

Testimony
House Committee on Natural Resources
Energy and Mineral Resources Subcommittee
U.S.-Mexico Transboundary Hydrocarbon Agreement and Steps Needed for Implementation

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Good morning Chairman Lamborn, Ranking Member Holt, 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 9.2 million American jobs and 7.7 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 8 million barrels a day by the end of 2014. But we can and should do more.

The Transboundary Hydrocarbon Agreement with Mexico is important as it could help create additional resource opportunities for US 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 US 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 US 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 the Gulf of Mexico and Alaska and leaves more than 85 percent of OCS 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. Yet we continue to see proposals to increase taxes on the industry, decisions to reduce opportunities for leasing and resource development, processes that string out permitting decisions, and continued regulatory uncertainty.

Implementing legislation authorizing this important agreement should be approved as quickly as possible, and H.R. 1613 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.

In addition, this legislation would also exempt any related oil and gas developmental activities from resource extraction reporting requirements of section 13(q) of the Exchange Act. Section 13(q) requires SEC-listed companies to report payments to foreign governments, subnational governments, and the Federal Government on a project-by-project basis.

Instead of including common sense exemptions for public disclosure and conflicts of law, the SEC pushed through the most costly rule in the Commission’s 80 year history. API continues to

litigate section 13(q) with the SEC and believes the rule should be vacated to avoid a competitive disadvantage of US companies around the world.

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