statement of Mr. Bromwich follows:]

Statement of Michael R. Bromwich, Director, Bureau of Ocean Energy Management, Regulation and Enforcement, United States Department of the Interior

Mr. Chairman and members of the Committee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2012 Budget request for the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) in the Department of the Interior (DOI).

As the 112th United States Congress begins its work, I want to discuss a set of issues that we are addressing at the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). Over the past nine months, we have been implementing a number of far-reaching reforms to strengthen the regulation of offshore oil and gas drilling and strike the appropriate balance between resource development and regulatory oversight. I thought it might be useful to describe some of the initiatives we have pursued during this period and focus on some of the issues we have been addressing.

My staff and I have been aggressively pursuing reforms that directly relate to many of the drilling safety, environmental protection, and regulatory oversight issues recently identified in the final report of the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling (Commission). We have been moving forward with the fundamental reforms and new regulatory measures necessary to improve the safety of offshore drilling, as well as enhance protection of the ocean and coastal environments. At the same time, we are working every day to allow safe drilling and production operations in the Gulf of Mexico to continue in order to keep production flowing and people working in an industry that is crucial to our nation's economy and energy independence.

The challenges presented by offshore oil and gas development—for both industry and government—are substantial, and so are the changes that are necessary. These changes include the reorganization of the former Minerals Management Service (MMS) to provide clarity of mission and to strengthen oversight. We also have established heightened standards for drilling practices, safety equipment, and environmental safeguards. These new rules set forth prescriptive standards that industry must meet, establish, for the first time in the history of the U.S. offshore regulatory system, performance-based standards focused on identifying, and establish barriers against, specific risks associated with offshore drilling operations.

These reforms are substantial, and much work is being done to ensure that the change we are seeking to implement is both lasting and effective. Our ultimate goal is to promote a culture of safety within industry and to serve as aggressive but reasonable regulators who have the tools and expertise necessary to do the job. The reforms that we are pursuing are necessary to allow government oversight and safety measures to keep pace with the challenges and risks of offshore drilling, particularly as those operations push into deeper water and new frontiers, such as the Arctic, and face increased technical challenges.

I would like to briefly summarize the changes that we have made since the *Deepwater Horizon* explosion and resulting oil spill—and that we are continuing to implement. I will also describe the work we are doing to ensure that safe and environmentally responsible offshore drilling operations, in both shallow and deep water, can proceed.

Reform of Offshore Oil and Gas Regulation

Reorganization of the Former Minerals Management Service

As we announced in January, we are continuing to move forward with the fundamental reorganization and reform of the former MMS. In the place of MMS, we are establishing three strong, independent agencies, each possessing clearly defined roles and missions. As became clear immediately after *Deepwater Horizon* and as discussed in the Commission's Report, MMS—with its conflicting missions of simultaneously promoting resource development, enforcing safety regulations, and maximizing revenues from offshore operations, and due to a chronic lack of resources—could not keep pace with the challenges of overseeing industry operating in U.S. waters. The reorganization of the former MMS is designed to remove those conflicts by segregating missions across three new agencies and providing each of the new agencies with the clarity of mission and new resources necessary to fulfill its regulatory responsibilities. We are designing and implementing these organizational changes while respecting the crucial need for information-sharing and the other links among the functions of the former MMS. Recognizing and addressing these operational issues is essential to ensuring that the regulatory processes related to offshore leasing, plan approval, and permitting do not come to a grinding halt.

The first step of the reorganization was completed on October 1 of last year, when the revenue collection arm of the former MMS was moved to the Office of the Secretary, with reporting responsibilities and a chain of command completely separate and distinct from the offshore regulator. The establishment of this new agency—the Office of Natural Resource Revenue (ONRR)—was a crucial first step that addressed one of the fundamental conflicts—between revenue collection and the offshore regulator’s resource development and safety responsibilities—that plagued the former MMS.

By the end of the current fiscal year, we intend to complete the separation of the former MMS resource management and leasing functions from the safety and environmental enforcement functions. This change is designed to address the remaining fundamental conflict that existed within the former MMS—between the promotion of offshore energy development through leasing and plan approval decisions and the responsibility for ensuring that offshore operations are conducted safely and with appropriate protection for the environment. We believe that the separation of these missions is essential to reforming the government’s oversight of energy development in the nation’s offshore areas. These two new agencies that we have announced are the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE).

BOEM will be responsible for promoting and managing the development of the nation’s offshore resources, including oil, gas, and renewable resources. This mission involves ensuring that the nation’s offshore energy resources are developed wisely, economically and with appropriate protections for the environment. The structure that we have developed and that we are implementing ensures that effective reviews of the environmental impacts of proposed projects are closely analyzed and well-understood; that these impacts are given appropriate weight during decision-making related to resource management; and that the appropriate balance is struck. These processes must be both rigorous and efficient so that operations can go forward in a timely way and with confidence that appropriate steps to mitigate potential environmental effects are taken. Within BOEM, we are creating the senior position of Chief Environmental Officer, who will be responsible for ensuring that environmental concerns are appropriately balanced in leasing and planning decisions and for coordinating and promoting scientific research that facilitates sound stewardship of our marine environments.

By establishing BSEE as the offshore safety agency, we are separating resource management from safety oversight. This will provide the engineers who review permit applications and the inspectors who ensure compliance with our workplace and drilling safety regulations with greater independence, more budgetary autonomy, and clearer focus. The mission of BSEE will be to enforce safety and environmental regulations independently and rigorously. Our goal is to create a tough-minded, but fair, regulator that can effectively keep pace with the risks of offshore drilling and promote the development of a safety culture in offshore operators. We are working now to establish within BSEE a new environmental compliance and enforcement function, which never existed as an explicit program in the former MMS. Through BSEE, we also will establish the review and enforcement of oil spill response plans as an area of national-level focus and oversight in order to foster better coordination with other federal agencies involved in oil spill response.

The structure and functions of BOEM and BSEE are the result of a thorough and rigorous analysis undertaken deliberately but efficiently over the past several months. We undertook the process in this way to ensure that we address the structural and conflict of interest problems that existed in the former MMS and to plan for the orderly establishment of the new agencies. We have worked with and received advice from leading experts in government transformations. We have also examined closely the offshore regulatory regimes of other nations, including those of the United Kingdom and Norway. In considering various options and making these key structural and organizational decisions, we have sought and received the advice and guidance of BOEMRE career personnel. We have discussed the reorganization with employees throughout BOEMRE and received their input; we collected and analyzed data relating to the Bureau’s processes, systems and regulatory metrics; and we developed a number of alternative models and options, which we discussed with BOEMRE career leadership, for restructuring and reforming the Bureau. Finally, we also are considering, and will continue to bear in mind, the recommendations of the President’s Commission, which has done its own analysis of these issues and recommends organizations that are in overall general alignment with BOEM and BSEE.

Implementing Reform and Changing Agency Culture and Practices

New structures and clear missions are essential to establishing agencies that will be effective in managing the environmentally-responsible development of the Outer Continental Shelf (OCS) resources and overseeing the safety of offshore operations. But true reform requires a fundamental change in an organization's culture. Therefore, in addition to making structural changes by establishing BOEM and BSEE, we are working to change the way the former MMS does business. I'll describe below several of the changes we already have made.

Last August, I directed BOEMRE personnel in the Gulf of Mexico region to no longer routinely use categorical exclusions under the National Environmental Policy Act (NEPA) to approve new projects in deepwater. Instead, we are conducting site-specific environmental assessments of those exploration and development plans. We are working closely with industry to implement this new policy in a balanced and fair way. We also are in the midst of a comprehensive review of our application of NEPA, including specifically the use of categorical exclusions, and we are working closely with the Council on Environmental Quality (CEQ) on this evaluation.

To address another important issue—real and potential conflicts of interest involving BOEMRE personnel—last year we issued a tough new recusal policy. Employees in our district offices, where our inspections and permitting functions reside, must notify their supervisors about any potential conflict of interest and request to be recused from performing any official duty in which such a potential conflict exists. For example, our inspectors now are required to recuse themselves from performing inspections of the facilities of former employers. Also, our inspectors must report any attempt by industry or by other BOEMRE personnel to inappropriately influence or interfere with their duties. Soon BOEMRE will be issuing a broader version of the policy that applies these ethical standards across the agency. This policy presents operational challenges for some of our district offices in the Gulf region, which are located in small communities where the primary employers are offshore companies. However, the need for tough rules defining the boundaries between regulators and the regulated is both compelling and necessary. These rules are necessary for us to have the confidence we need to assure the public that our inspections and enforcement programs are effective, aggressive, and independent.

We also have established within BOEMRE a new Investigations and Review Unit (IRU), which is comprised of a team of professionals with investigative and law enforcement backgrounds. The mission of the IRU is to promptly and credibly respond to allegations or evidence of misconduct and unethical behavior by Bureau employees; pursue allegations of misconduct by oil and gas companies involved in offshore energy projects; and, provide the Bureau with the ability to respond swiftly to emerging issues and crises, including significant incidents such as spills and accidents. The IRU took the lead in the report of the BP Atlantis investigation, which was released on March 4. The investigation included interviews of 29 individuals, analysis of more than 3,400 engineering drawings and related documents, and the review of hundreds of additional documents. Based on a thorough review of the evidence, the investigation found the majority of the allegations to be largely unfounded, but did find that there were a number of problems with the way that BP organized, stored, and labeled engineering drawings and documents.

As part of our broad and continuing reform efforts, we have created 11 implementation teams that have been hard at work for several months and are the central organizational focus for our efforts to analyze critical aspects of BOEMRE's structures, functions, processes, policies, and procedures. These teams are important in their own right, but they are also integral to our reorganization efforts. These teams are considering the various recommendations for improvement that we have received from several sources, including the President's Commission, the National Academy of Engineering, the Outer Continental Shelf (OCS) Safety Oversight Board commissioned by Secretary Salazar, and the DOI Inspector General. These teams are laying the foundations for lasting change in the way BOEMRE does business.

The key areas and issues that these teams are working on include:

Permitting. We have a team devoted to reviewing and improving BOEMRE's drilling permit review and approval process, which is central to ensuring that proposed drilling operations will be conducted safely and that permit applications are reviewed in a timely and efficient manner.

Inspections. We have several teams that are focused on various issues associated with developing effective, risk-based approaches to our offshore inspections programs. We also are developing the infrastructure—and recruiting the expert personnel—necessary to conduct real-time monitoring of the highest risk operations, such as deepwater drilling operations. Such monitoring of industry performance during critical phases of drilling operations is a capacity that we feel strongly must be developed, and is consistent with the findings and recommendations of the National

Academy of Engineers. We are developing new training programs and curricula for inspectors, supervisory inspectors, and engineers involved in BOEMRE's safety compliance and enforcement programs.

Regulatory Enforcement. We are evaluating the adequacy of the enforcement tools we have employed, including the system for documenting and tracking incidents of non-compliance with prescriptive regulations, the adequacy and use of civil penalties, and the process for evaluating operator qualifications and the system for debarring unsafe operators. We are reviewing potential gaps in our regulations, including a review of the regulatory standards used by other countries, and we are exploring more effective use of civil penalties for violations of BOEMRE's safety and environmental regulations. We believe the current enforcement framework, which limits civil penalties to only \$35,000 per day, per incident, is simply inadequate to deter violations for large operations where an operator may spend \$1 million a day on a given deepwater lease.

Environmental Compliance and Enforcement. We are designing new inspections and enforcement programs relating to environmental compliance, programs that have never previously existed in the agency.

Incident Investigations. We are evaluating and developing investigative procedures relating to specific categories of accidents and incidents, including industrial accidents on rigs and platforms, fires, and oil spills.

Oil Spill Response. We are conducting a comprehensive review of oil spill response and the adequacy of operators' oil spill response plans (OSRPs). This team is working closely with the Coast Guard and other federal agencies to develop enhancements to regulations governing OSRPs and more effective reviews of those plans in light of lessons learned from the *Deepwater Horizon* oil spill response.

Safety and Environmental Management Systems (SEMS). We are designing an oversight and auditing program for operators' compliance with the new requirements of the Workplace Safety rule, which represents a significant advance in the promulgation of performance-based standards for safety and environmental protection.

Finally, changing the culture of the former MMS and establishing BOEM and BSEE as vigorous and effective regulators will require the infusion of new blood into the organizations. Although BOEMRE has many devoted and competent public servants, we recognize that the former MMS lacked expertise in important areas related to safety oversight. Moreover, the sweeping reforms in culture and process that we are pursuing necessitate, almost by definition, new energy, fresh talent, and new ways of thinking. Therefore, we will conduct nationwide searches to identify talented personnel to fill many of the key senior positions in the new BOEM and BSEE. We also are engaged in an aggressive recruitment campaign to hire new engineers, inspectors, scientists and other experts into the Bureau.

All of these measures will help us ensure the rigorous and independent oversight of offshore drilling.

Making Reform Work: The Need for Additional Resources

As described above, we have laid the groundwork for far-reaching organizational change. The success of our reforms now depends in large part on providing the new agencies with the financial resources, tools, training and culture to be effective. Improving the safety of offshore drilling and the effectiveness of government oversight of this inherently risky activity will require a substantial infusion of resources into the offshore regulator.

As detailed in the Commission's Report, MMS never had the resources to provide the rigorous and effective oversight of offshore oil and gas activity that is necessary. This weakness became more significant as industry continued its pursuit of higher-risk projects in deepwater and other frontier areas such as the Arctic. We agree with the Commission's strong recommendation for a substantial increase in the resources devoted to government oversight of offshore activities because an effective regulator is so clearly in the public's—and in industry's—interests.

Industry has expressed its support for providing additional resources to BOEMRE to the House and Senate Appropriations Subcommittees on Interior, Environment, and Related Agencies in a letter, dated November 17, 2010 and signed by the American Petroleum Institute, the American Exploration & Production Council, the International Association of Drilling Contractors, the Independent Petroleum Association of America, the National Ocean Industries Association, and the US Oil and Gas Association.

FY 2012 Budget Request

BOEMRE's FY 2012 request is \$358.4 million, an increase of \$119.3 million over the FY 2010 enacted budget after adjusting for funds transferred to the Office of

the Secretary as part of the ongoing reorganization of the former MMS. This request excludes funds requested for the newly established ONRR which are being requested separately within the Office of the Secretary appropriation. The request is offset by \$151.6 million in eligible OCS rental receipts, \$8.6 million in cost recovery fees, and \$65.0 million in inspection fees resulting in a net request of \$133.2 million in appropriated funds. These additional resources are essential to effectively protect our nation's natural resources as well as to address industry's need for an efficient, effective, transparent, and stable regulatory environment.

The budget for the Department includes \$506.3 million for the components of the former Minerals Management Service to continue the reorganization and reform efforts of both offshore energy development activities and mineral revenue management.

Summary of Requested Budget Changes

The Budget proposes the following discretionary funding increases and decreases relative to the 2010 enacted level. A portion of the requested funding (\$10.2 million) for the inspection capability/monitoring initiative was received under the current FY 2011 continuing resolution and was offset by a rescission of prior year BOEMRE balances.

Inspection/Monitoring Capability (+\$44,483,000; +116 FTE): Additional staff are needed to accelerate implementation of the new inspection and oversight regime currently under development. This will require additional personnel with diverse backgrounds to conduct varied types of inspections and oversee high risk activities, including critical drilling activities such as BOP testing and cement/casing activities as drilling operations approach production zones, and emergency shutdown tests on production platforms. BOEMRE is actively evaluating significant process reforms, such as inspecting in teams rather than solo, implementing a stronger risk-based inspection strategy that will require additional oversight on higher risk activities, redesigning training protocols, and incorporating new technologies such as real-time monitoring of key drilling activities. The request includes funding for increased offshore transportation costs. Under the current FY 2011 Continuing Resolution, a net amount of \$10.2 million is available for this purpose, which BOEMRE is using to begin implementation.

Engineering Studies—TA&R (+\$11,360,000; +12 FTE): *Deepwater Horizon* brought to the forefront the need to raise the level of resources dedicated to the evaluation of current and proposed oil and gas exploration and development technology. Since its inception over three decades ago, the TA&R Program budget has not kept pace with the increased cost of research and demands for TA&R managed research. In its January 2011 report to the President, the Commission identified the need for increased safety and containment research both within industry and the federal government in order to maintain the capability to address emergencies as drilling technology moved operations into deeper waters and further from shore. The Commission's findings were substantiated by testimony by industry and experts from academia who identified the lack of research for the offshore oil and gas sector. The Commission determined that neither government nor industry had invested sufficiently in research, development, and demonstration to improve containment or response technologies. The Commission found funding to be inadequate and stated that "Congress needs to make funding the agencies responsible for regulating the oil and gas development a priority in order to ensure a safer and more environmentally responsible industry in the future" and that the "desire to tap resources in deeper waters should be accompanied by equivalent investments in subsea equipment, operator training, research and development for containment and response technologies."

In addition to further deepwater research, the Commission recommended "an immediate, comprehensive federal research effort to provide a foundation of scientific information on the Arctic" and that "a comprehensive interagency research program to address oil-spill containment and response issues in the Arctic should be developed, funded, and implemented within the federal government." Although industry has a significant role and responsibility to conduct this research to ensure its operations are safe, BOEMRE (and the future BSEE), as the government safety regulator needs to have sufficient technical capabilities to conduct its own research and verify that the information and research provided by industry is accurate.

Examples of near-term deepwater safety and containment research by the TA&R Program include assessment of subsurface blow-out preventer design, performance, maintenance, and inspection; well cementing, barrier, and containment practices and procedures; remotely operated vehicle intervention and capabilities; and wild well control technology. The TA&R Program will continue to transfer research re-

sults to rule writers, investigators, plan reviewers, and others that need this information to improve the safety of offshore operations.

Oil Spill Research (+\$8,620,000; +4 FTE): Increased funding for the Oil Spill Research Program is needed to address several key knowledge gaps brought to light by the Deepwater Horizon oil spill. The program leverages its ocean research funding, often providing funds to address needed data gathering through support to academics and university partners. Agencies including NOAA, the Navy, and the National Science Foundation often contribute funds or ship time to these efforts as they have ancillary needs for information to support their own missions. The program will continue to play a leadership role in both technology assessment and spill simulation.

NEPA and Environmental Studies Staff (+\$8,063,000; +52 FTE): The need for additional environmental studies also requires staff to manage the studies, both scientific staff and coordination staff, including Contracting Officer's Representatives (CORs) for the Environmental Studies Program (ESP). As planned in FY 2011, BOEM will continue to expand its environmental review requirements and capability in FY 2012, at both the pre-lease and post-lease stages. At the pre-lease review stage, environmental specialists will begin their coordination efforts with the environmental compliance activity in BSEE. Coordination with BSEE will continue at the post-lease stage.

