Committee on Resources
Full Committee

Witness Statement

Written Testimony

to

Committee on Resources

U.S. House of Representatives

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Testimony by

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In Support of

Conservation and Reinvestment Act of 1999

H.R. 701

Mr. Chairman, members of the Committee on Resources, I am Ted Falgout, Executive Director of the Greater Lafourche Commission and Port Director of Port Fourchon. I present to you my written statement.

Port Fourchon is an increasingly significant Port located on the Gulf of Mexico in the central part of South Louisiana. Historically, we have accommodated the shelf oil and gas activity, commercial fishing, the Louisiana Offshore Oil Port (LOOP), foreign trade,

and recreation and tourism industries.

Unlike many areas of the country, our people have embraced the oil and gas industry since its beginning and have withstood the roller-coaster boom-bust cycles that are characteristic of this industry. We have tried our best to accommodate this industry's needs and we take pride in our ability to provide safe navigation, state-of-the-art facilities, and first class support services with little or no federal assistance. The people of southern Lafourche Parish even taxed themselves to build Port Fourchon.

The oil and gas industry's trend of migrating further and further offshore into deeper waters has steadily increased the significance of Port Fourchon as a support base, to a point where it is now evident that their is no better place in the Central Gulf geographically, economically, and environmentally for access to and support of deepwater drilling.

Until recent years, the benefits derived from onshore and near offshore revenues over shadowed the inequity that existed in the relatively few federal offshore developments.

But this has changed dramatically! With the passage of the Royalty Relief Act in 1996, and new technological advances that enabled the industry to drill deeper with greater success, seemingly overnight, the Gulf of Mexico changed from being called the Dead Sea to America=s New Frontier, and the rush to deepwater began.

The post Royalty Relief shift to deepwater is dramatic, a decision of this nation that has been very rewarding with record lease sales and fat bonuses but somehow in this frenzy, we have overlooked, our responsibility to mitigate these impacts.

These discoveries, although hundreds of miles offshore, still demand shoreside facilities and landside infrastructure in order to support these massive projects and they still must cross Louisiana=s fragile wetlands for their transmission needs. Although the landside impacts are similar, the difference between drilling in deep waters offshore, and drilling near shore is like night and day. Instead of Louisiana and other coastal states receiving the lease payments and royalties to help mitigate the impacts, the Federal Government is receiving these billions of dollars and not supporting the impacted states in dealing with the consequences.

Nowhere is the impact of OCS activity more evident than in Lafourche Parish, where Port Fourchon has become the focal point of intermodal transfer for support of nearly 75% of the deepwater projects in the Central Gulf. This sudden surge of activity has consumed us. Over 90% of today=s business at the Port is Federal OCS related.

Every widget, gadget, or person from wherever its origination, must change from an

onshore mode to an offshore mode of transportation and vica versa, because virtually everything comes back inshore. Cargo must move from truck or inland barge to offshore supply vessel or helicopter and back.

Over 5000 people a week are moving to offshore locations through the Port. Over half these people are from out of state taking their paychecks back out of state and Louisiana again losing on the benefits.

The Port is handling over 30 million tons of cargo, a 275% increase in 3 years and expected to double in two more. A thousand trucks a day move through the Port.

We have doubled in size in just 3 years. Only five years ago, just before the deepwater explosion, we projected our existing permitted development at the Port to be sufficient until the year 2010. Last year we reached our 2010 projection and over a hundred companies are operating out of the Port.

All this activity is being supported by a two-lane highway which meanders through 15 miles of rapidly eroding wetlands and was originally built for access to Grand Isle, LA=s only inhabited barrier island. It was never intended or designed to carry the burden of Federal OCS activity.

The U.S. Minerals Management Service recently completed a study entitled "An Analysis of Louisiana Highway 1 In Relation To Expanding Oil and Gas Activities In The Central Gulf of Mexico". This study concludes that as a result of heavy usage resulting from increased deepwater oil and gas development, LA 1, the only road access to Port Fourchon will experience a significant reduction in the level of service, its ability to provide an "adequate" level of services to support expanding offshore oil and gas activities and will become increasingly strained and that deterioration of LA 1 will also be exacerbated with expanding oil and gas activities.

We spend millions of dollars preparing Environmental Impact Statements on Federal Lease Sales and don't have a plan to mitigate the impacts identified in the findings. In the most recent EIS on Central Gulf of Mexico Lease Sales, the impacts of the lease sales on landside infrastructure especially in focal point areas like Port Fourchon is well documented. Statements like "OCS Program activities will continue to have a significant impact on infrastructure in South Lafourche Parish due to increases in deepwater activity" and "The cumulative impact is expected to result in the potential for increased educational strain, strain and deteriorating conditions of existing infrastructure, some deleterious impacts to comprehensive land use plans, and difficulties in delivering satisfactory levels of public services", are all over this document.

