

**DRAFT LEGISLATION TO ESTABLISH IN  
THE DEPARTMENT OF THE INTERIOR AN  
UNDER SECRETARY FOR ENERGY,  
LANDS, AND MINERALS AND A BUREAU  
OF OCEAN ENERGY, AN OCEAN ENERGY  
SAFETY SERVICE, AND AN OFFICE OF  
NATURAL RESOURCES REVENUE**

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**LEGISLATIVE HEARING**

BEFORE THE

SUBCOMMITTEE ON ENERGY AND  
MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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**LEGISLATIVE HEARING ON DRAFT LEGISLATION TO ESTABLISH IN THE DEPARTMENT OF THE INTERIOR AN UNDER SECRETARY FOR ENERGY, LANDS, AND MINERALS AND A BUREAU OF OCEAN ENERGY, AN OCEAN ENERGY SAFETY SERVICE, AND AN OFFICE OF NATURAL RESOURCES REVENUE, AND FOR OTHER PURPOSES.**

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**Thursday, September 15, 2011  
U.S. House of Representatives  
Subcommittee on Energy and Mineral Resources  
Committee on Natural Resources  
Washington, D.C.**

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The Subcommittee met, pursuant to call, at 9:32 a.m. in Room 1324, Longworth House Office Building, the Hon. Doug Lamborn [Chairman of the Subcommittee] presiding.

Present: Representatives Lamborn, Broun, Fleming, Rivera, Duncan, Flores, Landry, Fleischmann, Hastings [ex officio], Holt, Costa, Sarbanes, Tsongas, and Markey [ex officio].

Mr. LAMBORN. The Committee will come to order. We are going to go ahead and start expeditiously here because we have votes that are coming up fairly soon, and I want to make sure everyone has their chance to give their testimony, if you are a witness, or ask questions if you are a Member.

I believe that Ranking Member Holt should be here any minute, and if necessary, we will just take him out of order for his opening statement at a time that he prefers, if he is not here upon my close.

The Chairman notes the presence of quorum, which under the Committee Rule 3(e) is two Members. The Subcommittee on Energy and Mineral Resources is meeting today to hear testimony on a discussion draft of a bill, yet to be numbered, by Representative Hastings of Washington, to establish in the Department of the Interior an Under Secretary for Energy, Lands, and Minerals and a Bureau of Ocean Energy, an Ocean Energy Safety Service, and an Office of Natural Resources Revenue, and for other purposes.

Under Committee Rule 4(f), opening statements are limited to the Chairman and Ranking Member of the Subcommittee. However, I want to ask unanimous consent to recognize the author of the legislation and full Committee Chairman, Doc Hastings, as well

as Ranking Member Markey for opening statements. Hearing no objection, so ordered.

I ask unanimous consent to include any other Members' opening statements in the hearing record if submitted to the clerk by close of business today. Hearing no objection, so ordered.

I now recognize myself for five minutes.

**STATEMENT OF HON. DOUG LAMBORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO**

Mr. LAMBORN. Today we are considering a draft bill put forward by our full Committee Chairman, Doc Hastings of Washington, to reorganize the agencies currently tasked with ensuring the safe and efficient development of our Nation's offshore resources. The Chairman's bill separates the former Minerals Management Service, MMS, into three distinct agencies with clearly defined missions.

Additionally, the bill establishes a new Under Secretary of Energy, Lands, and Minerals, a bold, new idea that not only would increase oversight, but also would elevate the importance of safe and efficient energy development on our Nation's public lands and waters. The Bureau of Ocean Energy Management, Regulation and Enforcement, BOEMRE, is finalizing their effort to reorganize operations by this October, a subject that this Subcommittee has already had an oversight hearing on in July.

However, Secretary Salazar has expressed the need for an organic act to establish these changes in statute with clear missions and duties. As we review this proposal today, I would remind everyone that this legislation has not been formally introduced. It is the intention of this Subcommittee to take full account of whatever we learn from our witnesses today and other experts as we craft a final bill.

We don't take this task lightly. The formation of organic legislation for an agency must be conducted with careful attention to the precedents of existing laws without bias, and paired with an understanding of the successes and failures at BOEMRE and the former MMS.

Drafting an organic act is part of Congress' solemn duty to provide oversight of Federal operations, and must include an expansive understanding of the agencies as they operate now, and how we want to improve their operations and accountability for future generations.

This hearing is not about the merits of offshore energy development. Rather, it is on how we can work together to ensure it is done efficiently and safely, with the best return for the taxpayer.

On that note, I want to thank all of our witnesses for appearing today. I hope your full and fair analysis of the inner workings of the BOEMRE will be of great help as we work together to arrive at a final product.

[The prepared statement of Mr. Lamborn follows:]

**Statement of The Honorable Doug Lamborn, Chairman,  
Subcommittee on Energy and Mineral Resources**

Today, we are considering a draft bill put forward by our Full Committee Chairman, Doc Hastings, to reorganize the agencies currently tasked with ensuring the safe and efficient development of our nation's offshore resources.

The Chairman's bill separates the former Minerals Management Service (MMS) into three distinct agencies with clearly defined missions. Additionally, the bill establishes a new Under Secretary of Energy, Lands and Minerals—a bold new idea that NOT ONLY would increase oversight, but ALSO would elevate the importance of safe and efficient energy development on our nation's public lands and waters.

The Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) is finalizing their effort to reorganize operations by this October—a subject that this Subcommittee has already had an oversight hearing on in July. However, Secretary Salazar has expressed the need for an organic Act to establish these changes in statute, with clear missions and duties.

As we review this proposal today, I would remind everyone that this legislation has not been formally introduced. It is the intention of this Subcommittee to take full account of what we learn from our witnesses today and other experts as we craft a final bill.

We don't take this task lightly—the formation of organic legislation for an agency must be conducted with careful attention to the precedence of existing laws without bias, and paired with an understanding of the successes and failures at BOEMRE and the former MMS.

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Rather, it is on how we can work together to ensure it is done efficiently and safely with the best return for the taxpayer. On that note I want to thank all of our witnesses for appearing today—I hope your full and fair analysis of the inner workings of the BOEMRE will be of great help as we work together to arrive at a final product.

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Mr. LAMBORN. And I am sure that Representative Holt will be here momentarily. He will be able to offer an opening statement at a time of his choosing, at any time after he arrives.

Next, I would like to recognize the bill author and full Committee Chairman, Doc Hastings of Washington for five minutes for his opening statement.

**STATEMENT OF HON. DOC HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON**

Mr. HASTINGS. Thank you, Mr. Chairman, and thank you very much for holding this hearing on my legislation to reorganize the Interior Department's offshore energy agencies. The Administration has already taken important steps in this process. The Interior Department abolished the Minerals Management Service and formed the Bureau of Ocean Energy Management, Regulations and Enforcement, or BOEMRE. Next month, it will be formally be separated into three distinct offices.

While the department is making progress, there has long been bipartisan recognition, including from Secretary Salazar, of the need for organic legislation to codify these changes into law. The stakes are high, and we must ensure the reforms are done right. Millions of jobs, our economy, and energy security are all on the line. Reforms must increase accountability, improve efficiency, promote safety, and ensure the highest ethical standards of employees.

In July, I introduced draft legislation that builds on the reforms already underway by the Administration. These reforms will help expand American energy production in order to protect and create American jobs, grow the economy, and lower energy costs, while at the same time ensuring that all activity is conducted with proper oversight.

Much like the Administration has done, my proposal would officially abolish the MMS and create three separate agencies, each with clearly defined missions. First, the Bureau of Ocean Energy would be responsible for the planning, leasing, and environmental work associated with offshore energy production. Its primary focus will be ensuring a robust, responsible process for harnessing offshore energy. This includes oil, natural gas, and renewable energy.

Second, the Ocean Energy Safety Service would be responsible for permitting, safety, and inspections. Both of these agencies would be overseen by an Assistant Secretary of Ocean Energy and Safety.

The third is the Office of Natural Resources Revenue, which would be responsible for all royalty and revenue collections for both onshore and offshore energy production. It would be independent from the other two agencies, and overseen by the existing Assistant Secretary.

In order to elevate the role of American energy production within the Interior Department, my proposal will establish an Under Secretary of Energy, Land, and Minerals. This new position would be appointed by the President and oversee both offshore and onshore energy production. Establishing this new position would increase accountability to the American people, and help ensure all separate agencies work together toward a common goal of increased production on all types of American energy on our Federal land and waters.

The proposal also makes a number of reforms to promote safety and high ethical standards. So I am more interested in working with the Administration on this proposal, which as the Chairman noted is still in draft form, and I look forward to hearing from Director Bromwich today. With that, I yield back, Mr. Chairman, and thank you for the courtesy.

[The prepared statement of Mr. Hastings follows:]

**Statement of The Honorable Doc Hastings, Chairman,  
Committee on Natural Resources**

Thank you Chairman Lamborn for holding this hearing today on my draft legislation to reorganize the Interior Department's offshore energy agencies.

The Administration has already taken important steps in this process. The Interior Department abolished the Minerals Management Service (MMS) and formed the Bureau of Ocean Energy Management, Regulations and Enforcement (BOEMRE). Next month it will formally be separated it into three distinct offices.

While the Department is making process, there has long been bipartisan recognition, including from Secretary Salazar, of the need for organic legislation to codify these changes into law.

The stakes are high and we must ensure that reforms are done right. Millions of jobs, our economy, and energy security are all on the line. Reforms must increase accountability, improve efficiency, promote safety and ensure the highest ethical standards of employees.

In July, I introduced draft legislation that builds on the reforms already underway by Administration. These reforms will help expand American energy production in order to protect and create American jobs, grow the economy and lower energy costs, while ensuring that all activity is conducted with proper oversight.

Much like the Administration has done, my proposal would officially abolish the MSS and create three separate agencies—each with very clearly defined missions.

First, the Bureau of Ocean Energy would be responsible for the planning, leasing and environmental work associated with offshore energy production. Its primary focus will be ensuring a robust and responsible process for harnessing offshore energy. This includes oil, natural gas and renewable energy.

Second, the Ocean Energy Safety Service would be responsible for permitting, safety and inspections.

Both of these agencies would be overseen by an Assistant Secretary of Ocean Energy and Safety.

The third is the Office of Natural Resources Revenue, which would be responsible for all royalty and revenue collection for both onshore and offshore energy production. It would be independent from the other two agencies and overseen by the existing Assistant Secretary.

In order to elevate the role of American energy production within the Interior Department, my proposal would establish an Under Secretary of Energy, Land and Minerals. This new position would be appointed by the President and oversee both offshore and onshore energy production.

Establishing this new position would increase accountability to the American people and help ensure all the separate agencies work together towards the common goal of increased production of all types of American energy on our federal lands and waters.

The proposal also includes a number of reforms to promote safety and high ethical standards.

I'm interested in working with Administration on this proposal, which is why it's still in draft form, and look forward to hearing from Director Bromwich today.

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Mr. LAMBORN. OK, and thank you. And whenever Ranking Member of the full Committee, Representative Ed Markey of Massachusetts, arrives, then he will be able to make an opening statement as well.

We will now hear from our witnesses, and I want to invite forward The Honorable Michael Bromwich, Director of the Bureau of Ocean Energy Management, Regulation and Enforcement. Like all of our witnesses, your written testimony will appear in full, so I ask you to confine your oral statement to five minutes, as outlined in our invitation letter.

Our microphones are not automatic, so you have to press the button to start. And I know you know how that works. So, Director Bromwich, you may begin. Thank you for being here.

**STATEMENT OF THE HON. MICHAEL BROMWICH, DIRECTOR,  
BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION  
AND ENFORCEMENT**

Mr. BROMWICH. Thank you very much, Mr. Chairman, Chairman Hastings. I apologize for being a couple of minutes late because of the traffic. I appreciate very much the opportunity to be here today to testify about our reorganization of the former Minerals Management Service, and about the draft discussion legislation that the Chairman issued on July 25th.

We believe that our offshore regulatory function should be memorialized in organic legislation. And therefore, we are very much encouraged by this Committee's interest in moving forward with such legislation. In many significant respects, the draft legislation is consistent with the organization that we have designed and have already substantially implemented.

However, there are some significant differences that we believe run counter to the fundamental objectives of the reorganization and would present operational risks that would interfere with the timely and efficient review of exploration and development plans and drilling permits.

For the past 15 months, we have been working hard on a number of fronts, as I think you know, to restore the public's confidence in the regulation and oversight of offshore drilling, to raise the stand-

ards for drilling and workplace safety, and to reorganize the agency so as to allow for proper focus on the three separate important missions of the former MMS.

As I think you know, we completed the first step of the reorganization on October 1 of last year, when the revenue collection arm of the former MMS was moved to a different part of the Interior Department. Effective October 1 of this year, we will separate the former MMS' resource management and leasing functions from its safety and environmental enforcement responsibilities by establishing the Bureau of Ocean Energy Management, or BOEM, and the Bureau of Safety and Environmental Enforcement, or BSEE.

This change is designed to separate the promotion of offshore energy development through leasing and plan approval decisions, which will be in BOEM, and the responsibility for ensuring that offshore operations are conducted safely and with appropriate protection for the environment, which will be in BSEE.

The structure and functions of BOEM and BSEE are the result of a thorough and rigorous analysis undertaken with great care since last summer. We have received advice from leading experts in government transformations. We discussed the rationale and design of the reorganization with employees throughout BOEMRE and received their input.

The structure we have adopted and are in the final stages of implementing was chosen from an array of alternatives and options we considered, and it is in general alignment with the recommendations of the National Commission on the BP oil spill after its months of independent review of these issues.

By contrast, the draft discussion legislation would assign the safety authority, which is generally similar to BSEE, responsibility for, and I am quoting from the discussion draft, 'the processing of permits, exploration plan, and development plans,' unquote.

This proposal represents essentially a division of functions between BOEM and BSEE on the basis of whether the activities are pre-lease or post-lease. This is an alternative structure that we thoroughly analyzed in designing our reorganization. We ultimately determined that a pre-lease/post-lease organizational structure was not appropriate, and would be counter-productive.

Among other things, it would create serious operational and bureaucratic risks for the timely and efficient processing of exploration and development plans. It would involve BSEE in resource management issues, including environmental analyses with respect to plans, which would establish overlapping and potentially conflicting areas of responsibility and environmental analysis.

In short, we are concerned it would create serious risks of bureaucratic paralysis. Therefore, we believe the organizational structure suggested in the draft discussion legislation has the potential to slow down the timely and efficient review of proposed offshore energy projects.

Our personnel and/or our external advisors reached broad consensus that the structure we are implementing was preferable to a pre-lease/post-lease division because it would enhance efficiency and reduce duplication.

We have laid the groundwork for far-reaching organization change. The success of our reforms now depends in large part on

providing the new agencies with the financial resources, the tools, the training, and the culture to be effective. As we have discussed previously, improving the safety of offshore drilling and the effectiveness of government oversight of this inherently risky activity will require a substantial infusion of resources into the offshore regulator.

I thank you very much for your time and attention, and I am happy to answer your questions.

[The prepared statement of Director Bromwich follows:]

**Statement of Michael R. Bromwich, Director, Bureau of Ocean Energy Management, Regulation and Enforcement, United States Department of the Interior**

Mr. Chairman and members of the Committee, I appreciate the opportunity to be here today to testify about our progress in reorganizing the former Minerals Management Service (MMS) and about the draft discussion legislation that the Chairman issued on July 25, which contains certain proposals regarding the organization of the Department of the Interior (DOI) as well as of the new Bureaus that will replace MMS.

Because the Secretary believes that our offshore regulatory functions should be memorialized in organic legislation, we are encouraged by this Committee's interest in moving forward with such legislation. We have carefully reviewed the draft discussion legislation. In many significant respects it is consistent with the organization that we have designed, and have already substantially implemented. However, there are some significant differences that, we believe, run counter to the fundamental objectives of the reorganization and would present operational risks that would impede the timely and efficient review of offshore exploration and development plans and drilling permits.

We look forward to continuing to work with the Committee on any final legislation that may be introduced. In my testimony today, I will describe in detail the reorganization that we have designed and nearly completed, which will be effective on October 1. I will also discuss the concerns that we have regarding certain aspects of the draft discussion legislation. We appreciate the Committee's general support for the significant structural changes we are implementing with respect to the regulation and oversight of the nation's offshore energy resources. The development of these resources is critical to the country's economy and its energy and national security, and we believe the reorganization of the former MMS is a fundamental reform necessary to ensuring that this development continues and that it is done safely and responsibly.

**I. The Imperative of Reorganization**

More than fifteen months ago, on May 19, 2010, Secretary of the Interior Ken Salazar issued a Secretarial Order announcing his intention to reorganize the former MMS and to divide its three principal missions into three separate entities with clearly defined missions. As Secretary Salazar said at the time, "The employees of the MMS deserve an organizational structure that fits the missions they are asked to carry out. With this restructuring, we will bring greater clarity to the roles and responsibilities of the Department while strengthening oversight of the companies that develop energy in our nation's waters."

Secretary Salazar's decision reflected the fact that from its creation in 1982 by secretarial order, MMS had been responsible for three distinct missions—overseeing offshore resource development, collecting royalties and revenues from onshore and offshore oil and gas exploration and production, and enforcing safety and environmental regulations. The problem with those important and complex missions being undertaken by a single agency should have been apparent from the outset, but a single agency continued to be responsible for those three related but quite different—and sometimes conflicting—missions over the course of 28 years.

A month after that announcement, I became the Director of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), the agency that replaced MMS while the reorganization was being implemented. Over the past fifteen months, we have been working hard on a number of fronts—to restore the public's confidence in the regulation and oversight of offshore drilling, to raise the standards for drilling and workplace safety, and to reorganize the agency so as to allow for proper focus on the three separate, important missions of the former MMS.

The reorganization of the former MMS is designed to remove those conflicts by separating missions across the three new agencies and providing each of the new agencies with the clarity of mission and new resources necessary to fulfill its regulatory responsibilities. We are designing and implementing these organizational changes while respecting the crucial need for information-sharing and the other links among the functions of the former MMS. Recognizing and respecting these operational issues is essential to ensuring that the regulatory processes related to offshore leasing, plan approval, and permitting continue to work smoothly and seamlessly.

