

Statement of

Timothy Parker  
Senior Vice President  
Dominion Exploration & Production, Inc.

also on behalf of

Domestic Petroleum Council  
Independent Petroleum Association of America  
American Petroleum Institute  
National Ocean Industries Association  
Natural Gas Supply Association  
U.S. Oil and Gas Association  
National Petrochemical & Refiners Association  
International Association of Drilling Contractors

on

S. 2253

before the

Senate Committee on Energy and Natural Resources

Thursday, February 16, 2005

Mr. Chairman and members of the Committee, my name is Tim Parker and I am Senior Vice President of Dominion Exploration and Production, Inc.

Dominion is one of the largest US independents that are among the most active in the search for, and development and production of, new natural gas and oil supplies for our nation.

Today I am speaking on behalf of Dominion, but also for the Domestic Petroleum Council, the Independent Petroleum Association of America, the American Petroleum Institute, the National Ocean Industries Association, the Natural Gas Supply Association, the U.S. Oil and Gas Association, the National Petrochemical & Refiners Association and the International Association of Drilling Contractors.

Dominion's experience includes an important project in the area adjacent to that contemplated to be leased by the provisions of S. 2253. In an area leased under the original 181 sale, Dominion and its partners will bring on-line in 2007 the Independence Hub project, a production platform in 8,000 feet of water capable of processing up to 1 billion cubic feet of gas per day -- enough to serve almost three and a half million homes. So, as you see, we believe we have a unique ability to address today's subject. I will focus more on Independence Hub later in my testimony.

The key points of my testimony today are:

- Additional leasing in the original Sale 181 area as directed by S. 2253 is a crucial part of the overall program that we believe must be carried out to increase natural gas supplies for our nation. Even the prospect of such supplies can have a positive and calming effect on the natural gas market.
- The area included for leasing holds very significant additional natural gas resource potential that industry can develop with high technology such as that already being applied in the adjacent leased area of the original Sale 181 – bringing timely supplies to consumers.
- The offshore technology applied by U.S. companies today worldwide has demonstrated record of environmental compatibility that was demonstrated most vividly by there not having been a single significant offshore exploration and production facility oil spill caused by the otherwise devastating hurricanes Katrina and Rita.

### **The Resource**

Almost everyone agrees that the 181 area in the Gulf is the best single prospect we have in the U.S. for significant new near-term exploration and production. The Minerals Management Service estimated, at the time, that the original Sale 181 had the potential to produce 7.8 TCF of gas and 1.9 million barrels of oil.

However, when the size of the sale was reduced from approximately 5.9 million acres to 1.5 million acres, much of that resource was placed off limits. Conservative estimates of how much natural gas may be found in the area withdrawn are in the range of 5 TCF and, if past experience is a guide, actual production could end up being much more than that.

It must also be pointed out that the proposed 181 area is considered a relatively low-risk resource. To date, the success rate in the adjacent area, using the same 3D seismic technology as would be applied to the proposed area, is over 50%, far greater than traditional wildcat exploration.

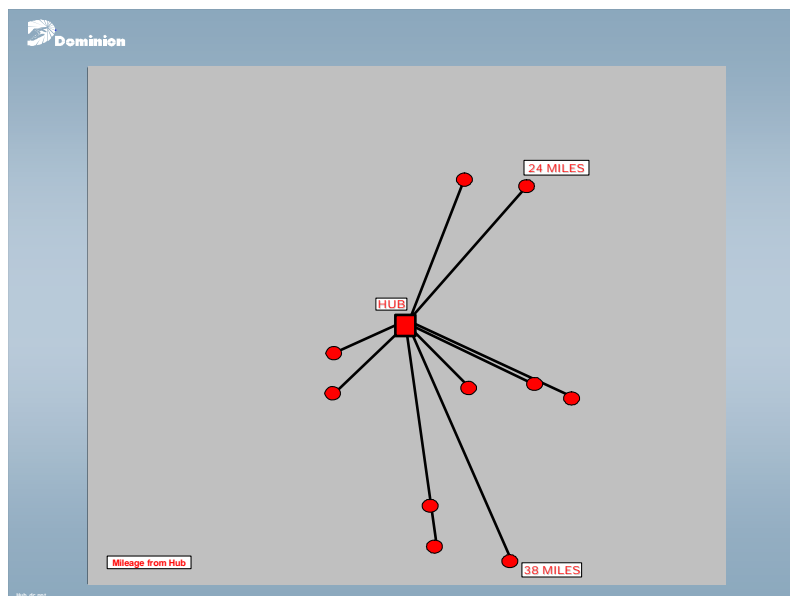
A footnote with respect to the resource potential in the area contemplated for leasing in S. 2253: It may be much bigger that we can even imagine today.