This is not just us crying wolf. The federal agency charged with administering the OCS Program is telling you these impacts exists and are on the increase. This surge of activity in federal waters has strained the entire region and impacted every facet of our lives. From its impact on ports where millions in private and public funds are required to accommodate industry=s needs to the Parish Water System, which is strained by the huge demand for high quality drill water. Port Fourchon is using 25% of South Lafourche's water supply and has less than 1% of population. In addition, because our needs exceeds the parish=s capabilities, we=re having to barge freshwater into the Port from other areas to meet the needs of deepwater drilling.

As a result of this surge of activity, our school system is strained. Our law enforcement officials are constantly having to deal with transient workers and their impact. Our landfills are having to accommodate millions of tons of OCS generated solid waste. This is all in addition to the obvious environmental impacts.

I have used Port Fourchon as the example, but these impacts can be seen throughout coastal Louisiana to varying degrees. The need to reinvest some of this federal money back into the coastal states that are carrying the burden of OCS development is long overdue. And becoming more critical each day.

We strongly support H.R. 701, this bill will allow impacted states to share in OCS revenues, so that we may sustain our landside infrastructure and restore our rapidly vanishing coastal wetlands, a factor which is increasingly threatening our very existence in Coastal Louisiana.

I feel compelled to give a few brief comments on H.R. 798. I have no quarrel with the goals of this proposed legislation, the problem I do have is that it doesn't even acknowledge the impacts to those areas that are enabling the U.S. Treasury to generate the $4 billion it proposes to share, much less provide for mitigation of these impacts.

I get this terrible feeling in my stomach when I read Mr. Miller's remarks which state that "H.R. 798 is a far more equitable distribution of revenues than other bills which lavish more than half of the public's money on a half dozen states and short change the rest of America".

He states that "unlike other OCS revenue bills Resource 2000 creates no incentives for additional leasing or development" my answer to this is that we have 600 oil platforms in a 40 mile radius of Port Fourchon and 20,000 miles of pipelines in the Gulf, I don't think mitigating their damages will be an additional incentive and I don't think drilling programs will be driven by mitigating impacts.

I do believe that the Congressman from California is going about this the wrong way. He should be doing everything he can to keep this industry in LA because if we don't mitigate these damages very soon, we'll have to move to his state to furnish this country's energy needs.

Ladies and Gentlemen, I commend you on your decision to come to Louisiana to hold this hearing and feel comfortable that you have seen first hand where the short change is occurring and that you will do the right thing. The adverse impacts of OCS activities must be recognized and properly mitigated for, before we kill the goose that is laying the golden egg.

I have also included with this written testimony facts from pertinent publications which further explains and supports the need for OCS revenue sharing.

"It is interesting to note that **deepwater oil production increased 260 percent over the 5-year period 1992-1996; deepwater gas production increased 375 percent** during this same period. During this same time, the number of producing **deepwater fields more than tripled**, from 5 to 18 fields" (1: p.9).

"The **Central Planning Area dominates Gulf of Mexico OCS production**. During 1993, this area **produced 93 percent of the Gulf's oil and 73 percent of its gas** production" (4: p.21).

"**Natural gas from the Federal Outer Continental Shelf (OCS) plays a major role in meeting the Nation's energy needs.** In 1993, OCS natural gas represented **18 percent of U.S. reserves, about 25 percent of U.S. production,** and almost **56 percent of Mineral Management (MMS) OCS revenue**" (3 : p.1).

"About **89 percent of the oil and 99 percent of the gas produced on the Federal OCS came from the Gulf of Mexico in 1993**" (4 : p.21).

"**Federal lands offshore Louisiana generate more gas and oil revenue from OCS leases than leases offshore of any other State.** Since 1954, Federal lands offshore Louisiana have been the source of **65.6 percent of total OCS** mineral revenue" (3 : p.4).

"**Port Fourchon is a supply base for oil rigs and production platforms in the central Gulf of Mexico.** Supply boats and tugboats servicing these rigs and platforms operate out of **Port Fourchon because it is closer to the facilities** it serves than alternative ports. **Port Fourchon's strategic location** also makes it desirable for the maintenance and repair of mobile drill rigs. In recent year, "jack-up" drilling rigs have begun to use **Port Fourchon** for inspection, maintenance, and repair. Larger, semi-submersible drilling rigs would also benefit significantly by using facilities at **Port Fourchon** for maintenance and repair. **Port Fourchon is significantly closer** to some portions of the central Gulf of Mexico than alternative facilities at other ports" (2 : p.29).