The staff will consist of marine archaeologists; social scientists and economists; benthic/fisheries biologists; avian and marine mammal biologists; protected species biologists, air-quality experts and/or meteorologists; physical, biological and chemical oceanographers; water-quality/pollution specialists, and other disciplines. Scientific staff will conduct environmental and socioeconomic resource impact analyses required for the preparation of environmental impact statements and for an increased number of site-specific environmental assessments. These staff will also serve the ESP as CORs for all phases of studies procurement and monitoring.

Permitting (+\$6,945,000; +41 FTE): Additional staff are needed to review and process lease management, qualification, bonding and unitization requests and issues, as well as requests for development activities, such as plan and permit processing and approval. A recently published report by the Department of the Interior OCS Oversight Safety Board to the Secretary of the Interior states that the "Gulf of Mexico (GOM) district offices are challenged by the volume and complexity of permit applications and the lack of a standardized engineering review protocol. In addition, the Pacific Region's permitting staff is facing significant succession issues." It goes on to state that the workforce associated with regulating day-to-day activities has not increased proportionately to work demands, creating challenges in the need to balance an adequate analysis of permit requests with the need to be responsive to industry. For instance, Applications for Permits to Modify (APMs) have increased by 71 percent from 1,246 in 2005 to 2,136 in 2009 in the New Orleans District. In the Pacific, 80 percent of current permitting employees will be retirement eligible in the next 2.5 years. The requested funds will enable BOEMRE to ensure that staffing levels are commensurate with increasing workloads.

Environmental Studies (+\$6,500,000; +0 FTE): In FY 2011, the ESP began studies needed to support high priority information needs related to the Deepwater Horizon Oil Spill. Also, renewable energy requirements are increasing and will include establishment of baselines and monitoring. Many of these studies will be ongoing for several years, and the additional funds in FY 2012 are needed to continue these studies and to initiate additional studies. This information will be critical in order to comply with NEPA regulations and an extensive suite of environmental laws (including Marine Mammal Protection Act (MMPA), Endangered Species Act (ESA), National Historic Preservation Act (NHPA), Coastal Zone Management Act (CZMA), Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA), and Migratory Bird Treaty Act (MBTA). As it has in the past, the ESP will leverage its funds with other interested Federal and private stakeholders, while ensuring that it fulfills its mission to acquire applied research specific to the oil and gas, marine minerals, and renewable energy programs.

Investigations and Review Unit (+\$5,782,000; +20 FTE): Funding is requested to staff and equip IRU, a team of professionals with law enforcement backgrounds or technical expertise whose mission is to: promptly and credibly respond to allegations or evidence of misconduct and unethical behavior by bureau employees; pursue allegations of misconduct by oil and gas companies involved in offshore energy projects; and assure the bureau's ability to respond swiftly to emerging issues and crises, including significant incidents such as spills and accidents. The IRU will evaluate all information submitted and will, where appropriate, conduct further investigation. The IRU will be consulting and sharing information with the Department of the In-

terior's Office of Inspector General (OIG), and they will jointly determine which office conducts any investigation of those allegations.

Environmental & Operational Oversight Compliance (+\$5,115,000; +33 FTE): In FY 2012, BSEE will continue to build its compliance capabilities, both environmental and operational, and will work closely with BOEM to:

- participate in NEPA activities throughout the process, specifically in developing post-lease mitigation measures;
- issue safety and environmental protection related rules and regulations; and
- provide independent safety, engineering and technical authorization before any exploration, development or production plans are implemented.

Establishing a new environmental enforcement arm and expanding operational safety capabilities of BSEE is imperative. Development of appropriate regulations and policies, and subsequent industry and stakeholder outreach, is necessary to ensure the right mix of safety and environmental protection to minimize the risk of accidents. BSEE must coordinate closely with BOEM to capitalize on efficiencies related to bureau inter-dependencies, while recognizing and avoiding conflicts that may otherwise result in bureaucratic delays to safe exploration and development. Frequent independent, technical reviews will ensure that regulations, policy, and guidance keep pace with the complexities of OCS activities, including the use of new exploration and development technologies in frontier areas. Environmental mitigation and safety measures will need to be tested, verified, and improved in an adaptive management framework. Information systems may need to be enhanced to better track compliance with new safety and environmental requirements. A substantial effort will be required in explaining the new requirements to industry and interested stakeholders.

Management Operations Support (+\$2,860,000; +12 FTE): Funds are requested to staff leadership and support positions for the new BSEE bureau directorate. As the bureau becomes further established, funds will be needed to support the increased operating activities of this office. While BOEMRE is developing reorganization plans with the goal of minimizing administrative redundancy, existing leadership funding will be allocated to BOEM. Therefore, funding to support the leadership of BSEE is required.

General Support—Resource Management (+\$2,527,000; +0 FTE): The ongoing reorganization and enhancement of BOEMRE activities includes efforts to attract environmental scientists, engineers, and support personnel needed to support the thorough review of offshore energy development activities. These funds will provide for general support needs such as rent, information technology (IT) and general equipment, communications, utilities, supplies, materials, and travel for the additional personnel.

Renewable Energy (+2,050,000; +11 FTE): The requested funds will set the stage for BOEMRE to work with applicants for offshore renewable energy/alternative use projects, with a focus on specific needs in the Atlantic and Pacific OCS. A significant increase in workload is expected in both the Atlantic and Pacific OCS for conducting environmental reviews, processing commercial leases, coordinating with stakeholders, and conducting inspection and enforcement activities.

The Secretary has announced an offshore wind initiative called "Smart from the Start" to facilitate the rapid and responsible development of renewable energy on the OCS. One of the main components of this initiative is identifying priority areas up and down the Atlantic Coast for appropriate wind development. BOEMRE and the Department, in close partnership with states, stakeholders, and tribes have been working to identify Wind Energy Areas (WEAs) off the Atlantic coast. These WEAs use coordinated environmental studies, large-scale planning and expedited approval processes to speed offshore wind energy development. Based on stakeholder and public participation, BOEMRE will prepare regional environmental assessments in the WEAs to evaluate the effects of leasing and site assessment activities in the areas to be leased. If no significant impacts are identified, BOEMRE could offer leases in these mid-Atlantic areas as early as the end of 2011 or early 2012. Comprehensive site-specific NEPA review will still need to be conducted for the construction of any individual wind power facility, and BOEMRE will work directly with project managers to ensure that those reviews take place on aggressive schedules.

Fair Market Value (+\$1,930,000; +1 FTE): This initiative will support activities to thoroughly assess the oil and gas potential and fair market value of OCS tracts offered for lease through purchase of critical software, hardware, data, and the hiring of an additional analysis staff member. This funding will contribute to ensuring the nation receives a fair return for publicly owned energy resources.

General Support—Safety and Environmental Enforcement (+\$1,246,000; +0 FTE): The ongoing reorganization and enhancement of BOEMRE activities includes efforts to attract additional engineers, scientists, and support personnel needed to support

the thorough review of offshore energy development activities. These funds will provide for general needs such as rent, information technology (IT) and general equipment, communications, utilities, supplies, materials, and travel for the additional personnel.

Oil Spill Response Compliance (+\$1,240,000; +8 FTE): Additional staff are needed to ensure an adequate level of oil spill response oversight, including review and approval of OSRP and industry compliance inspections. OSRP reviews are conducted for new plans, biennial updates, amendments and plan revisions, and to confirm that an operator has proper equipment, people, and structures in place to respond to an oil spill. Compliance inspections, such as unannounced oil spill exercises and unannounced response equipment inspections, test and evaluate an operator's preparedness level. Staff also verify training for response personnel and participate in table top exercises in which response team members simulate response actions using their OSRP. The experience with the Deepwater Horizon oil spill highlighted the need for increased oversight of company OSRPs.

Independent Advisory Board (+\$1,200,000; +4 FTE): The Board was conceived by the Reorganization Team and would be charged with reviewing BOEM internal policies, procedures, rules, and regulations. It would also provide peer review through participation of BSEE staff who would serve as informal advisors. Requested funds would also cover operating costs such as travel and space.

Fixed Costs (+\$1,192,000; 0 FTE): Fixed costs of \$1.2 million are fully funded within this request.

Reorganization Efficiencies and Budget Changes (+\$1,058,000; + 1 FTE): A total increase of \$3.5 million is required to maintain existing administrative staff and meet non-variable costs because funding from revenue management sources will no longer be available. An amount of \$150,000 and one FTE is requested to meet increased administrative workload resulting from the expansion of the BOEMRE workforce. These adjustments are offset by anticipated reorganization efficiencies totaling \$2.6 million that will be achieved through more efficient use of existing facilities and consolidation during the reorganization.

Marine Spatial Planning (+\$1,000,000; +4 FTE): The requested funds will enable BOEMRE to coordinate Coastal and Marine Spatial Planning (CMSP) efforts with other federal and state agencies, determine information and data needs, make sure these needs are met to effectively implement CMSP policy, and fulfill the requirement under Executive Order 13547 Stewardship of the Ocean, Our Coasts, and the Great Lakes. BOEMRE has been designated as the lead bureau in DOI for CMSP and will significantly participate in its implementation. With oil and natural gas, renewable energy, shipping/navigation, military uses, recreational and commercial fishing, and others activities competing for space on the OCS, it is becoming more important to coordinate the growing demand for multiple uses. This function is critical to the integrity of the 5-Year Oil and Gas Leasing Program that balances these various competing interests and contributes to determining the size, timing, and location of leasing activity on the OCS. This initiative will complement the FY 2010 Multipurpose Marine Cadastre initiative, a marine information system that brings together data layers about environmental, physical, political, and social aspects of the OCS. In a single, interactively generated map, users can see all official boundaries, rights, restrictions, and responsibilities in State and Federal waters. In FY 2012, support for Gulf of Mexico, Atlantic, and Arctic CMSP activities will be a significant focus of this initiative.

Bid Evaluation (+\$310,000; +2 FTE): Additional staff are needed to interpret data and information in order to complete bid adequacy determinations, estimate discovered volumes of oil and gas, develop lease sale analogs for new discoveries, and revise assessments of undiscovered resource potential. These activities contribute to ensuring that fair market value is received for public resources.

Inspection Fee (-\$55,000,000; 0 FTE): The funding increases requested in this budget would be partially offset by \$65 million in collections from OCS inspection fees, a \$55 million increase in revenue relative to the 2010 enacted level. New fees would be charged on drilling rigs (+\$17 million) and the existing fees on fixed OCS structures subject to inspection would be increased (+\$48 million). This proposal will transfer a portion of the cost of offshore inspections from the taxpayers to the offshore oil and gas industry. The proposal is consistent with the recommendations of the Commission's report. In its report, the Commission specifically notes that regulation of the oil and gas industry should "no longer be funded by taxpayers but instead by the industry that is being permitted to have access to a publicly-owned resource."

Offsetting Collections (-\$5,273,000; 0 FTE): In FY 2012, BOEMRE requests to retain \$160.2 million from eligible offsetting rental receipts and cost recovery fees to defray the costs of bureau operations. This is a \$5.3 million increase in collections

compared to the FY 2011 level. This net increase is composed of an \$8.2 million increase in projected offsetting rental collections and a \$2.9 million reduction in anticipated revenue from cost recovery fees.

Marine Minerals (-\$2,000,000; 0 FTE): This reduction is being offered to offset priority budget increases and will eliminate funding for BOEMRE's marine minerals program. Under this program, BOEMRE works with federal, state and local entities to issue leases for sand and gravel in the OCS. BOEMRE receives eight to 10 requests per year. BOEMRE retains the authority to process individual lease requests for sand and gravel on a case-by-case basis, funds permitting.

Administrative Cost Savings (-\$1,432,000; +0 FTE): In support of the President's commitment to fiscal discipline and spending constraints, BOEMRE is participating in an aggressive Department-wide effort to curb non-essential administrative spending. In accordance with this initiative, BOEMRE's justification assumes \$447,000 in savings in FY 2012 against actual FY 2010 expenditures. The activities where savings will be realized include: advisory contracts; travel and transportation of people and things; printing; and supplies. There will be no programmatic impact as a result of implementing these savings initiatives; instead, functions will be performed in a more efficient and more effective manner. Actions to address the Accountable Government Initiative and reduce expenses builds upon the management efficiency efforts in travel, relocation, and strategic sourcing proposed in the FY 2011 budget request resulting in total savings of \$1.4 million.

Center for Marine Resources and Environmental Technology (CMRET) (-\$900,000; -0 FTE): BOEMRE proposes to eliminate the earmarked funding for the CMRET in order to redirect the funding to higher priorities.

These resources discussed above are essential to creating an efficient, effective, transparent and stable energy development process and regulatory environment. Without them, we will be significantly limited in our ability to adequately achieve the goals of the reorganization, follow through on the many reforms we have launched over the past several months, and implement many of the recommendations from the Commission's Report and other reviews of this agency. In addition to these important limitations, we would be unable to devote sufficient resources to facilitate new exploration and resource development. That result is unacceptable. It is our collective responsibility to ensure that we have the resources to carry out the major changes that are necessary to improve and transform this agency.

Mandatory Proposals and Other Reforms in the FY 2012 Budget:

The Budget includes several mandatory proposals that directly relate to BOEMRE's programs:

Fee on Nonproducing Oil and Gas Leases: The budget includes a proposal for a \$4/acre fee (indexed annually for inflation) on all new non-producing federal oil and gas leases (onshore and offshore). This fee provides a financial incentive for oil and gas companies to either place leases into production or relinquish them so that the tracts can be re-leased and developed by new parties. The fee is expected to generate revenues of \$25 million in 2012 and \$874 million over 10 years.

Repeal of Deep Gas Royalty Incentives: The budget proposes to repeal Section 344 of the Energy Policy Act of 2005, which extended and expanded existing deep gas royalty relief. Based on current natural gas price projections, the Budget does not assume savings from this change; however, the proposal could generate savings to the Treasury if future natural gas prices end up below current projections.

Industry Reform

As the foregoing discussion suggests, we have much work to do internally to improve the effectiveness of government oversight of offshore energy development and drilling. These changes are both substantial and necessary. However, industry must change as well, and we have an important role in helping to spur that change. We are doing so through the promulgation of new prescriptive regulations to bolster safety, evaluate and mitigate environmental risks, and introduce performance-based standards similar to those used by regulators in the North Sea. We have heightened the standards for equipment, safety and environmental safeguards in the drilling and production stages of offshore operations—and we will continue to do so in open and transparent ways in the coming months and years.

We promulgated two new rules last fall that raise standards for the oil and gas industry's operations on the OCS. One of these rules strengthens requirements for safety equipment and drilling procedures; the other improves workplace safety by addressing the performance of personnel and systems on drilling rigs and production platforms.

The first rule, the Drilling Safety Rule, was an emergency rulemaking that put in place heightened new standards for well design, casing and cementing, pressure

testing, and well control equipment, including blowout preventers. For the first time, operators are now required to obtain independent third-party inspection and certification of each stage of the proposed drilling process. In addition, an engineer must certify that blowout preventers meet new standards for testing and maintenance and are capable of severing the drill pipe under anticipated well pressures.

The second rule we implemented is the Workplace Safety Rule, or the SEMS Rule, which aims to reduce the human and organizational errors that lie at the heart of many accidents and oil spills. The development of this rule was in process well before *Deepwater Horizon*, but the promulgation of these performance-based standards was frustrated for a variety of reasons. Unfortunately, as was the case in other countries such as the United Kingdom and Norway, it took a major accident to provide the impetus necessary for these standards to be imposed.

Under the Workplace Safety Rule, operators now are required to develop a comprehensive safety and environmental management program that identifies the potential hazards and risk-reduction strategies for all phases of drilling and production activities, from well design and construction, to operation and maintenance, and finally to the decommissioning of platforms. Although many companies had developed such SEMS systems on a voluntary basis in the past, many had not. And our reviews had demonstrated that the percentage of offshore operators that had adopted such programs voluntarily was declining.

In addition to the new rules, we have issued important guidance, in the form of Notices to Lessees (NTLs), which provides operators additional direction with respect to compliance with BOEMRE's existing regulations.

For example, NTL-06 (the Environmental NTL) requires that operators submit well-specific blowout scenarios and worst case discharge calculations—and that operators also provide the assumptions and calculations behind these scenarios. My staff and I are working closely with operators to ensure that they have the information necessary to perform their worst case discharge calculations accurately and in accordance with the guidance set forth in NTL-06.

Following the lifting of the suspension of deepwater drilling operations, we issued NTL-10, which provides operators with guidance related to regulatory compliance and subsea containment. First, each operator is directed to submit a corporate statement that it will conduct proposed drilling operations in compliance with all BOEMRE regulations, including the new Drilling Safety Rule. The NTL also provides that BOEMRE will be evaluating whether each operator has submitted adequate information to demonstrate that it has access to, and can deploy, subsea containment resources that would be sufficient to promptly respond to a deepwater blowout or other loss of well control. In light of the Macondo well blowout, it is essential that deepwater operators demonstrate that they have access to vital source control and subsea containment systems in the event of a loss of well control.

Finally, in January we announced the formation of the Ocean Energy Safety Advisory Committee, which will be comprised of representatives from federal agencies—including BOEMRE, the Department of Energy, the NOAA, the United States Geological Survey, the Environmental Protection Agency, and the Coast Guard—as well as the offshore oil and gas industry, academic institutions, and other non-governmental organizations. Secretary Salazar has selected Dr. Tom Hunter, the former head of the Sandia National Laboratory who was central to the Macondo well control effort, to chair this committee. The Advisory Committee will be a center of excellence charged with driving research and development and technical innovation across government and industry in the areas of drilling safety, well control and subsea containment, and oil spill response.

Returning Industry to Work Safely

Regulatory and industry reform in the wake of a significant offshore disaster has happened before. The United Kingdom and Norway substantially changed their oversight of offshore drilling and production following the *Piper Alpha* and *Alexander Kielland* incidents, respectively. Australia is currently facing many of the same issues we are confronting following the Montara well blowout, which occurred only eight months before the *Deepwater Horizon* disaster.

The specific challenges facing us, however, are unique in many significant respects. The scale of the offshore oil and gas operations in U.S. waters, particularly in the GOM, is vastly greater than those in the North Sea. The economies of many of the Gulf Coast states, particularly Louisiana, are closely tied to the offshore industry. The Gulf accounts for more than 25 percent of domestic oil production and over 10 percent of domestic gas production. One of the key challenges that we are addressing—and that cannot be avoided—is for government and industry to make the fundamental reforms necessary to improve the safety and environmental protec-

tion in this massive industry, while at the same time allowing operations to continue.

The major challenge facing the country is to dramatically improve the safety of drilling in the GOM, particularly in deepwater, while continuing with operations, keeping production flowing and keeping people working. Drilling in shallow water is moving forward. Since our first post-*Deepwater Horizon* safety standards were introduced in June 2010, BOEMRE has approved 38 permits to drill new wells for operations that have complied with the new requirements. More work remains to be done in order to keep safe operations working, and we will continue working with industry and devoting our resources to processing plans and permits for shallow water drilling. For many months, we were told that our reforms were too sweeping and that they inappropriately lumped low-risk shallow water operations with more risky deepwater operations. The recent loss of well control in the Gulf in connection with a shallow-water platform operated by Apache substantially weakens this argument. Offshore operations are inherently risky activities—whether they take place in shallow or deep water—and safety needs to be enhanced across the board.