As many of you know, in the parts of the Gulf of Mexico where we have been allowed to buy leases and explore, we have produced three times as much gas as we once thought was there. *And the current resource estimate, according to the MMS, is that there is nearly five times as much remaining to be found.* The more we explore, the more we know.

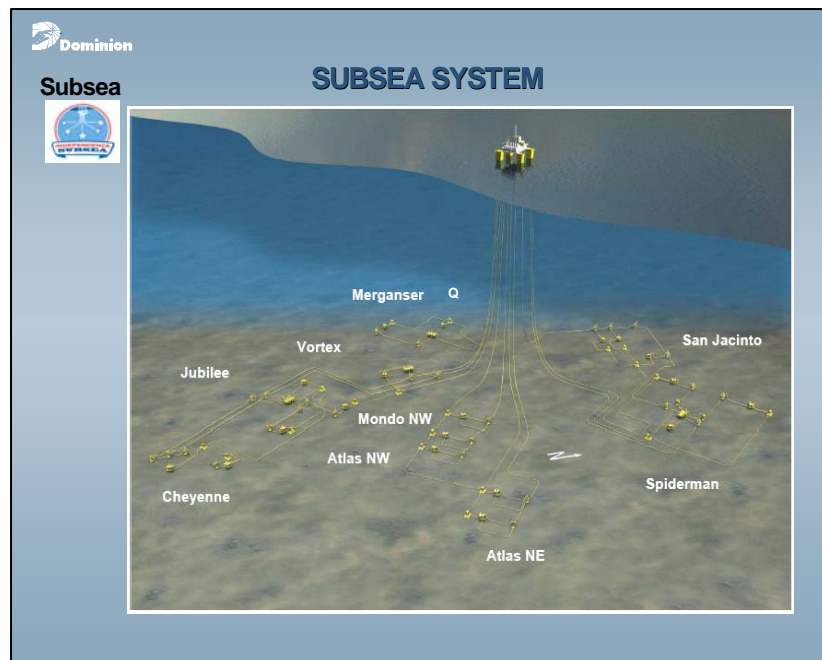
In addition, there are significant additional potential resources outside the area contemplated for leasing by S. 2253 that could be developed safely and that we ignore to our consumers' disadvantage. To the north, for example, in what is called the "stovepipe" area of the original Sale 181 area, there is natural gas potential that is close to existing transportation infrastructure – and still further from the Florida coast than other existing production. Surely there must be a way to reasonably consider how those resources might be added to our national energy portfolio

## The Role of Technology

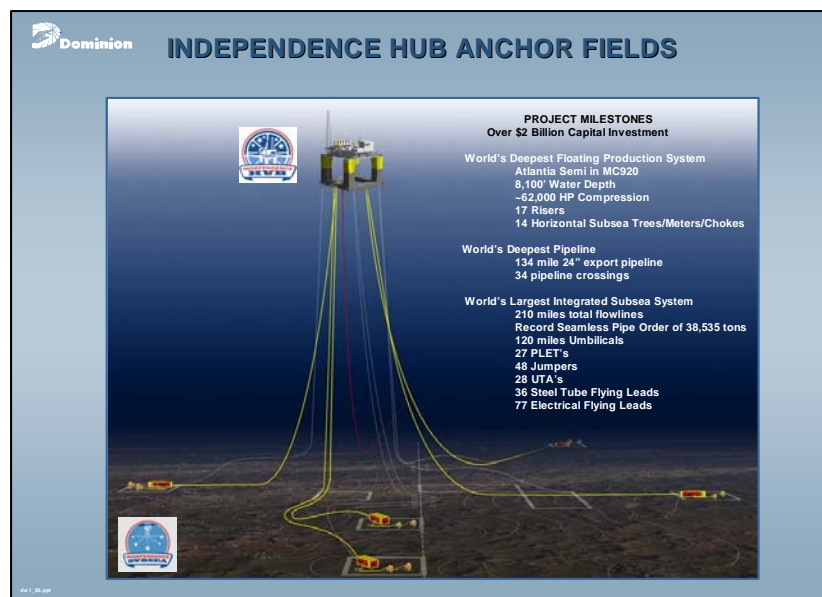
Today's offshore technology allows us to produce more energy with fewer facilities and less impact – even visual -- than ever before. This graphic shows the Independence Hub project I mentioned earlier, overlain on a map of the Washington, DC area. As you can see, the wells connected to the floating platform by subsea flow and control lines would reach as far north as Columbia, MD and as far South as Mechanicsville, MD.



