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Testimony
Before the Subcommittee on Energy and Minerals
Committee on Resources
United States House of Representatives

The Benefits of Offshore Oil and Natural Gas Development

August 13, 2005

TESTIMONY OF WILLIAM CLIFFORD SMITH
CHAIRMAN OF THE BOARD
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Mr. Chairman and Members of the Subcommittee, welcome to South Louisiana. Thank you for traveling down LA1 to the Port Fourchon, literally ground zero for offshore oil and gas in the Gulf of Mexico. I appreciate the opportunity to speak to you about the benefits of offshore oil and natural gas development. My name is William Clifford Smith, and I am a life long resident of Terrebonne Parish, Houma, Louisiana.

I am a civil engineer and land surveyor and have owned and managed a consulting Civil Engineering, Land Surveying, and Environmental Services firm since 1958, when I received a Bachelor of Science degree in Civil Engineering from Louisiana State University. The firm was founded by my father in 1913, who was a Civil Engineering graduate of Tulane University. He, too, was a life-long resident of our community. The firm now has approximately 130 associates and is owned and managed by my children, one of whom is also a Civil Engineering graduate of Louisiana Tech University. Due to my expertise in engineering, coastal restoration, and the oil and gas industry, I am also a Presidential Appointee to the Mississippi River Commission, which was established by Congress in 1879 to advise the Chief of Engineering of the U. S. Corps of Engineers on the development and improvements on the Mississippi River.

Over the years, our consulting engineering firm has provided professional services to major landowners; developers; local, state, and federal government agencies; oil and gas producing companies; and pipeline and electrical transmission companies. We provide assistance in wetlands permitting, feasibility studies, and cost estimates; perform field, property, and hydrologic surveys; and prepare plans, specifications, and supervise and administer construction contracts. We have literally lived on the land and waters of this area for over 90 years, three generations, and have made a living at it. Practically all of the wealth we have accumulated over the years can be attributed to Louisiana's unique abundance of natural resources and has been reinvested into our community.

Houma is the economic center of Terrebonne Parish, located approximately 65 miles southwest of New Orleans, 30 miles north of the Gulf of Mexico, and 50 miles west of the Port Fourchon, where we are now. I have lived in the community of Houma for 70 years, all my life. My parish consists of approximately 1,300,000 acres of surface area. It is the second largest surface area parish in Louisiana. We have approximately 1,000,000 acres that I consider to be wetlands, including: open water on the Gulf of Mexico, bays, lakes, saltwater marshes, fresh water marshes, and swamps. Economically, everything is very positive for our community and has been most of my life except in the 1980's and early 1990's. We have had a 10% increase in population over the last 10 years, 4% unemployment rate, and an 11% average increase in sales tax collections per year. The economy of Terrebonne Parish, literally the "good earth" in French, and South Louisiana is dependent upon the plentiful assets of our coastal environment.

Oil and gas was discovered in my parish in the late 1920's and early '30's. The exploration and production of oil and gas has had an unbelievably positive economic impact in my community for the last 75 years. The knowledge and experience our citizens have developed in the oil and gas industry is exported all over the world. The offshore activities off Louisiana have been

a tremendous resource to the entire nation. Not only are we exploring for oil and gas 200 miles south of this location at Port Fourchon, but we are also importing, through the LOOP project, a considerable amount of our nation's energy needs. We are also going to import more L.P.G. from foreign sources into our state, providing the country with the ability to receive low-cost natural gas.

The infrastructure created by the major oil and gas companies to originally collect and process our domestic oil and gas production has transformed the entire Louisiana coast, from Texas to Mississippi south of Interstate 10 and the Delta of the Mississippi River from Baton Rouge to its mouth, into the biggest concentration of petrochemical complexes in the world. All of this activity is to supply the nation with the petroleum and chemical products that sustain our economy and standard of living. All of this oil and gas activity has been the economic blood of our community. I believe oil and gas, and its supporting activities, represent at least 75% of our economy.

The oil and gas produced in the Gulf of Mexico off our coast for the last 60 years has kept the East Coast and the Midwest running. In Terrebonne Parish alone there are still approximately 2,000 oil and gas wells, and we only need about two to supply our energy needs. On the other hand, many states consume up to 22 times more energy than they produce. Therefore, most of our valuable commodity is being consumed by the rest of the nation.

What is so gratifying is that with the oil and gas activity, which is a depleting natural resource, we also have a recurring natural resources industry along our coast.

