

Testimony of Hank Danos
President
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Before the Subcommittee on Energy and Mineral
Resources,
House Natural Resources Committee

HR 1229, the “Putting the Gulf Back to Work Act”
HR 1230, the “Restarting American Offshore Leasing
Now Act”
HR 1231, the “Reversing President Obama’s
Offshore Moratorium Act”

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I want to thank the Chairman and Ranking Member for the opportunity to be here this morning to provide testimony on these three bills – HR 1229, The “Putting the Gulf Back to Work Act”, HR 1230, The “Restarting American Offshore Leasing Now Act”, and HR 1231, The “Reversing President Obama’s Offshore Moratorium Act.” The issues that have resulted from the moratorium and the effort to get the industry back up and running are significant and I am pleased to be here to testify in support of these legislative efforts. I feel like I represent many companies from the Gulf area that are similar to ours.

My name is Hank Danos and I am the President of Danos & Curole Marine Contractors, Inc. located in Larose, Louisiana. Our company was founded in 1947 as a small tugboat business furnishing transportation to the oil and gas industry. While we remain a family owned business, since that time we have grown considerably as an oilfield services company with a wide range of services, and what we believe is an outstanding track record of performance, a commitment to safety, and to the quality work experience and development of our more than 1000 employees.

While we have done the best we can in weathering the storm of uncertainty as a result of the moratorium and the slow to uncertain pace of permitting, we have had to let some construction and logistical support workers go. It is our hope that the operational certainty that would come through legislative efforts such as those bills before us today would allow us to not only restore some of those lost jobs but also to add new jobs as a result of the expansion in access to new areas in the Outer Continental Shelf (OCS). Having spoken to numerous other businesses about their own operational uncertainty in the region, I believe that other gulf based businesses would also be able to add a significant amount of jobs if the legislation before us today were enacted.

HR 1229, the “Putting the Gulf Back to Work Act”

As mentioned earlier, we are not a producer, but rather a service company. Consequently, we are not the applicant submitting the actual permit to drill. However, put simply – a lack of exploration plans and permits to drill means a lack of rigs working to drill new wells and a lack of opportunities for us to provide the essential services that these companies look to us to facilitate. This means that the supply of new permits to drill is the critical lifeblood of new business for us and for many businesses like us.

Uncertainty about what is required or why a permit might be returned can be not only frustrating to the applicant but can cause further unnecessary delays. It seems to be common sense to ensure that if a permit cannot be approved, that guidance be provided as to what in the application is lacking to ensure that the agency will get the information it needs to make a decision on the permit without repeated returns, only to see the clock reset.

In addition, it is essential that the legislation requires that permits meet “all critical safety system requirements, including blowout prevention; and oil spill response and containment requirements.” The Department of the Interior has stated that it would not

be issuing new permits if they were not confident that these requirements had been met. It is appropriate to require that new permits should continue to clear that bar.

As I see the threats in the papers from potential litigants opposed to new wells in the gulf, I think it is essential to remind the committee that we will not be able to judge our post spill ability to get up and running and provide the essential energy this country needs until we actually have rigs moving on to location and wells being drilled. I applaud the inclusion of provisions that would ensure that decisions in the court system are made in an expedited fashion as a means of mitigating against the further uncertainty from lawsuits that has come to the industry as a result of these new threats to block new energy development.

HR 1230, the “Restarting American Offshore Leasing Now Act”

It now appears that without legislative intervention, 2011 will be the first year since 1958 that the federal government will not hold an offshore lease sale. It has been disappointing to see so many recent confusing messages about why leasing is so important. Leasing is simply the first step in a long process of getting to actual development. There are numerous explorative steps and regulatory requirements that must be met before getting the green light to actually drill a well on a lease a company likely paid millions for years earlier. The well may or may not lead to actual production.

We cannot expect to meet ambitious national goals about “boosting domestic production” and “reducing our dependence upon foreign oil” without feeding potential new leases into the pipeline of future production. This legislation would accomplish that by setting previously anticipated lease sales back into motion. These lease sales, previously a part of the 2012-2017 five year plan, would include two Gulf of Mexico lease sales in 2011, one in 2012, and the anticipated lease sale off the coast of Virginia in 2011.

When businesses are unsure of the future they have a tendency to be conservative in adding new jobs and making new commitments that invest in our economy’s growth. That uncertainty is incompatible with lofty goals of “adding new jobs” and getting the nation’s economy back to work again.” Going forward with these sales would be a very important and reassuring signal to those businesses that would like to add new jobs and make key investments in the future.

HR 1231, the “Reversing President Obama’s Offshore Moratorium Act”

As I mentioned earlier, our nation simply cannot approach lofty goals of “energy independence” and “reducing reliance upon foreign oil” with the same policies we have always pursued with regard to the development of domestic oil and gas. While I recognize that there are also other policy strategies, such as enhancing energy efficiency, which will play a role in meeting these goals, we must be bold with regard to using the resources that we have here off our own shores. It should be noted by the committee, that the U.S. Energy Information Administration (EIA) is forecasting that domestic energy demand will grow by 14 percent between 2008 and 2035, with more than half of that

demand expected to be met by oil and natural gas. In addition, they anticipate that oil will supply 33 percent of total domestic energy consumed, and 85 percent of transportation fuels, with oil continuing to be the largest share of our energy need. Any strategy that simply pays lip service to increasing domestic oil and gas production without highlighting where that energy will come from is not a serious strategy and is doomed to fail.

HR 1231 would take a bold response to the present and future needs of the nation by directing plans for future development in the areas of the OCS with the greatest potential. In addition, I am especially pleased to see that under this legislation five year plans would no longer occur without a strategic production goal in mind. This rudderless approach is presently underscored by the incompatibility of a publicly stated goal by the administration of boosting domestic oil and gas production in the future with a proposed five year plan for 2012-2017 that contains no new areas for production. This ensures greater government accountability for the results of an administration's proposed policy outcomes.

Our nation indeed has vast oil and natural gas resources off our shores that provide a tremendous opportunity for us to enhance our control over our energy future and provide desperately needed jobs here at home. While any energy strategy must recognize that we will continue to draw from resources around the world, there are often efforts to lowball America's energy resources. The Bureau of Energy Management, Regulation, and Enforcement (BOEMRE) estimates that the undiscovered, technically recoverable oil and natural gas resources located in the OCS range from 66.6 billion to 115.1 billion barrels of oil and 326.4 trillion to 565.9 trillion cubic feet of natural gas. These estimates are likely quite conservative given that they were not performed with the benefit of new technology and that many areas are largely unexplored. In fact, the Gulf of Mexico has already exceeded by six times its original resource estimates.

Conclusion

In conclusion, these three bills take a proactive approach to enhancing certainty for not only businesses that are attempting to create additional jobs and economic growth, but also certainty in how this nation will meet its energy challenges both now and into the future. Each time consumers see an increase at the pump, we see an increased attention to these issues – for a time. That focus is always met by those who oppose expanding oil and gas production with the response that there is not much that can be done in the short term to impact prices now. While it is true that we cannot simply snap our fingers and produce more instantaneously, that response continually avoids the larger question of what policy choices need to be made now to change that outcome in the future.

According to a recent study, the oil and natural gas industry already provides approximately 9.2 million jobs and more than \$1 trillion dollars to our nation's economy. Desperately needed jobs are there for the taking if we will simply allow common sense policies to ensure orderly development of our nation's OCS resources.

I appreciate the opportunity to be here today and provide testimony and would be happy to answer any questions that members of the committee might have for me.