Resuming drilling in deepwater—under conditions that are safe and environmentally responsible—poses even greater challenges. The heightened standards and regulatory changes applicable to deepwater drilling are substantial and have been made rapidly. There have been, understandably, a number of questions from industry and others about our new regulations, the NTLs, and how we will apply NEPA going forward with respect to deepwater drilling operations. We have held dozens of meetings, both in the Gulf region and in Washington, DC, with federal and state representatives, industry groups, non-governmental organizations, and individual operators to answer questions about the new rules and to provide clarity about the post-*Deepwater Horizon* regulatory environment. In December, we also issued a guidance document, which provides a comprehensive description of the way forward for permitting in deepwater. We have discussed the contents of the guidance with a number of companies and have received input from them and others from industry. While it probably is not realistic that this guidance will resolve every question that an operator may have about the deepwater permitting process, we intended for the guidance to address the significant questions that we have heard and to provide answers to help operators move forward with the resumption of work in deepwater.

One of the major issues that must be addressed so that deepwater drilling can resume in significant measure is subsea containment. Federal regulations require operators to be prepared to address a loss of well control in deepwater, and the *Deepwater Horizon* event quite dramatically demonstrated the need to have viable subsea containment measures on hand for every deepwater operation. NTL-10, as discussed above, asks operators to describe the equipment and systems they can deploy to shut in a well if necessary.

Industry has formed two subsea containment groups—the Marine Well Containment Company (MWCC) and a program sponsored by Helix Energy Solutions Group (Helix)—to provide operators with access to source control and flow management systems in the event of a loss of well control in deepwater.

It took longer than we anticipated for these industry groups to make their subsea containment systems available to individual companies seeking to drill in deepwater. In fact, the testing of key components of each of these groups' containment systems, including their capping stacks, was not completed until very recently. This testing was witnessed and reviewed by BOEMRE engineers, and both capping stacks performed according to their specifications.

Until the MWCC and Helix were able to establish the effectiveness of their containment systems, it was not possible for operators to rely on these subsea containment systems to demonstrate their ability to respond promptly and effectively to a loss of well control in deepwater. We believe industry recognized this, which is why so few deepwater drilling permit applications have been filed. Now that the capping stacks have been tested and other components of these systems reviewed, we will be in a position to review individual drilling permit applications that designate MWCC or Helix resources. This information will assist us in determining whether sufficient subsea containment resources are available to individual operations in light of the particular well design proposed, reservoir pressures, worst-case discharge estimates, and other aspects of the operation. As you know, we approved two deepwater permits since the *Deepwater Horizon* incident, and we anticipate that additional deepwater permits will follow.

I hope that the above information provides you confidence that there is a way forward for drilling on the nation's OCS, and that we are working very hard to ensure that this activity is conducted in a manner that is safe for both workers and the environment. The lessons of the *Deepwater Horizon* event, as discussed so vividly in the report of the Commission, cannot be quickly forgotten. It has been less than

one year since the blowout and the spill, and already substantial and sweeping reforms have been made. Much additional work remains to be done, for both government and industry, to ensure that offshore operations are safe, to provide rigorous government oversight, and to keep people working in this vital industry.

I very much appreciate the opportunity to share with you the reforms we are implementing and our hopes and expectations for the future. Mr. Chairman this concludes my statement. Please allow me to express my sincere appreciation for your support and we look forward to working with you on these and related issues in the months ahead. It would now be my pleasure to answer any questions you or other Members of the Subcommittee may have at this time.

The CHAIRMAN. Thank you, Mr. Bromwich. I appreciate your statement.

I just want to make an observation. There has been some concern about the length time by people on permitting, but I have noticed a coincidence. And every time that we schedule a hearing or have a press conference new permits are issued. And I just wonder if we should maybe have more Committee meetings and more press conferences if that will help, but you don't have answer.

Mr. BROMWICH. I would love to answer that question. The fact is, Mr. Chairman, that deepwater permits really were not eligible to be granted until industry had demonstrated subsea containment abilities. That did not happen until February 17 of this year. So people who count from the lifting of the moratorium on October 12 are counting from the wrong date. And so within 11 days of that capability having been demonstrated, we granted the first permit. And I know that Secretary Salazar testified shortly thereafter, but the fact was that industry was not ready until February 17.

I exercise no control. Secretary Salazar exercises no control over permitting. Those are done by our drilling engineers in our Gulf of Mexico regional office. We receive the information so that we are ready for it, but we don't direct them when to issue permits.

The CHAIRMAN. Well, I was being facetious, but thank you very much for your response.

I know that Members here will have questions for you on the permitting. I don't think that is going to end, and I am sure that they will explore more deeply. But I want to ask you can you tell this Committee—you alluded to this in your opening statements. Can you tell this Committee that this Administration has confidence that the changes implemented by your bureau are making offshore drilling safer, that the bureau has approved the use of new technology to both prevent and respond to a *Deepwater Horizon*-like event, and that this bureau is capable of adapting to future challenges of drilling in both deep and shallow water?

Mr. BROMWICH. Let me answer the different parts of that question.

The CHAIRMAN. Sure.

Mr. BROMWICH. Yes, we have confidence that offshore drilling can be conducted now more safely than it had been before and that we would be better able to deal with a blowout than we were before.

The third question you asked is harder because our ability to adapt to new challenges as industry goes into deeper and deeper water with higher and higher pressures depend largely on whether we have the resources.

As I said in my opening statement, and as you know, we have not had those resources. Historically, for 30 years this agency has been a stepchild of not only the Interior Department, but the Federal Government as a whole and has been neglected and has been starved. So we will be able to keep up. We will be able to speed up the permitting process. We will be able to keep up with advances in technology if, but only if we get the recourse to do the job.

The CHAIRMAN. I will note that the CR that we passed has increased funding for your agency in response to your request. Obviously, the Senate hasn't acted on that and so you are stymied. But I just want to note that those at least on this side of the aisle voted for that CR had increased funding for what you wanted.

Mr. BROMWICH. I understand that, Mr. Chairman and I very much appreciate it. It is very frustrating for our people following the proposal by the President last summer for a hundred million dollars supplemental budget request for us to have received only to date \$10 million and we are midway through the fiscal year.

The CHAIRMAN. I just want to make a note that there has been a response by the Majority here in the House.

Final question I want to ask you. The President later today I guess in about a half an hour will talk about a new energy plan, and I alluded to this in my opening remarks. So can you tell the Committee where the definition of inactive lease comes from, from the Department of the Interior that the President is using?

Mr. BROMWICH. My understanding is that the definitions have been used internally with the Interior Department and I think with external audiences for a very long time.

You pointed out that there may be inconsistencies between what is defined as an inactive lease for onshore and offshore. The explanation would be that they are two different agencies that are not always synced up as much as you would like within a single cabinet agency. I frankly don't know that much about the operations of BLM and don't know what all may have gone into their definition of inactive leases.

I saw that you issued a statement. I will do my best, if you want, to answer those questions down the road. I obviously haven't had a chance to examine the statements in the press release carefully.

The CHAIRMAN. If you would do that I would very much appreciate that because as I mentioned in my opening statement it disturbs me that a new definition appears out of nowhere to make what one hopes, although we are in political world, a political point and that disturbs me because we need to become energy independent or less dependent on foreign energy. And when we have that sort of rhetoric out there, I think it clouds the issues. So I would very much appreciate your getting back to me.

Mr. BROMWICH. I don't think the definition comes out of nowhere, but I will supply you with the additional information.

The CHAIRMAN. OK. Very good. Thank you very much.

The Chair recognizes the gentleman from Massachusetts.

Mr. MARKEY. Thank you, Mr. Chairman.

Director Bromwich, the Department's contractor released the results of its forensics investigation into the failure of the blowout preventer in the *Deepwater Horizon* oil spill, which concluded that

it failed because the force of the blowout caused the drill pipe to move and that is why it couldn't be sealed and cut.

Now the industry has long maintained that blowout preventers are a failsafe device of last resort. Do you believe right now that blowout preventers can be treated as they presently are designed as a failsafe device, going forward?

Mr. BROMWICH. No, I don't.

Mr. MARKEY. The report also recommended that there be a full examination of whether blowout preventers can actually prevent blowouts the way they are supposed to and that design modifications be required to address any findings. Do you believe that such examination is necessary in order for us to ensure that blowout preventers are, in fact, effective?

Mr. BROMWICH. Congressman Markey, certainly based on the DNV forensic report I think the answer would be yes. I would like to point out that there is a hearing being conducted by joint investigation team in New Orleans on April 4 that is designed to get a lot more information surrounding the BOP report done by the contractor. So I think we will have a better idea of what the specific lines of inquiry need to be in the future once that hearing is concluded. But I certainly agree that a substantial amount of additional work by industry and by government needs to be done. Yes.

Mr. MARKEY. Thank you.

The independent BP Spill Commission concluded that the root causes of the disaster were systemic. We have already learned that the other major oil companies had spill response plans that protected walrus in the Gulf of Mexico, even though walrus hadn't lived there for three million years. We have learned that the other major oil companies thought the chances of ail from a spill reaching shore was negligible. We learned that an actual deepwater blowout could not be contained in under 87 days.

Now we learn that blowout preventers themselves may not be able to prevent actual blowout. Doesn't this report add to the conclusion that the safety systems surrounding deepwater drilling are systemic across the industry.

Mr. BROMWICH. I think there are certainly more questions now than ever before about blowout preventers, but there were questions before. We have known since *Deepwater Horizon* that the blowout preventer didn't work as anticipated. What we now know more specifically from the forensic examination that the specific mechanism by which it didn't work. But we have been proceeding, certainly since I came on board in June, on the premise that blowout preventers are not failsafes and we need to do everything we possibly can to make offshore drilling safer in other ways.

Mr. MARKEY. Of the 11 shallow-water permits that are currently pending, 7 were submitted in March. Similarly, in deep water, of the 12 pending application, 8 have been submitted since March. Doesn't all of this show that industry has confidence that activity is resuming under the new safety regulations your agency has issued?

Mr. BROMWICH. The short answer is yes. They clearly do have more confidence now. I think they were waiting for the first deepwater permit to be granted and they were waiting for further clarity on some of the issues associated with all drilling, whether in

deep water or shallow water. So I think the surge in permit applications that you just alluded to in March definitely reflects that industry is gaining confidence that they are going to be able to move forward.

Mr. MARKEY. Thank you.

Now there are currently more rigs in the Gulf than there were one year ago before the spill. There are 124 rigs in the Gulf now compared to 122 rigs a year ago before the spill. Would oil companies be moving rigs back into the Gulf if they thought that drilling was not going to continue and to increase?

Mr. BROMWICH. One would think not.

Mr. MARKEY. Director Bromwich, the current continuing resolution expires on April 8, and the possibility still remains that the Republicans who run the House of Representatives will force a shutdown of the Federal Government this spring. A government shutdown could have significant implications for our production of oil and gas and our ability to ensure that drill operations on public lands are safe.

Now while I understand that no decisions have been made, looking at the impacts of the government shutdown in 1995, can you give us an idea as to what you and Secretary Salazar might be forced to do if there is a government shutdown?

Mr. BROMWICH. Well, as you said no decisions have been made. I know Secretary Salazar had said publicly that he doubted permitting would continue. And if you go back to the historical examples you just referred to in 1995 and 1996, I believe somewhere between 27 and 40 agency personnel continued to work, none of them permitting personnel. So that was the system that we had back then.

Mr. MARKEY. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Markey. The gentleman from Colorado, Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman. Thanks for being here today.

According to API, the President's 2012 budget proposal includes almost \$90 billion in tax increases on the U.S. oil and natural gas industry. What would be the impacts on domestic energy production, jobs, and future reserves from these tax increases?

Mr. BROMWICH. Mr. Lamborn, I have not myself done the analysis of that. The Administration obviously did when it put forward the budget proposal.

Given the current price of oil, and the opportunities that exist out there, but in shallow and deep water I don't think the imposition of taxes would have much of a deterrent effect on industries determination to move forward.

Mr. LAMBORN. OK. Interesting. Second, let me ask you this. As you know three years ago Congress deliberately refused to extend the outer continental shelf drilling moratorium, despite that this Administration has reimposed a de facto moratorium in the Atlantic and eastern Gulf of Mexico. If we could somehow reverse this Administration's action, wouldn't increased production and exploration in these areas created jobs, bring revenue to both state and Federal Governments, allow domestic energy to be used instead of foreign energy, and lower energy prices because of more supply in the market?

Mr. BROMWICH. You are asking me to speculate. I think clearly if you develop more areas that would tend to do all of the things that you suggested. But let me underscore the reasons why the Administration and Secretary Salazar, in particular, made the decisions that he did with respect to the next five-year plan.

Those decisions were made still in the shadow of *Deepwater Horizon* with continuing concerns about the safety of offshore drilling. I think as each day passes, as our rules are fully implemented, as industry both understands and complies with them, we are all gaining greater confidence in the ability of offshore drilling to be done safely.

It is certainly possible that decisions that have been made could be revised. Plans have been revised before, and in fact, they were revised a couple of times just within the last couple of years.

Mr. LAMBORN. And let me just ask—thank you. Let me ask you this. If an industry is applying for something and the same conditions apply for permit after permit, shouldn't we reconsider the continued use, as we had in the past, of categorical exclusions for environmental study purposes?

Mr. BROMWICH. Well, as you know Congressman, we were widely criticized for using categorical exclusions by the Council on Environmental Quality, by the President's Commission and others with the claim that those reviews were simply insufficient to explore all of the environmental issues that needed to be explored.

We are moving forward, as you know, with respect to deepwater in doing site-specific environmental assessments while we undergo a comprehensive review of our NEPA policy. It is possible that at the end of that review process we could reinstate categorical exclusions for deepwater, although I would tend to doubt that. But we are moving forward with the review and analytic process. And it is in the face of widespread, almost unanimous criticism that categorical exclusion reviews did not go deeply enough into the potential environmental effects of drilling.

Mr. LAMBORN. Well, I would like to say something in favor of categorical exclusions. If you have the same conditions in Area A as you have in Area B 20 miles away, I think that you don't have to reinvent the wheel if the exact same conditions apply.

Mr. BROMWICH. But they generally don't, even if they are relatively close. Geological formations are not consistent between areas 20 miles away necessarily and therefore you can't make that assumption that these essentially are cookie cutter kinds of reviews that you can knock off. If you have seen one plan, you have seen them all. So I would caution certainly that just because you have a certain review that you have done in one area of proposed drilling that that same analysis is applicable to a nearby area. I don't think that is necessarily the case and I think we should be careful about making that assumption.

Mr. LAMBORN. OK. We are going to have to agree to disagree on that. I hope that you would be open-minded that, in some cases, there is so much overlap that we should reconsider category exclusions. Otherwise, we are hindering jobs. We are hindering energy supplies and prices to the consumer and the economy.

Mr. BROMWICH. I would point out that the first site-specific environmental assessment that we just completed was done in less

than 30 days. So it is not clear that the environmental assessments will necessarily take much longer than the categorical exclusion reviews that we did before.

And a point that I have made a number of times recently in front of industry people is now that we have done the first site-specific environmental assessment I suspect that they will take even shorter than the first one did. So let us wait and see. I don't think the conclusion that they will take much longer than categorical exclusion reviews is necessarily justified. And again here, as in so many other areas, the answer to a quicker process is more resources.

And in fact, in our Fiscal Year 2012 budget request there is a substantial additional request for people to do the kind of NEPA analysis, whether it is categorical exclusion reviews or whether it is environmental assessments. We have a limited number of people now to do the work. We need more.

Mr. LAMBORN. Thank you.

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

Mr. KILDEE. Thank you, Mr. Chairman.

Mr. Bromwich, after the *Deepwater Horizon* disaster and with all the knowledge that we have reaped in hearings pursuant to that, we have learned a lot from testimony at previous hearings that the Administration is not issuing permits for deepwater drilling quickly enough. But I believe that speed should not get in the way of proper safety measures to protect workers and our environment.

In your testimony you said that subsea containment systems took longer than expected, but are now available to companies. With these new safety measures available, do you expect more companies now will file for and receive permits?

Mr. BROMWICH. Yes, I think that is the reason we have seen a surge in permit applications in recent weeks.

Mr. KILDEE. So you expect the number then to grow as time goes on.

Mr. BROMWICH. Yes, I do.

Mr. KILDEE. What level of assurance do we have that these measures are sufficient? I hope we don't have to wait for another disaster to determine that that is the final test on the sufficiency of these safety measures?

Mr. BROMWICH. No, I don't think it is the only test. I think everyone, and by that I include people in our agency and people in industry, got a wake-up call with *Deepwater Horizon*. I think the assumptions about the safety of drilling of all kinds, but particularly deepwater drilling were shaken by that event.

And so in the wake of that, as I have described on multiple occasions, we have dramatically enhanced the safety requirements that exist and that must be followed by all operators when they apply for drilling permits. So that they have to have very well-defined plans certified by engineers on how they will do casing and how they will do their cementing operations.

There are also a lot of requirements relating to the blowout preventers that Congressman Markey referred to. And we are requiring for the first time the kind of subsea containment capabilities that were never required before and in which require on an application-by-application basis an operator to demonstrate that it has access to the resources necessary to deal with a subsea blowout.

So we have much higher level of confidence than we did before that, first of all, we have driven down the risk of blowouts to begin with. And second of all, if God forbid, there were a blowout that there are the resources available to deal with it.

Mr. KILDEE. How do you actually test these subsea containment systems?

Mr. BROMWICH. There is a testing protocol that both of the two groups, the Helix Well Containment Group and the Marine Well Containment Company went through. It was a protocol defined in advance. And then the testing was done with our personnel present, which then also reviewed the test results separate from their having witnessed it. And so that was the process that was used before we were satisfied that these containment systems were capable of responding in the way that the groups had suggested.

Mr. KILDEE. Is there any way you can try to replicate the possibilities in order to test these subset containment systems?

Mr. BROMWICH. I think what you are suggesting is there a possibility of sort of dynamic testing in the water under spill conditions. We are exploring that right now. We think that would add an added measure of confidence to it, and so we are exploring with both groups what kind of testing of that kind could be conducted.

I have directed both groups to meet with me on a quarterly basis to discuss those kinds of issues as well as to discuss the expansion of their capabilities because as you probably know right now there are significant limitations to what their systems can handle, both in terms of water depth and in terms of pressure.

So hopefully we will continue to learn more as we go forward, but certainly Secretary Salazar and I felt that we had seen enough and there had been enough of a demonstration for us to say, OK, we think that is sufficient. We are now going to look at individual permit applications that designate those containment capabilities.