The reorganization has been central to our thinking about reforming the former MMS throughout my tenure. The logic of the reorganization—and its broad outlines—have been subsequently validated by various outside entities that have studied the agency, including the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (the Commission). The Commission found that MMS—with its competing and sometimes conflicting missions and due to a chronic lack of resources—could not keep pace with the challenges of overseeing industry operating in U.S. waters.

## **II. The New Agencies**

The first step of the reorganization was completed on October 1 of last year, when the revenue collection arm of the former MMS was moved to a different part of the Interior Department with reporting responsibilities and a chain of command completely separate and distinct from the onshore and offshore regulators. The establishment of this new agency—the Office of Natural Resource Revenue (ONRR)—was a crucial first step that addressed one of the fundamental conflicts—between revenue collection and the offshore regulator’s resource development and safety responsibilities—that plagued the former MMS. The draft discussion legislation endorses the establishment of ONRR, as did the Commission.

We have also announced that effective October 1 of this year, we will separate the former MMS’s resource management and leasing functions from its safety and environmental enforcement responsibilities by establishing the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE). This change is designed to separate the remaining distinct missions that existed within the former MMS—the promotion of offshore energy development through leasing and plan approval decisions, and the responsibility for ensuring that offshore operations are conducted safely and with appropriate protection for the environment. We believe that the separation of these missions is essential to reforming the government’s oversight of energy development in our country’s oceans. During the interim period, these functions have been performed by BOEMRE.

BOEM will be responsible for promoting and managing the development of the nation’s offshore resources, including oil, gas and renewable resources. This mission involves ensuring that the nation’s offshore energy resources are made available for economically sound development with appropriate protections for the environment. The structure that we have developed and that we will complete implementing in approximately two weeks ensures that effective reviews of the environmental impacts of proposed projects in our oceans are closely analyzed and well-understood; that these impacts are given appropriate weight during decision-making related to resource management; and that the appropriate balance is struck. These processes must be both rigorous and efficient so that operations can go forward in a timely way and with confidence that appropriate steps to mitigate potential environmental effects are taken. Within BOEM, we have created the senior position of Chief Environmental Officer, who will be responsible for ensuring that environmental concerns are appropriately balanced in leasing and planning decisions and for coordinating and promoting scientific research relative to our oceans.

BSEE will be responsible for overseeing the safety and environmental and regulatory compliance of offshore oil and gas and renewable energy operations. The functions of BSEE include oil and gas permitting, facility inspections, development of regulations and standards, safety research, field operations, environmental compliance and enforcement, review of operator oil spill response plans, production and development conservation, and operating a national training center.

By establishing BSEE as the offshore safety authority, we are separating resource management from safety oversight. This will provide the engineers who review permit applications and the inspectors who ensure compliance with our workplace and drilling safety regulations with greater independence, more budgetary autonomy, and clearer mission focus. The mission of BSEE will be to independently and rigorously enforce safety and environmental regulations. Our goal is to create a tough-minded, but fair, regulator that can effectively keep pace with the risks of offshore drilling and will promote the development of a safety culture in offshore operators.

We are establishing within BSEE a new environmental compliance and enforcement function, which never existed in the former MMS. Through BSEE, we also will establish the review and enforcement of oil spill response plans as an area of national-level focus and oversight in order to foster better coordination with other federal agencies involved in oil spill response, including the U.S. Coast Guard and the National Oceanic and Atmospheric Administration.

The structure and functions of BOEM and BSEE are the result of a thorough and rigorous analysis undertaken with great care since last summer. We were determined to address the structural and mission conflict issues that existed in the former MMS and to plan for the orderly establishment of the new agencies. We have worked with and received advice from leading experts in government transformations. We have also examined closely the offshore regulatory regimes of other nations, including those of the United Kingdom and Norway, which underwent similar reforms following their own offshore accidents. A central aspect of designing these new Bureaus—and of ensuring that we can implement these changes while minimizing the disruptions to BOEMRE’s daily operations—has been the deep and continuing involvement of BOEMRE career personnel. We discussed the rationale and design of the reorganization with employees throughout BOEMRE and received their input; we collected and analyzed data relating to the Bureau’s processes, systems and regulatory metrics; and we developed a number of alternative models and options, which we discussed with BOEMRE career leadership, for restructuring and reforming the Bureau.

We also considered the recommendations of the Commission, which conducted its own thorough analysis of these issues and recommended a structure that generally affirmed the structure of BOEM and BSEE we have designed. In particular, the Commission recommended that BOEM conduct reviews of offshore exploration and development plans, including the environmental reviews associated with the evaluation of those plans, while the safety authority, BSEE, be responsible for the engineering and safety reviews involved in permitting specific well operations, including drilling. This is the same functional design and organizational structure that we have developed and are in the final stages of implementing with respect to BOEM and BSEE.

By contrast, the draft discussion legislation would assign the safety authority, which is generally similar to BSEE, but is called the “Ocean Energy Safety Service,” responsibility for “the processing of permits, exploration plan, [and] development plans.” This proposal represents essentially a division of functions between BOEM and BSEE on the basis of whether the activities are pre-lease or post-lease. This is an alternative structure that we thoroughly analyzed, in consultation with organizational experts and our career leadership, in designing our reorganization.

We ultimately determined that a “pre-lease/post-lease” organizational structure was not appropriate and would be counter-productive because it would blur the mission focus of the new agencies, defeating a fundamental goal of the reorganization, and create operational and bureaucratic risks for the timely and efficient processing of exploration and development plans. Specifically, we have designed BOEM as the resource manager responsible for overseeing the sensible development of offshore energy resources, including assessment of the environmental effects of exploration and development plans. BSEE is designed to be focused on the engineering and safety issues related to specific well operations.

A pre-lease/post-lease structure would involve BSEE in resource management issues, including environmental analyses with respect to exploration and development plans, which would establish overlapping, and potentially conflicting, areas of responsibility and environmental analysis and create risks of bureaucratic paralysis. Therefore, we believe the organizational structure suggested in the draft discussion legislation has the potential to impair the timely and efficient review of proposed offshore energy projects. During the course of our analysis of the appropriate structure of the new agencies, our personnel reached broad consensus that the structure we are implementing was preferable to a pre-lease/post-lease division because it would enhance efficiency and reduce duplication.

DOI also has major concerns about the Department-level organizational changes proposed in the draft discussion legislation, which would create two new Presidential appointees within the Department of the Interior—a new Under Secretary for Energy, Lands, and Minerals, and a new Assistant Secretary of Ocean Energy and Safety—and reorganize the reporting structure of the Department. The Assistant Secretary for Land and Minerals Management would no longer report to the Secretary of the Interior through the Deputy Secretary, but would instead report, along with the new Assistant Secretary of Ocean Energy and Safety, to the new Under Secretary for Energy, Lands, and Minerals. This represents a marked departure from the structure of most other Executive Branch departments, nearly all of

which have moved to a structure in which the Deputy Secretary has statutory responsibility as the Chief Operating Officer with responsibility for all activities within the Department. The proposal would add a duplicative layer of bureaucracy that would unnecessarily and inappropriately narrow the responsibilities of the Deputy Secretary of the Interior. The creation of the new Under Secretary position and removal of such a large component of the Department's mission from the supervision of the Deputy Secretary is unnecessary and would create additional layers with higher administrative costs at a time when we are looking to find efficiencies.

### **III. Related Reforms**

New structures and clear missions are essential to establishing agencies that will be effective in managing the environmentally-responsible development of outer continental shelf (OCS) resources and overseeing the safety of offshore operations. But true reform requires a fundamental change in an organization's culture. Therefore, in addition to making structural changes by establishing BOEM and BSEE, we are working to change the way the former MMS does business. I'll describe below several of the changes we already have made.

In recent years there have been episodes of conflict of interest involving MMS personnel. Last year, we issued a tough new recusal policy. Employees in our district offices, where our inspections and permitting functions reside, must notify their supervisors about any potential conflict of interest and request to be recused from performing any official duty in which such a potential conflict exists. For example, our inspectors now are required to recuse themselves from performing inspections of the facilities of former employers. Also, our inspectors must report any attempt by industry or by other BOEMRE personnel to inappropriately influence or interfere with their duties. We will soon be issuing a broader version of the policy that applies these ethical standards across the agency. This policy presents operational challenges for some of our district offices in the Gulf region, which are located in small communities where the primary employers are offshore companies. However, the need for tough rules defining the boundaries between regulators and the regulated is both compelling and necessary. These rules are necessary to assure the public that our inspections and enforcement programs are effective, aggressive, and independent. Already we have evidence that these new rules are being followed. In an internal review conducted by the agency, we found more than 50 instances from September 2010 through April 2011 in which our inspectors in the Gulf of Mexico appropriately recused themselves from a specific assignment in compliance with the policy. In short, the policy is working.

We also have established within BOEMRE a new Investigations and Review Unit (IRU), which is comprised of a team of professionals with investigative and law enforcement backgrounds. The mission of the IRU is to promptly and credibly respond to allegations or evidence of misconduct and unethical behavior by Bureau employees; pursue allegations of misconduct by oil and gas companies involved in offshore energy projects; and provide the Bureau with the ability to respond swiftly to emerging issues and crises, including significant incidents such as spills and accidents.

The draft discussion legislation would require the Secretary of the Interior to personally certify on an annual basis that DOI employees are in full compliance with all federal ethics laws and regulations. We are unaware of any similar requirement for any other Cabinet officer. DOI believes that imposition of this certification requirement on the Secretary is both unrealistic and inappropriate. The best and most effective approach to ensuring ethical conduct by public employees is to establish clear rules and standards, train employees about the rules, establish means to enforce compliance, and appropriately punish violators. With respect to BOEMRE, for example, these are the very reasons we have implemented the tough new recusal policy and established the IRU—to set high standards for ethical conduct and establish the capacity to investigate potential violations and impose discipline if wrongdoing occurs.

As part of our broad and continuing reform efforts, and as an integral part of the reorganization, we have created a number of implementation teams that have been hard at work for many months and are the central organizational focus for our efforts to analyze critical aspects of BOEMRE's structures, functions, and processes. These teams are necessary in their own right, but they are also a central part of our reorganization efforts. These teams are considering the various recommendations for improvement that we have received from several sources, including the Commission, the National Academy of Engineering, and the Offshore Safety Oversight Board commissioned by Secretary Salazar. These teams are laying the foundations for lasting change to the way the country's offshore regulator does business.

The key areas and issues that these teams are working on include:

**Permitting.** We have a team devoted to reviewing and improving BOEMRE's drilling permit review and approval process. This process is central to ensuring that proposed drilling operations will be conducted safely. This review and evaluation process must be rigorous, but it must also be efficient so that proposed operations are not unduly delayed by the process. This team has been working on plans to address the permitting workload in light of current resources. The team is also developing a comprehensive handbook of policies and practices. This handbook will be designed to assist permit reviewers in carrying out their responsibilities and ensure greater consistency across our offices and clarity for industry.

We have been in constant communication with industry representatives and individual operators about our permitting process, and we have already addressed specific issues with our plan approval and permitting processes. These changes include issuing two guidance documents to provide clarity regarding the steps in our permitting process and the requirements that must be satisfied to meet our standards; issuing a permitting checklist so that operators can confirm their drilling permit applications are complete before they submit them, thus minimizing the need to return applications because necessary information is missing; and the development of information technology solutions to improve the efficiency of our processes while providing operators with greater transparency into the status of the permit applications. We also are conducting outreach programs with industry to discuss the reorganization, answer questions, and ensure that the transition to BOEM and BSEE proceeds as smoothly as possible. In fact, we held a well-attended, all-day workshop on permitting issues in New Orleans two weeks ago.

**Inspections.** We have several teams that are focused on the various discrete issues associated with developing effective, risk-based approaches to our offshore inspections programs. Among other things, these teams are focusing on:

- Analysis of alternative organizational structures, development of risk-based inspections programs that target risks posed by specific types of operations, the appropriate distribution of inspections personnel throughout the organization, and internal management and oversight structures.
- Defining near- and long-term strategies for inspecting industry compliance with safety and environmental regulatory requirements, including the enhanced safety standards imposed by the Drilling Safety Rule that we issued last fall. We are also developing the infrastructure, and will be recruiting the expert personnel necessary, to conduct real-time monitoring of the highest risk operations, such as deepwater drilling operations. I have visited nearly a dozen facilities in the Gulf of Mexico over the last several months to learn about the new technologies being employed by the oil and gas industry, and to evaluate how they might be used by the Bureau.
- Developing training programs and curricula for inspectors, supervisory inspectors, and engineers involved in BOEMRE's safety compliance and enforcement programs. BOEMRE recently established the National Offshore Training Center and we have developed the agency's first formal training curriculum, which has been piloted with new BOEMRE inspectors. An initial introductory course for new inspectors was recently held for 13 new BOEMRE inspectors. In the coming months, 24 additional courses will be developed covering specific areas of offshore inspections. We have hired an exceptionally highly-qualified training director, who will have the responsibility to further develop the Bureau's training policies, procedures, and programs and improve the technical and professional capabilities of offshore inspections and compliance personnel.
- Examining how to provide our personnel with better inspections and enforcement tools, including technological solutions, for increasing inspections coverage and efficiency, and for improving the Bureau's ability to conduct real-time monitoring of offshore drilling activities. We are evaluating the increased use of laptop computers and digital tablets by inspectors and environmental enforcement personnel. We are also analyzing the potential of satellite imagery, e-inspections software, and live data feeds from offshore facilities to enhance our inspections capacity and effectiveness.
- Designing an oversight program for reviewing and evaluating operators' compliance with new safety performance requirements. We have introduced, for the first time in the U.S. offshore regulatory system, performance-based standards for the identification of safety and environmental risks and the development of systems and personnel requirements to address those risks. These performance standards are embodied in our Workplace Safety Rule, otherwise known as the Safety and Environmental Management Systems or SEMS rule, that we issued last fall.

**Regulatory Enforcement.** We are evaluating the adequacy of the enforcement tools available to us—including the system for documenting and tracking incidents of non-compliance with prescriptive regulations, the adequacy and use of civil penalties, the process for evaluating operator qualifications, and the system for suspending or debarring unsafe operators. We are reviewing potential gaps in our regulations, including a thorough review of the regulatory standards used by other countries. We are also looking for ways to enhance the civil penalties available for violations of BOEMRE's safety and environmental regulations, although our view is that legislation is required to make those more meaningful. The current enforcement framework, which permits maximum fines of only \$40,000 per day, per incident, is patently inadequate to deter violations in an environment where drilling operations can cost more than a million dollars a day.

**Environmental Compliance and Enforcement.** We have a team that is focused on designing new inspections and enforcement programs relating to environmental compliance, which has not existed to this point in the agency. This team is developing staffing plans, analyzing support requirements, and designing systems for obtaining information necessary to support environmental enforcement. We have selected a highly-qualified person to head this program.

**Incident Investigations.** We have an Incident Investigations team that is, among other things, evaluating and developing investigative procedures relating to specific categories of accidents and incidents, including industrial accidents on rigs and platforms, such as fires and spills. We are identifying the types of expertise necessary to support BOEMRE's investigations programs, and designing systems for tracking the status of investigations, the imposition of sanctions based on investigative findings, and the implementation of improvements to safety and environmental regulations and practices recommended as a result of investigations.

**Oil Spill Response.** We have a team that is conducting a comprehensive review of spill response and the adequacy of operators' oil spill response plans (OSRPs). This team is working closely with the U.S. Coast Guard and other federal agencies on developing enhanced spill response plans and more effective reviews of those plans in light of lessons learned from the Deepwater Horizon oil spill response.

Finally, changing the culture of the former MMS and establishing BOEM and BSEE as vigorous and effective regulators will require the infusion of new blood into the organizations. Although BOEMRE has many devoted and competent public servants, we recognize that the former MMS lacked sufficient expertise and capacity in certain areas related to safety oversight. Moreover, the sweeping reforms in culture and process that we are pursuing necessitate, almost by definition, new energy, fresh talent, and new ways of thinking. Therefore, we have conducted nationwide searches to identify talented personnel to fill many of the key senior positions in the new BOEM and BSEE and have selected people from outside the agency to fill a number of key roles. We also are engaged in an aggressive recruitment campaign to hire new engineers, inspectors, scientists and other experts into the Bureau.

As you may know, I launched a recruitment campaign last fall to expand the Bureau's field of inspectors and engineers—receiving more than 500 applications in two weeks. As we increase our inspection staff, we will begin to use multiple-person inspection teams for many offshore oil and gas inspections, starting with the most complex operations. This internal process improvement will improve oversight and help ensure that offshore operations proceed safely and responsibly. The new process will allow teams to inspect multiple operations simultaneously and thoroughly, and enhance the quality of inspections on larger facilities.

I also visited a dozen top universities across the country in April 2011 to expand the number of environmental scientists and other subject matter experts in the agency. BOEMRE is hiring scientists to do work in fields that include environmental studies, *National Environmental Policy Act* (NEPA) review, and environmental compliance—all of which are critical to the balanced development of offshore resources. We received more than 2,000 applications during and since the six week tour.

All of these measures will help us ensure the rigorous and independent oversight of offshore drilling.

#### **IV. 2012 Funding**

As described above, we have laid the groundwork for far-reaching organizational change. The success of our reforms now depends in large part on providing the new agencies with the financial resources, tools, training and culture to be effective. Improving the safety of offshore drilling and the effectiveness of government oversight of this inherently risky activity will require a substantial infusion of resources into the offshore regulator.

As detailed in the Commission's Report, MMS lacked the resources necessary to provide the rigorous and effective oversight of offshore oil and gas activity that is necessary. This weakness became more significant as industry continued its pursuit of higher-risk projects in deepwater and other frontier areas such as the Arctic. We agree with the Commission's strong recommendation for a substantial increase in the resources devoted to government oversight of offshore activities because an effective regulator is so clearly in the public's—and in industry's—interests.

With this in mind, I urge Congress to carefully consider the Interior's FY 2012 appropriations bill, which was passed by the House Appropriations Committee this summer. The bill's budget allocation falls short of providing the full funding required to implement the reorganization of the agency and inadequately funds the operational capacity required to implement all of our necessary and far-reaching reforms. The appropriations bill does not provide the requested increase in offshore inspection fees of \$55 million that could help to fund the additional needs. Requiring that industry pay for inspections is good government and consistent with the Commission's Report which recommended increasing industry's contribution to regulatory oversight. I am very concerned—and Secretary Salazar has said publicly—that the level of funding provided in the bill will have a significant impact on the Department's ability to facilitate the safe development of oil and gas resources on the nation's OCS and greatly hinders the ongoing reorganization and reform efforts.