"**Drilling rigs operating in the deep waters of the Gulf of Mexico more than quadrupled between 1991 and 1996,** from an average of 4 rigs drilling monthly to 17 rigs" (1 : p.9).

"**Port Fourchon** is situated at the mouth of Bayou Lafourche. **It is Louisiana's only port on the Gulf of**

Mexico. While catering to several other business sectors, the **primary purpose of the port is to support offshore oil-and-gas activities throughout the Central Gulf of Mexico.** At present, more than **600 offshore platforms are located within a 40-mile radius of Port Fourchon** and, according to a recently completed study by the Corps of Engineers, **Port Fourchon will be within the service area of almost 60% of all offshore drilling activities** anticipated to occur off the Louisiana coast over the next thirty years" (6 : p.8).

"It **(Hwy.1) is the primary North-South corridor through Lafourche Parish** and is the **primary transportation route for trucks entering and exiting Port Fourchon, a primary service-support port for deepwater oil-and-gas activities in the Central Gulf.** Highway 1 is largely a rural, two-lane arterial road which passes through many of the principal cities and towns in Lafourche Parish" (6 : p.2).

"Needs specific to these deepwater projects may result in **more focused stresses placed on areas that are capable of supporting these large-scale development projects** (e.g., ports that can handle deeper draft service vessels). This focusing of activity could result in stresses to infrastructure servicing these focal points, as well as stresses placed on the infrastructure associated with the focal point. Testimony presented at a public hearing for the Central Gulf multisale EIS in Houma, Louisiana on June 23, 1997, and comment letters received from **parish and public officials highlighted the strain on infrastructure (particularly LA Highway 1 and water supplies) associated with activity at Port Fourchon, Louisiana.** Preliminary results from an MMS funded study indicate that the **level of service provided by LA Highway 1 will decline significantly.** The study also suggests that the **deterioration of LA Highway 1 will be exacerbated with expanding oil and gas activities** (Guo, Hughes, and Keithly, nd). Examination of recent rig locator reports indicates that coastal **Subarea LA-2 (which includes Port Fourchon) services at least two-thirds of deepwater activity in the Central Planning Area and one-third of deepwater activity int he Western Planning Area. OCS Program activities will continue to have a significant impact on infrastructure in South Lafourche Parish due to increases in deepwater activity** over the short term" (5 : p. IV-251).

"**Deepwater activity has resulted in focused stresses (e.g., Port Fourchon) to local infrastructure.** OCS Program activities will continue to have a **significant impact on infrastructure in South Lafourche Parish** due to increases in deepwater activity over the short term" (5 : p. IV-253).

"The **cumulative impact is expected to result in the potential for increased educational strain, strain and deteriorating conditions of existing infrastructure,** some deleterious impacts to comprehensive land use plans, and difficulties in delivering satisfactory of public services" (5 : p. IV-254).

"Within the Gulf of Mexico, for instance, **exploration and development drilling were up about 61 percent in 1993 compared to 1992**" (3 : p.16).

"In 1994 and 1995, there were **210 blocks** leased in 900 meters (approximately 3,000 feet) of greater water depth; in the 1996 sales, there were **712 blocks** leased in that water depth" (1 : p. iii).

"The Gulf of Mexico has the **most extensive network of offshore oil and gas pipelines** worldwide, stretching **over 20,000 miles**" (4 : p.21).

"Between 1993 and 1995, the number of **pipeline right-of-way and installation applications increased by more than 20 percent**" (1 : p.12).

The **Western and Central Gulf** is one of the few regions of the OCS that is **not currently under a**

moratorium against new extraction operations" (7 : p.11).

"Analysis conducted by Melancon et al. (1997) indicates that **oil production from the Gulf of Mexico will increase in the range of 50% to 75% between 1996 and 2000, or at a rate of 10% to 15% per year**" (6 : p.5).

Furthermore, Melancon et al. suggest that production from **deepwater fields** will account for **56% - 65% of the total Gulf of Mexico oil production by the year 2000** (compared to 17% as of 1996) and from 19% to 28% of the total Gulf of Mexico gas supply (compared to the six percent as of 1996)" (6 : p.5).

"Production in the **Central Gulf of Mexico** during the period is expected to advance from **70% of the total in 1997 to more than 80% of the total by the year 2000**" (6 : p.5).

"**By the year 2000, oil production is forecast to increase by as much as 70-100 percent**" (1 : p.3).

"**Deepwater drilling continues at a high pace in the Gulf,** in March 1999, there were **25 (temporary and permanent) deepwater rigs simultaneously drilling in the Gulf of Mexico depths greater than 1,000 feet**" (8 : p.2).

