Testimony
Senate Committee on Energy and Natural Resources
Implementing the Agreement Between the United States and Mexico Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico

Erik Milito
Group Director, Upstream and Industry Operations, API
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Good morning Chairman Wyden, Senator Murkowski, and members of the committee. I am Erik Milito, Upstream Director at the American Petroleum Institute.

API has more than 500 member companies, which represent all sectors of America's oil and natural gas industry. Our industry supports 9.8 million American jobs and 8.0 percent of the U.S. economy. The industry also provides most of the energy we need to power our economy and way of life and delivers more than $85 million a day in revenue to the federal government.

Our nation can and should be producing more of the oil and natural gas Americans need here at home. This would strengthen our energy security and help put downward pressure on prices while also providing many thousands of new jobs for Americans and billions of dollars in additional revenue for our government. According to Energy Information Administration statistics, we produced a little more than 5 million barrels of oil a day in 2009 and are projected to produce nearly 9 million barrels a day by the end of 2014. We are simultaneously reducing the amount of oil that we import. But we can and should do more.

Gulf of Mexico oil and gas development supports approximately 400,000 jobs throughout the U.S. economy, with one-fourth of those jobs in states outside the Gulf region. The Transboundary Hydrocarbon Agreement with Mexico is important as it could help create additional resource opportunities for U.S. oil and natural gas companies in the Gulf of Mexico and in turn create more jobs and enhance our energy security. The agreement establishes a cooperative process for managing oil and gas reservoirs along the boundary region in the Gulf of Mexico and encourages cooperative agreements between U.S. independent oil companies (IOCs) and Mexico's state-owned oil company (Pemex) to jointly develop energy resources along boundary areas in the Gulf of Mexico. Importantly, this agreement will provide legal certainty to U.S. companies, which will encourage them to invest in new energy development, creating jobs and spurring economic growth.

The importance of this agreement is magnified by the fact that the administration has chosen a status quo approach to offshore oil and natural gas development that restricts oil and gas development to portions of the Gulf of Mexico and Alaska and leaves approximately 87 percent of Outer Continental Shelf areas off limits. We continue to hear about an "all-of-the above" energy approach and the administration's projections show that oil and natural gas will supply most of the nation's energy for decades to come. However, we need to see real action in order to ensure that we are effectively meeting the nation's need for continued oil and gas resources to fuel our economy. Approval of the U.S. – Mexico Transboundary Agreement is one way that we can create and encourage additional opportunities for safe and environmentally responsible domestic energy production on federal land.

Implementing legislation authorizing this important agreement should be approved as quickly as possible, and S. 812 takes that pivotal step. Swift implementation of the Transboundary Hydrocarbon Agreement is important to providing regulatory certainty and will allow companies to make investments in these boundary areas with the knowledge that there is a framework in place to allow for orderly extraction of these resources. Given that industry investments in the offshore are largely limited to the Gulf of Mexico, this will serve to enhance our nation's energy security and long-term economic growth and highlight the importance of national leadership in promoting a positive, forward-looking energy policy.

Thank you again to the Chairman and the Committee and I look forward to your questions.