Increased resources are essential to creating an efficient, effective, transparent and stable development and regulatory environment. Without them, we will be significantly limited in our ability to adequately achieve the goals of the reorganization, follow through on the many reforms we have launched over the past several months, and implement many of the recommendations from the Commission's Report and other reviews of this agency. In addition to these important limitations, we would be unable to devote sufficient resources to facilitating new exploration and resource development. This result is unacceptable, and it is our collective responsibility to ensure that we have the resources to carry out the major changes that are necessary to improve and transform this agency.

Finally, we have announced the formation of the Ocean Energy Safety Advisory Committee, comprised of representatives from federal agencies—including BOEMRE, the Department of Energy, the National Oceanic and Atmospheric Administration, the United States Geological Survey, the Environmental Protection Agency, and the United States Coast Guard—as well as the offshore oil and gas industry, academic institutions, and other non-governmental organizations. Secretary Salazar has selected Dr. Tom Hunter, the former head of the Sandia National Laboratory who was central to the Macondo well control effort, to chair this committee. The Advisory Committee will be a center of excellence charged with driving research and development and technical innovation across government and industry in the areas of drilling safety, well control and subsea containment, and oil spill response. It will be of invaluable assistance to BSEE as it works to strengthen the safety of offshore energy operations. The draft discussion legislation is generally supportive of the Advisory Committee (or "Advisory Board"), although there are some technical issues that need to be addressed.

## **V. Promoting Safe Exploration and Development**

Regulatory and industry reform in the wake of a significant offshore disaster has happened before. The United Kingdom and Norway substantially changed their oversight of offshore drilling and production following the *Piper Alpha* and *Alexander Kielland* incidents, respectively. Australia is currently facing many of the same issues we are confronting following the Montara blowout, which occurred only eight months before *Deepwater Horizon*.

The specific challenges facing us, however, are unique in many significant respects. The scale of the offshore oil and gas operations in U.S. waters, particularly in the Gulf of Mexico, is vastly greater than those in the North Sea. The economies of many of the Gulf Coast states, particularly Louisiana, are closely tied to offshore industry. The Gulf accounts for more than 25 percent of domestic oil production and approximately 12 percent of domestic gas production. One of the key challenges that we are addressing—and that cannot be avoided—is this: how will government and industry make the fundamental reforms necessary to improve the safety and environmental protection in this massive industry, while at the same time allowing operations to continue? The major challenge facing the country is to dramatically improve the safety of drilling in the Gulf of Mexico, particularly in deepwater, while continuing with operations, keeping production flowing and keeping people working.

## VI. Conclusion: the Future of the New Agencies

The goal of the reorganization is not to restructure an agency and divide it into multiple agencies for the sake of creating new agencies bearing new names. Instead, the goal is to remove the structural obstacles that stood in the way of the former MMS achieving its substantive management goals. The structure of MMS—and its competing and sometimes conflicting missions—needed to be changed because the former structure hampered the pursuit of proper organizational goals. There were too many competing goals for one agency to handle—and in some instances those goals conflicted with one another.

The reorganization we have undertaken is designed to allow the new agencies to achieve important goals without being burdened with a structure that interferes with the attainment of those goals. We are determined to succeed in creating a system that allows continued offshore development while ensuring safety and environmental protection. That is the goal we will continue to pursue with focus and determination.

I thank you for your time and attention and am happy to answer your questions.

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### Response to questions submitted for the record by Michael Bromwich

#### Questions for the record from the Majority

**1. Director Bromwich, in your testimony you specifically mentioned the efforts your agency is making to make the permitting process more transparent. Naturally, transparency is an important virtue of government operations and I would appreciate your compliance in providing the Committee with the following information.**

**a. Could you please provide for the Committee in writing some detailed information about the last 10 approved exploration plans and Applications for Permit to Drill for new wells?**

**Response:** Attached to this response is information retrieved from the BOEM and BSEE websites on November 8, 2011. Attachment 1 describes the details of the last 10 drilling exploration plans (EP) approved by BOEM, showing the log of the dates of initial submission and resubmissions, and when the plan was deemed submitted. Attachment 2 describes the details of the last 10 Applications for Permits to Drill (APD) approved by BSEE.

**b. In this could you include a log of the timelines for major milestones in the approval process for each of these plans and APDs including: every email sent, received or any communication unofficial or otherwise between BOEMRE staff and each respective applicant? This must include the first instance an applicant attempted to submit the plan or application for approval, and the interactions BOEMRE had with the applicant if the application was returned requesting further information before being deemed submitted? The intention of the Committee is to use existing information and data from APDs and Exploratory Plans that have already been approved by your agency—and to fully track their progress through the approval process at BOEMRE, including data through emails that determines how long each of these EPs and APDs took to be deemed submitted.**

**Response:** Dates of initial submissions and major milestones for these plans and permits are reflected in Attachments 1 and 2. Additional detail on the specific communications between BOEM or BSEE and the operators is not readily available, may contain privileged or proprietary information, and, because limited staff resources would need to be diverted from pending matters to obtain such information, cannot be provided without creating significant delays in the plan review and approval process for other pending applications.

**c. Could you also please clearly distinguish how many of the permits and plans are for brand-new wells and how many are projects for work on continuing/known projects?**

**Response:** Per the inquiry in 1.a. above, all ten APDs are for new wells. Four of the EPs are for new projects; the remaining six are supplemental or revised EPs for existing projects.

**d. In this can you include the relevant steps of the exploration and development approval process? In this data, can you make sure this information includes but is not limited to all relevant dates regarding CZM reviews, APD dates, comment periods, and days when drilling/production occurs?**

**Response:** Attached to this response are flowcharts that show the various steps during the exploration phase (Attachment 3) and the development phase (Attachment 4) of a lease which require review and approval by either BOEM or BSEE, as well as Coastal Zone Management (CZM) review by the states. Each exploration and development plan or APD is unique and the bureaus work with operators to address the individual submissions. Additional details on the specific steps for these plans and APDs are not readily available, may contain privileged or proprietary information and, because limited staff resources would need to be diverted from pending matters to obtain such information, cannot be provided without creating significant delays in the plan review and approval process for other pending applications.

**e. Currently, the eWell system does not seem to provide any easily accessible data on the average number of days it takes for an EP or APD to be “deemed submitted.” Could you provide the Committee with data that indicates the average number of days it takes between an operator’s first attempt to submit a plan or permit and that same submission being considered to be “deemed submitted”? It would be helpful if you are able to compile and provide this information over the past year—from September 2010 through September 2011.**

**Response:** BOEM has used an outside consultant to analyze how much time it takes, on average, for a plan to move from the first submission to the “deemed submitted” stage. On October 14, we provided Committee staff with a copy of preliminary results provided by the consultant, showing that the average time to get a plan to be deemed submitted has gone down considerably over the past year. Those preliminary results are attached here as Attachment 5.

**f. Is BOEMRE currently conducting any internal tracking of the permitting process that has not been shared publically? If so, could you please provide the resulting data to the Committee.**

**Response:** BOEM and BSEE have committed to provide quarterly reports to the House and Senate Appropriations Committees detailing the status of EPs, Development and Operation Coordination Documents (DOCD), and APDs in both shallow water and deepwater, with data on how many were received, returned, withdrawn, deemed submitted (for EPs and DOCDs), pending, and approved. The data will be broken down on a week-by-week basis, and will also distinguish between those APDs requiring subsea containment and those that do not. In order to ensure that the Committee has the most up-to-date data available, and to minimize the diversion of our permitting and planning staff resources, the bureaus will provide the Committee with this data at the same time it is provided to the Appropriations Committees.

#### **Questions for the record from Ranking Member Edward J. Markey**

**1. The Department’s oil and gas lease utilization report, issued in March of this year, found that “Approximately 70% of the Undiscovered Technically Recoverable Resources currently under lease in all areas of the Federal Gulf of Mexico are not producing or not subject to approved or pending exploration or development plans” which contains an estimated 11.6 billion barrels of oil and 59.2 trillion cubic feet of natural gas. How does the Department define a lease that is idle and how did the Department arrive at its estimate for the oil and gas resources that are sitting under these idle oil company leases on public lands?**

**Response:** In the report you refer to in your question, “*Oil and Gas Lease Utilization—Onshore and Offshore. Report to the President,*” the Department defines “inactive leases” as leased areas that are neither currently producing oil and gas nor covered by an approved exploration and development plan. The Department arrived at its estimate for the oil and gas resources under inactive leases by apportioning those estimated resources within the geologic plays underlying the leased acreage. The Undiscovered Technically Recoverable Resources (UTRR) calculated on leased lands take into account the relative location, petrophysical properties and stacking of the geologic plays underlying the leased acreage. The report assumed that leased acreage percentages in the Gulf of Mexico had not changed significantly since late 2008, the last time leased resources were thoroughly analyzed.

- 2. Does the Department believe that civil penalties for oil companies that violate federal regulations should be increased? If so, by how much does the Department believe civil penalties should be increased?**

**Response:** The Department does believe that civil penalties for oil and gas companies that violate federal regulations should be increased. The existing civil penalties were established over two decades ago, and have only been increased modestly to keep up with inflation since that time. The current levels of \$40,000 per violation per day (\$35,000 per violation per day at the time of the *Deepwater Horizon* incident) do not act as an effective deterrent for an industry that spends upwards of a half-million to a million dollars per day on rig fees. The Department has not taken a position on what the appropriate level for the civil penalties should be.

- 3. It is my understanding that there is a survivable black box device—similar to what is on aircraft and marine vessels and used by NTSB for their accident investigations—that could be used on offshore oil rigs. These data recorders could provide additional forensic information for evaluation in accident investigations. Is your agency evaluating the technology or whether it can lead to improved oil drilling safety?**

**Response:** BSEE is aware of “black box”-type recorder systems that are being designed to capture all of the information generated by blow out preventer (BOP) control systems; however, BSEE is not aware of any studies at this point on the use of or effectiveness of these systems. The major problem with the “black box” technology is likely to be retrieval of the information after an accident. The “black box” would most likely be left on the seafloor as part of the subsea BOP once a floating rig (semisubmersible or drillship) disconnects and leaves location.

An alternative that is currently being reviewed by the Ocean Energy Safety Advisory Committee (OESC) is the remote monitoring of BOP performance and other drilling-related data. This type of technology transmits information from the subsea BOP and/or well via electro-hydraulic control systems to the rig. This information may be transmitted from the rig via satellite through a secure data network to an onshore rig monitoring center. One problem with this method is that a disruption of the electro-hydraulic control system results in the interruption of data retrieval. This type of system was a topic of discussion at the OESC meeting on November 8, 2011.

- 4. The BP Commission recommended that BOEMRE have a salary scale for its engineers, technical staff, and inspectors that is similar to the Nuclear Regulatory Commission, which is allowed to set their salaries at a higher scale than would normally apply for similar positions in the civil service. Does BOEMRE believe that having the ability to set a higher salary for its engineers, technical staff, or inspectors would enable it to accomplish its missions more effectively?**

**Response:** In the Consolidated Appropriations Act for FY 2012, Congress provided language authorizing the BOEM and BSEE to use funds in fiscal years 2012 and 2013 to establish higher minimum rates of basic pay for employees of the Department of the Interior in the Gulf of Mexico Region in the Geophysicist (GS-1313), Geologist (GS-1350), and Petroleum Engineer (GS-0881) job series at grades 5 through 15 at rates no greater than 25 percent above the minimum rates of basic pay normally scheduled. The Department will examine how to implement this authority in collaboration with the Office of Personnel Management (OPM.)

- 5. Does BOEMRE believe that it had the ability to increase its salary scales through its inherent administrative/regulatory authority to increase the salaries above the level normally permitted in the civil service for engineers, technical staff, or inspectors?**

**Response:** Please see response to question #4.

- 6. If BOEMRE does not have the authority to raise the salaries above the normal salary scale for the civil service, does it believe that legislation allowing it to do so would enable it to accomplish its missions more effectively?**

**Response:** Please see response to question #4.

Attachment 1 (10 pages)



Exploration and Development Plans Information

Selected Plan

This Plan is available in the Public Information Data System.  
 You can view/download the plan directly by clicking here: [Pages\(1-122\) Pages\(1-74\) Pages\(1-17\) Pages\(1-2\)](#)  
 Click on each link to view the summary files.

Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Dus Data
R	5105	02407	Woodside Energy (USA) Inc.	EP	7/22/2010	KD	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G32509	GC	451	G32509	GC	451
G32509	GC	451	G32509	GC	451
G32509	GC	451	G32509	GC	451

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
A	7/22/2010			A	10/28/2011
A	7/27/2010			A	10/28/2011
A	1/7/2011			A	10/28/2011
A	1/19/2011		SEAD	A	10/28/2011
A	5/12/2011			A	10/28/2011
A	5/16/2011			A	10/28/2011
A	5/23/2011		SEAD	A	10/28/2011
A	6/7/2011			A	10/28/2011
A	6/8/2011		SEAD	A	10/28/2011
A	6/15/2011		SEAD	A	10/28/2011
A	7/13/2011			A	10/28/2011
A	8/18/2011			A	10/28/2011
A	8/9/2011			A	10/28/2011
A	9/12/2011			A	10/28/2011
A	9/13/2011			A	10/28/2011
A	9/15/2011			A	10/28/2011
A	9/27/2011			A	10/28/2011
A	6/29/2011		SEAD	A	10/28/2011
A	8/3/2011			A	10/28/2011
A	9/21/2011	9/29/2011	SEAD	A	10/28/2011
A	10/25/2011	10/27/2011		A	10/28/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E W Dist	Surf N S Code	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Prog Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Bottom Lease Num	Bottom Area Code	Bottom Block Num	Bottom Meter Depth	Site Cancel Dt		
WELL	A	4472	W	5492	N	GC	451	ING15-03	G32509	15	2158712	9989548	27.51944639	-91.40047066	G32509	GC	451	3066	
WELL	A	4472	W	5492	N	GC	451	ING15-03	G32509	15	2158712	9989548	27.51944639	-91.40047066	G32509	GC	451	3066	8/3/2011
WELL	B	4472	W	7482	N	GC	451	ING15-03	G32509	15	2158712	9987548	27.51384489	-91.40058026	G32509	GC	451	3212	
WELL	B	4472	W	7482	N	GC	451	ING15-03	G32509	15	2158712	9987548	27.51384489	-91.40058026	G32509	GC	451	3212	8/3/2011
WELL	C	4872	W	4468	N	GC	451	ING15-03	G32509	15	2159112	9990572	27.52224896	-91.3991958	G32509	GC	451	3038	
WELL	C	4872	W	4468	N	GC	451	ING15-03	G32509	15	2159112	9990572	27.52224896	-91.3991958	G32509	GC	451	3038	8/3/2011



Exploration and Development Plans Information

Selected Plan

Click on each link to view the summary files.

Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
R	5148	00881	Anadarko Petroleum Corporation	EP	3/17/2011	MG	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G20725	EB	646	G20725	EB	646

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	3/17/2011		CERA	A	10/21/2011
IA	8/30/2011	10/21/2011	CERA	A	10/21/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E Dist	Surf W Dist	Surf N Dist	Surf S Dist	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord	Surf Y Coord	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
WELL	009	8624	W	8466	S	EB	646	NG15-01	G20725	15	1162944	9922326	27.3390138	-94.47112674	G20725	EB	646	4010	
WELL	010	6917	W	6716	S	EB	646	NG15-01	G20725	15	1163137	9922556	27.33655279	-94.4705406	G20725	EB	646	4010	

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Exploration and Development Plans Information

Selected Plan

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Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
S	7489	02312	McMoran Oil & Gas LLC	EP	7/11/2011	JP	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G04452	EI	182	G04452	EI	182
G04452	EI	182	G04452	EI	182

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	7/11/2011			A	11/1/2011
IA	7/19/2011		CERA	A	11/1/2011
A	6/8/2011			A	11/1/2011
A	9/27/2011			A	11/1/2011
A	10/4/2011			A	11/1/2011
A	10/13/2011	10/20/2011		A	11/1/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E Dist	Surf W Dist	Surf N Dist	Surf S Dist	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord	Surf Y Coord	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
STRUCTURE	WFP E	5303	E	5915	S	EI	182	LA4	G04452	72	1889541.88	29331.72	28.74696434	-91.67795078				92	
WELL	E	5303	E	5915	S	EI	182	LA4	G04452	72	1889541.88	29331.72	28.74696434	-91.67795078	G04452	EI	182	92	

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Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
S	7498	00689	Shell Offshore Inc.	EP	8/12/2011	JP	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G07493	GB	427	G07493	GB	427

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	8/12/2011	9/1/2011	SEAD	A	11/3/2011
A	9/9/2011	9/23/2011		A	11/3/2011
A	9/26/2011	10/4/2011	SEAD	A	11/3/2011
A	10/4/2011	10/4/2011	SEAD	A	11/3/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E Dist	Surf W Dist	Surf N Dist	Surf S Dist	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
WELL	P	1920	E	5470	N	GB	427	NG15-02	G07493	15	1833520	10005410	27.5709895	-92.39756493	G07493	GB	427	2721	
WELL	C	880	E	6470	N	GB	427	NG15-02	G07493	15	1838560	10004410	27.56822388	-92.3943689	G07493	GB	427	2721	
WELL	R	1320	E	6902	N	GB	427	NG15-02	G07493	15	1836120	10004978	27.56879274	-92.39571886	G07493	GB	427	2721	
WELL	S	1310	E	6921	N	GB	427	NG15-02	G07493	15	1836130	10004889	27.56946516	-92.39568978	G07493	GB	427	2721	
WELL	T	1371	E	6087	N	GB	427	NG15-02	G07493	15	1836059	10004813	27.5693334	-92.39587882	G07493	GB	427	2721	
WELL	U	1448	E	6082	N	GB	427	NG15-02	G07493	15	1835992	10004818	27.56935419	-92.39611649	G07493	GB	427	2721	

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Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
S	7502	00078	Chevron U.S.A. Inc.	DOCD	8/24/2011	MG	1/21/2012

