

United States Senate

WASHINGTON, DC 20510

March 4, 2015

President Barack Obama
White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Obama,

We write to express our strong opposition to your fiscal year 2016 Budget proposal to deprive Gulf Coast states of revenue promised under the Gulf of Mexico Energy Security Act of 2006.

For decades, energy activities in coastal Gulf States and adjacent offshore waters have produced billions of barrels of oil and trillions of cubic feet of natural gas. According to U.S. Energy Information Administration, Gulf of Mexico offshore oil production accounts for close to 20 percent of total U.S. crude oil production. Over 45 percent of total U.S. petroleum refining capacity is located along the Gulf coast, as well as 51 percent of total U.S. natural gas processing plant capacity.

Domestic energy production is critical for our country's energy independence and security. Every barrel of oil and every cubic foot of gas produced in the Gulf of Mexico supplants the need for additional imported energy from foreign sources. Both oil and gas producing and non-producing states benefit greatly from oil and gas production. Some states benefit through direct upstream exploration and production activities, while other states benefit through the vast supply chain supporting oil and gas development, or both. A recent report by IHS Global Insight found that increased oil and gas production is supporting millions of jobs, increasing household incomes, boosting trade and contributing to a new increase in U.S. competitiveness around the world.

However, states that support offshore energy development for the rest of the country supply, provide the support for, and pay for the infrastructure needed to bring this energy to market. As with all development, there are increased costs associated with supporting increased traffic, additional employees who use local and state resources, as well as transportation corridors such as pipelines, vessels and trucks, in order to get the energy delivered to consumers all across the United States. Coastal states provide the docks, roads, railways, refineries and other infrastructure that make energy production possible. In addition, the critical areas that support this energy supply for the country are experiencing unparalleled land-loss due to federal engineering decisions for nearly a century that have channelized the lower Mississippi River System for the benefit of the entire country. For example, Louisiana's 2,300 square miles of land loss is largely attributed to this channelization, along with the placement of federal levees along the river system, which has converted a once growing delta plain to the greatest source of wetlands loss in the history of the United States. Addressing the historic costs of hosting a capital intensive industry while ensuring resilient domestic energy supply can only be attained through equitable revenue sharing.

Of course, the concept of revenue sharing is not new. The Minerals Leasing Act of 1920 authorizes states to share in 50 percent of all revenue generated from onshore mineral production on federal lands with an additional 40 percent placed into the Reclamation Fund for water projects in western states. The remaining 10 percent of onshore mineral production on federal lands is deposited in the U.S. Treasury.

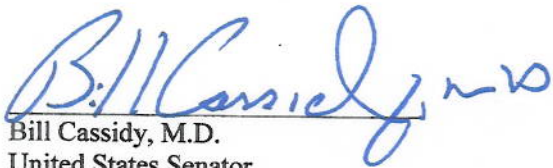
In 2006, with strong bipartisan support, Congress passed the Gulf of Mexico Energy Security Act of 2006 (GOMESA). The revenue sharing provisions in GOMESA allow for Gulf producing states (defined as Alabama, Mississippi, Louisiana, and Texas) to receive 37.5 percent of revenues derived from leases in the eastern Gulf. Beginning in FY2017 and thereafter, the Gulf producing states would also receive 37.5

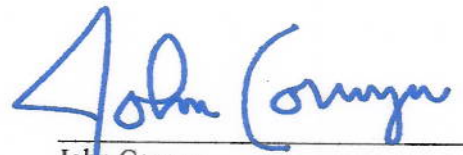
percent of the revenues generated from more productive leasing areas in the Gulf of Mexico with a total share of eligible revenue for Gulf producing states capped at \$500 million annually. Under GOMESA, the Land and Water Conservation Fund receives 12.5 percent of offshore revenue with the remaining 50 percent going to the U.S. Treasury.


To put this in perspective, in 2014, two western states alone shared in over \$1.6 billion from \$3.2 billion in energy revenues derived from federal lands within the states borders. In 2014, the combined receipt of offshore revenue to Gulf producing states was only \$3.4 million. In fact, over the past three years, the federal government took \$22.3 billion in revenue generated offshore in the Gulf of Mexico while Texas, Louisiana, Mississippi, and Alabama combined only received about \$4 million, which is only 0.02 percent.

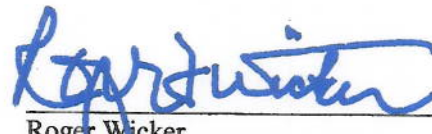
All energy producing states deserve to share the revenue derived from energy developed both onshore and offshore. Responsible revenue sharing allows states hosting energy production to mitigate for the historic and prospective infrastructure demands of energy production and allows states to make strategic investments ensuring for future generations the resiliency of this infrastructure and vital natural resources. For these reasons, we not only oppose and reject your budget proposal eroding the revenue sharing provisions in GOMESA, but will actively pursue efforts to minimize the disparity by bringing equal treatment in revenue sharing among energy producing states.

Sincerely,

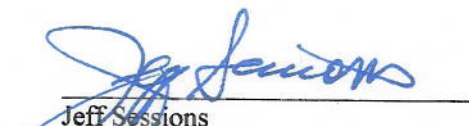

Bill Cassidy, M.D.
United States Senator

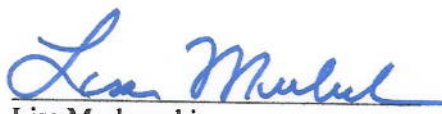

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United States Senator


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