Mr. KILDEE. Thank you very much, Mr. Bromwich. I appreciate all your good work. Thank you.

Mr. BROMWICH. You are welcome. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from Louisiana, Mr. Fleming.

Mr. FLEMING. Thank you Mr. Bromwich for being with us today.

As I understand it that in your budget request you want a plus of \$6,945,000 for an additional 41 full-time employees for permitting only, which is about a 50 percent increase in the funding overall. In fact, in January of this year you were asked when the pace of permitting would return to pre-April 20, 2010 levels and you responded probably never.

Given the fact that you are requesting a significant increase in funding and personnel, and assuming that we provide that, would that still be the case? That we will still see really permitting levels never attaining what we did before?

Mr. BROMWICH. I think you have to understand, as I am sure you do, that there are now a lot more requirements that our people who review permits have to confirm. There is a lot more work the companies have to do on the front end in order to satisfy those requirements. So there are simply a larger number of steps that have to be gone through that didn't exist before. So even if we dramatically increased our permitting personnel, which is what the budget re-

quests ask for, I don't think we would fully return to the pace of permits that existed before. But we would come a whole lot closer than we will without the budget increases.

Mr. FLEMING. Could you candidate it? Would it say be 80 percent of the previous level?

Mr. BROMWICH. I would just be guessing. If we get those people on board or if we get a fraction of those people on board and then we measure how much more quickly we can do it with those personnel, I think we would be able to figure it out more specifically. But right now I would just be guessing.

Mr. FLEMING. OK. So you feel like you will be able to give an estimate at some later date then as to what you think the steady rate of permit production will be?

Mr. BROMWICH. Right, once we have the new people on board and we train them and we see what rate settles in at. Yes, I would be able to project based on that. Sure.

Mr. FLEMING. OK. Thank you.

You know we are approaching \$4 a gallon this summer in gasoline. Some say it may go higher than that. Federal Reserve Chairman Ben Bernanke testified on March 1 that—and he said that “sustained rises and the prices of oil or other commodities would represent a threat both to the economic growth and to overall price stability.”

And yet in still we have supported and encouraged and even help fund and then sent a rig to Brazil to produce oil there. So that has obviously created a lot of concern, especially considering that current estimates of recoverable energy reserves to the United States if you combine oil, natural gas, and coal as one 1.3 trillion barrels oil equivalent, which is the largest in the world.

And then we hear talk about, well, to bring down the prices we are going to go into the strategic oil reserve, which has never proven to be any solution to that problem.

So it seems to me if truly oil, certainly hydrocarbons in general is a commodity. It is price is determined by market forces that we should move forward and do what we can to increase production instead of being 30 percent dependent on foreign oil as we were in the seventies we are now 60 percent. And so you add on top of that the new technologies that allow us to explore resources we haven't before more and more oil and gas reserves that we are finding every day and yet we have declining producing offshore from 1.7 million barrels a day to 1.59.

Help me with that because it seems to me that we are falling behind and that is just making the prices go up. That is hurting Americans at the pump.

Mr. BROMWICH. Just a few points. Number one, I think that your data on our dependency on imports is not correct. I think our dependency has declined in recent years from approximately 60 percent to approximately 50 percent. So I think that is point one.

Point two is there is not declining production. Production is at its highest historical level in the Gulf of Mexico.

Mr. FLEMING. Well, there must be tremendous disagreement over that because we have had testimonies—EIA has said very clearly that—and it is going down further by as much as 250,000 barrels a day in the next year or so.

Mr. BROMWICH. My understanding is that the projection is that it may go down, but that right now it has not gone down and that it is at its highest levels ever. That is my understanding.

Third, what we do now in terms of approving plans and permits doesn't have an immediate impact. And so even if we granted every permit that is pending and scores of permits that are not pending today, it wouldn't have an influence on the price of gasoline. The process, as I think you and others know, is a long one. From the time a permit is granted until the time that an operator can actually begin producing can be two, five, even ten years.

And so I think we need to be somewhat careful about cross-walking a slower permitting time we have experienced over the last few months to the price of gasoline right now. I don't think it is that simple.

Mr. FLEMING. Well, if I could just follow up, Mr. Chairman, just with a quick statement. And that is that we have had a number of folks from the Administration continue to claim that production is not gone down, yet our data shows very clearly that it does. And yet, the Administration never shows us any data otherwise. Thank you.

The CHAIRMAN. The time for the gentleman has expired. The gentleman from Arizona, Mr. Grijalva.

Mr. GRIJALVA. Thank you, Mr. Chairman.

Welcome Mr. Director. Good to see you again.

Mr. BROMWICH. Thank you.

Mr. GRIJALVA. Director, the report issued yesterday by the Department showed that oil companies are, in essence, squatting on tens of millions of acres of public land, onshore and offshore, on which they are not producing oil. Do you believe that establishing a fee on non-production leases will incentivize timely oil and gas production and increase the revenue for the Federal Government?

Mr. BROMWICH. Yes, I think it will, and I know that is the Administration's position. And we are also exploring—one of the points of doing the report and one of the reasons I think the President asked for it was to explore a variety of potential incentives to get oil and gas companies to push forward with exploration and development.

Mr. GRIJALVA. Use it or lose it would be one of those incentives?

Mr. BROMWICH. Would be one of them. Yes.

Mr. GRIJALVA. And the anticipated, hopefully congressional action to establish such a fee I am assuming you support that as well?

Mr. BROMWICH. Yes.

Mr. GRIJALVA. Thank you. My colleagues on the other side of the aisle, and we have heard today, are very concerned about the slow issue rate of offshore drilling permits by your agency.

And I think your response to my colleague's question at the end is not magically going to create this volume of oil and gas. But it is my understanding that the agency is attempting to reform this process to prevent the tragedy of last year's spill. Can you describe your agency's new onsite permitting process and how it correlates in the long run to lower energy costs in the long run.

Mr. BROMWICH. I think that what we have done through the development implementation of new safety regulations and new con-

tainment requirements is to make drilling safer than it has ever been before. There is no doubt that it has imposed new requirements, obligations, responsibilities on industry.

It has also, as I mentioned in response to your colleague's question, imposed new responsibilities and obligations on our permitting personnel to review those applications and make sure that all the required information has been supplied.

There have been issues over the last many months about permits being turned in with facially inadequate information. And our permitting personnel know that they are not to approve those kinds of permits. They are instead to send them back to the operator with as clearly as we can a request for the missing information to fill out the application.

One would hope and think that it just happens one time. We specify what is missing and it is supplied. Sometimes it has taken more iterations than that. And one of the things we are doing is to explore ways to streamline that process so it sort of quickens the back and forth without for a moment sacrificing the need for getting complete information and ensuring that we have everything we need to feel comfortable in approving a permit.

Mr. GRIJALVA. Thank you. And I appreciate the answer. I hope it is not a dilemma for Congress, but the resources being requested in this budget request are exactly what is needed for expediting permitting process and more importantly to prevent the tragedy that everyone dealt with last year. And that prevention is about regulatory issues in terms of safety, that prevention is assuring the right containment mechanisms, and I think that we shouldn't cut our nose to spite our face in this process.

We can rattle the sword about gas prices, but if we don't put in the regulatory, environmental, and safety resources necessary to make this agency run correctly we are going to be stepping back into the past and we are going to retreat from the commitment we made the American people that this would not occur again. And for your effort I want to thank you Mr. Director and I appreciate all the work that you are done. Yield back.

Mr. BROMWICH. Thank you. Thank you very much. I appreciate it. And you are exactly right. We need to strengthen all aspects of our system. We need to have more inspectors out there looking at rigs and platforms. We need more personnel to do the important environmental work that needs to be done, and we need more permitting personnel. So this is one of those issues, as I have said, that there seems to be consensus in terms our need for more resources. But as the Chairman and I discussed before, it simply hasn't happened for us.

The CHAIRMAN. The gentleman has yielded back. The gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you Chairman.

Director Bromwich, thank you so much for your testimony. I want to revisit the issue that has been talked about a number of times and has to do with the proposed use it or lose it fee on non-producing leases.

The Administration claims that it will provide an added incentive for the industry to either start producing or relinquish leases so that others can bid on them. Now can you explain to me what

your agency defines as a non-producing lease? Is it considered inactive or active lease?

Mr. BROMWICH. A non-producing lease would be an inactive lease, unless it is under an exploration plan.

Mr. THOMPSON. OK, so a non-producing lease is an active lease?

Mr. BROMWICH. No, a non-producing lease is an inactive lease.

Mr. THOMPSON. OK, because your website actually which was updated recently is March 1, 2010 states that a non-producing lease is an active lease that has not produced.

Mr. BROMWICH. Yes, don't have that in front of me.

Mr. THOMPSON. Well, I just bring that to your attention, the discrepancy. And I want to explore that further. Now this is—as you know, the Department of the Interior also deals with the issue of non-producing leases on Federal lands. And are you aware of what the Interior Department defines as a non-producing lease? Does the Department of the Interior consider this an inactive or active lease?

Mr. BROMWICH. You are asking about onshore?

Mr. THOMPSON. No, this—well, on Federal lands.

Mr. BROMWICH. OK, I think there are—as I said at the beginning there are different definitions that are used onshore and offshore for what is considered an inactive lease. Should that be the case? No. But there are two separate agencies that have been running these programs for decades and so I think that explains what is an inconsistency.

Mr. THOMPSON. It certainly may explain it, but I think it also certainly contributes to some obvious issues of—the Department of the Interior actually, taking off of their information, inactive leases are leased areas that are not producing nor currently covered by an approved exploration or development plan. So obviously, there is a lot of inconsistency in terms of your interpretation of it, what your website says for your agency, what the Interior Department says.

Director Bromwich, it appears to me that these two agencies run by the same Administration in which both have jurisdiction over one of the most important issues facing us today, obviously, our national energy security have polar opposite definitions of an extremely simple, yet major concept in the energy industry.

You know what exactly a non-producing lease is—you know, fundamental in terms of what—within the President's proposal the definitions are so inconsistent. I mean you provided an explanation of this in terms of there are two different agencies, although within the same Administration.

Any other thoughts why these inconsistencies exist? Do you agree that it would be wise for the Administration to be on the same page to provide regulatory certainty for the industry?

Mr. BROMWICH. Well, these agencies have looked at these issues differently, not just during this Administration. These agencies weren't created by this Administration, so the inconsistency that you are identifying between the definitions have existed for decades. Is it something that in a perfect world ought not to exist? Of course.

I don't know all the complications of what goes into the BLM definition and so I am not sure why they define things in a way that is different from ours. Obviously, in putting together this report we

defined the inconsistency and I think that the report attempts to simply note that there is an inconsistency. We obviously weren't going to change the definitions for the purpose of this report. We wanted to keep the definitions as they have existed historically.

Mr. THOMPSON. I would suggest that, recognizing that there are lots of folks and administrations that have ownership on this problem, but I think the Administration—now that the problem is this clear and this simple—this is the sitting Administration. I think I would certainly suggest that this is something that be immediately looked at. It is all under the same Administration. Now is the time to correct this problem no matter how far back it goes I think for the industry and frankly for the future of our energy security that would be a very good thing to do.

Mr. BROMWICH. I am not sure that industry is confused, frankly. I haven't seen the evidence that they are confused about the definitions.

Mr. THOMPSON. Sir, do they get to pick and choose which definition to go with?

Mr. BROMWICH. I am not sure that the definitions have much direct impact on their operations.

Mr. THOMPSON. In terms of you are talking about use it or lose it, and if that is imposed it would seem to me you would want to know what the definition of an inactive lease is.

Mr. BROMWICH. Just because the definitions are different offshore and onshore, operators who operate in both areas certainly would have a mature understanding that the definitions are different and therefore they will act accordingly. So just because there is an inconsistency in the definitions between the two agencies doesn't mean that industry is confused.

Mr. THOMPSON. Actually, I would suggest that it is something that the Administration should look at.

Mr. BROMWICH. OK.

Mr. Thompson. Thank you, Mr. Chairman.

The CHAIRMAN. The time for the gentleman has expired. Ms. Tsongas from Massachusetts is recognized.

Ms. TSONGAS. Thank you, Mr. Chairman. And thank you Director Bromwich for being here with us.

Director, last summer like much of the country I was so concerned by the disorganized and inadequate response to the BP oil spill. And furthermore, I was shocked to learn that oil companies and the MMS had created nor required plans for a worse-case scenario oil spill like the BP spill. And we saw the results.

As you have been testifying today, you have talking about the efforts that you put in to prevent such spills from occurring and the kind of efforts around containment and the technologies that need to be put in place, but what has your agency been doing to create and put in place realistic, worse-case scenario oil spill response plans, either from within the Department or as a requirement of granting a permit?

Mr. BROMWICH. We actually have done a lot. We now require worse-case discharge scenarios to be outlined and calculated by industry. And we don't just rely on what industry calculates. We do our own calculations. And so our whole permitting process depends on an individual operator, in fact, complying with a very detailed

set of requirements in a document called NTL6 or Notice to Lessees 6 in which they are required to walk through a worse-case discharge and a scenario for a worse-case discharge. And then to demonstrate before we will even consider granting a permit that they have the containment capabilities that would cover such a worse-case discharge.

So there has been a tremendous amount of work that has gone in that area. NTL6 actually came out in June of 2010. So within two months of the spill, and we have worked it through with industry over the course of many months. There were a number of questions about it and how the computations worked and so forth. But we are now at a point that we are now seeing operators comply fully with the requirements of NTL6 and to specify their blowout scenarios and to specify their containment resources. So that is why at the end of March of 2011 we are in a very different place in a good way than we were on April 20 of 2010.

Ms. TSONGAS. And does this also include, for example, how you would coordinate with the Coast Guard or other entities that might have to deal with the impact on local communities and shorelines and all of that as well?

Mr. BROMWICH. It doesn't directly connect with that. That is a longer-term project and that relates to how we are going to reconfigure the whole oil spill response program. That is not something we can do by ourselves because of the number of participants involved, namely, the Coast Guard. We have initiated an interagency process by which the entire regulatory structure for oil spill response will be reconfigured. It hasn't been done yet because that is not something that can be done overnight or really even in a few months. But it is a project that has been commenced. And I agree with you it is an important project.

Ms. TSONGAS. I hope you would bring it to us so that we and the American people can be reassured because on almost every level we saw an inadequate planning put in place to deal with this. And I think as we watched this unfold over many, many months it was quite dismaying and I think to have a plan in place that can respond more quickly and more effectively would be reassuring to all of us.

Mr. BROMWICH. I understand. Absolutely.

Ms. TSONGAS. But also I wanted to ask now that the deepwater moratorium has been lifted, can you give me any examples of drilling companies that have made changes to their drilling procedures and particularly around worst-case scenarios. You have said you have made them put in place plans, but can you talk about anything more particular than that.

Mr. BROMWICH. For all of the operators for whom we have granted deepwater permits since February 28, they have all had to do that kind of work. They have all had to fully comply with NTL6, the worse-case discharge guidance. They have had to comply with the new safety regulations that we put out in October that requires certifications by professional engineers at various stages of the process, both with respect to well casing, with respect to cementing.

So you go down the list of the permits that we have granted—Noble Energy, BHP Billiton, Exxon, Chevron. You go through the

list—ATP. They have all complied with not only the requirements of NTL6, but all of our safety regulations as well. And that is what gives me confidence that it is not just those operators, which obviously represent a significant slug of the industry doing business in the Gulf, but that other operators as well are capable of meeting all of those requirements. It wasn't easy. Didn't happen overnight because these were tough, new requirements, as they needed to be. But we are now seeing that operators can comply with them and I think that there will continue to be a surge in new applications that, in fact, comply with our new regulations.

Ms. TSONGAS. Thank you. And I yield back.

The CHAIRMAN. I thank the gentle lady. The gentleman from South Carolina, Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman. And thank you Director Bromwich for being here.

I have had a fair amount of experience with MMS in the past, served on the OCS five-year planning subcommittee for about 18 months. And one question I wanted to ask you is have you been out to a deepwater production oil drilling platform in the Gulf of Mexico?

Mr. BROMWICH. Yes.

Mr. DUNCAN. OK. During this de facto moratorium that we have since the *Deepwater Horizon*, how many—I know you all have issued five out of the existing—excuse me, 7 out of the existing 52 permits that were approved prior to Horizon. How many of those have been in deep water?

Mr. BROMWICH. We have approved seven permits for six unique wells. In other words, one had to reapply, so we granted that one twice. So six unique wells, seven permits and that is since February 28. We only have 12 applications that are pending currently.

Mr. DUNCAN. How many were in deep water?

Mr. BROMWICH. Those are only deepwater statistics that I have given you.

Mr. DUNCAN. There was one deepwater issued on March 18, do you know who that was issued to?

Mr. BROMWICH. I would have to go back. There are six different operators and I think with Congresswoman Tsongas I went through virtually all of them. I don't remember which one it was.

Mr. DUNCAN. My information shows it was Petrobras.

Mr. BROMWICH. No, that is not right.

Mr. DUNCAN. And 8,200 feet of water, 165 miles—

Mr. BROMWICH. No. I think you are confusing two different things. That was a permit for what is called an FPSO.

Mr. DUNCAN. OK. Mr. Bromwich. It is not a deepwater drilling permit. It is something completely different. It relates to production, not deep water.

Mr. DUNCAN. Had they been issued a deepwater permit before?

Mr. BROMWICH. Pardon?

Mr. DUNCAN. Are they drilling in that location?

Mr. BROMWICH. No. No.

Mr. DUNCAN. Just offloading? OK.

Mr. BROMWICH. They are preparing for production is my understanding.

Mr. DUNCAN. I am sorry?

Mr. BROMWICH. They are preparing for production is my understanding.

Mr. DUNCAN. OK. Last week we saw the President go to Brazil and applaud the same company for drilling offshore. And he said this that we want to work with you. We want to help with technology and support to develop these oil reserves safely and when you are ready to start selling we want to be one of your best customers at a time when we have been reminded how easily instability in other parts of the world can affect the price of oil and the United States could not be happier with a potential for a new stable source of energy.

We have stable sources of energy in this country in shallow water and deep water, western GOM off the Atlantic Coast with the Virginia—the permits that have been working toward with natural gas. Supposedly lands in this country that have been off the table for energy exploration. And so it concerns me that the Administration seems to have a drill there and not here philosophy.

And so when I look at what is going on very closely to the United States waters based on the chart that I see beside me I have been looking at all morning, concerns me that other people are drilling for oil in the Gulf of Mexico that could have an impact on U.S. waters as well.

And so we want to do it here. We have the resources. We have the technology. We have issued permits in the past. There has been over 40,000 wells drilled and oil produced from in the Gulf of Mexico and we have had one instance, although it was a terrible instance and I appreciate the ongoing look at safety. But I am astonished when I hear the Ranking Member say that now we are pushing for deepwater drilling. Sure we are because it has been successful in this country.