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G02719	H	A 582	G02719	H	A

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	8/24/2011	9/23/2011	CERA	A	11/4/2011
A	9/21/2011	9/23/2011		A	11/4/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E Dist	Surf W Dist	Surf N Dist	Surf S Dist	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
WELL	D-7	4898	E	1902	S	H	A 582	TX7B	G02719	71	3486737.81	57242	27.91027163	-94.39643005	G02719	H	A 582	438	
WELL	D-8	4905	E	1795	S	H	A 582	TX7B	G02719	71	3486730.81	57239	27.91028415	-94.39645207	G02719	H	A 582	438	

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Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
S	7512	02800	Monforte Exploration LLC	EP	9/23/2011	KD	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G27825	EC	115	G27825	EC	115

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
A	10/4/2011			A	11/1/2011
I	9/23/2011			A	11/1/2011
A	10/5/2011		CERA	A	11/1/2011
A	10/11/2011			A	11/1/2011
A	10/21/2011	10/21/2011		A	11/1/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E Dist	Surf W Dist	Surf N Dist	Surf S Dist	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
STRUCTURE	H 9845	E	3598	N	EC	115	LA2	G27825	72		1515425.144	179315.424	29.15093326	-92.85131372				70	
WELL	H 9845	E	3598	N	EC	115	LA2	G27825	72		1515425.144	179315.424	29.15093326	-92.85131372	G27825	EC	115	70	

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Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
N	9504	02068	LOG Exploration Offshore, LLC	EP	2/26/2010	JW	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G31521	MC	705	G31521	MC	705

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	2/22/2010		CERA	M	4/8/2010
A	8/10/2011			A	11/2/2011
A	8/30/2011		SEAD	A	11/2/2011
A	8/9/2011			A	11/2/2011
A	8/9/2011		SEAD	A	11/2/2011
M	7/21/2011			A	11/2/2011
A	9/22/2011	10/7/2011	SEAD	A	11/2/2011
A	10/3/2011	10/7/2011		A	11/2/2011
A	10/26/2011	10/31/2011	SEAD	A	11/2/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E Dist	Surf W Dist	Surf N Dist	Surf S Dist	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
WELL	A 3013	W	1926	N	MC	705	NH16-10	G31521	16		698973	10262394	28.24818966	-89.37134534	G31521	MC	705	850	



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Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
N	5626	02579	Tana Exploration Company LLC	EP	4/29/2010	KD	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G32248	MP	165	G32248	MP	165
			G32248	MP	165
			G32248	MP	165
G32248	MP	165	G32248	MP	165

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	4/29/2010			M	6/25/2010
A	5/5/2010	5/26/2010	CERA	M	6/25/2010
M	9/2/2011			A	11/2/2011
A	9/19/2011			A	11/2/2011
A	9/21/2011		CERA	A	11/2/2011
A	9/22/2011	9/29/2011	CERA	A	11/2/2011
A	10/25/2011	10/31/2011		A	11/2/2011

Plan Sites

Plan Site Type	Plan Site Name	Surf E W Dist	Surf E W Code	Surf N S Dist	Surf N S Code	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
STRUCTURE	WP NO. 1	6384	W	4476	N	MP	165	LA10A	G32248	72	2921984	362104	29.63031865	-98.43106909				128	9/21/2011
STRUCTURE	WP NO. 2	5660	E	1140	S	MP	165	LA10A	G32248	72	2924790	352970	29.60501245	-98.42297014				136	9/21/2011
STRUCTURE	WP NO. 3	875	E	1250	S	MP	165	LA10A	G32248	72	2923475	353080	29.60498683	-98.40822375				136	9/2/2011
WELL	NO. 1	6384	W	4476	N	MP	165	LA10A	G32248	72	2921984	362104	29.63031865	-98.43106909	G32248	MP	165	128	
WELL	NO. 2	5660	E	1140	S	MP	165	LA10A	G32248	72	2924790	352970	29.60501245	-98.42297014	G32248	MP	165	136	
WELL	NO. 3	875	E	1250	S	MP	165	LA10A	G32248	72	2923475	353080	29.60498683	-98.40822375	G32248	MP	165	136	9/2/2011



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Selected Plan

Click on each link to view the summary files.

Plan Information

Plan Control Code	Plan Control Number	Operator Number	Operator Name	Plan Type	Received Date	Plan Coordinator	Due Date
N	5674	02266	Energy Partners, Ltd.	EP	4/19/2011	JW	

Lease Information

Bottom Lease Number	Bottom Area Code	Bottom Block Number	Surface Lease Number	Surface Area Code	Surface Block Number
G30703	HI	A 362	G30703	HI	A 362

Submissions

Submission Type	Submission Date	Deemed Submitted Date	NEPA Determination Type	Final Action Code	Final Action Date
I	4/18/2011			A	11/3/2011
A	5/27/2011		CERA	A	11/3/2011
A	8/24/2011	9/7/2011	CERA	A	11/3/2011
A	10/5/2011	10/27/2011		A	11/3/2011
A	10/26/2011	10/27/2011		A	11/3/2011

Plan Sites

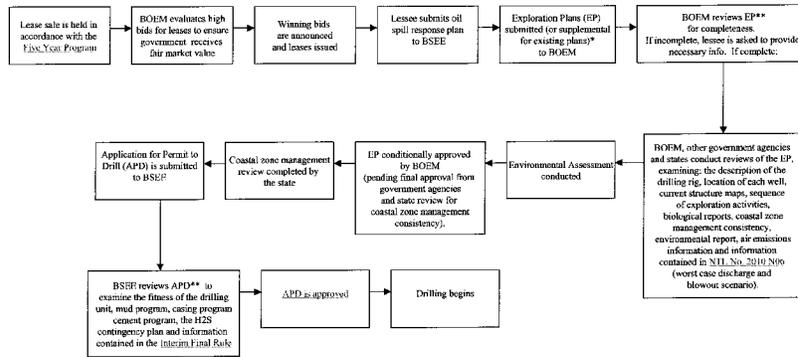
Plan Site Type	Plan Site Name	Surf E W Dist	Surf E W Code	Surf N S Dist	Surf N S Code	Surf Area Code	Surf Block Num	Surf Prot Num	Surf Lease Num	Surf Proj Zone	Surf X Coord Loc	Surf Y Coord Loc	Surf Latitude	Surf Longitude	Botm Lease Num	Botm Area Code	Botm Block Num	Water Depth	Site Cancel Dt
WELL	A	5094	E	7923	N	HI	A 362	TX7C	G30703	71	3676621.81	951137	27.95252479	-93.80398792	G30703	HI	A 362	272	
WELL	B	5094	E	7816	N	HI	A 362	TX7C	G30703	71	3676621.81	951144	27.95254402	-93.80398696	G30703	HI	A 362	272	

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Attachment 3

**Exploration Phase Flowchart**

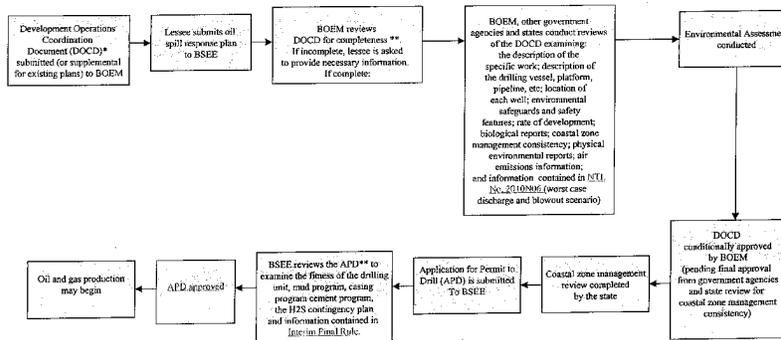


\*An initial EP describes all exploration activities planned by an operator for a specific lease(s), the timing of these activities, information concerning drilling vessels, the location of each well, and an analysis of both onshore and offshore impacts that may occur as a result of the plan's implemented action.

\*\*Submitted EPs and APDs may be returned to the operator for further information or clarification.

Attachment 4

**Development Phase Flowchart**



\*A DOCD is a plan that describes development and production activities proposed by an operator for a lease or group of leases. The description includes the timing of these activities, information concerning drilling vessels, the location of each proposed well or production platform or other structure, and an analysis of both onshore and offshore impacts that may occur as a result of the plan's implementation.

\*\*Submitted DOCDs and APDs may be returned to the operator for further information or clarification.

Mr. LAMBORN. All right. And we will get to those momentarily. I will now recognize Ranking Member Rush Holt of New Jersey for an opening statement for five minutes.

**STATEMENT OF HON. RUSH HOLT, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. HOLT. Thank you, Mr. Chairman, and I was mistaken about the starting time of this hearing. It had been scheduled for 10 o'clock, and I apologize to Mr. Bromwich.

Mr. BROMWICH. I was late, too, Congressman, so no apologies necessary.

Mr. HOLT. And to my colleagues on the Committee. And I thank the Chairman for holding this hearing because indeed we all believe that some reorganization is needed. The question is what in particular.

The Oil Spill Commission issued a lengthy report, hundreds of pages, that was a pretty strong indictment of the offshore drilling industry and regulation. Yesterday, the Interior Department and the Coast Guard joint investigative team issued a report which further confirmed the failings of the companies in the disaster. Interior announced that it would issue seven violations of Federal regulations against some companies.

There were recommended sweeping reforms to improve the safety of offshore drilling, as the Director has talked about. And now, well over a year after these recommendations, not a single legislative reform has been enacted. However, the department has moved ahead on its own, codifying the reorganization of the former Minerals Management Service as the majority's discussion draft attempts to do. It is an important step, as one of I think many reforms that are needed to ensure that we don't have disasters like this, that the safety of the workers is preserved, and that the economic needs of the country are met.

Thus far, I must say, the majority has refused to take action on the broader legislation that Ranking Member Markey and I have introduced to implement the Commission's recommendations. Some months ago, Interior began dividing MMS into three separate agencies. I am reviewing what I think we all know here, but it is important to get this on the record, I think. And the department will, as the Director has pointed out, soon complete this division.

Now, the discussion draft in front of us has some critical differences from this department's reorganization that could, I think, not only require some backtracking, some loss of time, but could undermine some of the principles in the separation in safety and leasing and revenue functions that the department has put forward. The discussion draft could obscure the safety and resource management between the new agencies.

I welcome the Chairman's proposal of reorganization. But it is a little late, and it will be very disruptive of the good steps that are already taking place. And I don't know how to make the best of that. The Commission recommended that the director of the new safety agency be appointed to a five- or six-year term to insulate the director from political influence, called for Senate confirmation, and so forth.

The discussion draft wouldn't implement either of these important recommendations. The Commission recommended that Congress provide a stable funding stream to the regulatory agencies through increased fees. And, you know, with regard to funding, the majority's discussion draft doesn't provide any dedicated funding

stream for the Bureau of Ocean Energy, as, by the way, we do in our Democratic legislation.

And we know that the majority has underfunded the Bureau in the Fiscal Year 2012 Interior appropriations bill and rejected solutions as simple as making oil companies pay for their rigs to be inspected. I should say to my colleagues, you know, our committee, as sometimes is the case, is populated mostly on one side of the dais here.

Those of my colleagues who want to see increased drilling should take this as bad news, this proposal, because the discussion draft differs from the reorganization of the department, the reorganization that will be completed very soon. This discussion draft, this move, will only delay permitting of drilling and issuing new leases. I wonder if my colleagues would welcome that.

So rather than legislatively repeating the mistakes that led to the BP Deepwater Horizon disaster, we should pass broad reforms called for by the BP Commission so that offshore drilling industry can be the safest in the world. Thank you, Mr. Chairman.

[The prepared statement of Mr. Holt follows:]

**Statement of The Honorable Rush D. Holt, Ranking Member,  
Subcommittee on Energy and Mineral Resources**

Thank you Mr. Chairman.

The Independent BP Spill Commission issued a 350 page report that was an indictment of the entire offshore drilling industry. Yesterday, the Interior Department and Coast Guard Joint Investigative Team issued its report, which further confirmed the failings of the companies involved in this disaster. The Interior Department even announced that it would issue seven violations of federal regulations against these companies.

The BP Commission recommended sweeping reforms to improve the safety of offshore drilling. Yet well over a year since the spill began, the Congress has still not enacted a single legislative reform.

Codifying the reorganization of the former Minerals Management Service, as the Majority's discussion draft attempts to do, is an important step. However, it is only one of many reforms that are needed to ensure that we never have another similar disaster again. Unfortunately, thus far the Majority has refused to take action on broader legislation that Ranking Member Markey and I have introduced, H.R. 501, to implement the Commission's recommendations.

The Interior Department began the process of dividing the MMS into three separate agencies to oversee leasing, revenue and safety in June 2010. On October 1st, the Department will complete this division. However, the Majority's discussion draft has some critical differences with the Department's reorganization that could undermine the separation of the safety, leasing and revenue functions.

The discussion draft could obscure safety and resource management between the new agencies, which would potentially undermine the purpose of the reorganization. The discussion draft also makes little mention of environmental protection in outlining the duties and responsibilities of the new leasing agency.

In addition, the Commission recommended that the director of the new safety agency be appointed to a five or six year term to insulate them from political influence and that they should be confirmed by the Senate. The discussion draft would not implement either of these important recommendations, as we do in our Democratic legislation.

The Commission also recommended that Congress provide a stable funding stream to the regulatory agencies through increased fees on the industry. This agency has historically been woefully underfunded and we need to ensure that they can hire the experienced engineers, inspectors, scientists and first responders they need to properly perform their duties.

The Majority's discussion draft would not provide any dedicate funding for BOEMRE as we do in our Democratic legislation. In fact, the Majority even underfunded BOEMRE in the FY2012 Interior Appropriations bill and rejected solutions as simple as making oil companies pay for their rigs to be inspected.

And for my colleagues on both sides of the aisle who care about new drilling, I have some bad news. Because the discussion draft differs from the reorganization that the Department will complete in a few weeks, the Majority's proposed legislation would actually lead to significant delays in future permitting for offshore drilling and issuing new leases if it were enacted in its present form.

Rather than legislatively repeating the mistakes that led to the BP Deepwater Horizon disaster we should pass the broad reforms called for by the BP Commission so that our offshore drilling industry can be the safest in the world.

I yield back.

---

Mr. LAMBORN. OK. Thank you. And as I stated earlier, whenever full Committee Ranking Member Markey appears, he is welcome to make an opening statement also.

We will now begin our questioning. Members are limited to five minutes for questions, and I now recognize myself. Director Bromwich, you and I are both lawyers, and we understand the importance of our Nation's laws. This sentence comes directly from OCSLA, 43 USC 1332, quote, 'The Outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards in a manner which is consistent with the maintenance of competition and other national needs,' unquote.

Since you are the Director of BOEMRE, you are directly responsible for making the Outer Continental Shelf available for expeditious and orderly development, subject to environmental safeguards. Now, we have all seen the recent FBR report that states if the pace of permitting does not improve, 8 to 20 more rigs will leave the Gulf of Mexico, in addition to the 12 that have already left or are committed to leave.

Now, I know clearly what you are doing on environmental safeguards, and that is extremely important. But what are you doing about expeditious development?

Mr. BROMWICH. Thank you very much, Mr. Chairman. I very much appreciate the question. We take our obligations under OCSLA in terms of the expeditious and orderly development of offshore resources extremely seriously. We are, contrary to the doubts of many people, going forward with a lease sale in the western Gulf in December. We are on schedule for a large consolidated lease sale in the central Gulf of New Mexico next spring.

So we are moving ahead with that. I don't know, Mr. Chairman, whether you saw, but there is an article in the Wall Street Journal today suggesting that the level of activity in the Gulf is approaching pre-Macondo levels. So I think the situation is not nearly as dire as many of the groups and entities have suggested in their studies. I commented publicly on some of those studies. They are in many respects flawed, distorted, based on erroneous data. They almost never seek information from us, and so I am very concerned that they are getting misleading and inaccurate information into the public domain, and I think that serves no one's interests, and I regret that very much.

We are moving ahead not only the lease sale side, but also with the orderly and expeditious processing and approval of plans, including in deep water, and the orderly and expeditious approval of permits in both deep water and shallow water.

When I was here last time, we reviewed some of those numbers. Those numbers have gone up fairly significantly. Since I was here last, for example, we have approved well over 100 permits in deep water for 40 unique wells since industry demonstrated its ability to deploy subsea containment capabilities, which didn't happen until February.

And so we are moving ahead. We are getting better at processing permit applications that attempt to satisfy all of the new requirements, and I think things are moving ahead. We are very receptive and interested in working with industry to make sure that their understanding and ability to implement the requirements that we have is improved. So, for example, Mr. Chairman, just two weeks ago, at industry's request, we held a permitting workshop all day, multiple presentations, both by staff members of the agency as well as by members of industry, who explained to their colleagues how to submit a compliant application.

That seems to have eluded a lot of operators to an extent that is surprising to me, and that is surprising to many of our staff members.

So I want to assure you, Mr. Chairman, that we again take our charge under OCSLA extremely seriously. We are moving ahead as promptly as we can. We are limited at times by the quality of the applications that we get from operators, and I am sure neither you nor Chairman Hastings nor anybody on this Committee wants us to cut corners in order to expedite the processing of permits.

Mr. LAMBORN. OK. Thank you for that answer. And I would like to get those latest numbers that you referred to. That would be very helpful.

Mr. BROMWICH. I can give those to you orally or in writing later, whatever you choose.

Mr. LAMBORN. How about in writing?

Mr. BROMWICH. That is fine.

Mr. LAMBORN. That would be wonderful. And last, do you believe the current reorganization will delay your release of the next five-year plan?

Mr. BROMWICH. I don't think the reorganization will delay the release of the five-year plan. Because of a variety of events, including Macondo and a lot of the work that was going on in the agency, we are a little behind the schedule that we have historically followed. But the reorganization has nothing to do with that. It is just the buildup of work that occurred even before we began the reorganization.

But I can assure you and other Members of the Committee, we are working extremely hard to come as close to meeting that deadline as we possibly can.

Mr. LAMBORN. OK. Thank you. And I recognize Ranking Member Holt for five minutes for questions.

Mr. HOLT. Thank you. Director Bromwich, you have given I think a clear statement of some of your concerns and reservations. Let me ask you, does the discussion draft for reorganization in your opinion properly elevate environmental review and safety in the new agencies charged with offshore drilling?