"Production from Gulf deepwater reservoirs is also increasing. **MMS expects deepwater natural gas and oil activities to continue to grow as operators explore and develop recently acquired and existing active leases.** MMS's recent Lease Sales in 1996-98 are clear indications that industry is confident in the Gulf's deepwater resources. **As technology advances and costs are reduced, deepwater development projects will become more feasible, allowing companies to venture more into ultra deep waters--exceeding 5,000 feet water depths**" (8 : p.1).

"The **deepwater portion of Gulf of Mexico has shown a remarkable increase in oil and gas exploration, development and production**. In part this is due to the development of new technologies reducing operational costs and risks, as well as the finding of reservoirs with high production wells. There are about **90 announced Gulf deepwater prospects--the Gulf operators have been setting and surpassing records in water depth and length using new and improved proven technology**" (8 : p.1).

[1] Cranswick, D., and Regg, J., *Deepwater in the Gulf of Mexico: America's New Frontier.* New Orleans: U.S. Dept. of Interior, Minerals Management Service, 1997.

[2] Dykes, J., *Port Fourchon, Louisiana; Feasibility Report and Environmental Impact Statement.* New Orleans: U.S. Army Corps of Engineers, 1994.

[3] Gachter, R. A., *Facts about Offshore Natural Gas.* Herndon: U.S. Dept. of Interior, Minerals Management Service, 1994.

[4] Gachter, R. A., *Gulf of Mexico Update: July 1992-July 1994.* Herndon: U.S. Dept. of Interior, Minerals Management Service, 1994.

[5] *Gulf of Mexico OCS Oil and Gas Lease Sales 169, 172, 175, 178, and 182 Final Environmental Impact Statement.* New Orleans: U.S. Dept. of Interior, Minerals Management Service, 1997.

[6] Guo, J., Hughes, D., and Keithly, W., *An Analysis of Louisiana Highway 1 in Relation to Expanding Oil and Gas Activities in the Central Gulf of Mexico.* Baton Rouge: Louisiana State University for U.S. Dept. of Interior, Minerals Management Service, 1998.

[7] Laska, S., and Seyditz, R., *Social and Economic Impacts of Petroleum "Boom and Bust" Cycles.* New Orleans: University of New Orleans for U.S. Dept. of Interior, Minerals Management Service., 1994.

[8] Gulf of Mexico OCS Region, *Deepwater Information.* New Orleans for U.S. Dept. of Interior, Minerals Management Service, April 15, 1999.

Minerals Management Service
Gulf of Mexico OCS Region

Deepwater Production Summary by Year

Production Data by Year

Deepwater Production (WD>1000Ft)

			Total GOM OCS Production		% of Total Production	
Year	**Oil, STB**	**Gas, MCF**	**Oil, STB**	**Gas, MCF**	**Oil**	**Gas**
1985	21,053,752	33,849,349	351,133,870	4,080,673,536	5.995	0.829
1986	19,077,066	36,900,361	356,398,376	4,065,290,190	5.352	0.907
1987	17,070,926	44,259,499	328,243,087	4,544,898,630	5.200	0.973
1988	12,984,552	38,228,499	301,704,812	4,592,110,057	4.303	0.832
1989	10,007,573	31,889,109	281,160,011	4,650,492,448	3.559	0.685
1990	12,141,988	30,502,933	274,957,304	4,918,286,104	4.415	0.620
1991	22,886,754	58,301,948	295,131,058	4,718,984,066	7.754	1.235
1992	37,295,127	87,112,193	305,282,682	4,664,014,131	12.21	1.867
1993	36,769,914	119,788,051	309,229,380	4,675,505,885	11.89	2.562
1994	41,803,238	159,368,037	314,743,342	4,845,540,224	13.28	3.288
1995	55,200,884	180,938,464	345,556,998	4,795,345,331	15.97	3.773
1996	72,222,765	278,159,995	369,333,892	5,095,120,024	19.55	5.459
1997	108,510,937	381,003,462	411,818,787	5,157,051,309	26.34	7.388

Deepwater Production Increase - Year to Year

Year	**% Increase, Oil**	**% Increase, Gas**
1985 to 1986	-9.3	9.01
1986 to 1987	-10.	19.9
1987 to 1988	-23.	-13.
1988 to 1989	-22.	-16.
1989 to 1990	21.3	-4.3
1990 to 1991	88.4	91.1
1991 to 1992	62.9	49.4
1992 to 1993	-1.4	37.5
1993 to 1994	13.6	33.0
1994 to 1995	32.0	13.5

1995 to 1996	30.8	53.7
1996 to 1997	50.2	36.9
Average (through 1996)	19.2	25.8

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