Being involved with the MMS in the past, I know there are leases that are expiring. Is there any talk within the Administration of extending those expiring leases? Those guys have invested hundreds of millions of dollars in these leases that they may not ever get to produce from.

Is there any talk about extending those leases? And then if we are going to meet the American energy independence in this country, we are going to need new lease sales. And I know the process is long and convoluted so we don't need to be five or seven years out with new sales. So I would like to you address upcoming leases, if you don't mind.

Mr. BROMWICH. Yes, let me take a couple of things you said before. The Administration and I take a drill here position as well. That is why we are granting these permits. That is why we have asked for additional budgetary resources so that we can push forward with granting permits for drilling here.

You point out very importantly that we did have the horrific accident in April. And I am sure you have studied what happened in UK and Norway after they had enormous incidents. Things shut down for much longer than they have here as regulators and industry reevaluated what had happened and tried to figure out what additional safety enhancement needed to take place.

Mr. DUNCAN. We are out of time. Are you going to extend any of the existing leases? Are you going to look at that?

Mr. BROMWICH. It depends. We are going to do it on a case-by-case basis. We have had requests for leases expiring in 2020 to extend their leases. That strikes me an outrageous request. If they have a least that expires in the next year or so, and they have clearly not been able to move forward because of the moratorium and the slowdown in permitting, we will grant those lease extensions.

Mr. DUNCAN. Thank you.

Mr. BROMWICH. But we have had a free rider problem with people coming in with leases that don't expire for eight, nine, ten years and saying we want more time on our lease. That strikes me as inappropriate.

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

Mr. SARBANES. Thank you, Mr. Chairman. Thank you Director for being here. Thank you for I think really putting to bed the notion that there is a de facto moratorium—I mean that there isn't a de facto moratorium on drilling. There isn't a de eura moratorium. There is de nothing out there. I mean you are issuing permits from what I can gather from what you are telling us the industry would recognize that the agency is acting in a responsible way, that the requirements being sought are appropriate, that the process that they need to go through to demonstrate that they can handle these projects in a safe manner makes sense.

So this notion that there is a de facto moratorium in place I think really it is a dog that won't hunt.

Mr. BROMWICH. You are right about that, Mr. Sarbanes. And it is insulting to our people who are working hard to process permits, but in deep and shallow water as rapidly as possible. A de facto moratorium would not require them to work. They could go home and they haven't done that.

Mr. SARBANES. I appreciate that.

Now I wanted to ask you—you alluded in responding to a question from Congressman Kildee and Congressman Grijalva as well that you feel like the industry has been chastened by this experience and is ready to step up and be more attentive to its responsibilities in terms of safety. Obviously, they can see and the average American can figure out that the cost associated with a spill happening and the shutdown that that creates within the industry greatly exceed—exponentially exceeds any costs associated with putting good safety measures in place and making sure that that is paid attention to.

So it goes to this question of what the culture is like in these companies. And there was a sense prior to the spill that the culture was lax when it came to safety. And we have talked about the kinds of spill response plans that were developed in a cookie cutter manner.

We got the impression—I think clear impression from the research that was done by the BP Commission that the President set up that corners were being cut and so forth. and it reflected a culture that just wasn't paying attention to these things.

I would like you to speak to whether you think that culture is changing. I would like you to speak to whether you may remember from the last time at one of the hearings where you came before

this Committee that I broached the idea to you and Secretary Salazar of requiring that the CEOs of these companies personally certify as to the adequacy of their oil spill response plans to make sure that right at the top there was that commitment to safety.

Now that provision is not in place, but I would like you to speak to whether you think that could be helpful. And in addition, speak to whether you think beyond what you can do from a regulatory standpoint there is still a need and usefulness to having the Congress act to provide more authority to enact some of the recommendations of the Commission that was put forward.

Mr. BROMWICH. Let me go first to whether the culture is changing question. I think it is changing. I think it was, in your words, a chastening experience for the industry. I don't want to generalize some of the companies that we dealt with, including some of the major companies clearly took a lot of pride over the years in their safety culture and they sometimes will refer pejoratively to some of the other operators as not having that culture.

But I think for the industry as a whole *Deepwater Horizon* was a massive wake-up call. And I saw that, not only in the boards and groups that industry formed to look at these issues, but really in the passion that some of the industry folks expressed. They had acknowledged that they had been complacent. They had acknowledged that they had too much discounted the possibility of a catastrophic spill. So I think that has caused a reevaluation of those issues in part stimulated by the new regulations that we have put out there. But part of it is self-generated by a simple recognition that it can't happen again.

I think Co-Chairman Riley of the President's Commission has told the industry that if something else like this happens forget about it. Game over. No more offshore drilling. And I think industry at some level understands that, that the stakes are incredibly high.

My concern is how do you sustain that commitment to a safety culture once the memory of *Deepwater Horizon* begins to fade? And one of the things I have been concerned about with all of the push to grant permits more quickly is it is fading all too quickly less on the part of the companies themselves and more on the part of trade associations and frankly some public officials. It is important to keep in mind that this event was less than a year ago. Eleven people died and there was a dramatic need to reevaluate the safety regime that exists and the requirements that exist.

Moving to one of your other questions, I think personal and executive accountability is an extremely important principle and that is why we now have a requirement, not with respect to oil spill response specifically, but with respect to whether applications are compliant with all of our new regulations. It is not a CEO requirement, but an authorized official must certify it. I apologize.

The CHAIRMAN. The time for the gentleman has expired. The gentlemen from Colorado, Mr. Tipton.

Mr. TIPTON. Thank you, Mr. Chairman and thank you Director for being here.

I just have a couple of quick questions that I wanted some clarification on. Refer back to the question by colleague from New Mexico in regards to the use it or lose it fee for non-use. There is a dif-

ference, isn't there, between having a lease and then a permit to be able to develop the lease, is that correct?

Mr. BROMWICH. Yes. The actual steps are is there a lease and then there is an exploration plan and then there is a development plan. So you get permits, both with respect to an exploration plan and with respect to a development plan.

Mr. TIPTON. But developed resource to be able to make money you have to be able to have a permit.

Mr. BROMWICH. Yes.

Mr. TIPTON. Is your plan to have a fee before we are allowing people to be able to actually produce?

Mr. BROMWICH. I am not sure that is actually the requirement.

Mr. TIPTON. You are not sure? Could you check up on that?

Mr. BROMWICH. Sure.

Mr. TIPTON. I would like to be able to know that.

Mr. BROMWICH. Sure.

Mr. TIPTON. And then just going back a little bit to the *Deep-water Horizon* in terms of the response of government and agencies, how many violations did BP have?

Mr. BROMWICH. We still have an ongoing investigation, as you know, that will help to determine—

Mr. TIPTON. How does that relate to other companies, do they have less violations?

Mr. BROMWICH. Did they have fewer violations than what?

Mr. TIPTON. Than BP.

Mr. BROMWICH. I haven't looked at.

Mr. TIPTON. We don't have any idea? We might want to check on that, whether or not it was a failure to address one company rather than the entire industry as well.

Mr. BROMWICH. But as the President's Commission has pointed out, they were using a TransOcean rig which is a large supplier of rigs. And they were using Haliburton cement, which apparently failed. And so simply pointing at the operator, in this case BP, really misses the full picture and I think that is what led the Commission to suggest it was a systemic problem and not a single operator problem.

Mr. TIPTON. I also want to go back to the Ranking Member's question in regards to the continuing resolution. In the event that Senator Reid and the President fail to come up with any ideas of their own and they want to shut down the Federal Government, since they haven't responded to the House of Representatives, will that impact the process of permitting?

Mr. BROMWICH. Yes.

Mr. TIPTON. That will?

Mr. BROMWICH. Yes.

Mr. TIPTON. We would certainly all like to encourage the President and the Senate to finally step to the plate.

One other question that I have as well, you are establishing in your request with \$119-million increase in appropriations two new agencies. As I read through your testimony in regard to the BOEM it says, "Develop wisely, economically, and with appropriate protection for the environment. Another agency, the BSEE, enforce safety and environmental regulations."

Personally, I am going to read into it a little bit more, but it looks to me like there is a distinction without a difference.

Mr. BROMWICH. That is not true.

Mr. TIPTON. We will look into that a bit more.

Mr. BROMWICH. You want me to answer your question? Can I answer your question?

Mr. TIPTON. I will tell you, if we could, I would like to because he has a few specific questions. I would like to yield the balance of my time to Representative Boren.

Mr. BROMWICH. Yes, but I would like to answer that point because there is not duplication. There are completely different functions. One is for doing the up-front environmental work associated with leases and plans.

The other, in BSEE, is relating to environmental compliance to make sure that the environmental commitments and mitigations that the companies have committed to in their plans and in their permit applications are actually followed through on. That is a capacity that has never existed in the agency that will exist in BSEE and it is utterly distinct from the kind of environmental NEPA analysis that would go on in the Bureau of Ocean Energy Management.

Mr. TIPTON. Thanks for the clarification. I yield the balance of my time, with the Chair's approval.

The CHAIRMAN. Thank you. Mr. Bromwich, prior to you getting appointed to this position, did you have any oil and gas experience?

Mr. BROMWICH. I was a lawyer in private practice and I had represented some energy clients. But if you are asking whether I had a specialty in offshore drilling, the answer is no.

The CHAIRMAN. OK. Do you know what a half-truth is?

Mr. BROMWICH. I think so.

The CHAIRMAN. Is a half-truth a lie or is a misrepresentation of the truth?

Mr. BROMWICH. Well, I am not sure I can answer that in the abstract. Can you give me a specific example.

Mr. LANDRY. I am trying to figure out if you and the Administration are just outright lying to the American people or if you all just want to misrepresent the truth because again today you pointed to how production is at its highest, yet your—the Administration—the Energy Information Agency clearly points out that under the current policy comes to production or production in the Gulf of Mexico is slated to decline.

Mr. BROMWICH. The question was about current production, not about projected production.

Mr. LANDRY. But no, you all like to make the assumption. You like to tell the American people that you all are responsible for a peak in domestic production.

Mr. BROMWICH. I haven't told anybody that I am responsible for a peak in domestic production.

Mr. LANDRY. OK, but do you don't you agree that under the current policy production in the Gulf of Mexico will decline?

Mr. BROMWICH. Yes.

The CHAIRMAN. OK, and will that have an impact on our domestic supply?

Mr. BROMWICH. Our domestic supply? Yes, in the short term.

Mr. LANDRY. All right. Thank you, Mr. Chairman.

Mr. BROMWICH. I don't think any of that was a lie or a misrepresentation by me, Congressman.

Mr. LANDRY. OK, I just wanted to make sure because I needed to clarify that for my colleague. I didn't want him going out there and you making that because the Administration continues to want to pound that at the podium when that is clearly not factual.

Mr. BROMWICH. OK, but his question was about current production.

Mr. LANDRY. Current production.

Mr. BROMWICH. Just to be clear.

Mr. LANDRY. OK.

Mr. BROMWICH. OK?

The CHAIRMAN. The time for the gentleman has expired. The gentleman from Idaho, Mr. Labrador.

Mr. LABRADOR. Mr. Chairman, if I could just get a follow up on these questions. You say that there is not a de facto moratorium, correct?

Mr. BROMWICH. There is definitely has not and has never been.

Mr. LABRADOR. OK. So when did energy production actually peak in the Gulf Coast?

Mr. BROMWICH. When did it peak?

Mr. LABRADOR. Yes.

Mr. BROMWICH. I think it is nearly at its peak now.

Mr. LABRADOR. It is at its peak right now.

Mr. BROMWICH. I think or close to it. Yes.

Mr. LABRADOR. So what is our current level of production right now?

Mr. BROMWICH. In terms of barrels of oil?

Mr. LABRADOR. Yes.

Mr. BROMWICH. I don't have that figure.

Mr. LABRADOR. OK, when were you told that you were going to testify at this Committee?

Mr. BROMWICH. A couple of weeks ago.

Mr. LABRADOR. And you don't have that information, which is what that hearing is about?

Mr. BROMWICH. No, this hearing was about our budget request.

Mr. LABRADOR. But your budget as so we can actually figure out—

Mr. BROMWICH. If you had asked me in advance to supply production data, I would have been happy to do that.

Mr. LABRADOR. No, but you are the one who is saying there is not a de facto moratorium.

Mr. BROMWICH. The de facto moratorium relates to permitting activities.

Mr. LABRADOR. OK.

Mr. BROMWICH. And I have answered a number of questions about permitting activities. I am happy to answer any of your questions about permitting activities.

Mr. LABRADOR. So you are saying at this point we are at a peak, but according to information I have in production—

Mr. BROMWICH. In production.

Mr. LABRADOR.—that it peaked in May of 2010.

Mr. BROMWICH. OK.

Mr. LABRADOR. OK, so production at Gulf peaked and then continued to decline. What is our current—compared to 2010, which was the highest producing year ever, and I agree with the Administration there.

Mr. BROMWICH. OK.

Mr. LABRADOR. That it was the highest producing year ever. Your permitting is proceeding according to plan and would you expect 2011 to have equal to or greater production than 2010?

Mr. BROMWICH. I think it is going to be less.

Mr. LABRADOR. It is going to be less?

Mr. BROMWICH. Yes.

Mr. LABRADOR. So we are actually reducing. We are actually going down in the level of production in this year?

Mr. BROMWICH. That is my understanding of what the projections are. Yes.

Mr. LABRADOR. OK, so we are curious because you know I don't have any gas companies in my state. I am just worried about the consumer. I am worried about the people in my district, in my state who are paying higher gas prices. What do you expect 2012 to be, according to the current projections?

Mr. BROMWICH. I haven't seen a projection for 2012.

Mr. LABRADOR. Do you expect it to be higher than 2011 or 2010?

Mr. BROMWICH. I don't know.

Mr. LABRADOR. Do you expect it to peak?

Mr. BROMWICH. You are asking me questions—I don't do projections. I run an agency that is responsible for a whole, large range of activities, but not for making future estimates.

Mr. LABRADOR. Yes, but it seems like you keep telling us that we are at the highest levels ever, and the highest levels ever were at 2010.

Mr. BROMWICH. OK.

Mr. LABRADOR. And the 2010 was because of things that happened before 2010—was because of Administration decisions that were made before?

Mr. BROMWICH. Yes.

Mr. LABRADOR. Not because of your Administration's decision. It was because of what happened before your Administration was in place, wouldn't you agree with that?

Mr. BROMWICH. I never claimed that I am responsible for high levels of production.

Mr. LABRADOR. And no one in your Administration is claiming that?

Mr. BROMWICH. I don't know what people in the Administration may have claimed.

Mr. LABRADOR. OK. Now when we talk about the oil spill, you are telling us that we need higher standards, and I can probably agree with that. But don't you think—I think it was the Ranking Member who said that there was a lot of rubber-stamping happening in your office before you came into place, would you agree with that?

Mr. BROMWICH. People have used that description. I think permits were being processed at a rapid rate in large part because the number of requirements was far fewer than they are now.

Mr. LABRADOR. OK, so you are asking for a 50 percent increase of your inspectors, was that the right number that I heard.

Mr. BROMWICH. No, somebody else used the number 50 increase in permitting personnel. It is actually a larger increase than that.

Mr. LABRADOR. It is a larger—

Mr. BROMWICH. In terms of the number of inspectors, we are actually asking for a much larger percentage increase. It would go from a current number of about 55 to—we are asking for an increase of 116.

Mr. LABRADOR. So I am still not sure. If you are going to have that many more inspectors why you are not going to be able to approve more permits.

Mr. BROMWICH. Inspectors don't approve permits. They go out on rigs to ensure the safety of the rigs and the platforms.

Mr. LABRADOR. Yes, but why aren't you going to be able to—with all the extra funding that you are going to have why aren't you able to approve more permits?

Mr. BROMWICH. We are. That is why we requested sufficient funding for 41 additional permitting personnel.

Mr. LABRADOR. But according to your something you said to a newspaper you said that we are not going to have permits than pre-spill oil.

Mr. BROMWICH. I said the pace of permitting will likely not return to where it was previously because of all the additional steps that our permitting personnel need to go through to confirm that operators when they submit their permit applications are in full compliance with all the rules.

Mr. LABRADOR. So I want to be clear. What that means to you then is that the pace—so each permit will take longer, but it doesn't mean that we are not going to have as many permits?

Mr. BROMWICH. Yes.

Mr. LABRADOR. Is that what you mean?

Mr. BROMWICH. Yes.

Mr. LABRADOR. OK. Thank you.

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

Mr. LANDRY. Mr. Bromwich, I was somewhat pleased to see that you approved Shell's first, new deport exploration plan. I understand that there are several environmental groups that are considering filing challenges to that.

Our Chairman has introduced some legislation that helps to streamline the judicial process. You are a very bright lawyer. I will recognize that. Do you support that legislation?

Mr. BROMWICH. Is this one of the bills that the Chairman introduced yesterday?

Mr. LANDRY. Yes.

Mr. BROMWICH. I haven't had enough time to really study it to give you an informed opinion.

Mr. LANDRY. OK, I would like you to supplement an answer to that question once you have an opportunity to review. If you wouldn't mind, if you could take a look at that map. That is a map of Cuba. That is Cuba's lease blocks. I don't guess that you have any jurisdiction over how they drill in Cuba.

Mr. BROMWICH. Not that I am aware of.

Mr. LANDRY. OK, one of those lease blocks has been leased to Petrobras and did you recommend to the President that maybe we should require Brazil to meet the same standards you are inflicting on our oil and gas industry as they drill in Brazil?

Mr. BROMWICH. There is a lot of discussion and activity within the Department about trying to internationalize standards.

Mr. LANDRY. No, no, no. I mean the money is already lent. I mean when they lent Brazil some money to drill off our coast. Does Brazil meet the—could under your requirements could people drill in Brazil—would they meet your requirements in Brazil? Are they doing the IS's and duplicative environmental studies?

Mr. BROMWICH. I don't know very much about Brazil's regulatory system, so I can't answer that.

Mr. LANDRY. That is a great answer because me neither, but I don't know why we are spending all that money increasing their offshore capacity and we are strangling our industry here.

You know we have been talking a lot about irresponsibility on behalf of the industry and I would like to get back to that. But you have indicated that a government shutdown would impair your ability to issue permits. Would you say that a government shutdown is an irresponsible act?

Mr. BROMWICH. I think that is a rhetorical question, isn't it?

Mr. LANDRY. I don't know. I mean would you say that shutting the government would be irresponsible?

Mr. BROMWICH. I think shutting down the government and sending the bulk of our employees home is an irresponsible act.

Mr. LANDRY. OK. Well, then would you agree that it was irresponsible for the Democrats not to pass a budget last year.

Mr. BROMWICH. I am not going to answer that question.

Mr. LANDRY. Well, now wait a minute. I mean come on now. I mean you can't just—

Mr. BROMWICH. I am here to supply information. Congressman, I am here to supply information about things that is within my jurisdiction, not to opine political questions.

