Testimony of Brady Como
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Before the Subcommittee on Energy and Mineral Resources,
House Natural Resources Committee

"Effect of the President's FY 2013 Budget and Legislative Proposals for the Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE) on Private Sector Job Creation, Domestic Energy Production, Safety and Deficit Reduction"

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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 the "Effect of the President's FY 2013 Budget and Legislative Proposals for the Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE) on Private Sector Job Creation, Domestic Energy Production, Safety and Deficit Reduction." The issues being examined today by the subcommittee are critically important to our business, many other small businesses, and others whose livelihood depends upon the policies that govern what takes place in the Outer Continental Shelf (OCS).

My name is Brady Como and I am the Executive Vice President of Delmar Systems in Broussard, Louisiana. I have been involved in the offshore energy business for more than 30 years, with Delmar Systems and previously in the commercial banking business helping service companies operating in the gulf. Delmar Systems, founded in Louisiana in 1968, is a worldwide leader in supplying offshore mooring related services, including engineering design, mooring analysis, project management, planning and procedures, operational installation, and mooring equipment rentals. Our employees are highly skilled workers and trained engineers with great experience and dedication to operating with the highest standards of safety and excellence.

While we are a relatively small company of 220 employees, we have operations from the Gulf of Mexico to waters around the world, including the ultra deepwater. The slower activity level in the Gulf of Mexico following the post-Macondo moratorium has not only had an impact upon our employees that were laid off, but also has been the driving force for the percentage of our international business outside the Gulf of Mexico more than doubling during that time. New leases, exploration plans and permits for new exploration and production activity are the lifeblood of our business. While we are not a production company that holds leases and files exploration plans and permits, a service company survives on their steady flow. Put simply, when a drilling rig leaves the Gulf of Mexico, so do we. This is the same for many other service companies as well. We go where the rigs go. We have followed rigs leaving the gulf all over the world, from Brazil and Australia, to Trinidad, West Africa and the Mediterranean. While our company has been fortunate enough to be able to follow these rigs, it is important to note that there are many small, family owned gulf businesses that are unable to do so. Consequently, the layoffs and other impacts have been even greater for them.

During the post-Macondo moratorium and fifteen succeeding months, numerous rigs left the Gulf of Mexico. Of those that left, ten were deepwater moored rigs that left for contracts elsewhere. This underscores that the pace of plans and permits are of utmost importance in keeping people at work and drilling equipment here. Floating drilling units are marketed and compete for projects on a worldwide basis as evidenced by their leaving the gulf for contracts elsewhere. It has been said that for every drilling rig that leaves, 200 jobs go with it. That impact is even greater when indirect jobs are considered.

My experience has been that the people of the offshore oil and natural gas industry are proud of what we produce for the nation. We are proud of the energy we produce, of the jobs that we create, and the significant revenues that are produced for the Treasury. This truly is an industry that not only has a lot to offer the nation, but that stands ready to produce even more with greater access to the OCS and enhanced regulatory certainty.

As the House considers the FY '13 Budget Proposals for BOEM and BSEE, I would reiterate support for these agencies having adequate resources to do their jobs. We note that even in austere budget times, this Congress has been very successful in finding appropriate cuts elsewhere to ensure new funding to these agencies to conduct the important activities for which they are responsible. We appreciate the many dedicated employees of these agencies who work hard to process exploration plans and permits and to play their role in a safe operating environment in the gulf. However, with increased funding comes increased expectations and it is our hope that the funding will help with the pace of the processing of exploration plans and permits which will result in higher levels of exploration and production activity in the OCS.

The final FY '12 funding agreement for BSEE contained authority for new inspection fees. Oil and natural gas activities in federal waters produce billions in revenue annually to the Treasury. Consequently, our preference would have been that in lieu of these new fees that these activities were funded from those dollars generated to the Treasury and available for appropriation. Nevertheless, we are pleased that with the authority for new inspection fees, direction was given that at least fifty percent of those dollars were to be spent in such a way as to speed the processing of permits to drill.

Given that direction, we feel that Congress needs to continue to play an important oversight role in ensuring that the new funds are spent as expected and in a manner that would result in new production spurring new jobs, new revenues to the Treasury, and new domestic energy. As noted before, as a service company, Delmar does not hold leases or pursue exploration plans or permits. We do, however, follow that activity level closely because of the impact it has upon our business. As recent reports regarding Department of the Interior data have indicated, federal offshore production in the Gulf of Mexico declined nearly 17 percent in 2011 to 514 million barrels from 618 million barrels in 2010. With plan and permitting activity levels still below historic norms, we are hopeful to see a faster, more efficient pace that will aid in bringing new production online.

It is disappointing that the FY '13 Budget Proposal from the Department again contains a proposed "non-producing" fee. This proposal is based upon the false premise that energy companies are slow walking development or would not otherwise diligently develop their leases unless they are prodded into doing so by a new fee. This silly theory has been thoroughly debunked many times before and it is puzzling to see it continue to re-emerge. It is important to point out that leasing is simply the first step in the exploration and development process. A successful bidder upon a lease must then take numerous explorative and regulatory steps prior to being able to drill a well that may or may not yield oil and natural gas in economically producible quantities. It is simply not reasonable that all the chatter and angst about the pace of permitting is generated by companies that are interested in merely paying millions to hold leases, but not produce them.

BOEM's budget appropriately contains funding for holding lease sales and discharging its responsibilities under the Outer Continental Shelf Lands Act for "expeditious development." The funding would conduct lease sales outlined in the 2012-2017 Proposed OCS Oil and Gas Leasing Program. The lack of new access in the proposed program represents a tremendous missed opportunity. We recognize that the lease sales that are in the plan should go forward but we applaud continued efforts by the Congress to legislate expanded access to new areas of the OCS that will result in new supplies of energy that are so desperately needed and opportunity for new job creation. While we hear it repeated again and again that there are no magic bullets to change oil prices overnight, it is hard to believe that one can be serious about new supplies of domestic offshore oil and natural gas while blocking any new access until 2017 at the earliest.

We are not an energy poor nation. BOEM 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 to be highly conservative given that they were produced in largely unexplored areas with older technology and without accompanying production improving the quality of data as has taken place in the Gulf of Mexico. Notably, the Gulf of Mexico has already exceeded by five times original resource estimates for oil and six times its estimates for natural gas.

Finally, we note that the BOEM Budget Justification indicates that they will take the lead role in the Department for coastal and marine spatial planning (CMSP) under the National Ocean Policy. It is unclear from the budget justifications whether BOEM is requesting that the Congress appropriate any dollars for them to conduct new activities. The benefits of CMSP have not been made clear to the public, nor how these activities would work within the existing federal legal framework of OCSLA and other federal laws. Given the significant budgetary needs of these agencies, Congress should be highly skeptical about diverting desperately needed resources to activities that Congress has not directed them to conduct.

As the Congress considers this budget proposal, we hope that the focus will remain on how at a time of scarce federal resources, budget funds can be directed to ensure safe and environmentally responsible development of the oil and natural gas resources of the OCS.

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.