Mr. BROMWICH. I think the Chairman's blueprint does not really affect our plans for safety whatsoever. With respect to environ-

ment, I have concerns. The concerns are principally because the pre-lease/post-lease, which is what the discussion draft proposes, would require full-bodied analyses, environmental analyses, NEPA analyses, analysis under the National Environmental Policy Act, in both the resource management agency, BOEM, and the safety and environmental agency, which we are calling BSEE.

We think that carries grave risks of conflicting NEPA judgments by the two agencies, which would need to be resolved if they can be resolved. Now, as I said in my opening statement, we carefully considered exactly the architecture that the Chairman's discussion draft includes, and we concluded that that risk of conflict and bureaucratic paralysis was a true risk, and therefore that we ought to put the bulk of the environmental function in the resource management agency, which we are calling BOEM, so that you have the bulk of that work done in one place, and you substantially reduce the chance of conflicts through competing environmental analysis.

Mr. HOLT. And you think the reorganization being proposed here on the Committee would interfere with that.

Mr. BROMWICH. Yes, I do.

Mr. HOLT. In my statement a few moments ago, I raised some questions about funding. I would like your quick comments about whether you think this—if we turned now to this new proposed reorganization, whether there would be additional costs for taxpayers. I would also like you to comment whether you think it is serious, the point that I raised, that there is no dedicated funding stream in the proposed authorization. And I would like you to comment on the aspect of the legislation that Representative Markey and I have introduced, that would allow for increased inspection fees to be paid by oil companies operating offshore as the BP Commission recommended.

Mr. BROMWICH. Let me start with your second and third points. We do need a guaranteed funding stream. We think that is vital to plan and execute our functions appropriately. And I agree that an increased level of inspections fees and having the oil and gas industry pay for it rather than the taxpayers is the right way to go.

I will say, though, that for me, from my somewhat parochial perspective as head of the agency, that matters less than we get the money from someplace. We really need it.

With respect to your first point, would really a further reorganization, a reorganization from what we will be completing—and we are on schedule to complete it on October 1—would that cost the taxpayers additional money? Without a doubt. I think a significant amount of additional money, not to mention the turmoil that it would create for some terrific employees who have worked extraordinarily hard to make this reorganization happen at the same time as they do their daily jobs.

Mr. HOLT. Let me ask another question that isn't directly related to the cost, but it is very much a topic of discussion here, and that has to do with the department's authority to regulate contractors. The various review panels have cited not only BP, but contractors such as Halliburton, TransOcean, and so forth.

Do you have, and will you defend, your authority—if you have this authority, will you defend it to regulate contractors?

Mr. BROMWICH. We have it, and we will defend it. I spoke last time I was here, back in July, on this issue. And I know there is concern among some Members and among some members of the industry. We will not move from the principle, a principle that we will hold operators accountable and fully accountable. But that does not mean that we shouldn't also hold contractors in specific cases where the conduct is sufficiently egregious also accountable. And so we intend to do that.

We have the authority. We have no doubt about that.

Mr. HOLT. Thank you.

Mr. LAMBORN. All right. Thank you. I now recognize the Chairman of the full Committee, Representative Hastings, for five minutes for questions.

Mr. HASTINGS. Thank you, Mr. Chairman. Prior to my introducing or releasing this draft, I had a conversation with Secretary Salazar, and he pointed out, of course, the steps that you were going through in your reorganization. Certainly from my point of view, I didn't think that my draft or what you're going through with reorganization was an either/or situation. In fact, I thought they complemented each other, and I think you, Director Bromwich, said the same thing in your opening statements.

So I never considered that. I considered the activity that is going to go on in the offshore is going to go on far beyond a couple of months. At least I hope it does. And so we need to get it right.

But I do want just to ask a couple of questions. In your written testimony, it appears that the only real concern that you have with the creation of a new Under Secretary of Energy is the chain of command aspects in that he or she would be reporting directly to the Secretary instead of the Deputy Secretary.

Now, I am sure that the Deputy Secretary has plenty of responsibilities already managing the five that are under his responsibility. But if we were to change this legislation to report to the Deputy Secretary, what would your response be to that?

Mr. BROMWICH. I still don't think it is necessary, Mr. Chairman. I think that it adds extra layers of bureaucracy into an agency that doesn't need additional layers of bureaucracy. I think the structure that we are executing with the agencies, the resource management agency and the safety and environmental enforcement agency reporting up through the Assistant Secretary for Land and Minerals Management is adequate. And my philosophy is if it is not broke, don't fix it.

So I don't think that needs to be fixed. I think the Deputy Secretary has shown great interest in and knowledge about energy issues. I will obviously only have exposure to this one Deputy Secretary, but he has been extremely involved in issues in a completely appropriate way. And so my view of creating a separate structure with new high level appointees is shaped by that. I simply don't think it is necessary, and again I know you are concerned about operational efficiency and operational continuity. I think that risks slowing that down and impeding it.

Mr. HASTINGS. OK. When I hear responses like that from somebody that is very qualified, I say that is good if you are there into perpetuity. But they generally say they want to retire sometime.

Mr. BROMWICH. And I am no different.

Mr. HASTINGS. Yes, I know. I have read stories on that. Under your reorganization, you have one Assistant Secretary of Land and Minerals Management in charge of all four agencies, BLM, OSM, and the two offshore energy agencies. Should it not be of some concern that the safety of offshore oil development would be on the desk of one person who is also in charge of onshore leasing and production and the Office of Surface Mining, Reclamation, and Enforcement?

Mr. BROMWICH. I don't think it is troublesome. We have obviously thought a lot about that. We think that is the appropriate level for those issues to be balanced. They have to be balanced by someone in the first instance. We think that is an appropriate level for it to be balanced initially. It then is obviously subject to review by, under the current structure, the Deputy Secretary, and ultimately the Secretary.

So I think it will work. We have looked at this, as I said, very closely. And I am not troubled by that at all.

Mr. HASTINGS. OK. Well, I appreciate your testimony, and I appreciate your willingness and understanding that this needs to be somehow an organic law. The Secretary certainly passed that along to me when I talked to him, and I look forward to working with you. As Chairman Lamborn said, this is draft legislation, and rarely does draft legislation become perfect, even though sometimes the author would like it to be that way.

It just simply doesn't happen, so I know it is work in progress, and we look forward to working with you. And I apologize. I am going to have to leave because like so many of us, we have conflicting engagements. But I thank you very much, Director, for being here, and I yield back my time.

Mr. BROMWICH. Thank you, Mr. Chairman. I very much appreciate it.

Mr. LAMBORN. OK. And thank you, Mr. Chairman. I would now, as I stated earlier, accommodate Ranking Member Markey of the full Committee for an opening statement.

**STATEMENT OF HON. EDWARD J. MARKEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. MARKEY. Thank you, Mr. Chairman, very much. Next Monday will mark the one-year anniversary of the silencing of BP's blown-out Macondo oil well. But the lessons of the Deepwater Horizon tragedy still ring loud and clear. The Minerals Management Service, as the agency regulating offshore was known, had become dysfunctional. Relationships with industry had become too cozy. Safety inspectors and regulators had become too complacent.

And during the eight years of the Bush Administration, the agency was woefully underfunded and left to deteriorate because the oil and gas interests were happy to have fewer cops on the regulatory beat.

Today, the MMS is no more. At the beginning of next month, the Interior Department will complete the task of splitting the agency into three parts, finally separating the safety, revenue, and permit functions that had grown too incestuous. Now we are at a crossroads. We have a choice to make.

When the reorganization is complete, will those three parts resemble the three wise men or the three stooges? The reorganization that the Interior Department has nearly completed would elevate safety, as the independent BP Commission recommended. In contrast, the discussion draft circulated by the Republican majority would disrupt the reforms occurring at our new drilling agency and legislatively repeat the mistake of elevating energy production while shortchanging safety.

You don't have to be Dick Tracey to see the speed-over-safety pattern running through the offshore drilling bills the majority has pushed in this Congress. The majority has introduced bills that would put a shot clock on the review of new drilling permits, legislation that would open our East and West Coasts to drilling without putting new safety standards in place, and legislation that would deem the same flawed environmental reviews conducted by the inadequate MMS as sufficient for new drilling.

Even the simple and commonsense requirement that oil companies pay for the inspections of their own rigs has been rejected by the Republican majority. Yesterday, the government's joint investigative team, considered to be the final authoritative study on the matter, released its report. Republican leaders told us that they would reserve judgment until after all the facts are in.

Well, that day has come. I am pleased the Chairman has announced a hearing with Members of the joint investigative team. But this Committee needs to also hear from the companies involved in the spill: BP, Halliburton, TransOcean, and Cameron. And this Committee needs to do more to respond to the spill than simply codify the division of the MMS. This Committee should enact all the safety reforms recommended by the independent Blue Ribbon commission.

I have introduced legislation with Ranking Member Holt and other Members of the Committee that would implement the Commission's recommendations, but the majority has not held hearings or advanced in any way on discussion of that subject.

We have heard from the independent BP Commission. We have heard from the government's joint investigative team. There is no longer any excuse for this Committee and this Congress to delay action on the broad reforms that are needed to take the lessons and turn them into laws so that we will never have a disaster like this again.

I yield back the balance of my time, Mr. Chairman.

[The prepared statement of Mr. Markey follows:]

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Committee on Natural Resources**

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I yield back.

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Mr. LAMBORN. OK. Thank you. And now I recognize Representative Fleming of Louisiana for questions for five minutes.

Mr. FLEMING. Thank you, Mr. Chairman, and thank you, Mr. Director. Of course, I and others on the dais here today are from States that are still affected by the amount of activity. And you know we have had discussions and debates on that. I just glanced at the article in the Wall Street Journal where it says activity is returning to pre-moratorium levels. Where did they get that information?

Mr. BROMWICH. I don't know.

Mr. FLEMING. It wasn't clear, but it suggests that they got it from your department, so obviously, you know, your information is maybe in conflict with others. So I thought I would kind of bring that out.

I have a report here from IHS dated July 21st. And they show that pending volume has jumped from 59 plans to 112, and that the duration of approval has gone from 36 median days to 131. And now the impact of this they also talk about, is something on the order of 230,000 jobs, billions of dollars of cost. And, of course, we know about the affect on gas prices.

So what is your comment on IHS. It is IHS Global Insight and IHS CERA report. Do you feel that they are in error?

Mr. BROMWICH. Yes, I feel they are very much in error. And in fact, I sent them a five-page letter that was released publicly criticizing them for many of the assertions they made I their report,

and raising questions about where they derived their numbers because we frankly couldn't figure out where they got their numbers.

We subsequently met with the authors of the report from IHS CERA, and had what I would call a spirited discussion with them. And they acknowledged that there were shortcomings in the way that they had presented their report, not least of which was they made no effort to contact us and find out the specific issues in the processes that may have been slowing things down. But more importantly, they were not able to explain to us where they got their numbers.

So their numbers were deeply flawed. They projected, for example—they took a six-month period after the Deepwater drilling moratorium was ended. But, of course, you know that we couldn't permit deep water wells under containment capabilities had been demonstrated, which didn't happen until the middle of February.

So they took what they said was a six-month period, which actually was only about a month and a half, and they extrapolated what the number of deep water permits would be for a year based on that data. And it turns out we have already vastly exceeded their projections because they took a ridiculously slender piece of time that was unrepresentative.

Mr. FLEMING. OK. I apologize for interrupting you. We have limited time. But obviously there is dispute there between that. But you do rely on their data oftentimes for other things, I would assume.

Mr. BROMWICH. I have never relied on their data for anything that I do.

Mr. FLEMING. So you feel IHS is basically not a reliable source of information?

Mr. BROMWICH. I didn't say that. My sample size is one. I reviewed this report very carefully, took detailed notes, and was able to raise questions with them. So based on that sample size of one, I do have substantial concerns with the quality of their work, yes.

Mr. FLEMING. Right. Well, you know, the industry itself—for instance, there is an article here from the Heritage Foundation, September 8th, where in addition to the 12 rigs that have left—that was as of last June, June a year ago—there are 20 rigs that are now contemplating having to leave because they are unable to get the permits and the processing.

So at least from an industry standpoint, the people that pay the bills to have those rigs out there—and, of course, the 12 that we lost, we lost for good. They are not coming back. In some cases, as you know, we sent money to Brazil so that they would use our rigs to pump oil off their shore that we could then buy back from them. The President's quote was, we become good customers of theirs.

Aren't we in danger of actually doing that even worse? I mean, we have let 12 go, and now we have another 20 that says that they are about to have to pick up and leave and go elsewhere?

Mr. BROMWICH. Two points. I take issue with your suggestion that they are not coming back because I have been told by operators that they are going to be coming back. But more important than that, as I think you know, I meet with operators and groups of operators all the time. And they tell me that they are quite opti-

mistic and bullish about continued development in the Gulf of Mexico, and that they are planning accordingly.

I have not heard a cross word or a critical word from those executives any time in the last few months because they understand the efforts that we are making. They appreciate the efforts we are making to expedite the permitting process, making it more transparent, making it more efficient.

So I think I have good and reliable sources, namely, the operators themselves who are not painting a doom and gloom scenario to me.

Mr. FLEMING. Well, we must be talking to different operators. Industry LOGA, which is a Louisiana representative of all of these, they are telling us that they are seeing no relief in the moratorium. Thank you. I yield back.

Mr. LAMBORN. OK. Thank you. I now recognize Representative Tsongas of Massachusetts for five minutes.

Ms. TSONGAS. Thank you, Mr. Chairman, and thank you, Director Bromwich, for being here with us today.

In Mr. Boesch's written testimony that he will be appearing in the next panel, and he served on the commission that studied the BP Deepwater Horizon oil spill, his report, he comments that the report stresses the importance of congressional engagement to ensure responsible offshore drilling. So I am so pleased that the Subcommittee is having this hearing to consider draft legislation, which is a step forward toward codifying important commission recommendations regarding the reorganization of the former Minerals Management Service.

And I am also glad to see that this draft legislation by Chairman Hastings codifies into law the executive actions to separate the revenue collection from safety and environmental enforcement functions.

But I do have concerns that this draft legislation does not go far enough toward ensuring environmental protections in outlining the duties and responsibilities of the Ocean Energy Safety Service, which appear to match some of the ultimate responsibilities of the Bureau of Safety and Environmental Enforcement, BSEE, as you call it.

This Congress, I introduced a Safer Drilling Act, which would require oil companies to have worst-case scenario response plans and the financial and technical means to clean up any spill before they drill or are allowed to drill for oil off our coast. We have seen the consequences of not having such a plan in place. I know that the Commission recommends better worst-case scenario planning. But I see no mention of worst-case scenario planning in the Chairman's draft.

My question, Director Bromwich, is in the absence of legislation codifying worst-case scenario spill plan guidelines, what processes will BSEE or the Ocean Energy Safety Service put in place to enforce and review worst-case scenario response plans and ensuring that they are fully comprehensive?

Mr. BROMWICH. Well, thank you very much for your question. We are very much focused on the issues of spill response and emergency response of the kind that you are describing. I recently named the head of the new oil spill response function in BSEE, a

very experienced career person who has been engaged with the Coast Guard and other agencies for a long time.

We have in development a detailed and unfortunately probably lengthy rulemaking process to really change the contours of what is going to be required for oil spill response plans. The reason it will take long is because multiple agencies need to be involved and be comfortable with the revisions to the current system that we have.

So I completely agree with you that this is a very important area for us to continue to be focusing on. This will be located in BSEE. It will be elevated. It will be a national program, unlike the former status of the program in the agency. And we will move forward smartly to work with the Coast Guard and our other partners to make sure that adequate focus is put on spill response, related issues, not only by the government, but by industry as well.

Ms. TSONGAS. Does a team within BSEE envision a situation where a worst-case scenario at a particular site is so environmentally damaging that a permit should not be issued? And if so, what would such a scenario entail, and how often do you think this might occur?

Mr. BROMWICH. It would really be more likely to come up on the resource management side of the house. That is where I think you may not have been here yet. That is where the bulk of the environmental work will be done in the agency. It will be done in the context of examining exploration plans, which is generally the umbrella for a set of wells that are ultimately drilled.

There will be a modest amount of environmental work done in BSEE at the time that the individual drilling permit is submitted. But the bulk of it will be in the resource development agency, or BOEM. And if the exploration plan raises too many questions or issues with respect to the high risk of a spill, the plan won't be approved, and no permits can be submitted unless there is an approved plan.

Ms. TSONGAS. Thank you.

Mr. LAMBORN. And is the gentlelady finished?

Ms. TSONGAS. Yes.

Mr. LAMBORN. OK. Thank you. I now recognize Representative Landry of Louisiana for five minutes.

Mr. LANDRY. Good morning, Director. First of all, I would like to say that I disagree with the Wall Street Journal's article. I would like you to tell us what operators told you that those deep water rigs are coming back, because I wish they would tell their employees that.

Yesterday I was on the telephone on radio getting questions, taking questions, in Lafayette, Louisiana. And not operators but contractors consistently told me that they are still laying off people. Their businesses are still suffering. So, you know, I intend to look into that article.

Now, let me just also say this. You know, I believe in trying to fulfill the President and our promises to help promote job growth and economic activity. Wouldn't you want to do that as well?

Mr. BROMWICH. Absolutely.

Mr. LANDRY. OK. Now, I know you think I am going to ask you for some more permits, but that is a given. I would like you to consider—

Mr. BROMWICH. We will stipulate to that, Congressman Landry.

Mr. LANDRY. I would like to consider what I have come to believe as the next greatest impact to our smallest operators in the Gulf of Mexico, operators who are developing America's energy on the shelf, in a place that we all have agreed has a proven safety record and does not present the opportunity to repeat the same type of accident that we had. And this issue is in the implementation of SEMS, the Safety Environmental Management Systems.

It currently has the greatest impact of derailing business activity, setting back contractors and hurting job growth. Now, what I want to ask you to consider is—I am not going to ask you not to implement it, only in phasing it in—in what I see as a government-industry friendlier manner. And I would like the other side of the aisle to pay close attention.