The CHAIRMAN. If I may, Mr. Landry.

Mr. LANDRY. Yes, sir.

The CHAIRMAN. The gentleman is here on his—listen, I am very interested in that answer too.

Mr. LANDRY. But it gets to it, Mr. Chairman. It does.

The CHAIRMAN. OK. He has declined to answer it and I think we need to respect that.

Mr. LANDRY. Let me ask you a question. If we were to shut the government down, how much money would you need to continue your permitting process?

Mr. BROMWICH. The answer is I don't know. And the second answer is I am not able to pick and choose which operations I can select. The shutdowns that took place I don't know if you were here at the time. I was in 1995 and 1996.

Mr. LANDRY. I was a taxpayer at that time.

Mr. BROMWICH. Well, sir, I have been a taxpayer all alone. So in—

Mr. LANDRY. In the government? You were in the government.

Mr. BROMWICH. I was in the government in 1995.

Mr. LANDRY. Getting a government check. I was getting a private check back then.

Mr. BROMWICH. OK. I have had some private checks, too.

Mr. LANDRY. OK.

Mr. BROMWICH. So in 1995 and 1996, there was—most of the government was shut down. There was a very skeletal crew in most agencies. That was true with the Justice Department where I served and—

Mr. LANDRY. OK, so how much money—

Mr. BROMWICH.—and I—

Mr. LANDRY. How much money do you need—if you have all that experience you should then be able to tell me relatively how much money you would need to continue to the permitting process under a government shutdown.

Mr. BROMWICH. I don't know.

Mr. LANDRY. I mean you just told me about the vast experience that you have and that you were here when the shut the government down.

Mr. BROMWICH. I was not in the Interior Department and I wasn't running this agency.

Mr. LANDRY. Yes, but you evidently have some experience. Could you give me a roundabout park? Would it be 10 million, 15 million, 20 million.

Mr. BROMWICH. I don't know.

Mr. LANDRY. OK, by your own admission earlier, you agree that there is adequate spill response capabilities in the Gulf of Mexico.

Mr. BROMWICH. No, what I said was in the context of individual permitting application we are satisfied that with respect to each of those applications that we approved that each of them has demonstrated adequate access to containment resources.

Mr. LANDRY. Does the government have access to adequate spill response capabilities in the Gulf of Mexico today—the government. Do you have the ability to go and if you needed it and you had the budgetary ability could you go and access adequate spill response capabilities in the Gulf of Mexico today?

Mr. BROMWICH. That is not a government responsibility under our current laws.

Mr. LANDRY. I am just asking you if you did have it, could you?

Mr. BROMWICH. We could perhaps commandeer the resources of the various private groups, but that is not the way the system works.

Mr. LANDRY. I am going to respect my time. If I had some more we could finish up.

The CHAIRMAN. The time for the gentleman has expired.

Mr. KILDEE. Mr. Chairman, point of personal privilege.

The CHAIRMAN. The gentleman is recognized and will state his point of personal privilege.

Mr. KILDEE. I came over here to get answers to questions relevant to the purpose of this hearing. I think we are straying a bit from that and I appreciate the fact that you have tried to bring it back into the direction in which this hearing was called.

Let the record show that I was in government when the government was closed down and I was drawing a government paycheck and still am.

The CHAIRMAN. Let me just simply respond and I know that the Director was asked to come here and talk about the budget. There are many, many facets to the budget. I would just say to my friend from Michigan that the gentleman from Louisiana has constituents that are badly impacted by this. What has happened in the BP and he is trying to get answers on behalf of his constituents by his line of questioning.

I interrupted him because I respect the fact that Director Bromwich was asked probably a rhetorical question, but I understand the passion. And frankly, there is passion on both sides of the aisle and that is the reason for these hearings. But I think we do need to conduct it in as civil way as we possibly can. And certainly that is my intent as Chairman and I know Members want to respect that. But we need to understand sometimes why the passion arises of all of our Members in their effort to represent their constituents.

Mr. KILDEE. And I appreciate Mr. Chairman. That is one of the reasons you are considered to be one of the most decent Chairmen in this House and I have been in this House for 34 years. And I can't find anyone who surpasses you in decency. And I want to work with my colleague from Louisiana. Live in the State of Michigan. That is surrounded by the largest body of fresh water in the world. So while you have the Gulf of Mexico, which is, of course, the sea water I can understand your passion. And we all get passionate at time, and don't ever lose your passion. That can be a positive thing.

The CHAIRMAN. I think the gentleman. The Chair recognizes the gentleman from Ohio, Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. Director Bromwich, I am a little bit confused. I would like to go a little deeper into your budget request. It is my understanding that your department has requested an increase of almost \$120 million in funding compared to 2010 levels. Can you tell me real briefly what was your funding level for your permitting process in 2006?

Mr. BROMWICH. I don't have that number. I can supply it to you, but I don't have it right now.

Mr. JOHNSON. OK. But is it safe to say that it is probably a lot lower than the 120 million that you are requesting for increase in 2010?

Mr. BROMWICH. Certainly, the part of the budget request for Fiscal Year '12 that goes to permitting would put us at a level of personnel that I would imagine would be significantly in excess of what existed in 2006, although I don't know those numbers.

Mr. JOHNSON. All right, I appreciate that. In 2006, according to the records that I have, your department approved 381 permits. In '09, 171 permits. In 2010, 104. And this year so far 20. Can you please explain to my colleague and I why your department needs 120 million more dollars in the budget to do what you were doing for a lot less in 2006? Why do you need \$120 million to improve a process that, at least according to current statistics today was working pretty good back in 2006 because we getting a lot more permits through the system?

Mr. BROMWICH. Well, it depending on what you consider doing pretty good. If by that you mean proceeding at a level of safety re-

quirements and regulations that are now largely viewed as completely insufficient.

Mr. JOHNSON. Well, let us get to that. Let us talk about safety and regulation.

Mr. JOHNSON. Are you considering in your evaluation the fact that some 40,000 wells have been drills in the coastal waters of America?

Mr. BROMWICH. Yes, I am.

Mr. JOHNSON. Before the *Deepwater Horizon* incident, right?

Mr. BROMWICH. Right, with 79 loss of well control incidents in the period of—

Mr. JOHNSON. Out of 40,000, correct?

Mr. BROMWICH. Yes, but that is 79 almost *Deepwater Horizons*.

Mr. JOHNSON. Almost. Almost.

Mr. BROMWICH. Yes.

Mr. JOHNSON. They did not occur.

Mr. BROMWICH. They did not occur.

Mr. JOHNSON. We have had one deepwater incident out of 40,000 plus.

Mr. BROMWICH. Right.

Mr. JOHNSON. We were implementing 381 in '06. We have done 20 this year. And it takes the acts of Federal judges finding the Department is in contempt to get our oil drilling process moving. All the while we are sitting here while America is paying \$4 plus for gasoline at the tank. We have a President who goes to Brazil and encourages the Brazilians to drill so that America can become one of their best customers. Mr. Bromwich, is this your idea or the Department's idea of an adequate energy policy for America?

Mr. BROMWICH. First of all, your numbers in terms of permits for this year is very low. You said 20. The actual number is 73.

Mr. JOHNSON. Seventy-three? OK. Compare that to 381. I will give you that.

Mr. BROMWICH. Well, we are only about a quarter of the way through the year. So if you trick that out for about 280. I am not saying that is what it will be, but it shouldn't take a quarter of a year and match it up against a full year. I think you will agree with that.

Mr. JOHNSON. I certainly agree we are not all the way through the year. So back to the question, do you consider the President's urging Brazil to drill while we have pretty much a de facto moratorium on our drilling here in America an adequate energy policy for the American taxpayer.

Mr. BROMWICH. Sir, we don't have a de facto moratorium. If we had a de facto moratorium, we wouldn't have 73 permits this year. I understand that that is the phrase that is being used and used repeatedly. So has the phrase "permitorium." They are meaningless phrases in the face of permits being granted. Even the industry in the last few weeks has welcomed our issuance of both deepwater and shallow-water permits.

So I would suggest that the phrase de facto moratorium has outlived its usefulness and we ought to talk about real numbers rather than a phrase that is now meaningless.

Mr. JOHNSON. Well, I would encourage you—I don't understand the 120 million to do something that is going to cost a lot more now

that you were spending a lot less on in 2006. And I think the American taxpayers want answers and they are not getting them.

Mr. BROMWICH. To finish the chances of another *Deepwater Horizon*.

Mr. JOHNSON. I yield back my time, Mr. Chairman.

The CHAIRMAN. The time for the gentleman has expired. The gentleman from Oklahoma, Mr. Boren.

Mr. BOREN. Thank you, Mr. Chairman. Thank you Director Bromwich. I think we have had several different meetings over the past few months and I think you know I am obviously a big supporter of the oil and gas industry, but at the same time I do want to take the tone down a little bit and thank you for your service.

I know this is a tough job that you have got. You have to balance—we all want safety. We all want a clean environment. You have to balance a lot of different things. You answer to a lot of different bosses, including the President of the United States and all of us. So I do want to say thank you for doing this, at least for undertaking this job.

But I do want to advocate for some of the things that the other Members were talking about. I think we do need to get drilling underway. I do think we need to encourage resource development.

Now according to your website, you all have so many permits kind of in the queue. I think there are like 12. It may be different. And then you also you have what I call a different category and I want to go into that.

I visited with some of the industry folks and they say the number in the queue is misleading. I have gotten here late and so may I may be restating some things. But there are other permits that are waiting that are what they called deemed submitted which are needed before they are officially pending on the website. And they say this process takes about 60 days. Am I right on that or wrong? Could you inform me or educate me a little bit better on how that works?

Mr. BROMWICH. Sure. I am not sure what the industry folks have exactly told you because what you said doesn't completely make sense to be. But let me just tell you where we are.

Mr. BOREN. OK.

Mr. BROMWICH. And hopefully that will be a good start. We have seven permits for six unique wells in deep water that we have granted, all since February 17 when industry demonstrated that it had subsea containment capabilities. There are currently 12 applications pending.

Now that does not include applications that may have been submitted that have been sent back to the operator because they did not contain all of the required information. Now we haven't talked a lot about this issue at the hearing, but one thing that we did talk about a little bit is we would like to try to reduce the number of times that permit applications get kicked back. And so we are working to figuring out, along with industry, ways to streamline the process.

Mr. BOREN. Are these large—I mean are they like didn't dot the I's and cross the T's or are these big things that are being left out, are they small things?

Mr. BROMWICH. These are most frequently large things.

Mr. BOREN. What would they be?

Mr. BROMWICH. For example, failure to supply a description of what their containment plan is. We have had a number, despite all of the publicity associated with the need to supply a plan that designates the containment resources for a deep sea blowout we have operators who have put in applications that don't have a containment plan.

Mr. BOREN. Just kind of blank or is it just not a sufficient plan.

Mr. BROMWICH. Not sufficient—it is not a sufficient plan.

Mr. BOREN. OK.

Mr. BROMWICH. There are other instances in which, for example, there is not a certification by a responsible corporate official that all of the new regulations have been complied with. It really is an assortment of deficiencies and gaps in the applications. Most of them fairly significant. Some of them less significant. But all of them ones that our people in the field feel that they must return the application to the operation.

And I know that at times that has been frustrating. We have worked with industry every day. I have had more than a hundred meetings with groups of operators and individual operators in which I invite them to describe for me problems that they are having with our process. And I take those suggestions and I go back to our folks in the Gulf and we try to fix things. And that is a continuing process.

Mr. BOREN. I am running out of time. I just want to end on this. So we have still got some work to be done on some of these applications. The staffing level, and that was mentioned a little bit before. I think it is a good thing that we staff up, that we have more staff.

Do you need—I think there were a number of 41 drilling permit personnel that you are wanting, but why is that not happening right now or what is going on with that 41? And then how many total? You have 500 people involved in inspections. What is the level that you actually need? I mean can you give us some figures on that?

Mr. BROMWICH. Yes, let me give you very quickly. The request in this budget is for 41 additional permitting personnel. That will almost double the number of people that we have assigned to permitting-related responsibilities and therefore would quite significantly accelerate and expedite the process by which we review permits.

On the inspection side we currently have in the mid-fifties, believe it or not in terms of inspectors nationwide. The bulk of those are obviously in the Gulf of Mexico. The budget request asks for an additional 116, so it would effectively triple our inspections corps, which is something that is decades overdue.

Mr. BOREN. Thank you so much, Mr. Chairman and I want to end by saying the faster we can get these things out the better for good, hardworking people in the oil and gas industry who contribute so much to our economy.

Mr. BROMWICH. I completely agree with you.

The CHAIRMAN. The time for the gentleman has expired. The gentleman from Florida, Mr. Southerland.

Mr. SOUTHERLAND. Thank you, sir, for being here today. I wanted to ask regarding the blowout preventer. You had stated that we

need to do more to make oil drilling safer and that is a statement I think people agree with. And that the blowout preventers were not failsafe.

Define for me, and I am not in the oil drilling industry, so I will just throw that out there. I mean what is failsafe? Define that for me.

Mr. BROMWICH. Failsafe I think means in just a lay sense that if all else fails that will prevent something very bad from happening. And it is true that people in the industry have used that as a descriptor for blowout preventers. I never have.

Mr. SOUTHERLAND. What would be the word you would use, though?

Mr. BROMWICH. I would use it as a very important backup system that if all else fails would be able the large percentage of the time to stop a catastrophic blowout.

Mr. SOUTHERLAND. But a large percent of the time. I mean is there in your efforts, in your desires to have, and again not to use the word that has been used before "failsafe." If that is not your word—

Mr. BROMWICH. No.

Mr. SOUTHERLAND.—that you would use I am trying to see how you are pursuing an effort to guarantee, 100 percent prevention of any accident.

Mr. BROMWICH. It can't happen. And something this highly technical, offshore drilling in deepwater with extraordinary pressures there is no guarantee.

Mr. SOUTHERLAND. Right. So with that being said, then your pursuit, OK, and this Administration's pursuit, which I believe is very clear to the American people. I mean we can haggle and we can talk about things here on this Hill and talk about things. But the brilliance of the American people to be able to connect the dots your pursuit then to have something that is, and again I know this is not your word, failsafe or 100 percent guarantee or safer you would have to say is an illusive pursuit that will never truly be accomplished if 100 percent prevention is the goal?

Mr. BROMWICH. Yes, I agree with that. But that is having no impact on the way we are currently reviewing and approving exploration plans or permits. If we were waiting for the perfect, and you are absolutely right, unattainable blowout preventer we wouldn't have approved all these permits and have others that are getting ready to be approved.

Mr. SOUTHERLAND. Let me ask you this. The budget request, this \$750 million increase—

Mr. BROMWICH. No, that is not right. It is a \$118 million increase, \$750 million if you would like to give that to us, but we will take it. But that is double what we are asking for.

Mr. SOUTHERLAND. If I am wrong, then I apologize. I am looking at the—I am sorry, the 2010 enacted I guess compared to the President's 2012 request.

Mr. BROMWICH. The request is about I think 118 or \$119 million in excess of Fiscal Year 2010. It is a very substantial increase. That is true.

Mr. SOUTHERLAND. And obviously, I am interested in your thoughts that if the American people are having to learn—the

American family is having to survive on 2008 levels, do you feel that the government, both state and Federal, should be a reflection of the challenges and the pains that the American people and small businesses are going through?

Mr. BROMWICH. I think on the whole yes. But I think you have to be alive to the complexities of the real world. The real world for our agency is that this agency has been starved for decades when other agencies have not. And I that is why—

Mr. SOUTHERLAND. With all due respect, I think that is a hard sell to tell the American people that the Federal Government and the \$14 trillion debt we now face has come from starvation.

Mr. BROMWICH. My agency. I didn't say the Federal Government.

Mr. SOUTHERLAND. So last question. Do you feel at all—because I asked this, and I want to be fair, do you feel that the Federal Government should share any of the blame in oversight failures leading up to the oil spill.

Mr. BROMWICH. Absolutely.

Mr. SOUTHERLAND. A percentage. I am curious, 5 percent.

Mr. BROMWICH. I can't estimate it. I will say that in the wake of the explosion and the sinking and the deaths the media and some public officials put a lot of the blame on the agency, which was deeply unfair.

Mr. SOUTHERLAND. I missed those news reports.

Mr. BROMWICH. There were a lot of them.

Mr. SOUTHERLAND. Well, thank you. Let me say this. I have asked a lot of people from the top that have come and testified before and you are the first individual as a representative of government that has stated that the government bore any responsibility and I commend you for your statement. Thank you very much. Mr. Chairman, I yield back.

The CHAIRMAN. The time the gentleman had expired. The gentleman from California, Mr. Garamendi.

Mr. GARAMENDI. We are not going to get 100 percent on anything. However, I think your effort is to maximize the opportunity to avoid a spill and loss of life and accident, is that correct?

Mr. BROMWICH. That is absolutely correct.

Mr. GARAMENDI. OK. And the program that you have undertaken with your committee process, much of which has been discussed here, but I don't think understood yet is designed to do that, as I understand it, not to achieve 100 percent. The only way you will achieve 100 percent is not to do it.

Mr. BROMWICH. Correct. And we do feel, not to take your time, but we do feel that the new regulations that we put in place has dramatically reduced the risk.

Mr. GARAMENDI. Just listening to the back and forth questions here, there is a great deal of confusion about what is being done with regard to permitting. I would appreciate a detailed exposition of the permits prior to the blowout, where they were in the queue, and then the permits afterwards and a time line associated with that. My sense of this is that there was an extraordinary and powerful need to stop, take a look, and then move forward with appropriate procedures, which I think is what you did. But back and forth here, there seems to be a confusion as to exactly what is and where it is.

Mr. BROMWICH. You are absolutely right, Congressman. In the wake of *Deepwater Horizon*, Secretary Salazar imposed a moratorium on deepwater drilling that was lifted on October 12. During that process, he asked me to go around the country and hold a series of forums, which I did, including in your state to gather information on whether developments since *Deepwater Horizon* in terms of drilling safety, spill containment, and spill response had changed things such that the deepwater drilling moratorium could be lifted early.

Originally, it was set to expire on November 30. Because of the information that we gathered during those public forums the moratorium as lifted on October 12.

But the major gap that existed was the lack of subsea containment resources. And that wasn't filled until February 17.

Mr. GARAMENDI. And that was the industry's responsibility.

Mr. BROMWICH. Correct.

Mr. GARAMENDI. Unless we didn't care about containment, which I think is not the case.

Mr. BROMWICH. Exactly right.

Mr. GARAMENDI. OK. It would be very, very useful for you to present to this Committee a detailed exposition of exactly where the permits are and the process, those that have been returned back. Incidentally, I spent eight years of my life as a regulator and I know exactly what you are going through. And when some consulting company comes in with a half-baked proposal and then blames you for their half-baked work, and I suspect that is what is happening to you. I will talk to you offline about how you might get around that problem.

