



Western States Petroleum Association

**Committee on Oversight and Government Reform
Bakersfield California
May 6, 2011
Testimony**

Thank you for the opportunity to address you today.

My name is Tupper Hull. I am vice president of communications for the Western States Petroleum Association. WSPA represents the major petroleum companies that produce, refine, transport and market petroleum and petroleum products in California and five other western states. WSPA's membership includes both integrated major companies as well as a number of large independents focused exclusively on the exploration and production of crude oil and natural gas.

We appreciate the Committee's interest in the subject and its willingness to hold this hearing in Kern County.

Kern County is home to some of the largest and most productive crude oil fields in the United States. Many of the fields in Kern County have been producing oil for more than 100 years, thanks in large part to the development of new technologies and techniques that have prolonged the life of these oil fields and the livelihoods of the men and women who work them.

California is the third largest producer of crude oil in the United States (behind Texas and Alaska) and approximately 72 percent of that oil is produced here in Kern County.

California produces approximately 680,000 barrels of oil every day, some 12 percent of the nation's crude oil production. Every drop of oil produced in California, with some very rare exceptions, is refined in California and sold to consumers in California, Arizona, Nevada and Oregon.

Despite that rate of production, today it supplies just 38 percent of California's crude oil needs. Alaska provides another 14 percent of our crude oil requirements and the balance – 48 percent – comes from foreign sources. Hence, any new crude oil production in California will help reduce our state's dependence on foreign imports.

California is a prodigious consumer of petroleum products. We are the third largest gasoline consuming entity on earth, according to the California Energy Commission, behind the United States as a whole and China. Last year, California refineries produced more than 44 million gallons of gasoline, 10 million gallons of jet fuel and 14 million gallons of diesel fuel every day – 365 days. That's nearly 3 million gallons of petroleum products every hour of every day.

California refineries are among the most sophisticated in the United States, according to the Energy Information Administration. That means they are able to refine a very wide range of crude oils into useful products. They are among the cleanest in the country, operating under an enormous number of air quality regulations and by reducing emissions of criteria pollutants have played a major role in the dramatic improvement in air quality in California, according to the California Air Resources Board. And they are among the safest refineries in which to work, according to CalOSHA.

You have asked us to address the question of energy security. We believe the nation's energy security, and therefore California's energy security, can best be enhanced using three distinct and equally important strategies.

One is to make sure we are using our available energy supplies as efficiently as possible. California already leads the nation in energy efficiency, according to the American Council on Energy Efficiency. But we can and will do more.

Two is to diversify our energy portfolio to bring consumers a broad choice of fuels and energy sources that are technically feasible, cost effective and affordable.

And three is to make sure we are using our domestic energy resources as fully and as prudently as possible. That means continuing to develop the technologies and practices that allow us to prolong the life of mature productive fields, discover new reserves and to tap energy resources that have been heretofore inaccessible. Integral to these efforts is a permitting and regulatory processes that provide clarity, certainty, and efficiency for the regulated entities.

One of the technologies that is vital to accessing existing energy resources and growing our domestic production is the process known as "hydraulic fracturing." Hydraulic fracturing is a completions technique that has been safely and efficiently used throughout the country, including California, for decades. Hydraulic fracturing allows us to develop oil and natural gas reserves that are locked in rock formations and cannot be extracted using conventional techniques. Despite media reports to the contrary, it is not a new or exotic technology.

The topic of hydraulic fracturing has received a great deal of attention in other parts of the country where it is being used to develop natural gas reserves in tight sands and shale formations, conditions that are not typical in California. The term hydraulic fracturing is very broad and covers a variety of different completions techniques. Discussions about hydraulic fracturing can be complicated, highly technical, and will differ significantly based on the geologic nature of the region and the resource.

To our knowledge, there has never been a single documented incident where fluids used in hydraulic fracturing have adversely impacted a California drinking water supply.

Shifting topics, any discussion about increasing California's domestic energy independence would not be complete without touching on the availability of the significant offshore resources lying immediately off our state's coast line. WSPA's members believe California consumers and businesses would be well served by development of the estimated 10.5 billion barrels of oil the U.S. Geological Survey says is technically recoverable off the California coast. To give you a sense of what those 10.5 billion barrels would mean for California, it could replace every drop of foreign oil we currently import for 36 years. Put another way, 10.5 billion barrel would allow us to replace all of the oil we receive from Saudi Arabia, our largest source of foreign oil, for 155 years.

We are very aware of the tragic events that occurred in the Gulf of Mexico last year. It is important to note that the identified undeveloped oil reserves off the California coast are in relatively shallow water, involve reservoir pressures that are significantly lower than the types of pressures encountered in

deepwater ventures, and would not require the type of deepwater exploration and production required elsewhere.

California's offshore oil producers have safely produced more than 1 billion barrels of oil from state and federal offshore reserves for many decades. In the past 40 years, a total of 850 barrels of oil have been accidentally released into the Pacific from those operations. That 850 barrels is 850 too many in our view. But it is, by any measure, a tiny release rate is reflective of the commitment the petroleum industry has made to operating in the marine environment off the California coast in a safe and environmentally responsible manner.

The issue of energy security is especially acute in California and particularly timely. California, and the western US, are what we refer to as an Energy Island. No pipelines bring crude oil product into California from other refining or crude oil producing centers in the country. This isolation limits our ability to move products or crude oil into West Coast markets when there are supply shortages, infrastructure constraints and other supply/demand imbalances that put upward pressure on prices.

To conclude, oil produced in California is the most secure, least cost source of petroleum energy for California consumers and businesses.

Thank you and I would be happy to answer any questions you have.



Western States Petroleum Association

Tupper Hull
Vice President, Strategic Communication

Tupper Hull is Vice President of Strategic Communications for the Western States Petroleum Association based in Sacramento. Mr. Hull is a veteran communications specialist with a background in natural resource issues management. Prior to joining WSPA, Mr. Hull represented a variety of clients engaged in natural resources management, including the Westlands Water District and San Luis & Delta Mendota Water Authority. He also has extensive experience in international trade and maritime issues, insurance and community redevelopment. For more than a decade, Mr. Hull was a political reporter for two major California daily newspapers, covering state and local government and politics.

The Western States Petroleum Association represents the bulk of petroleum enterprises involved in the exploration, production, refining, transportation and marketing of petroleum and petroleum products in the six western states of Arizona, California, Hawaii, Nevada, Oregon and Washington. Founded in 1907, WSPA is dedicated to ensuring that Americans continue to have reliable access to petroleum and petroleum products through policies that are socially, economically and environmentally responsible. WSPA has offices in Sacramento, San Francisco Bay Area, Torrance, Santa Barbara, Bakersfield, Scottsdale, Arizona and Olympia, Washington.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

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1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.


NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

PLEASE SEE ATTACHED BIO

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE


I certify that the above information is true and correct.
Signature:

May 4, 2011
Date: