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Parties Split on How to Expand Offshore Drilling

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By CLIFFORD KRAUSS

HOUSTON — The two political parties have settled on markedly different strategies for improving domestic oil supplies to help lower gasoline prices.

Republicans want to end the 27-year ban on offshore drilling along much of the nation's coastline, while Democrats want to force companies to speed up exploration in certain offshore areas that they already control. A version of the Democratic plan may come to a vote in the House of Representatives as early as Thursday.

But oil experts say that neither approach will give drivers any relief in the short run from prices that stood Wednesday at nearly \$4.07 a gallon, on average. They say the simple reality is that no one knows how much oil is to be found offshore, how difficult producing it would turn out to be or how many years that might take.

And oil companies, amid a global drilling frenzy, are stretched so thin they will be hard-pressed to take on big new projects anytime soon. More than 400 major drilling and production projects are competing for engineers, rigs, seismic equipment and steel to build platforms, and the costs of doing the work have skyrocketed.

"All the partisan ideas that are being offered fall short of producing the huge amount of barrels of oil we need," said Amy Myers Jaffe, an oil expert at Rice University. "There's no guarantee to drilling, but it could make a contribution eventually the same way alternative energy and conservation may help."

Oil companies, while acknowledging the short-run limitations on their industry, say that more drilling capacity will be available eventually and that the time to have the political debate over expanded offshore drilling is now.

Republican legislators have argued in Congress this week that the United States is pleading for more oil from foreign producers while keeping most of its own coastal territory off limits to drilling. Democrats are trying to trump that argument by pointing to existing leases in the Gulf of Mexico that they believe companies have been slow to exploit.

It is far from clear, however, that expanded coastal drilling would produce any drastic change in the American oil situation, even over the long haul.

The biggest problem is that much of the coastal United States, subject to a drilling ban since the early 1980s, has not been thoroughly explored for oil. Neither the industry nor the government has any definitive idea how much could be recovered. In order to hazard a guess for some areas of the Eastern Seaboard, the government has had to inspect geological maps from Morocco, which was connected to North America more than 100 million years ago.

The Republican argument is based on the assumption that drilling in areas that are now under moratorium — the Atlantic coast, almost all of the Pacific coast and Gulf of Mexico waters adjacent to the Florida coastline — could prove to be as productive as in offshore areas where leasing and drilling have been going on for decades.

Only about 20 percent of the continental shelf is open for drilling, providing about 27 percent of domestic oil production and 14 percent of natural gas production. Republicans say that modern seismic work and drilling in deep waters in the central Gulf of Mexico have meant a sixfold increase in estimates of the oil there, and they believe that would happen again if exploration were expanded.

Representative John E. Peterson, Republican of Pennsylvania, is leading the House forces in favor of offshore drilling. He said opening more areas would cut down on fear and speculation in the oil markets.

Most oil companies support the Republican position and are particularly eager for access to the eastern gulf, noting that the water in some parts of it is shallow and drilling would be easy.

"These areas have potential, and we really need to find out what is out there," said Stephen J. Hadden, senior vice president for exploration and production at Devon Energy, a major gulf producer. "We're encouraged the dialogue is now occurring, and people are asking the hard questions as to why this is off limits."

Supporters of the Republican position put estimates for potential oil production from new areas at 1 million barrels a day or more. That would be a notable improvement in domestic production, of about 5 million barrels a day. The United States consumes more than 20 million barrels of oil a day, importing most of it.

Democrats call the Republican estimates inflated, and some independent analysts agree.

David Kirsch, an oil analyst at PFC Energy, a consulting firm, said that if the most promising areas off Florida and California were opened for drilling, their peak production in a decade could be as little as 250,000 barrels a day — less than a quarter of what the gulf produces now.

"It's almost a desperate attempt to take advantage of the political climate brought on by high energy prices to steamroll through legislation that won't fundamentally address those high energy prices," Mr. Kirsch said.

Whatever the offshore potential, Democrats argue that the country cannot drill itself out of its energy bind. At hearings this week, they blamed oil speculation rather than lack of supplies for the recent run-up of energy prices, though little hard evidence has emerged to support that position.

Democrats also argue that only 10.5 million acres of the 44 million acres leased offshore are producing oil or gas. Why, they ask, give the oil companies any more territory?

The House is scheduled on Thursday to consider a Democratic proposal that would rescind federal leases if companies are not actively using them. The Democrats say the companies are saving up leases both onshore and offshore while demanding access to more federal territory.

"Big Oil is stockpiling these leases, as they enjoy record profits, while Americans feel the pain at the pump," charges Representative Nick Rahall, Democrat of West Virginia and chairman of the House Natural Resources Committee.

But oil company executives say the roughly 34 million offshore acres the Democrats are talking about are hardly idle. They note that it can take several years of work after a lease is signed before companies decide to invest \$100 million in a deep-water well to determine how much oil or gas is below.

Once drilling starts, a dry hole in one field may make a company reconsider drilling in adjacent waters with a rig that could be used more profitably elsewhere. Typically, companies give up their leases after either five years or 10 years if the area does not produce anything.

Those who favor an end to the offshore ban argue that opening more shoreline would give the companies more options.

“With more targets available, there would be more drilling opportunities that meet the economic hurdles,” said Jerry Jeram, a managing director and head of petroleum engineering at CIT Energy, a firm that finances energy projects.

Estimates of oil offshore are largely the work of the Minerals Management Service, a government agency that oversees production on federal lands.

In areas where drilling is banned, mostly off California, it lists proven reserves that are quite modest, 1.5 billion barrels of oil and 1.56 trillion cubic feet of natural gas.

If thorough exploration were undertaken, the agency estimates that areas now subject to the drilling ban could turn out to contain 17.8 billion barrels of oil and 76.5 trillion cubic feet of natural gas. Areas of the continental shelf already open to drilling are estimated to contain five times as much oil and natural gas.

Chris C. Oynes, a senior administrator at the Minerals Management Service, cited a “distinct possibility” that when modern seismic work and drilling are done, the estimates will go up.

But he added, “I want to be cautious because there have been a lot of people who have explored for oil over the years and bought leases and then drilled 10 straight dry holes.”