The other thing has to do with this budget increase of 118. My friend Mr. Southerland seems to have left, but I suppose we could just stay with the old and then spend how many billions of dollars of both government and BP and other money cleaning up a mess. I think that would be a bad idea, would you agree?

Mr. BROMWICH. I totally agree with that. And the other thing, and I am also sorry he is not here, is that the goal that he wants to achieve, which is expedited permitting would be defeated if we don't get more money, which includes 41 additional people for permitting.

Mr. GARAMENDI. Unless you just issue a permit without caring what is they are doing.

Mr. BROMWICH. That is right.

Mr. GARAMENDI. Which I think the American public would have a problem with.

Mr. BROMWICH. I think so too.

Mr. GARAMENDI. The next question has to do with the question of the 118, plus the existing budget. Where does that come from?

Mr. BROMWICH. The money right now comes largely from appropriates.

Mr. GARAMENDI. So that is the general fund. That is the taxpayers of America.

Mr. BROMWICH. It is the general fund, but that is offset to some extent right now by inspections fees and cost recoveries and rental fees. And so I have in my prepared testimony what the net figure

out of the Treasury is. I think it is something on the order of 130 million.

Mr. GARAMENDI. Why is the oil industry not paying for 100 percent of the cost of regulating their problem?

Mr. BROMWICH. That is the statutory system that currently exists.

Mr. GARAMENDI. I think it is wrong. I think if they want a permit to drill—the second thing I would ask you to do is to present to this Committee a detailed description of the leases that are under production, that are under exploration, and then those that are not either under exploration or production.

Mr. BROMWICH. OK.

Mr. GARAMENDI. So that we get passed the confusion, which I have heard back and forth here. And that is for all parts of the American waters.

And then finally with regard to definitions. We had a discussion here about definitions from Mr. Thompson about whatever it was and I went back and just looked here and I have on this piece of paper, let us see, House of Representatives, Congress, Senate. There seems not to be a clear definition, one word that would describe this body. There is a House of Representatives. There is a Congress. I suspect that causes confusion.

I do know as a person that worked in the Department of the Interior that the BLM operates on the land and you operate on the water. And yes there are definitions, but your people know what it is. Thank you, Mr. Chairman.

Mr. BROMWICH. Thank you.

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

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

During our last hearing two weeks ago, I mentioned how on average gas prices in my home state of Florida were \$3.56. Today, the average price in Florida stands at \$3.60. And while a four cent increase in two weeks may seem insignificant to some, the ramifications are felt across the economy when you take into account hidden costs associated with these increases and when you especially consider it was \$2.80 just a year ago.

Consumers see the affects, as you well know of rising fuel costs in their daily lives from the increased price of transportation cost, the increased cost of moving goods for producers, moving those goods to store fronts, to the market, the increased cost of utilities, the increased cost of feeding their families and so on.

My constituents are being squeezed by these increased costs and it seems the Administration does not have a coherent plan to expand supplies and help ease the price pressures. Without these additional supplies, the tight market conditions that have put pressure on our constituents are going to persist, I believe.

To address our current situation, we need to increase capacity and explore for new domestic sources of oil and natural gas. I think we can all agree that this issue has now gone to be one of both an economic security and a national security issue.

Mr. BROMWICH. I agree.

Mr. RIVERA. Since the *Deepwater Horizon* accident, my understanding is production in the Outer Centennial Shelf has fallen by

270,000 barrels per day. Can you please comment for us on the impact that the Administration's policies, specifically related to whether it be drilling, previous moratoria, drilling generally and the permitting process have had on this domestic production?

Mr. BROMWICH. I think, as I have discussed before, there is a very substantial lag between the permitting process and production coming online. So if there is a decline right now or projected over the next six months, it is hard to point back to the Deepwater Moratorium as the immediate or proximate cause of that. It may have impacts down the road, but because of the time lag between the granting of permits, particularly for exploration it doesn't have an immediate impact.

Let me just make one point that I think is sometimes missed in this discussion. There was never any interruption of production. There was no moratorium on production. Production continued uninterrupted and unabated from the time of *Deepwater Horizon* up until today. And so the fact that production was at high levels and now is projected to lag the second half of this year really has comparatively little to do with what happened in the immediate wake of *Deepwater Horizon* in terms of the moratorium.

As the Congressman suggested a couple of minutes ago, the moratorium was in the Secretary's judgment made before I ever got to Interior necessary to take stock of what the risks were in offshore drilling and to try to figure out ways that safety and environmental protection could be enhanced. And that has been done. And that is why we are now on a trajectory of approving deepwater permits and have continued to approve shallow-water permits.

And so both I and the Administration and the President agree that we do need to push forward with domestic production, both onshore and offshore.

Mr. RIVERA. Then let me follow up on that last statement. As I understand it, the Energy Information Administration expects Gulf of Mexico production to fall by 250,000 barrels per day each year over the next two years. And I also understand the EIA lowered their annual energy outlook because of a—and this is a quote from their report—“expected delays in near-term projects, in part, as a result of the drilling moratoria.” Do you agree with this assessment? Have you considered any of the projected declines from the EIA as you consider where we are going strategically?

Mr. BROMWICH. I think we are all concerned about projected declines. We were also very concerned about moving forward with a drilling regime that wasn't premised on tighter standards for offshore drilling. We now have those. And we are now in a position, and industry is in a position to move forward with deepwater permit applications and deepwater exploration plans.

One of the Members earlier commented that we had approved the first, new deepwater exploration plan. And that is right. And there will be others in the near future. So we are moving ahead. And one of the reasons that our budget request is so critical is that will allow us to move ahead even more swiftly than we currently are. But our personnel in the Gulf of Mexico have never been told to slow down or not issue permits or only issue a few permits at a time.

Their understanding is that if a permit application meets all of the requirements they are to approve it without delay. And I have confidence that that is exactly what they are doing.

Mr. RIVERA. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Texas under our system, even though it looks like he came in late, he was here when the gavel started. And so I know Director Bromwich you don't have to comment on that at all, but Mr. Flores is recognized for five minutes.

Mr. FLORES. Thank you, Mr. Chairman. I was in a Budget Committee meeting. And if we don't fix the budget, then this is going to be irrelevant, to be candid.

One of the things that—and I apologize if I am asking a question that has already been answered. But can you explain to me the dramatic slowdown in shallow-water drilling. I mean the Macondo Well accident was a deepwater accident and there are huge differences in the risk profiles of deepwater drilling versus shallow-water drilling. Can you explain to me just, and I need short answers because I have to move on to other questions, why we had to slow down the shallow-water side when it has been proven to be relatively safe?

Mr. BROMWICH. Two quick points. Number one, it is not riskless. And there was a loss of well control recently on an Apache project, as I am sure you are aware of. So the risks are less, but they are not zero.

Second of all, there has really not been much of a slowdown in shallow-water permits if measure particularly since October. We have granted permits roughly at the rate of six shallow-water permits per month. Historical average is eight shallow-water permits per month, so that is a decline but not much of a decline.

The main reason there is a decline is that even shallow-water drillers are required to comply with our new safety requirements, which we think are equally applicable to shallow-water drillers as they are to deepwater drillers, and we think it would be irresponsible to not apply them to shallow-water drillers.

Mr. FLORES. I would say that a 25 percent decline is not an insignificant number, not an insignificant decline.

Moving on, there has been a lot of discussion now in terms of the definition of active leases versus inactive leases. If you have a lease, whether you classify it as active or inactive, does the classification of inactive, no matter what definition you are using—your definition, the Department of the Interior's definition, the President's definition—all these new definitions that have come up in the last 24 hours or so, does the fact that it is classified as inactive mean that the leaseholder is not complying with the terms of the lease?

Mr. BROMWICH. No.

Mr. FLORES. OK, it means the leaseholder has paid his bonus payment. He has paid his delay payments, if he had any. He is fully complying with the lease—the company is fully complying with the lease.

Mr. BROMWICH. Right. The mere fact that it is inactive doesn't mean they are noncompliant. That is exactly right.

Mr. FLORES. Right. And what is it that determines when hydrocarbons exists on a lease?

Mr. BROMWICH. What determines when they exist?

Mr. FLORES. Right.

Mr. BROMWICH. I am not sure I understand the question.

Mr. FLORES. I mean what we have heard some of our colleagues on the other side of the aisle say is that companies are not using these resources and leaving them undiscovered. Some of these leases, in fact, do not have hydrocarbons on them, right? And the way you find that out is when you drill it.

Mr. BROMWICH. Right.

Mr. FLORES. OK.

Mr. BROMWICH. But my understanding of the most widely used definition of inactive is that kind of exploration, exploratory drilling, for example, has not taken place.

Mr. FLORES. Right. But the implication from the other side is that all leases have hydrocarbons on them and not all leases have hydrocarbons on them.

Mr. BROMWICH. That is right.

Mr. FLORES. That is where I was trying to go. I am going to yield back the rest of my time for now. We will see if there is another round.

The CHAIRMAN. Gentleman from Virginia, Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman. Thank you, Mr. Bromwich for joining us today. We appreciate your efforts.

I wanted to talk a little bit about your testimony. You had said that the bureau had established some heightened standards for drilling practices, safety equipment, and environmental standards with the effort to improve safety and essentially mitigate some of the risks that have been associated with what we have learned from the Macondo accident, disaster or however you want to term it.

In looking at that going forward then, you would think that that would frame public policy decisions going forward. And my question is this is as you know off the Virginia coast the leases there were canceled. They were a part of the five-year plan, the 2007 to 2012 five-year plan. Those leases were canceled. And I was wondering with what the Administration has learned, with what the bureau has learned with this in putting these new standards in to increase the safety of drilling, hopefully mitigating those risks is there any plan to go back on schedule with the five-year plan to open up the leasing process for lease 2020 of Virginia.

Mr. BROMWICH. There is not a plan that I am aware of. But as I am sure you know, there have been changes to five-year plans in mid-course, many such changes in the past and one would not be precluded in the future.

Mr. WITTMAN. Do you think that it is reasonable to put off until as early as 2017 for any lease sale off of Virginia in relation to what we have learned about the Macondo accident and where we should go with developing what are known sources of hydrocarbons, especially off Virginia, which is one of the first leases that was going to be pursued five years—

Mr. BROMWICH. Let me answer the question this way. I know I have a higher level of confidence in offshore drilling wherever it takes place from this point forward than I had previously. The decision on the five-year plan was obviously made by Secretary Sala-

zar for good and sufficient reasons. I think he was concerned that we didn't have enough experience yet with the new regulatory regime. He wanted to focus attention on the central and western Gulf where we had had the most experience and see how that went.

Mr. WITTMAN. I would certainly hope in context—it appears the Administration is making decisions about deepwater drilling leases and starting that process in the Gulf. I would hope that that would set the precedent to reconsider the leasing cancellation decision there for Virginia. That delay I think has lots of ramifications about this nation's future energy needs, and especially being able to learn how we can do that safely. And with the instances off of Virginia where we know at least the initial geologic survey showed the preponderance of resource there to be natural gas.

To me, that is a great opportunity to say let us take what we have learned in the Gulf, let us apply those new public policy principles in drilling procedures, in environmental practices, in safety standards and show that not only can we do it in the Gulf, but that we can do it in other areas in Virginia where you have a state that is interested in wanting to go forward with that. I would hope that the Administration would look very carefully at that and do everything they can to reinstate the leasing process there. And in any way, shape, or form to not delay the lease process there off the Virginia offshore water. So I would like to get your comment on where you think this could possibly go as far as what the restrictions will be.

Mr. BROMWICH. I don't know where it will go. I will certainly take your comments and your sentiments back to the Department.

Mr. WITTMAN. OK. Very good. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. I thank the gentleman. There has been a request for Members to have a second round. We just completed a first round and Director Bromwich was courteous enough to say that he could say that he stay here I think until 1:00.

Mr. BROMWICH. That is right.

The CHAIRMAN. And so we want to take advantage of that. And I do want to say I really do appreciate your willingness to give us that much time because you can tell by the questioning there is a huge interest here.

So let me start then on the second round. You testified in front of the House Appropriations Committee. I don't know if it was the Subcommittee or the full Committee. I am sure you have testified elsewhere to. But you were quoted as saying, and let me read the quote, "That if companies find oil or gas on one out of three offshore leases they are doing well." Do you recall making that statement?

Mr. BROMWICH. I recall quoting an industry person who told me that. Yes.

The CHAIRMAN. Would you agree with that then?

Mr. BROMWICH. I don't have much of an independent basis for knowledge, but certainly based on what operators have told me that seems to be their view.

The CHAIRMAN. And was that reference just to the Gulf of Mexico, do you know?

Mr. BROMWICH. As I recall it, it was a general reference made by a CEO of an oil company in the last month.

The CHAIRMAN. All right, they would apply to all offshore, presumably, whether you are talking West or East Coast or Alaska, for that matter.

Mr. BROMWICH. That was my understanding of what was said. Yes.

The CHAIRMAN. That being the case does it not seem logical since we—I think Mr. Wittman alluded to seismic efforts that I know the Department of the Interior has and we know that there are huge resources elsewhere that our efforts needs to be trying—if one out of three works that means two out of three don't.

Mr. BROMWICH. Right.

The CHAIRMAN. Wouldn't it be as a matter of policy smarter to try to focus where we think there are more resources than not more resources just to kind of up the ante, if you will, up the percentage? Does that seem like a logical result?

Mr. BROMWICH. It does seem like a logical suggestion and I understand that that is one of the proposals that is in one of your bills. The truth is that I don't know all of the factors that have historically gone into prescribing what is contained in a particular lease sale and the extent to which the kinds of considerations that you are advocating have been included. I don't know. I am going to find out. But I just don't know at this point.

The CHAIRMAN. Listen, I appreciate that. I mean there is a lot of discussion about energy. And because of the unrest obviously in northern Africa and the Middle East and the fact that energy is such an integral part of our economy, it just seems common sense. And I think the American people probably are way ahead of us on this, that we should be less dependent as possible.

And when we are sitting on known reserves, and I think Mr. Fleming made the observation that there are potential resources in excess of a trillion barrels equivalent. You know when we use roughly 20 million barrels a day, obviously that is a lot. And if we can focus on pinpointing where we can get it at a higher percentage it just seems to me from just pure economics the costs go down and the American people are better served. So I just wanted to focus because Mr. Flores alluded to that fact that not every well produces and I think that is something that is not understood by a lot of people in this whole debate.

Mr. BROMWICH. Yes.

The CHAIRMAN. If you have any more comments, you are welcome.

Mr. Bromwich. No, I don't. I think it is something I need to learn more about again in terms of understanding what all the factors historically that have gone into lease sales. As you know, they are projected out many years in advance and I am not sure the different kinds of data that are used to configure specific lease sales. But I think your bill will cause me to look at that and I would be happy to do that.

The CHAIRMAN. I appreciate that. Thank you very much. And we will have a hearing on that. I might next week—now I know the witness list is being put together, but anything that you could add on that we would certainly appreciate that.

Mr. BROMWICH. We will try to get that to. I am not going to be here. And I am not sure you were inviting me to appear next week, but I am not going to be here.

The CHAIRMAN. I am not sure I was either. I was just making an observation.

[Laughter.]

The CHAIRMAN. All right, I will yield back my time and recognize the gentleman from Michigan, Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman. Mr. Bromwich, earlier it was suggested that the *Deepwater Horizon* disaster was an isolated event because there have been 40,000 wells drilled in the Gulf. But isn't drilling in shallow water, which is what the vast majority of these wells were, very different from drilling in ultra-deep water where the *Deepwater Horizon* was operating?

Mr. BROMWICH. It is different, which is not to say that shallow-water drilling, as a mentioned before is riskless. But certainly, shallow-water drilling has fewer associated risks, a lower risk profile generally than deep water. And you are quite right the vast majority of 40,000 have been in shallow water.

Mr. KILDEE. Thank you. And in fact, there have been only 407 wells drilled in more than 500,000 feet of water. The *Deepwater Horizon* was operating in water depths of roughly 500,000 feet. So it is really 1 out of 400, not 1 out of 40,000, isn't it?

Mr. BROMWICH. I think that is a more accurate way to look at it. Yes.

Mr. KILDEE. Thank you. And as you pointed out earlier, there have been 79 loss of well control events. Each of these could have been a *Deepwater Horizon*-type disaster had it been in a different location.

Mr. BROMWICH. That is the concern. That is right.

Mr. KILDEE. And I appreciate your testimony. That is why I think we need better safety standards and I appreciate the work you are doing on that.

Mr. BROMWICH. Thank you.

Mr. KILDEE. And I yield back.

The CHAIRMAN. The gentleman yields back. The gentleman from Colorado, Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman.

Mr. Bromwich, and thank you for staying as long as you can here today. We all appreciate that.

Mr. BROMWICH. Sure.

Mr. LAMBORN. Recently, your agency approved a new exploration plan. And my understanding is that this plan was done within the 30-day time frame required by law, is that correct?

Mr. BROMWICH. Yes, with this amendment. It was resubmitted by the operator, Shell. It was sent back to them. They recognized that there was additional information they needed to furnish. And under our rules that restarted the clock, OK.

Mr. LAMBORN. OK.

Mr. BROMWICH. So once the clock restarted, it was then within 30 days of that.

Mr. LAMBORN. OK. Thanks for that clarification. And your agency was able to approve that without sacrificing the responsibility

you have to do so appropriately and correctly. You were not so rushed that you couldn't do it correctly.

Mr. BROMWICH. I have a high level of confidence that the work that was done was of high quality. Yes.

Mr. LAMBORN. OK. That is great. And now backing off and looking at a more general question, which is more complicated an exploration plan or the actual permit?

Mr. BROMWICH. It really depends. An exploration plan is more high level. It outlines the full set of activities that may be envisioned, but individual permit applications can themselves be very complex. I was told the other day that one permit application recently was 3,600 pages long.

And now I think a large part of that is the containment package that operators submit, which is in excess of a thousand pages. But I just wanted to try to accurately convey to you that they are very substantial submissions and therefore they are submissions that could in certain instances take a significant amount of time to review.

Mr. LAMBORN. Now the containment package portion of that that you just referred to when industry realizes that there are best practices out there that will best do the containment in that plan isn't there going to be a lot of agreement from one application to another and from one company to another?

Mr. BROMWICH. Let me clarify the terminology. The containment issue comes with the permit, not the plan.

Mr. LAMBORN. Right.

Mr. BROMWICH. So it comes with the permit application.

Mr. LAMBORN. Exactly.

Mr. BROMWICH. OK. So I am sorry. What was your question?

Mr. LAMBORN. But isn't there going to be a lot of agreement on the best practices in a containment plan so that there is going to be a lot of similarity from one containment plan to the next for deepwater drilling?

