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COMMITTEE ON ENERGY AND COMMERCE

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RANKING REPUBLICAN MEMBER
COMMUNICATIONS, TECHNOLOGY,
AND THE INTERNET



Congress of the United States
House of Representatives

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The Honorable Michael Bromwich
Director
Bureau of Ocean Energy Management, Regulation and Enforcement
1849 C Street, N.W.
Washington, DC 20240

Dear Director Bromwich:

Following the April 20, 2010, *Deepwater Horizon* explosion and oil spill, the Obama administration hastily initiated a moratorium on deepwater exploration, which was later struck down by a federal judge on the grounds that it was "arbitrary and capricious." Interior Secretary Salazar nevertheless issued a new moratorium that remained in place until last month when it was lifted for operators meeting the new Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) safety standards.

The moratorium has greatly damaged the already fledgling economy, especially in the Gulf states of Louisiana, Florida, Alabama, Texas and Mississippi. The administration's "Inter-Agency Report" issued in September found that 8,000-12,000 jobs would be lost. However, I believe that figure is a gross under-estimate, as Professor Joseph Mason's report *Critique of the Inter-Agency Economic Report "Estimating the Economic Effects of the Deepwater Drilling Moratorium on the Gulf Coast Economy"* concluded that improper discounting methods were used. Moreover, other reports have suggested that the job losses are much greater, such as a Moody's Analytics study that estimates 17,000 job losses. It is critical to note that even the administration's own economists acknowledge that the moratorium has hurt thousands of American families while our economy is still reeling.

I applaud the administration's decision to finally lift this job-killing measure, but I urge you not to replace it with a "Permitorium," a de facto moratorium on the grounds that no new permits are being issued. In your comments announcing the end of the moratorium, you said that before drillers are allowed to proceed, BOEMRE will conduct inspections of each drilling rig for compliance with regulations not limited to BOPs (Blowout Preventers). Of course safety is of utmost importance, and we must ensure that all offshore rigs are safe and ready to resume drilling; however, safety must not be used as a delaying tactic, which your November 9th testimony before the National Commission on the BP *Deepwater Horizon* Oil Spill appears to do. You stated, "As the Secretary and I have emphasized on numerous occasions, additional resources are absolutely critical to our ability to accomplish meaningful and lasting change..." Holding the entire offshore drilling industry hostage so that you can obtain more funding for

your agency is unacceptable and wrong. I seek your assurances that BOEMRE is indeed moving forward with the necessary inspections and is making significant progress towards the goal of getting the offshore drilling industry back to normal operating levels.

Below is a list of questions that I would like answered. Please contact my staff at (202) 225-3761 as needed.

Sincerely,



Fred Upton
Member of Congress

1. How will the new requirement of supplementary environmental impact statements impact the timing of new deepwater drilling permits?
2. How many BOEMRE inspectors are necessary to inspect a deepwater rig and how many days does the average inspection take?
3. How many deepwater rig inspectors are currently employed at BOEMRE that are properly trained to perform a deepwater rig inspection based on the new safety measures?
4. When will the first new deepwater drilling permits be issued?
5. Attached please find a copy of Professor Joseph Mason's aforementioned report, *Critique of the Inter-Agency Economic Report "Estimating the Economic Effects of the Deepwater Drilling Moratorium on the Gulf Coast Economy."* Professor Mason argues that the methodology used in the Inter-Agency Report improperly cut the estimated effect of 19,536 jobs by an "ad hoc factor of 40-60 percent to arrive at its estimate of 8,000 to 12,000 jobs lost in the economy."
 - a. Is Professor Mason's critique accurate? Why or why not?
 - b. How many jobs have been lost due to the administration's moratorium?
6. Has BOEMRE announced any new reforms with respect to federal oil spill response efforts?
 - a. If yes, please describe how these changes will improve the federal oil spill response so that the same mistakes are not made by the federal government in the event of another oil spill.

- b. If no, please explain why not.
7. On September 22nd, *The Wall Street Journal* reported that 15 of the Gulf of Mexico's 46 shallow-water rigs are idle due to a lack of new permits. Is this accurate? If this number has changed or is disputed by BOEMRE, please explain, and provide the exact number of shallow-water Gulf of Mexico rigs that are idle due to a lack of new permits.
 8. How many shallow-water permits have been issued in the past 6 months? How does this number compare to the same period of time last year.
 9. How many rigs, shallow-water or deepwater, have left the Gulf of Mexico since the April 20th *Deepwater Horizon* oil spill?
 10. Approximately 30 percent of the nation's total domestic oil production and 11 percent of domestic natural gas production comes from the Gulf of Mexico. The Energy Information Administration's July Outlook predicts that the administration's moratorium could reduce domestic oil production by approximately 30 million barrels in the next year.
 - a. How has the moratorium impacted the U.S. domestic energy supply?
 - b. Is U.S. domestic oil production a consideration being taken into account with respect to the new reforms BOEMRE is implementing?
 - c. I am concerned that the United States will have to make up this significant loss of production by increasing imports from countries hostile to our national interest. Where will the United States make up the 30 million barrels?