What I have, I have a draft letter that I will submit to you. We are going to try to get some additional signatures on that. What I would like you to consider doing is continuing the implementation, continuing the audit, and focus on manned platforms rather than non-manned platforms, and also consider basically placing a suspension of civil penalties for a period of 12 months, because our small operators are spending millions of dollars. Contractors are extremely confused in the implementation of this. And what I am afraid to do at a time when the permitting process is costing them money—we are not getting—we are going to dispute the level of permitting activity.

I have operators who have not drilled. These are small operators. This is not Shell, Exxon, Chevron. These are our small independent producers. Some of them have decided never to go back to the shelf again. And I would not like to see that. I would like them to get back on the shelf. I believe that they probably create a tremendous amount of jobs here at home. And so the thought would be to have an enforcement mechanism where we would have a time period where both industry and BOEMRE could work through this large bureaucratic mess because as I will note in the letter, BP had a SEMS program in place prior to Macondo.

The industry has embraced it. And so I just want to make sure we are not fining these guys for paper trail infractions. What would be your opinion of that?

Mr. BROMWICH. Congressman, as you probably know, we actually issued the original SEMS rule a year ago. And precisely because we were concerned about the kinds of issues you have just raised, we deferred enforcement for a year. So, we have not begun the actual process of doing inspections or reviews, and we are not doing that until November of 2011.

So there has already been a deferral because I think we were realistic in recognizing that particularly small and mid-sized operators might have to do some significant work. Now, what would be helpful, Congressman, we have held workshops on SEMS. I know industry has held workshops on SEMS. The Center for Offshore Safety, which is run by API, has held workshops on SEMS, and is doing work on that.

I have not heard from contractors or anyone else about specific problems they are having. I would urge you to urge them—

Mr. LANDRY. I am going to.

Mr. BROMWICH.—to come see us.

Mr. LANDRY. I am going to do that. I am going to try to get them focused on that. I think the problem is—and I would like you to consider it in my 10 seconds—is that on top of all of the additional hoops and bureaucratic hurdles that are being placed in front of them from the permitting process, that they are trying to look at their revenue source as they implement all of these. And so I do appreciate the 12-month period that you have given them. What I am telling you is that I think they need an additional 12 months, not in the implementation or the enforcement, but that the enforcement take place in such a manner that it doesn't penalize the industry immediately.

You can conduct the audits. You can issue a notice of violation. But you can withhold implementing civil penalties for that time period so as to give the industry and you all the opportunity to work through it.

Mr. BROMWICH. Congressman, I would be very interested in hearing about the scope of the magnitude of the problems, and we will try to be fair and appropriate in our response.

Mr. LAMBORN. OK. I have to keep things moving along. We have time for one more set of questions because there are 9 minutes and 40 seconds left in the vote series, and then we will have to go into recess. Representative Sarbanes.

Mr. SARBANES. Thank you, Mr. Chairman. Thank you, Director, for being here. I want to commend you for your efforts to keep this reorganization moving in a timely way. It sounds like you are on track to get it done. I think it is going to make a big difference in terms of ensuring safety with respect to all of these operations that the agency oversees. And frankly, it is good thing for the industry that you regulate because if you can put new protections in place that create more confidence over time, that is going to be better for the industry, and we are going to avoid the kinds of spills that obviously, you know, undermined that industry for a long period of time.

So I thank you for your work. I wondered if you could—and I understand that the reorganization can benefit from codification in law. There is much that you can do without that, and you have done. But getting it codified makes sense. I think many of us feel that the opportunity to put in place some of the other recommendations from the Commission and other places presents itself at the time of doing that codification, and we would like to see more of that be part of this. That may not happen, but that is, I think, the perspective that we bring.

I wanted to ask you if you could try to quantify—as I look back on the problems that you tried to address with the reorganization, my sense is that during the period in which the lines got very blurred in which I think frankly the agency became captive of the industry, you could sort of lay that—you can point to two sources of that. One is that in some cases people are just being negligent in the jobs they were supposed to do on the regulatory and over-

sight side. But the other piece was that just the structure of it was such that, you know, good people could lose their way.

Can you in any way kind of sort of quantify the two baskets that those things fall into? And I assume you will say that now at least from a structural standpoint, what you have put in place is such that good people will not lose their way because those basic protections are there.

Mr. BROMWICH. Thank you very much for your question, Congressman Sarbanes. It is a very good question. I think it is less negligence than the fact that the agency was starved for resources. The number of installations that our inspectors had to review and inspect was an astronomical number, over 3,200 facilities right now, not to mention all the drilling rigs.

We now are up to 80 inspectors, but at the time of the spill, we had about 55 inspectors. So you and I can do the math, 55 inspectors for, let us say, 3,500 facilities. You compare that to the UK, where they have about one inspector for every two installations. You start to get a sense for the numbers, and the fact that the task, the magnitude of the task in front of our regulatory personnel, particularly our inspectors, was impossible.

So I can't completely eliminate the claim that there may have been negligence in some instances. There is in every organization, and I am sure there was in the MMS. But people were being stretched way beyond organizational and human capacity to do that job.

Now, with respect to your other point, I think that is a fundamental point. But I think the two in a way converge. There was a blurring, but the blurring was driven by the fact that priority was always given to revenue generation. And the President's Commission found that. It interviewed former MMS directors, and it asked them, what was your top priority as MMS director. And without exception, they said, generating revenue for the Federal Treasury.

Well, if that is your top priority, then balanced resource development becomes secondary, and regulation and enforcement, it doesn't even become tertiary. It is in the back of the bus.

Mr. SARBANES. Let me ask you something real quick because my time is going to expire. We talked in a prior hearing about my interest in creating accountability at the highest levels within these companies. And I have spoken to the notion that CEOs ought to have some civil liability if they don't oversee response plans properly and so forth.

Do you feel that there is sort of a single point of accountability and responsibility in operating within these companies to your satisfaction, or do you think there is still more work we could do there?

Mr. BROMWICH. I would want to see a specific proposal. I think we have gotten to a point where we now have that kind of accountability. What we have through an NTL that we issued last November is a requirement of a certification from a high level company official—it doesn't have to be the CEO under our model, but it has to be a high and responsible corporate official—that all of the submissions that are made are compliant with all existing regulations.

So there is now somebody on the hook in a way that there never was before. Now, could that be changed or modified in some way? Sure.

Mr. LAMBORN. OK. Thank you. Director Bromwich, we do have to conclude for now. We will go into recess. We only have three minutes and 52 seconds left to get over and vote. I wish we could have wrapped up the first panel, but that wasn't possible, even though we started early. So we will back shortly after finishing voting, and we will resume and finish up the first panel, and then go into the second. We will be in recess.

[Recess.]

Mr. LAMBORN. The Subcommittee will come back to order. Thank you for your patience, everyone who waited, especially Director Bromwich. We know your time is valuable. I hope you were able to get things done in the previous 60 minutes or so that we were over at the Capitol. But now we can resume.

Mr. BROMWICH. Great.

Mr. LAMBORN. We are back in order, and we will finish up with our questions, and then be done with this portion of the hearing. The next person in line is Representative Flores of Texas, and you have five minutes.

Mr. FLORES. Thank you, Mr. Chairman. Thank you, Director Bromwich, for joining us again today. One of the things that I took back from the last time that you testified was that the drilling permit process was back on track, and seemed to be moving in a fairly good pace, and that the things were moving efficiently.

The problem still remains, though, that activity levels, where people are actually trying to stick a drill bit in the ground, in the seabed offshore, are still way below historical averages. That has a dramatic impact on jobs, American jobs, and ultimately will have an impact on American energy production. And that decline in American energy production is going to have a detrimental effect on the American economy. And this is just not the time to be experiencing things like that.

So as a result of that concern, I began to do some research and looked at the prerequisite for drilling permit applications. And as we all know, it is plans for exploration and plans for development, and noticed a dramatic slowdown in that regard. I looked at the IHS data, and you have indicated today you don't agree with that IHS data, so I have tried to actually independently see what the data is.

The data on the BOEMRE website, unfortunately, is a little bit opaque. And so I wasn't able to come to that conclusion. And I noticed that Senator Vitter sent a letter to you to try to get to the bottom of the same issues I have got. I am going to send you a substantially identical letter in the next couple of days, but it is also going to expand it to talk about shallow water data as well, and also to ask you if there is a way that we can—that the American public can look at your data and drill in and see what is actually happening, where it is a little less opaque.

So that is one of the directions I will be going later on. You are somebody that is well-read. I mean, you read the comments about your agency and about what is happening in activity. And you tell us that your clients, if you will, the operators and the contractors,

are not complaining about the relationships with your agency. But when I privately meet with these companies, they are telling me something different.

They are also saying that the personnel at BOEMRE are saying to your clients, to these operators and contractors, thank you for not publicly criticizing us. And that sounds to me like that could be two things, not only a thank you, but a warning to not be critical.

So I guess what I would suggest or ask you, is there a way that we can ask these companies to be more forthcoming when they are talking to you, and not worry that they are going to somehow be hurt and their applications for exploration plans or development plans or drilling permits—can you help me with that?

Mr. BROMWICH. Sure.

Mr. FLORES. Is there a way to make this a more collegial relationship than what we have today?

Mr. BROMWICH. I think there is. I think we have been making enormous strides in that direction. I think I mentioned earlier that we had a permitting workshop two weeks ago all day long with many detailed presentations from our folks, as well as panels from industry helping their colleagues in the operator community work through the various issues that are associated with submitting permits.

I obviously can't control what our people say, but I can control what I do. And I have never turned down a meeting from an operator or a contractor or anybody else who says that there are still significant issues that they think are interfering with or impeding the orderly process of approving plans or approving permits.

In addition to the permitting workshop, we had a plans workshop last March, again all day. A couple of hundred participants from industry attended. The feedback that we got was extremely favorable. We will continue to do that kind of outreach. This afternoon, I am meeting with an industry group. Again, it is something I do all the time, individual operators, groups of operators and so forth.

Keep in mind, though, that you may be hearing from contractors. We deal primarily with operators. They are the ones who submit the plans. They are the ones who submit the permits. And we obviously can't control what happens, for example, Congressman, after we approve a permit, how quickly the drill goes in the ground.

Some time ago, we were actually disappointed to see that of the number of deep water permits that we granted, only a minority had spud.

Mr. FLORES. Just to clarify what I had talked about before, the bulk of the comments I am receiving are from the operating community. My encouragement to you would be to—you set the culture for the organization as the guy at the top, just like I used to when I was CEO. And I would ask you to facilitate a culture of openness and cooperation, where an operator can come in and feel free to speak freely about what works and what doesn't work. And then, of course, I will send you the letter, and you can have time to send more data later on.

Mr. BROMWICH. Congressman, I couldn't agree with you more. I think open relationships and transparency and the freedom to come in and point out deficiencies or shortcomings in the process, those

are keys to our being able to improve. And so I agree, tone is set at the top. That is the tone I have tried to set, and I will continue to do that.

Mr. FLORES. Thank you.

Mr. LAMBORN. OK. And we will try to continue on and finish up our first round of questioning. And I know that there is a hard department time for you in about 15 minutes or so, so we will honor that.

The next person in the line is Representative Duncan of South Carolina, for five minutes.

Mr. DUNCAN. Thank you, Mr. Chairman. Thank you for the timeliness of this panel. I would like to yield the balance of my time to Mr. Landry from Louisiana.

Mr. LANDRY. Mr. Bromwich, I would like to just echo what Mr. Flores says. And keep in mind that these companies, as they go through your regulatory hurdles, that they agree with, it requires resources from their part. And so they have a finite amount of resource, unlike what we experience at the Federal Government level. They can't just go and ask Congress for more money. So, again that is where I think we have a big sea of difference.

I wanted to ask you, there was an article that came out which said that at the current rate of permitting, even at the current rate, we would lose an additional eight rigs in the Gulf of Mexico. And so I don't understand how operators can be telling you that the 12 that are coming back, or that have left, may be coming back when there are articles that say that at the current permitting pace, we would probably lose an additional eight.

And so in light of those comments, I can't see how the Wall Street Journal can sit there and say that we have, you know, gotten back to robust drilling in the Gulf of Mexico. Could you give me about a minute reply?

Mr. BROMWICH. Sure, Congressman. I have not read the Wall Street Journal article. I had only been told about before. And it is not the Wall Street Journal saying it. It is political officials in Louisiana who are saying it. One of them is—

Mr. LANDRY. No. He says—

Mr. BROMWICH.—quoted prominently.

Mr. LANDRY. No, no, no. What he says—excuse me. I just want to correct that. He just says that there is optimism out there. And I think that optimism is the fact that we are getting some permits.

Mr. BROMWICH. Exactly.

Mr. LANDRY. And we may be seeing a thaw.

Mr. BROMWICH. Exactly. And then many of the other comments are from operators, executives in major companies. Mr. Odum, the North American head of Shell, is quoted as being very bullish about the future of the Gulf of Mexico. So it is not the Wall Street Journal as I read it making it up out of thin air. It is based on conversations and discussions they have had with agency—rather with operator, executives, and officials, as well as people who see the activity around them.

Mr. LANDRY. With that, Mr. Chairman, I would like to yield the balance to Mr. Flores.

Mr. LAMBORN. OK.

Mr. FLORES. Thank you, Mr. Landry. In April, right after the CR was passed, you testified that your agency was given 47 million of the 68 million they requested for Fiscal Year 2011. And so you were given a significant amount of money to try to recalibrate your agency to fit the responsibilities that you have. Can you tell me how many people you have hired to work on permitting?

Mr. BROMWICH. I don't have the specific number that we have hired for permitting specifically. I know that we have hired a number. What we calculated is the difference between what is in the President's request for Fiscal Year 2012 and what was in the House Appropriations Committee mark would mean that we would have a shortfall of approximately 20-plus permitting personnel, again new personnel that we would have hoped to bring on that would expedite the permitting process, that if we are not given that level of funding we won't be able to bring on.

Mr. FLORES. But you have added personnel for this function. Is that correct?

Mr. BROMWICH. Sorry?

Mr. FLORES. You have added personnel.

Mr. BROMWICH. Yes, yes.

Mr. FLORES. OK, OK. If you can, if you can get somebody to get that number to me, that would be helpful.

Mr. BROMWICH. Sure.

Mr. FLORES. I mean, we are getting close to the end of the fiscal year. Have you expended all of the dollars that were you were appropriated for this purpose?

Mr. BROMWICH. We are working hard to expend as many of them as we can. We are running into some issues relating to recruitment, frankly, of drilling engineers. I gather industry is running into some of the same problems. And at the salaries we pay, it is not only a challenge right now. I think it is going to be a continuing challenge. So we have some ideas and strategies that we are going to pursue to try to make sure that we have an adequate number of drilling engineers to make sure that we are able to continue processing permits and actually process them at a more rapid level than we are able to now.

Mr. FLORES. OK. So at this point in time, it is not really a shortage of dollars as much as a shortage of being able to get people in the seats to be able to process permits.

Mr. BROMWICH. Yes, it is partly that. But based on the conversations that I have had with operators, particularly some of the big companies that are heavily invested in the Gulf of Mexico, they think that the pace of their activity is ramping up now. They think it will continue to ramp up, and ramp up significantly.

So what I try to do is look around the corner and anticipate where we are going to be X months from now. I don't want to be in a situation where the backlog has grown. And so that is why I am so concerned about ensuring that we have adequate funding so we can make the efforts to hire the engineers who will be in place to review the permits.

Mr. FLORES. OK. Thank you. I yield back.

Mr. LAMBORN. OK. I recognize Representative Rivera of Florida.

Mr. RIVERA. Thank you. I yield my time to Representative Landry.

Mr. BROMWICH. You are a lucky man today.

Mr. LANDRY. I know. Our relationship. Open and transparent is going to apply to Congress as well, right?

Mr. BROMWICH. Absolutely.

Mr. LANDRY. OK, all right. A couple of things. Can you explain how you addressed the recommendation of the President's hand-picked commission with regards to MMS reorganization, particularly with respect to those areas where you disagreed with the commission's recommendation?

Mr. BROMWICH. Well, we disagreed with very little in the President's Commission's recommendations. We thought that they were sound, that they were reasonable, that they were based on a lot of hard work by some very smart and experienced people.

The one distinction that I think we had is they recommended, as I think you know, that there be an independent safety authority, a Presidential appointee, with a term of years, and that that entity within Interior have a direct report to the Secretary of the Interior.

I think that is a serious proposal, worthy of serious consideration. But because of our concerns with maintaining operational integrity and operational efficiency, our judgment was that it was a step too far right now, and that it was important to make sure that there continued to be coordination between the two agencies that were about to split apart. And moving it more separate than what we are doing would create risks that I am not comfortable with at this moment.

And so that is the main difference. It is a nuance, I agree. But because I know the agency, I think, better than any outsider, I thought that that was a step too far.

Mr. LANDRY. Let me ask you this. Of the rigs that have left the Gulf of Mexico, do you know if that was the latest generation of rigs? Do you know—I guess my question is, as rigs leave the Gulf of Mexico—or is America experiencing the latest generation of those types of deepwater drilling rigs, leaving and leaving only in the Gulf of Mexico an older, first, second, rather than third-generation type drilling rig?

Mr. BROMWICH. I can't give you a definitive answer to that, Mr. Landry. But I know that when we talk with operators, and they talk about their current and short-term plans, they frequently brag about the sophistication of the new rigs that they are bringing back.

So it is not scientific. I can't give you numbers on that. But I think they understand that the newer rigs are more likely to more easily satisfy some of our requirements. And so that is what they tell me about. But I don't have specific data at my fingertips right now. But my sense is that coming back into the Gulf or coming for the first time into the Gulf are quite sophisticated, new drilling rigs.

Mr. LANDRY. Do you have a timing when we might experience the first rig actually coming back to the Gulf of Mexico?

Mr. BROMWICH. I think that has already happened, Congressman.

Mr. LANDRY. OK. I am going to go back and check on that. Do you believe that the current pace of permitting provides certainty in the market and will not affect potential revenue generated for

the upcoming lease sale in the Western Gulf scheduled later this year?

Mr. BROMWICH. I think there is a lot more certainty now than there was a number of months ago. I think we are providing that through the recent pace of permitting. And I think through our continued efforts to talk to operators, to make sure that their questions are being answered, doing things like holding plans, workshops, and permitting workshops, and frankly raising the quality of the permit applications that we get.

One of the things that came out during this workshop was that there are huge gaps and data errors in many of the permit applications that we get. And so it is clear that if we are going to approve the permits, we have to get compliant permit applications. And that has been a significant problem.