Mr. BROMWICH. There in the sense that operators are designating, generally, one of the two existing industry containment systems, either the Marine Well Containment Company or the Helix Well Containment Group. But each permit review requires on a well-by-well basis analysis of whether the containment resources that have been designated are adequate to deal with a subsea spill. And that depends entirely on characteristics of the specific well.

So yes the containment packages are now understood. The equipment that the two groups have has been tested and understood by our people. But that doesn't mean you can just flip a switch when a permit to drill application comes in designating one of those groups. You have to do the analysis.

Now it has been actually a great example of cooperation between our agency and industry in developing a software tool that facilitates that analysis. The idea for the software tool, again, to expedite the process came from our agency. We then worked with operators who were very interested in moving forward. And through back and forth we now have developed this tool that is, in fact, used in the context of reviewing specific permit applications, but on a well-by-well basis.

Mr. LAMBORN. I guess what I am getting at is looking at how you are able to do a good and proper and thorough job in 30 days on an exploration plan and knowing that those are in general more complicated than the actual permit decision I am hoping that you would be able to apply that same diligence and competence to the permitting also and be able to do those routinely within a 30-day time frame.

Mr. BROMWICH. One, I think there are number of issues with that that I would be happy to discuss with you and the Chairman. I am sure aware that when exploration plans are submitted frequently permit applications are submitted at the same time. So if you had a 30-day clock running, which is a clock now under law with an exploration plan you could have the clock for the permit starting at the exact same time. And so you would, in fact, instead of having 30 days for the exploration plan and that gets approved and then you move to the permit you would actually have zero days rather than 30.

Mr. LAMBORN. OK, but apart from that.

Mr. BROMWICH. But that may be a big "apart from." You may have a lot of plans that come in at the same time as permits, in which case our permitting personnel would not have any time under the proposal to review the proposal separate from the exploration plan. And I want emphasize there are different groups of people who look at plans versus permits.

Mr. LABRADOR. To be continued.

The CHAIRMAN. Yes. The time for the gentleman has expired. The gentleman from California, Mr. Garamendi.

Mr. GARAMENDI. I would like to continue on that line of questioning. It explored I think a very important area, which is personnel and the need for the additional personnel. It seems as though, just to carry on from the gentleman's questions, that without adequate personnel the permit cannot be—either exploration or a drilling permit cannot be adequately reviewed, is that the case?

Mr. BROMWICH. That is exactly right.

Mr. GARAMENDI. And that is why you are asking for this additional amount of money.

Mr. BROMWICH. Both on the plan side and on the permitting side. Absolutely right.

Mr. GARAMENDI. And then you have broken that down in detail for the budget and the appropriations, as I recall.

Mr. BROMWICH. Yes.

Mr. GARAMENDI. So now back at it, and a question was raised earlier, is, oh, My God, we are spending all this money in the Federal Government. Yes, but what for? Now I guess we don't have to spend it. We can have a blowout every year, in which case we are spending billions either directly by the government or indirectly through the production company. So I think we ought to be clear about this.

The CHAIRMAN. Will the gentleman yield?

Mr. GARAMENDI. Yes.

The CHAIRMAN. The gentleman wasn't here when I made my opening statement. And in my opening statement I made the observation that there may be a need for more people. I am certainly willing to look at that. And I also made the observation that in our

CR there is more money for this agency to do what they want to do.

So that is certainly acknowledged, but I want to make the point that that has been acknowledged obviously by Members of our side and we are willing to work. Since you are pursuing that part, don't leave the implication that this side is not in favor of that. We just want to make sure that we get the right part.

And I appreciate the gentleman yielding, but to follow up the line of questioning of the gentleman Colorado, if there is an adequate number of people, and I should probably ask this to Mr. Bromwich. If there is an adequate number of people, could you comply with the 30-day line of questioning that Mr. Labrador was suggesting?

Mr. BROMWICH. The answer is I don't know. We could obviously do better than we will be able to do now. But this simultaneous filing of exploration plans and APDs or permits to drill is quite troubling to me.

The CHAIRMAN. OK. Well, I just wanted to point it out. And I thank the gentleman for yielding.

Mr. KILDEE. No, I am not at all surprised, Mr. Chairman, that you were on top of this issue. You are on top of most issues and you are headed down the right track. I think we need to be very careful and understand the implications of the various ways in which the permits and requests for exploration come in and so that we provide adequate personnel and money to properly analyze the permits.

And once again, I have had eight years of experience from industry. It is a completely different industry, insurance industry, presenting permits, licenses and the like to the Department of Insurance. And all too often they come in incomplete. And you go back and forth. It is the back and forth that is really troublesome. And there are things that can be done in the regulatory process to reduce the back and forth. And I will take that up with Mr. Bromwich and share my experience with it. He is probably already ahead of it, but that is a real serious problem, back and forth. And I would blame the insurance industry. They would blame me. But nonetheless, it was time-consuming.

I think the other point is, and I just want to drive this one home is that you did issue a report in this month of March about the number of leases that are out there that are simply not being pursued. However you define it, they are not being pursued.

Mr. BROMWICH. Right.

Mr. GARAMENDI. There is a very interesting and, I think, a very, very necessary thing to understand here. And that is when an oil company acquire a lease how do they book that as an asset. Do they book that as an asset that is unexplored but potential resource? Is it as an actual resource that has been proven?

There are different words that are used by the industry in their accounting and in their reporting. I don't know if this is your turf, but I think we need to understand that. And it is one of the reasons from my history in this is that many of these leases are not pursued because they can still book it as an asset, even though they are not actively pursuing it, giving the appearance that the company may be worth a lot of money because it has a lease.

Mr. BROMWICH. It is not my field, unfortunately, so I can't help you very much with that. But I understand the point.

Mr. GARAMENDI. I think I will just let it hang out there and see what comes my way on this question.

The CHAIRMAN. The time for the gentleman has expired. The gentleman from Louisiana, Mr. Fleming.

Mr. FLEMING. Thank you, Mr. Chairman.

Mr. Bromwich, you said earlier, I am quoting you now, and correct me if this is incorrect. We were talking about the drilling in the Gulf of Mexico. You said, "Right now it has not gone down," talking about production. "And it is at its highest levels ever." Secretary Salazar said something very similar, "When you look at the production within 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 online."

So I want to draw your attention to this blue line here. You see where you see kind of a zigzag coming in my direction. Is that line, sir, going down or up?

Mr. BROMWICH. The blue line?

Mr. FLEMING. Yes, sir.

Mr. BROMWICH. The blue line looks like it is flat right now.

Mr. FLEMING. From the peak.

Mr. BROMWICH. From the peak? I am sorry. It is down from the peak.

Mr. FLEMING. OK. And what about the red line?

Mr. BROMWICH. The red line is down from the peak, although up from the low point.

Mr. FLEMING. Quite sharply. Now this is done by EIA. Are they a flim-flam organization in the pockets of big oil, the Energy Information Administration?

Mr. BROMWICH. No.

Mr. FLEMING. So they are legit.

Mr. BROMWICH. Right.

Mr. FLEMING. Would you say?

Mr. BROMWICH. Yes.

Mr. FLEMING. What you are telling me is totally different than this. Where do you get your data and what is your data? What are the numbers and who do you get that from?

Mr. BROMWICH. Well, what I was telling you was based on my understanding of the fact that—of what the level of production was. If I was in error, I inadvertently made an error. I know that the projections for the second half of 2011 are supposed to go down.

My understanding, again perhaps incorrect, was that we were now at the highest levels we have been. If you are telling me that the highest levels based on data you have in front of me—I don't have data in front of me—was reached in 2010 I am not going to reject that.

Mr. FLEMING. Yes, sir. It was 1.7 million barrels a day in 2010. So it is down substantially as of the last quarter of 2010, 1.59. The red line shows that based on the rate that we are putting rigs back online and drilling that it is going to continue to drop off. And right here 2012, fourth quarter we are looking at 1.18.

Mr. BROMWICH. When was that estimate developed, do you know?

Mr. FLEMING. March 8, 2011.

Mr. BROMWICH. OK. I would just point out that the bulk of our deepwater permits have been issued since then.

Mr. FLEMING. OK. Now I would also like to point out that the peak that hit at 1.7, the EIA tells us that that is from leases issued from 1996 to 2000. So we are talking about there is lag, so in a certain sense the Obama Administration got the benefit of previous leases and previous permits in terms of showing high levels of production because they were going up. That line was going up before, but that was based on activity years ago.

Mr. BROMWICH. In the Clinton Administration.

Mr. FLEMING. In the Clinton Administration.

Mr. BROMWICH. Right.

Mr. FLEMING. Yes, sir. And maybe some in the Bush Administration as well. And what you are talking about, and you have described very well.

And I understand there is going to be a lag time for these, so my concern is that we have passed a peak. And even though, again, we have 1.3 trillion barrels of oil equivalent in our country, not just in the Gulf of Mexico that while we are finding more and more out there and more and more ways to get to it, we are actually seeing the production go down while we are encouraging other countries like Brazil to produce and then we buy from them.

And I think you are right. We did peak at 60 percent foreign oil dependency and it has come down but I think it is going to go right back up and maybe higher based on that. And I will let you summarize any other comments.

Mr. BROMWICH. No, I appreciate that. We are pushing ahead with offshore, both exploration and production. I would simply say, as I have said before, that production was never interrupted. No moratorium affected production. It did obviously affect exploratory drilling and other kinds of development drilling.

I think that that was a necessary byproduct of this tragedy that shook the industry, shook the country, shook the Department of the Interior, shook the Administration, and shook the Congress. And so I think without periodically pointing out what the causes of the permitting slowdown are is not a complete picture.

Now we have, as I have said, addressed the most dramatic deficiencies in the regulatory regime. I am comfortable that we have done that. For a time, industry was concerned that we would continue to roll out new rules and requirements and that we were moving the goal posts, in their phrase.

I think they know that is not true anymore because there haven't been new regulations issued since October. And I have been very open about what the future trajectory of additional rules will be. And none of those will be emergency rules. They will go through the normal notice and comment process and will take significant amounts of time to be developed and then implemented with full input by industries and other interested stakeholder.

Mr. FLEMING. Thank you very much.

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

Mr. LANDRY. Mr. Bromwich, I know it is unfortunate that you get caught up sometimes because you are sitting there. And I would like the record to reflect that it was the Ranking Member who opened up the issue of a government shutdown in his remarks, which brought me to those questions.

And I also want to tell you that I really appreciate the comments you made earlier that you feel that the industry is much safer today wherever it drills than it was prior to the Macondo because I believe that too. And I think that is a fair assessment. I think the industry is safer today, not because of government intervention, but because of the fact that there is no oil and gas company out there that wants to lose the amount of money that BP lost or had to expend in that accident. So that is a very fair statement.

I also appreciate the fact that when you realize you made a misstatement not try to do the same, that you could recognize that.

I do want to talk about the systemic failure, but I want to also point a comment you made just a minute ago that production was never in jeopardy. But isn't it true that during the moratorium even work over permits would be denied as well in deep water.

Mr. BROMWICH. I don't believe that is right.

Mr. LANDRY. So in other words, if someone wanted to do work in deep water, well, you all would have been able—

Mr. BROMWICH. There were a series of activities even in deep water that were permitted, that is, allowed to go forward under the moratorium and I believe those included work over. I can confirm that, but I know, for example, water injection wells were permitted in deep water during the moratorium as were another set of activities. So I think work overs and completions were permitted. Let me double-check that and I will let you know.

Mr. LANDRY. OK. And real quickly, I know that there is a continual statement about how illogical it was that there were walrus involved in spill response plans in the Gulf of Mexico, and I agree with that. But I also want to bring to your attention that I know an oil and gas company that, during the process after the moratorium in shallow water, they applied for a construction permit to provide a flow line between a wellhead and a production facility and BOEM—and it was a gas line.

And they wanted to know what their spill response plan was. So that is almost as bad as a walrus because if there is a release on a natural gas line there is not a whole lot to spill. It just kind of dissipates or comes out of the water.

On the systemic failure, when you go back and you look at it and you say—I think it is unfair that you categorize Transocean and Haliburton and say that every process that Transocean and Haliburton uses to drill a particular well is all the same.

Mr. BROMWICH. I didn't say that.

Mr. LANDRY. But then how to you come to a systemic failure because what you all like to utilize is the fact that Transocean and Haliburton do so much work in the Gulf of Mexico?

Mr. BROMWICH. The question I believe suggested that it was all BP's fault and therefore how could I say that it was—how could I agree with the President's Commission and say that it was a systemic failure? And I simply was repeating what the President's Commission report found, which was one of the bases for their find-

ing that it was a systemic problem is that Transocean and Haliburton participated in the failure to some degree, according to the analysis that the President's Commission did, and that Transocean and Haliburton were widely active in the Gulf. Very different from suggesting that everything they are involved in is flawed, which they do and I certainly didn't do.

Mr. LANDRY. Right. Because if another major oil and gas company who designs a deepwater well differently than BP designs it, then they would instruct Transocean and Haliburton to use different processes and meet their specifications, wouldn't you agree?

Mr. BROMWICH. Yes. But my understanding is that there is a lot of interaction in the drilling process between multiple companies, not just the operator in terms of going forward with the drilling of the well, which is why laying responsibility on a single company is not really faithful to the facts.

Mr. LANDRY. But the company, at the end of the day, designs the well according to their specifications. And there are companies out there, and it has been shown, it has been published in not only oil and gas journals, but the Wall Street Journal did a great article on it to show the difference of well designs between some oil and gas companies.

And I guess to me it is an unfair statement to think that Transocean and Haliburton could convince say another oil and gas company to do something that would be in their opinion not as safe of a process than they believed.

Mr. BROMWICH. But you are not suggesting, are you, that if an oil company specified that they wanted to do things a certain way that other participating companies like a Transocean or Haliburton wouldn't have a duty to say, well, no I don't think that would work safely? So they are involved, right?

Mr. LANDRY. Well, no. I would say that the oil and gas company would issue their well design and their engineering specs and then have Transocean and Haliburton bid that particular job based upon those specifications.

Mr. BROMWICH. I understand that.

Mr. LANDRY. They should follow those specifications. And so there certainly exists different specifications in the industry that are much different than the well design that occurred in Macondo.

Mr. BROMWICH. Sure. Yes. That is right.

Mr. LANDRY. I yield.

The CHAIRMAN. I allowed that question to go because I know there was continuity to it. The gentleman from Texas, Mr. Flores.

Mr. FLORES. Thank you, Mr. Chairman.

In light of the "Use It or Lose It" mantra that is being bandied about these days, what would your recommendation be for current leaseholders in terms of how to comply—in terms of what they should do that they are not doing today?

Mr. BROMWICH. I think the paper that Interior delivered to the President at his request was laying out data that we have for onshore and offshore. There are no specific recommendations in there about other ways to incentive oil and gas companies to move forward aggressively with exploiting the natural resources on their leases. We have been actually experimenting with some of those in some of our most recent sales by shortening some of the lease peri-

ods, by providing extensions if wells are spud within that period by varying, graduating some of their rental rates. So we think that there are range of potential ways to incentive the industry and to produce more hydrocarbons, oil and gas that will benefit the American people.

Mr. FLORES. I mean we previously discussed that today leaseholders are completely complying with their leases, even though they may be in an inactive status and so one of the things you talked about is ways to incentive people to do things. We don't really have the legal right to do it on an existing lease, right? We cannot, as the Federal Government, unilaterally change the terms of the lease.

Mr. BROMWICH. I think that is right almost across the board. Yes.

Mr. FLORES. We would be breaching the contract that we have with the leaseholder.

Mr. BROMWICH. Right.

Mr. FLORES. The only thing I have heard about is charging a per-acre fee while leases are not being drilled. This would be over and above the delay rentals that companies pay today, right?

Mr. BROMWICH. Yes.

Mr. FLORES. So we are just increasing the cost of doing business in the offshore lease environment, is that right?

Mr. BROMWICH. That would be the result. Yes.

Mr. FLORES. Thank you. At this point there is really nothing we can do to get them to do more, to get a leaseholder to do more unless you would come up with a better incentive that you talked about, and I will be curious to see what those turn out to be later on.

Going back to Mr. Fleming's production graph for a minute, if that blue line had stayed flat across versus the drop that we see in the red line, what is your estimate on what would have happened to gasoline prices? Would they have gone—would they be higher than they are today or lower than they are today?

Mr. BROMWICH. I have been persuaded, and I am sure you have, that we are talking about a world market for oil and gas where there are multiple producers and deliverers of oil and gas. And so while pursuing aggressively, but safely development and production in this country is very important, and that is what we are doing, it is not going to move the needle very much. And in fact, the needle is affected a lot by external forces that we can't control.

Mr. FLORES. Correct. But more is always better than less when it comes to providing supply in order to meet the demand.

Mr. BROMWICH. Yes, more is better than less, but we ought to be realistic about how much more we are talking about and how much that would really impact gas prices because to suggest, for example, as many people have that our slowdown in permitting is the cause of high gas prices, as I think you will agree, is ridiculous.

Mr. FLEMING. Well, it is a contributing factor.

Mr. BROMWICH. Well, I don't even think it is a contributing factor, but you and I can disagree about that.

Mr. FLEMING. I suggest that it is a contributing factor because if you look at the price of supply and demand it is the incremental shortfall barrel, the incremental barrel that you are along that

makes the needle move the most with respect to the price of oil or the underlying price of gasoline.

Mr. BROMWICH. I would suggest that it is more turmoil in the Middle East that is raising current gas prices than moving the needle the marginal amounts you are talking about.

Mr. FLORES. There is some to the turmoil, but it is also that last barrel. When you are a barrel short, the price of oil is going to rise dramatically versus when you are just adding a barrel down here when you have plenty of oil. I yield back. Thank you.

The CHAIRMAN. Will the gentleman yield? In that context, when we had the spike in gas prices in 2008 and when the moratoria went off, the congressional and Presidential moratoria went off the gas price dropped. And I think part of the reasons why, and I think it is applicable here and I think Mr. Flores was onto something in that regard and that was sending a message to the world market because I agree crude is a worldwide commodity. And with the known resources we have here, if we send a signal to the markets that we are serious about utilizing these resources in the long term that would have the effect, in my view, of moving the needle. I think that is what Mr. Flores was getting to. Would you agree with that?

Mr. BROMWICH. Yes, I would agree with that. And that is why we are pursuing things as aggressively as we are and that is why we need the money from the Congress to do more.

The CHAIRMAN. Well, that is a good place I suppose to stop. And I could stop over with my opening remarks in that regard. But Mr. Bromwich, thank you very much for taking the time. And I want to thank all of the Members. There may be a possibility, as happens from time to time, where an issue comes up and more information is needed. We ask that if a request is sent to you, you respond back as quickly as possible. We would certainly appreciate that.

Mr. BROMWICH. Absolutely, will do that.

The CHAIRMAN. Thank you very much for being here. And without objection, the meeting will adjourn.

[Whereupon, at 12:48 p.m., the Committee was adjourned.]