Independence Hub sets many new records for offshore production including the world's deepest floating production system, the world's deepest pipeline, and the world's largest integrated subsea system – shown here.



Initially, production from 15 wells will flow to the platform. This cutting edge technology doesn't come cheap, however. Total cost of this project, including wells drilled and the subsea connection system will exceed \$2 billion.



## Environmental Protection

The outstanding environmental record of U.S. companies operating offshore around the world is well recognized as *...technologies are allowing the offshore industry to venture into deeper waters than ever before, while protecting marine life and subsea habitats...*<sup>1</sup> -- even in the most challenging areas such as the Arctic and North Sea and in otherwise catastrophic weather.

<sup>1</sup> Clinton Administration DOE report: *Environmental Benefits of Advanced Oil and Gas Exploration and Production Technology*, 1999.

Off the part of our coast in which exploration and production is allowed, the safety of our operations was recently demonstrated in the most severe hurricane situations. Though many of the exploration and production facilities in the Gulf of Mexico were severely damaged or destroyed, the high-tech safety and environmental protection equipment and processes worked.

Here's a brief look at why we can be proud of our environmental record.

Careful scientific environmental study and operational planning always precede such activity. For example, our offshore geophysical companies, which conduct seismic work that allows us to "see" geologic structures beneath the seabed, have many procedures and practices designed to avoid harm to marine mammals, including:

- Monitoring for the presence of animals of concern
- Shutdown or no start-up when they are too close
- Slow, gradual ramp-up of operations just in case

According to the International Association of Geophysical Contractors, citing numerous government and private studies, no physical harm to whales or dolphins has ever been shown as a result of industry seismic operations.

During exploration, jack-up or semi-submersible rigs and drill ships have multiple systems and physical barriers to ensure that no spill occurs. Most important, along with multiple, redundant remote control systems, are "blowout preventers" which for deepwater wells are installed on the well at the seabed and are capable of immediate closure in event of any emergency.

Once a field has been discovered and is in the development or production stage, completed wells flow through permanent "Christmas tree" systems – increasingly on the seabed for subsea developments as opposed to on a surface facility -- of multiple valves to control oil and gas flow. These may be operated from tens or even a hundred miles away with multiple, redundant communication systems.

Finally, a "downhole safety valve" is installed in the well itself below the seabed to provide an added protection barrier in the event of some catastrophic event's damaging the Christmas tree.

To summarize, the latest technology and sound management practices have made the U.S. offshore industry the envy of the world. Its environmental record is superb:

- Non-associated natural gas production such as we would expect in the Sale 181 lease area has no potential for crude oil-related incidents.
- There has not been an incident involving a significant oil spill from a U.S. exploration and production platform in 25 years (since 1980).

The last such U.S. incident in which oil reached shore occurred in 1969 (in Santa Barbara Channel) – and we can find no documented evidence of oil from an exploration and production facility incident in U.S. waters having reached shore from more than about 12 miles away.

- Today's modern technology includes such environmental protections as automatic subsea well shut-in devices, including sub-seabed safety valves.
- Facility and stand-by cooperative spill containment and cleanup technology provide multiple environmental protection layers.

As mentioned earlier, the industry's performance during last summer's hurricanes, which moved through a core area of offshore operations, is instructive. Despite sustained winds reaching 170 miles per hour and towering waves and the resulting destruction of numerous platforms and rigs, there was no significant spill from production wells.

Because today's weather forecasting capabilities provide ample lead-time as storms approach, operators are able to follow routine shutdown and evacuation procedures. In the case of the Katrina and Rita hurricanes, 100% of oil production was shut-in ahead of time and 94% and 85% of natural gas production was shut-in as the respective storms hit.

## **Conclusion**

Opening up the remainder of the 181 area, while critically important, is but one part of the long-term natural gas supply solution.

Other necessary actions – some of which are underway and others of which need more prompt attention -- include finishing the restoration of production shut down by last year's hurricanes in the Gulf of Mexico, improving processes and adequately funding permitting for federal onshore natural gas exploration and production, opening other promising areas on the OCS, construction of the pipeline from Alaska, and constructing additional LNG infrastructure.

I commend the sponsors of the bill and urge the Committee to move it and other supply legislation as swiftly through the legislative process as possible. Delay in dealing with this problem has cost consumers billions of dollars in recent years. Had the original 181 Sale gone through as planned, we would likely today have two or three more Independence Hub type projects preparing to deliver much needed energy to American consumers.

Thank you.