From my deck overlooking the Gulf of Mexico at my summer home 10 miles east of here at Grand Isle, Louisiana, I have spent the last 40 years observing one of the most bountiful regions in the world. Among the greatest natural resources in Louisiana are our: oil, gas, sulphur, salt, and various other minerals, fish, crabs, oysters, shrimp, and crawfish. Nearly one-third of the fisheries catch in the lower 48 states is produced in Louisiana's prosperous wetlands and millions of migratory birds flock to the marsh each year. Our "Sportsman's Paradise" is home to lucrative commercial fishing, recreational fishing and hunting, and an ecotourism industry. I truly believe this is the most productive coastal area in the world.

My wife and I had the opportunity to go around the world some years ago to Fiji, New Zealand, Australia, Hong Kong, Italy, Greece, and England and we naturally migrated to the coast. Nowhere else do you see what we have in coastal Louisiana. We have also seen the west and east coast of the United States and Alaska – nothing has the economic value that we see in Louisiana, and it all coexists together.

We in Louisiana really cannot understand why the rest of the nation will not, with proper controls and protection, permit oil and gas exploration. New techniques for exploration and production that were developed in coastal and offshore Louisiana could provide other states protection for the environment and citizens of coastal areas. The oil and gas industry throughout the world looks to Louisiana for help to properly secure their environment while drilling in sensitive offshore ecosystems. Earlier this year a delegation of government officials and private industry partners from Kazakhstan visited my firm in Louisiana to be trained on this very subject. We in Louisiana are industry leaders, paving the way for safe offshore drilling and pipeline technology.

If other states would tap into their offshore natural resources, the United States may become significantly less dependent on foreign sources of oil. The United States loses on many fronts when we opt to rely on foreign sources of oil rather than our own natural resources. Not only do we remain vulnerable to the unstable politics of the Middle East and South America, but we are stunting our own economic development. We are paying more money at the gas pump and prohibiting the growth of a lucrative industry that could create thousands of jobs around the country. The oil and gas industry in South Louisiana is the economic livelihood of Louisiana, directly and indirectly employing a vast army of workers. The productive Louisiana workforce has the expertise and infrastructure to produce safe, reliable sources of energy that are in excess of our needs. Offshore drilling is a key component of better securing our energy and economic future in America.

While South Louisiana fully embraces the benefits of the oil and gas industry, we must make sacrifices and work hard to protect all our natural resources. We must face the reality that the industry – as well as our very way of life – is being threatened by coastal erosion. As our coastline recedes and our communities slowly begin to fade away into the Gulf, billions of dollars of oil and gas infrastructure are being exposed to the constant impending threats of hurricanes and other national security threats. Annually contributing approximately \$5 billion to the US Treasury through Outer Continental Shelf royalties, Louisiana believes the government has the duty and responsibility to help protect this critical infrastructure and habitat. If Louisiana loses its coast, we all lose. We lose a unique culture and way of life, as well as a booming economic sector and a substantial portion of our national energy supplies.

I would like to extend my thanks and sing the praises of this Subcommittee and the all Members of Congress for your hard work -- particularly during the last 30 days. The Highway Bill and The Energy Policy Act of 2005 will provide Louisiana, and the

nation, with much needed relief and help support the oil and gas industry and infrastructure. Specifically, the highway bill contains millions for the elevation of LA 1 – the highway we have all traveled down today that is an essential corridor for delivering oil and gas to the nation. Economists predict a drastic and immediate price hike at the pump should LA 1 be closed for even a few days.

I extend my gratitude to you for your work making the energy bill a reality. I was beginning to believe it would not be passed during my lifetime. The funds dedicated to coastal impact assistance from the offshore royalties are an essential first step in restoring our eroding coast and barrier islands that protect not only billions of dollars in oil and gas infrastructure supplying the nation with energy, but also my culture. Our very way of life is endangered. There is still work to be done, but this bill is a critical step to continue the production of offshore oil and gas as well as the Cajun heritage and *joie de vivre* that flourish along Louisiana's bayous.

Beneficially tapping all our natural resources, Coastal Louisiana provides the United States with 20% of the energy and 25% of the seafood consumed across the country each year. Sectors of the economy dependent on oil and gas and the environment exist harmoniously in our community.

Once again Mr. Chairman, thank you for traveling to Louisiana where the pavement hits the water. The people of South Louisiana look forward to working with you to proliferate our expertise while helping improve our national economy and securing our energy needs. I will be glad to answer any questions that you may have now and in the future.