With the guidance that we have given, the additional educational efforts that we have done and will continue to do, I think we will begin to see more compliant applications, and well be able to therefore review and approve them even more swiftly.

Mr. LANDRY. With the last 40 seconds, I would like to yield to Mr. Flores.

Mr. FLORES. Thank you, Mr. Landry. Director Bromwich, in your testimony, you were not supportive the Chairman's proposal to split the agency on a pre-sale/post-sale basis, if you will, saying that would increase bureaucracy. However, it appears in the organizational structure that you are trying to operate under or the other direction you are trying to go, we are splitting the folks who review the drilling plans from the folks who review and approve drilling permits.

So it seems like we are not consistent in terms of talking about style of bureaucracies here. How do you recognize this? I mean, you are saying that the Chairman's idea on the one hand is not necessarily a good idea. On the other hand, we are operating that way today. And again, I am just concerned about the slow pace of drilling activity, and I think this is one of the things that may be causing it. So you can reconcile this for me.

Mr. BROMWICH. Sure. I was really talking this morning about the Chairman's proposal in the discussion draft. And my main concern about that is that by putting the plan's function in the safety authority, that there would need to be under law a very robust environmental analysis and review that would need to be done in the safety authority, at the same time that with respect to the five-year plan and individual lease sales, there has to be a very robust environmental review and analysis capability in BOEM.

What concerns me the most is you are going to have dueling environmental analyses that may conflict. And I just thought that was a very unhealthy thing to create in the structure. Putting permits in a separate place, there is very close interaction between what permitting officials need to do and the information they get from drilling engineers and inspectors who are carrying out review functions and inspections functions.

So it was a much more logical fit to put the permitting authority in the safety and environmental enforcement agency than to put it together with plans. It makes much more sense.

Mr. FLORES. I yield back the rest of my time.

Mr. LAMBORN. All right. That concludes our questions. Director Bromwich, thank you for being here and for your testimony.

Mr. BROMWICH. Thank you, sir. I appreciate it.

Mr. LAMBORN. OK. And by the way, Members of the Committee may have additional questions to submit to you in writing, and I would ask that you would respond to those in writing as well. Thank you.

OK. We will now have our second panel, and I would like to invite Mr. Albert Modiano, President of the U.S. Oil and Gas Association; and Dr. Donald Boesch, Commissioner of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling.

Like all our witnesses, your written testimony will appear in full in the hearing record, so I ask that you keep your oral statements to five minutes as outlined in our invitation letter. Our microphones are not automatic, so you have to turn them on when you are ready to begin.

The timing lights work with a green light at the beginning, and after four minutes a yellow light goes on, and then a red light at five minutes. And, Mr. Modiano, you may begin.

**STATEMENT OF ALBERT MODIANO, PRESIDENT,  
U.S. OIL AND GAS ASSOCIATION**

Mr. MODIANO. Thank you very much. Good morning. Well, we are getting close to afternoon, but good day. It is a pleasure to be invited to address the Chairman's discussion draft to reorganize the Interior Department's offshore energy agencies.

I am Alby Modiano, President of the U.S. Oil and Gas Association. The U.S. Oil and Gas Association is the Nation's oldest trade association for oil and gas. We have over 4,500 individual members. It is the only national association with divisions in the States along the vital Gulf of Mexico, and they include the Texas Oil and Gas Association, the Louisiana Mid-Continental Oil and Gas Association, the U.S. Oil and Gas Association of Mississippi-Alabama, and as well as our inland division, the Mid-Continental Oil and Gas Association of Oklahoma.

My own background and bonafides to look at this activity is that before USOGA, I was a civil servant acting as a deputy director of MMS.

The Chairman has drafted an effective plan on how Congress should delegate its authority to the Secretary of the Interior to undertake the Nation's business of Federal leasing, approving development activity, safety, environmental review, sustain Federal workforce competency, and royalty collection.

But reorganization should be guided by several fundamental principles. The new organization should have clear lines of authority. It should be given adequate funding to do its mission, and it should be given the means to discharge its responsibilities as effectively and efficiently as possible.

The draft legislation does draw lines of clear authority. It proposes an organic act for the new organization and establishes a new Under Secretary, with Assistant Secretaries and managing new bureaus. By proposing an organic act, the legislation recognizes that Congress should have an important role in approving the

new organization's leaders through its constitutional powers of advice and consent.

Senate confirmation hearings often spark additional congressional and public discussion of national priorities. And such review of the department's oil and natural gas mission would likely benefit from such confirmation hearings.

The draft places the new Office of Natural Resource Revenues under the DOI's management for policy and budget. Collecting revenues is a question of accounting and accuracy, and making sure that the rules are followed. In fact, the word royalty comes from an age when the king collected a payment for bounty obtained on royal lands. Americans expect no less from the use of our commonwealth.

When the department awards a Federal oil or natural gas lease, it must collect royalty in an efficient, accurate, and timely manner. In placing the Office of Natural Resource Revenue within the department's policy and budget organization the Committee should carefully consider if royalty collection and enforcement is separated enough from policy and budget operations.

Just as the threat of intermingling, perceived intermingling, or perceived opportunity for intermingling of priorities at odds with one another was a concern when royalty operations were under the MMS roof, some might argue that unless a new office truly stands alone, such concerns remain unaddressed.

In addition to clear lines of authority, providing adequate funding is critical. The new Under Secretary for Land and Resource Management and new bureaus must receive the adequate funds they need to succeed. You cannot reorganize your way out of accidents, but you can better organize talent and resources to reduce the risk to as close to zero as humanly possible.

The new Bureau of Ocean Energy Safety will need adequate funds to develop and sustain its critical programs because safety is more than a budget cycle. It is a continuing priority year-in and year-out.

In addition to providing clarity and funding, the organization led by the Under Secretary must be given the means to discharge its responsibilities as efficiently as possible. By creating a new organization with an additional layer of bureaucracy, the Under Secretary, is efficiency really improved? Probably yes.

Having an Under Secretary is one means for Congress to bring greater gravitas to Federal management of energy development. There is no way to ensure better means and greater efficiency than giving it a higher profile. The Federal energy portfolio would have a higher status that it does not today by virtue of its elevated role within the department reporting to an Under Secretary. And Under Secretary has a great ability to compete for needed resources and to look over its entire organization.

The industry hopes that these organizational changes provide the best means to manage the Interior Department's offshore energy agency so that government can act in a timely, efficient, and seamless manner. The discussion draft establishes clear lines of authority, a commitment to adequate budgeting and staffing, and provides the means to discharge the responsibilities.

We are more concerned that the new organization is a success rather than the exact organizational structure created. We support the draft's approach to reorganize the Department of Interior's energy agencies.

[The prepared statement of Mr. Modiano follows:]

**Statement of Albert Modiano, President, US Oil & Gas Association**

Thank you for the invitation to the US Oil & Gas Association to comment on the Chairman's Discussion Draft to Reorganize the Interior Department's Offshore Energy Agencies."

The US Oil & Gas Association is the nation's oldest oil and natural gas trade association. It was founded in October 1917 in Tulsa, Oklahoma as the Mid-Continent Oil & Gas Association following the United States' entry into World War I. A principal purpose of the Association's formation was to provide essential supplies of petroleum and petroleum products to the allied forces; helping the Allies, ". . . to float to victory on a wave of oil." The US Oil & Gas Association's contribution to victory helped establish it as an Association in which individuals working cooperatively could resolve mutual problems and achieve great results.

Over the past ninety-four years the US Oil & Gas Association has been a strong advocate in public policy debates for the individuals who build and sustain the U.S. petroleum industry. These individuals represent companies of all sizes in the domestic industry, majors, independents; family owned companies, small partnerships as well as single entrepreneurs.

The Association has over 3,500 individual members, covering the full spectrum of the domestic petroleum industry. The Association is unique among industry trade groups. It is the only national association with Divisions in the States along the vital Gulf of Mexico; which include the Texas Oil and Gas Association, the Louisiana Mid-Continent Oil and Gas Association, the Mid-Continent Oil and Gas Association of Oklahoma and the US Oil & Gas Association Mississippi/Alabama Division.

During my career I was a civil servant in the Department of Energy and in the Department of the Interior, Minerals Management Service (MMS) working on energy and oil and natural gas policy. At MMS, I first served as Director of the Office of Policy and then as the MMS Deputy between the years 1989 and 1993.

The Chairman has drafted an important discussion document on how Congress should reorganize MMS and delegate its authority to the President and Secretary of the Interior to undertake the nation's business of federal leasing, approving development activity, safety, environmental review, sustained federal workforce competency and collecting the revenues associated with such activities.

Reorganization should be guided by several fundamental principles. The new organization should have clear lines of authority, it should be given the budget and staffing that it needs to do its mission, and it should be given the means and opportunity to discharge its responsibilities as efficiently as possible.

The USOGA shares and supports the need to establish clear lines of authority for oil and natural gas operations on federal lands and the Outer Continental Shelf and the collection of federal royalties. The discussion draft draws new lines of clear authority by establishing a new organization chart and adopting this organization by an act of Congress. With these clear lines of authority, it strengthens the Department of the Interior's ability to undertake resource development, facility inspection, workplace safety and environmental stewardship.

The Chairman's reorganization plan defines new institutional reporting responsibilities (with new supporting organizations and programs) and new Bureaus with focused and circumscribed priorities in a way that makes their role and mission understandable and accessible to all.

The Chairman's discussion draft moves beyond the reorganization steps taken by Department of the Interior over the past year. It proposes an organic act for the new organization. It establishes a new Under Secretary and Assistant Secretaries. The two new Bureaus reporting to the Under Secretary, Energy and Land Minerals, are: the Assistant Secretary Ocean Energy Safety (comprised of the Bureau of Ocean Energy and Ocean Energy Safety Service) and an Assistant Secretary Land and Minerals Management (comprised of the Bureau of Land Management Office of Surface Mining, reclamation and Enforcement). It also moves the existing Bureau of Land Management and the Bureau of Reclamation under the new Under Secretary. A new Under Secretary with direct congressional authority helps to make Department's resource development activities and policies more transparent and accountable to the public and Congress.

By proposing an organic Act establishing the Under Secretary, Assistant Secretaries and Bureaus in place of MMS, the discussion draft recognizes that Congress should have an important role through its power of advice and consent in approving the President's appointees nominated to lead and manage these activities. Senate confirmation of the President's appointments to the Department of the Interior's Under Secretary and Assistant Secretaries for Energy Lands and Minerals is an important part of checks and balances. Senate confirmation hearings often spark additional congressional and public discussion of national priorities and goals. The country's federal oil and natural and gas development policies would likely also benefit from such confirmation hearings.

The discussion draft also codifies that the Assistant Secretary for Policy, Management, and Budget manage the Office of Natural Resources Revenue responsible for collecting all federal royalties and revenues for onshore and offshore energy production. It makes clear that royalty collection operations must be separated from leasing, safety and environmental responsibilities. However, a closer look if this action establishes clearer lines of authority, or not, should continue to be reviewed in greater depth.

Collecting federal royalty payments it is a question of rules, accounting and accuracy.

The rules for such payments, accounting, auditing report records, and enforcement remains today, fundamentally, the same as the origin of the word "royalty" implies— the King's collection of a share of the purse gained from any use and bounty obtained on the royal hunting grounds. A royalty payment for the value at the site of the catch is owed to the King. Americans expect no less from the use of its commonwealth. When the public, through the Department, awards a federal lease contract for oil or natural gas production, it expects to be paid its royalty share of the value of this resource taken at the point of its production.

This committee and the Chairman should consider whether, or not, the royalty collection and enforcement mission is really separated enough from the general policy and budget operations of the Department of Interior if it is housed in the policy and budget office. Just as the intermingling, threat of intermingling, or perceived opportunity for intermingling of priorities at odds with one another, was a concern when it was under the MMS roof, some might argue that unless this operation truly stands alone these concerns remain unaddressed.

Given all of the above, the Chairman's draft does provide greater clarity, competency, efficiency, and accountability to responsible resource development.

In addition to drawing clear lines of authority and accountability, providing adequate resources are critical for success. The new Under Secretary for Land and Resource Management and Bureaus must receive the necessary funds needed to succeed.

Congress ultimately determines funding.

Much of the impetus for reorganization came from concerns over royalty collection, safety and environmental review practices.

In addressing safety, you cannot organize your way out of accidents, but you can help all participants understand and adopt operating practices to bring the risk as close to zero as humanly possible. Many of the Chairman's proposals to address safety issues will mean authorizing and appropriating money to develop these programs. Safety evaluation and improvement never ends, it is a continuing priority year in year out. Congress should provide the necessary funds to keep these programs robust and moving forward.

Environmental stewardship is akin to safety. Studies, reviews and scientific analyses take resources of staff and money.

Following the organizing principles of establishing clear lines of authority and a commitment to funding it is also important to review reorganization plans as to whether or not the new organization is also given the means to discharge its responsibilities as efficiently as possible.

The industry agrees with the goals of reorganization, but it is important to note that there is some concern about whether, or not, some parts of the plan provides the most efficient means to discharge its various missions.

The question asked is does adopting an organic act help or distract from the goals of the proposed reorganization? Does creating a new bureaucracy help the Department of the Interior better manage its offshore agencies? In the end, is efficiency really improved?

In this case, some express concern that by reforming MMS (and adding some new missions) under an organic legislative mandate, Congress has created a new bureaucracy and a new energy monarch that might be less efficient, prone to mission creep, and lead to unintended consequences. The wiles of organizations and their development over time can be erratic and institutionalizing congressional power and

authority at a single point, is a step that should be taken with serious review and scrutiny.

However, consolidation also has many merits, and creating an Under Secretary, as stated before could be a very efficient way to organize. In addition, an Under Secretary also creates a champion for the Department's energy portfolio bringing both clearer and greater authority to the management, of its offshore energy activities. An Under Secretary could be champion for budget and staff, and give undivided management attention to keeping the trains on time. An Under Secretary could help increase the pace of energy development and highlight its importance. On the other hand, some are skeptical that separating under different entities the review of exploration plans and drilling permits could slow everything down and in the end not be efficient government. That is certainly a potential outcome, unless, again, there are adequate resources and staff assigned to these activities.

Of particular importance to the industry is the emerging and future role of the Center for Offshore Safety that the industry has established in Houston, Texas. The President's panel that studied the BP accident recommended the creation of an independent safety body to review all phases of drilling operations so as to assure that industry meets the highest international standards. The industry took the recommendation to heart by establishing and funding just such an institution. This safety institute is designed to address many of the same safety concerns expressed by the current administration and by the Chairman—as demonstrated by the programs and organization proposed. The industry's Center for Offshore Safety is modeled on similar organizations established by foreign oil companies and the nuclear power and chemical industries. The goal is to improve the offshore safety through better and more efficient management and operations. The Committee should continue to study the draft's proposal to establish an Ocean Energy Safety Service—so that the shared goal of safety is coordinated among government, industry and others so that it does not, unintentionally, become a forum only for academic debate, at the expense of adopting and deploying the latest, best safety scenarios.

The effort to reorganize and redirect the work of the former Minerals Management Service addresses many of the concerns about real or perceived conflicts by partitioning the mission across three new agencies. The Chairman's draft proposes steps and establishes organic congressional approval. The industry hopes that these changes provide the means to discharge these responsibilities as efficiently as possible so that operational and regulatory programs regarding onshore and offshore exploration, leasing, plan approval and permitting continue to be undertaken in as timely, certain, efficient and seamless manner as possible.

Again, a review of the Chairman's discussion draft in terms of it establishing clear lines of authority, a commitment to adequate budget and staffing to do its mission, and providing the means to discharge its responsibilities as efficiently as possible finds that these organizing principles are embedded in the reorganization proposal. In the end, however, the most important measure of a reorganization's success is if it works as intended—and as the industry relies so much on the actions of the Department for access, leasing and permit review it is critical that a new bureaucracy make things better, not worse.

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Mr. LAMBORN. All right. Thank you. Mr. Boesch, you may begin.

**STATEMENT OF DONALD BOESCH, PRESIDENT, UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE, COMMISSIONER, NATIONAL COMMISSION ON THE BP DEEP-WATER HORIZON OIL SPILL AND OFFSHORE DRILLING**

Mr. BOESCH. Great. Thanks very much, Mr. Lamborn and Members of the Committee, for the opportunity to talk to you today. I am here on behalf of the Oil Spill Commission. I was one of the seven members. And we are very pleased that you are taking up legislation to enact part of our recommendations, and I would add my support and our support of my fellow former commissioners to the idea of codifying this in legislation so that it maintains itself from administration to administration.

You know, yesterday the report of the joint investigative team was released, the Coast Guard and BOEMRE, about the specific causes, of the accident. And we commissioners and our staff who

worked hard on our report, which was delivered eight months ago, were very reassured by the fact that it basically agreed with our analysis that we delivered at the time, and maybe provide greater level of confidence of the nature of the particular incident that we need to try to deal with and correct. So just like getting a second opinion from another doctor, this is helpful.

The other difference between our two investigations, though, is that our investigation was independent. We were not part of government. So the report delivered yesterday by BOEMRE is not going to address internal reorganizational structural issues within BOEMRE. So on that basis, we made recommendations that went beyond the proximate issues related to that spill.

Many of the issues that have been discussed in terms of the need to separate the functions better, we are very pleased that the BOEMRE, under Secretary Salazar and Director Bromwich, have taken those steps. Let me specifically hone in, in the interests of the short amount of time we have, in what our recommendations actually said with respect to the two models that we have, the BOEMRE reorganization model and Mr. Hastings' draft bill.

First of all, the issue of the function of BSEE, as BOEMRE is now calling it, the Bureau of Safety and Environmental Enforcement, versus the Ocean Energy Safety Service in Mr. Hastings' bill, our analysis came down more like Mr. Bromwich described in that we would activities related to environmental analysis and management of the resource, management of leases and so on, and put them in the ocean management group, whereas the issues that should be at arm's length regarding permitting should be in the safety and enforcement division.

We also, as Mr. Bromwich just pointed in response to Mr. Landry's question—the one distinction in our recommendations from that that BOEMRE has enacted is that we recommended that this environmental safety and enforcement branch be actually an independent agency within Interior.

Let me give you a brief understanding of why we recommended that. We heard all sorts of suggestions when we did our work, from everything is just fine, it is just one bad actor, no need to make any changes, to you really need to take these functions out of Interior altogether. There were proposals to put this in OSHA, the Occupational Safety and Health Administration, and EPA.

Our view is that this really needs to be under the responsibility given under the OCS Lands Act to the Secretary of the Interior, but that we saw enough to see the inherent conflicts of interest of having the permitting and final safety analysis and enforcement done within the agency that actually managed the resources well.

So that is the reason for our recommendation. As Mr. Bromwich said, he thinks our proposal has merit. It may be harder to do, but we think ultimately it is going to be important to do that in order to gain the confidence of the American people that we are managing this resource well.

Finally, let me just say that although this is an important step with respect to the reorganization in BOEMRE, the codification of that reorganization, there are many other things in our recommendations that we hope that this Committee and other cognizant committees of Congress would pay heed to. Just related to

BOEMRE, there are issues that already have been discussed about funding.

As Mr. Bromwich said, these things are going to cost money to do it well, and we all know that we are dealing with a budget deficit and looking for reductions. So we are having to compete for that. We felt that our analysis related to other types of fees that are provided on industry, regulated industries, could be easily appropriated in this case, and that the cost of these services are actually quite small compared to the value of the resource to the industry and to the American people.

The other thing which was pointed out just briefly about the difficulty of recruiting people into key positions, I don't know whether this requires congressional authority or Office of Personnel Management, but some flexibility needs to be given to the department to allow for appropriate salaries to recruit those people.

Finally, let me just say there are a whole bunch of other recommendations in our report regarding safety of operations, oil spill response, environmental restoration, and so on. We would hope that Congress would, in a progressive way, then begin to look at, as they have in this particular case with respect to the reorganization of MMS. Thank you.

[The prepared statement of Dr. Boesch follows:]

**Statement of Donald F. Boesch, Commissioner, National Commission on the BP Deepwater Horizon Oil Spill and the Future of Offshore Drilling**

Chairman Lamborn, Ranking Member Holt, and members of the Subcommittee, I am pleased to offer the perspectives of the National Commission on the BP Deepwater Horizon Oil Spill and the Future of Offshore Drilling on legislation to reorganize the Department of the Interior's offshore energy agencies. I served as one of the seven members of this Commission that delivered its report to the President, Congress and the American people on January 11 of this year. In my regular employ, I am the President of the University of Maryland Center for Environmental Science, but I brought to my service on the Commission previous experience with offshore oil and gas exploration and production issues in the Gulf of Mexico.

As I know you are aware, the Commission's report contains numerous recommendations for improving the safety of offshore operations, safeguarding the environment, strengthening oil spill response, advancing well containment capabilities, overcoming the impacts of the spill and restoring the Gulf, ensuring financial responsibility, and moving to frontier areas. Among those recommendations are recommendations for promoting congressional engagement to ensure responsible offshore drilling. In that light, the former Commissioners are pleased that the Subcommittee is having this hearing to consider draft legislation that addresses important Commission recommendations regarding reorganization of the former Minerals Management Service (MMS).

Prior to the *Deepwater Horizon* accident MMS was not only responsible for offshore leasing and resource management; it also collected and disbursed revenues from offshore leasing, conducted environmental reviews, reviewed plans and issued permits, conducted audits and inspections, and enforced safety and environmental regulations. The Commission found that the mingling of distinct statutory responsibilities—each of which required different skill sets and fostered different institutional cultures—led inevitably to internal tensions and a confusion of goals that weakened the agency's effectiveness and made it more susceptible to outside pressures.

At the core of this tension was a trade-off between, on the one hand, promoting the "expeditious and orderly development" of offshore resources, as mandated by the Outer Continental Lands Act of 1978, while also ensuring, on the other hand, that offshore development proceeded in a manner that protected human health, safety, and the environment. Demand for lease revenues and pressure to expand access and expedite permit approvals and other regulatory processes often combined to push MMS toward elevating the former goal over the latter. MMS lacked either a clearly articulated mission or adequate guidance for balancing its different missions leading to inefficient management and a tendency to defer to industry, which intervened to

shorten time frames for plan and permit reviews, block rulemaking concerning royalty valuation, and delay and weaken rules aimed at improving the safety management of operations.

All of these problems were compounded by an outdated organizational structure, a chronic shortage of resources, a lack of sufficient technological expertise, and the inherent difficulty of coordinating effectively with all the other government agencies that had statutory responsibility for some aspect of offshore oil and gas activities. Besides MMS, other offices of the Department of the Interior as well as the Departments of Transportation, Commerce, Defense, and Homeland Security, and the Environmental Protection Agency (EPA) were involved in some aspect of the many faceted facilities and operations, from workers on production platforms to pipelines, helicopters, drilling rigs, and supply vessels.

In the weeks and months following the Macondo well failure the Secretary of the Interior renamed MMS the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) and he and the Bureau's new director began to implement a plan to split its responsibilities into three separate offices. The Office of Natural Resources Revenue was moved into the Department's Office of Policy and Budget and BOEMRE was organized into the Bureau of Ocean Energy Management (BOEM) and the separate Bureau of Safety and Environmental Management (BSEE). Our Commission, after considering the views of many parties, including those who argued that the safety and environmental management functions must be placed in a separate department of the government, concluded that they should remain in Interior, but be independent of BOEM and insulated from the pressures to increase production and maximize lease revenues by having this independent authority report to the Secretary.

The Commissioners are pleased to see that the discussion draft legislation by Chairman Hastings codifies in law the executive actions taken to segregate the revenue (Office of Natural Resources Revenue), ocean energy management (Bureau of Ocean Energy) and safety and environmental enforcement (Ocean Energy Safety Service) functions. However, the legislation would not take the step of separating the reporting line of the Ocean Energy Safety Service from the Assistant Secretary of Ocean Energy and Safety, leaving that office the functional equivalent of the present BOEMRE Director. We urge the authors and members of the subcommittee to consider that step in order to provide the level of insulation that the Commission felt necessary. We suggest consideration of our recommendation that the director of the Ocean Energy Safety Service be a qualified executive appointed by the President for a five-to-six year term and confirmed by the Senate. And, we further urge the members to consider that if we are to learn from the painful lesson of the Macondo blowout, environmental protection, as well as energy resources management, should be an important responsibility of the Bureau of Ocean Energy.

While the Commission did not consider the appropriate organizational level (e.g. Assistant Secretary versus Bureau director) within the Department of the Interior, it is not clear to us what is gained by elevation of the present BOEMRE to an Assistant Secretary level and the elevation of the Assistant Secretary for Land and Minerals to an Undersecretary for Energy, Lands and Minerals. These pairs of units seem functionally equivalent.

The former Commissioners are pleased to see the establishment of a National Offshore Energy Health and Safety Academy [Section 3 (d) (10)] and an Outer Continental Shelf Safety Advisory Board under the Federal Advisory Committee Act (Section 5). The advisory board seems similar to the Ocean Energy Safety Advisory Committee that has been established by the BOEMRE Director under FACA. Perhaps some cross-comparison would help sharpen its organization and function.

The Oil Spill Commission made another recommendation that seems germane to the scope of the discussion draft legislation: providing appropriate resources for the reorganized programs. Mindful of the federal budget pressures, the Commission recommended that the budgets for these new offices as well as existing agencies come directly from fees paid by the offshore industry, akin to how fees charged to the telecommunications industry pay for the expenses of the Federal Communications Commission, which is essentially fully funded by such regulated industry payments. Under existing law, while the industry pays substantial amounts for leases and royalties to compensate the American public for the extraction of their resources, it pays modest inspection fees that contribute only about 3 percent of BOEMRE's annual budget. By our estimation the cost of essential management, including environmental assessments and regulatory functions, could be covered by fees that amount to a few cents per barrel of oil produced, scarcely enough to affect the price of oil on the world market or the price of gasoline at the pump.

Finally, while the proposed legislation is a positive first step, there are many other recommendations of the Oil Spill Commission that merit consideration of leg-

isolation by the Congress. These range from ensuring the statutory authority of the safety and environmental management program, to improving interagency oil spill prevention and response, and to environmental restoration. We urge the Natural Resources Committee and other committees with appropriate jurisdiction to keep the Commission's report on the top of the desk and firmly in mind in addressing these issues.

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Mr. LAMBORN. OK. Thank you for your testimony as well. We will now begin our questioning. I am hopeful that we can get things done and wrap up this hearing before the next series of votes. So I am just going to jump right in.

Mr. Modiano, Director Bromwich spoke about how they analyzed and considered splitting up functions of BOEMRE by pre-lease versus post-lease activities. The Director's primary reason for not going this route with his reorganization is due to concerns with increasing environmental analysis duplication and bureaucracy.

With your knowledge of how these processes worked when they were combined at MMS, do you have any critical analysis of those processes and how the best way to separate them in a way that makes the process more efficient versus slower and more bureaucratic would be?

Mr. MODIANO. I think that the Chairman's draft does take into account the best way to handle these issues. When the Director was talking about the fact that he thought that there would be duplicative efforts, I am not sure that that is necessarily the case because so much depends upon developing working relationships that should share similar data and analysis, considering that they are working in the same parts of the ocean on the same problems, or onshore.

So it seems to me that in the environmental community, as long as people maybe more efficiently develop common sets of environmental data and then share it, I don't necessarily think you would have to suffer by having a delay. I don't really see it that way.

Mr. LAMBORN. Well, I think that having an Under Secretary at the helm with the particular goal in mind for safe energy production on Federal lands might help. What do you think about that?

Mr. MODIANO. I agree. I think that when you give a higher status within a community, and this community is the Department of the Interior, you are also giving it a higher status among government and here within Congress. And because, as I said, you are the delegators of the authority, you create and allow any position in government to do what they want. And so by your naming a person an Under Secretary, you have given them the opportunity to have greater gravitas within the concerns and missions that they are trying to pursue.

He sits at a table in which he can coordinate better across the board. I think the Under Secretary, in fact, in the end will be a good idea. And, of course, many of the jobs, as we all know, in government and leadership depend upon the quality of people that we put in them. And again, the Congress would have an opportunity to ask these questions upfront before this person takes his seat at the table by advice and consent.

Mr. LAMBORN. OK. Thank you. And last, you mentioned that separating out the revenue collection functions of MMS into its own agency is of great importance, and that makes perfect sense. How

about splitting up the rest of MMS functions, leasing, environmental analysis, plan and permit review, and enforcement? Do you have any concerns given your experience in working for the agency in the past that may come with splitting up these duties between different agencies and the impacts it could have on the process, pace—I imagine it must be done very carefully.

Mr. MODIANO. Yes. I agree that it should be done very carefully. But again, the operations and the missions that you are asking the department's new organization to undertake, the way that you have created the buckets and filled them in the Chairman's draft I think makes sense.

In terms of my comments on the royalty collection part, I think that royalty collection is such a different duck than the other operations that we are talking about that it needs to just stand alone and report to the Secretary probably. It is one of those things where it is almost like your office of an inspector general, where it should be there. It should have accountants. It deals with its trust responsibilities of the department because of its relationship to Indians and the Indian royalty collection. And so for me, it seems as if it is less tainted if it gets involved in other policy concerns, you know, that might go on in the Office of Budget and Management.

Mr. LAMBORN. OK. Thank you. And at this point, I would recognize Representative Sarbanes for five minutes.

Mr. SARBANES. Thank you, Mr. Chairman. I am going to move my chair. First of all, thank you both for being here.

Dr. Boesch, I assume that you—and I think maybe you have already alluded to this if not said it directly. But I assume you believe that in the Congress' response to what was one of the biggest disasters we have had in recent memory in terms of environmental impact, should go beyond just a simple codification of the reorganization that has occurred, and should do more to respond to some of the recommendations that your commission put forward.

Dr. BOESCH. Yes, Mr. Sarbanes. There are any number of areas that could quite likely require legislation that have to do with some of the details of the regularity authority within the reorganized MMS or BOEMRE. They have to do with interagency coordination of issues and oil spill response, as well as environment permit review. They have to do with one of the areas that I have worked a good part of my career on that I think is important going forward of environmental restoration of the Gulf Coast after the spill.

So there are a number of actions I think that are there in our report that can't be done by executive agency action alone.

Mr. SARBANES. It is a great missed opportunity because the way things work, frankly, in the public and around here is that you get people's attention for a certain period of time, and if you don't seize the moment, then you can lose it forever. And I hope the majority here in the House of Representatives will be more open to the notion we ought to take advantage of this moment in time to address some of these other concerns.

One of them I gather is also the fee structure that would help support, for example, the inspection operations of the agency. And maybe you could speak to that real briefly.

Dr. BOESCH. Right. I think Mr. Bromwich talked a little bit about that, about the cost of the additional inspectors, the reviewers of permits and so on that are going to be required, the challenges they have with regard to the pay grades for some of these folks.

Just on a personal level, I actually lived in Houma, Louisiana, in Mr. Landry's district, until 1990. When I left there in 1990, 3 percent of the oil produced in the Gulf of Mexico was from deep water, greater than 1,000 feet. Now it is like 80 percent. And during that same time frame, that is 20 years, the budget of MMS declined rather than increased. So this is an agency which has been resource starved. It needs reorganization. But it needs the resources.

We know the fact that you are in an impossible situation with looking for budget cuts, and any new costs are going to be very difficult to fit in. And it seems to us to be appropriate. There are many other examples where the industry pays for the cost of their regulation.

Mr. SARBANES. Well, my impression is surely the industry is in a position to afford what again would, even increased, would represent a modest contribution to help with the resources of the agency.

Before my time runs out, I have been very focused from the beginning of this disaster on the degree of accountability that ought to go to the people at the very top. And I think one of the problems at BP was you didn't have that accountability.

Now, I have taken that view as far as thinking that, you know, there ought to be some civil liability that falls on the CEO of a company, who ought to be required to test, for example, and certify to the adequacy of a response plan, spill response plan. I know that in testimony before your commission, the CEOs of ExxonMobil and Shell Offshore spoke to this issue of how you change the culture of an organization so that people have a culture of safety and vigilance with respect to these things, and how you make sure that at the very top that accountability exists.

And I am still worried that at BP, for example, and perhaps other parts of the industry, you don't have that accountability. Can you speak to the testimony that you heard on that point and your view of it?

Dr. BOESCH. Yes, just in brief. And it is archived. The video is archived, so it is very compelling. Rex Tillerson, the CEO of ExxonMobil, and Marvin Odum, the CEO of Shell U.S., basically gave from their own company's experience—Exxon a commitment that the leadership made after the Exxon Valdez to improve their reputation. It was essential to their business plan. And Mr. Tillerson talked very compellingly about that.

Mr. Odum had just come, before he met with us, from helicoptering offshore to go to an offshore platform to give an award to someone who pulled the lever and shut things down. It turned out to be a false alarm, but basically the idea was to tell people in their company that this is OK. Safety is first.

Mr. SARBANES. Thank you. I yield.

Mr. LAMBORN. OK, thank you. Representative Landry.

Mr. LANDRY. Dr. Boesch, I hope the gentleman from Maryland would agree to maybe if he wanted to look for additional revenue

or have the industry pay for a little more, if we could tie that to getting back to pre-permitting levels. You know, that seemed maybe something the industry may be interested in if we could speed the pace of the permitting process.

Also, real quickly, I wanted to ask you—and I also have a question for Mr. Modiano. Are you concerned as any—because it seems like I remember in your report you made mention of the differentiation between shallow water and deep water drilling since you lived down there. Are you afraid that we may be painting with too broad of a brush the industry in the Gulf of Mexico as a whole, and would you say that there exists the need to acknowledge there are really two separate industries in the Gulf of Mexico, both a shall water and a deep water industry?

Dr. BOESCH. I don't know if they are exactly separate, but there are different challenges. As you know, the deep water industry, which has grown so dramatically and has produced so much oil, has found rich resources, have inherent challenges not only because of the water depth, but most importantly because of the pressure in these deeper formations. It is a whole other level of risk. So for that reason—and I think that is why you see BOEMRE now having different rules and requirements for deep water drilling.

Having said that, you know, the shelf industry is old now, so it has got a lot of infrastructure. It has got a lot of pipelines and other things which pose other kinds of risks and so on that need attention as well.

Mr. LANDRY. Right. So treating them the same would not be the right thing to do.

Dr. BOESCH. Right. I don't think that is what is being proposed or being done, anyway.

Mr. LANDRY. OK. Mr. Modiano, I have to tell you, I thank you for including in your testimony the importance of efficiency as an important fundamental that should guide reorganization. Given your experience at MMS, do you think our proposal is something that does that?

Mr. MODIANO. Yes, I do, because I thought long and hard about it, and somehow, when you clear up levels of authority, and you make changes of command easier, and you know that at the end of your own organization, you are pretty much at the level of the Secretary's office by being able to go to an Under Secretary, things become more efficient. You don't have to necessarily take your Assistant Secretary's time to go across the department and hold inter-department decisions. Your Under Secretary can do that for you and resolve things quicker.

So I think that by putting new authorities and higher authorities within it will make it more efficient. It is one of those things you watch in government and it is not a tangible, but you can feel it when companies have a greater vertical ladder, you somehow get things done quicker than if you have to stay horizontal within the department.

Mr. LANDRY. Thank you. Would you like to expand on Dr. Boesch—on the question that I gave concerning shallow water and deep?

Mr. MODIANO. I think absolutely you are right. I mean, there are different engineering challenges between shallow water and deep

water. There are different levels of risk. There are different ways that you approach things. Even the physical presence of the types of instrumentation that is used may be more accessible closer to shore than offshore.

At the same time, the resources of the companies are different. It is a different type of company that might be dealing in the offshore versus the onshore, and therefore they might need separate types of ways that they can work with the department so that in terms of enforcement and how things happen and what inspectors come out, there is an understanding that we are dealing in the millions and not hundreds of millions of dollars of levels with companies.

And so I think that that sensitivity has to be appreciated and has to be built into the work that the new structure has. You are absolutely right.

Mr. LANDRY. Thank you. Mr. Chairman, I yield back.

Mr. LAMBORN. OK. I want to thank the panel for their testimony. Members of the Committee may have additional questions for the record, and I would ask that you respond to those in writing. If there is no further business to come before the Committee, the Committee stands adjourned.

[Whereupon, at 12:08 p.m., the Subcommittee was adjourned.]

