

BEFORE THE COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEE ON ENERGY AND POWER

HEARING ON "THE AMERICAN ENERGY INITIATIVE: A FOCUS ON GROWING DIFFERENCES FOR ENERGY DEVELOPMENT ON FEDERAL VS. NON-FEDERAL LANDS"

AUGUST 2, 2012

TESTIMONY OF THOMAS CLEMENTS, OWNER OF OILFIELD CNC MACHINING

My name is Thomas Clements. I live in Lafayette, Louisiana, with my wife, Melissa. We are owners of Oilfield CNC Machining, LLC, a machine shop in Broussard, Louisiana. We have been married for over 7 ½ years and have three grown children and 4 grandchildren.

CNC stands for 'Computer pneumatic Controls.' I have been a skilled CNC machinist for over 25 year, and for the past 25 years I've always worked long hours and, for the most part, lived paycheck to paycheck.

Neither my wife nor I were born with silver spoons in our mouths; both of us work long hours, and together we invested an enormous amount of sweat equity into finally becoming small business owners. My wife and I really did build our business, with no one else's help. We both agree that I wouldn't be here if the private sector was doing fine. I would be home working hard building our business.

Maybe today, with my testimony, this committee can focus and help small business owners, like my wife and I, to continue to build our business by opening all offshore and federal land for energy exploration.

Energy prices are at an all time record high in all sectors. This record setting pace has to stop. This committee needs to understand that there is no such thing as bad energy, all natural energy is good.

We took enormous risks, but we felt confident that as long as America has a demand for energy, we could make a living in the development of America's energy resources. So on December 3, 2008, we opened our doors for business.

Our first year, 2009, was a very successful year. We put all of our profits back into our business and caught up on all of our debts. We still couldn't afford to hire any help at that time, so I worked approximately 18-20 hour a day. I even slept on the couch in the shop most nights in order to keep the machine working around the clock.

But in April 2010, the BP oil spill happened, and 11 oil rig workers tragically lost their lives. We have the deepest sympathies for their families and loved ones. We know that they were hardworking people, just like us, and some bad decisions unnecessarily cut their lives short.

For us, everything changed. That's the first time I heard the President utter the word 'moratorium.'" On May 27, the President spoke of a moratorium that would last six months. That shocked us all. Two days later, I received an email stating that "All of our orders for the remainder of the year were cancelled." By the first week of June, we were out of work, and everyone we knew in the industry was also out of work.

At that time we had approximately \$80,000 in the bank and \$12,000 in expenses each month—monthly notes, insurance and utilities. We unwillingly had to lay off all of our employees and began making plans to stretch our income through the six-month moratorium. We went five months without a penny of income and no work orders.

In October 2010 the President announced that the moratorium was lifted. We were relieved, to say the least, and we were eager to get back to work.

But no orders came in.

For us, no one has been accountable for their actions in the oil spill. BP said they would make it right and the President pretended that a misguided moratorium was good.

What an outrage when the administration comes out with a 2012-2017 energy plan that does nothing for this country.

There are two challenges for us finding business with companies that are operating offshore. First, even though the moratorium after the Deepwater horizon has been lifted, the pace of permitting is still slow—much slower than before the moratorium. Second, the new 2012-2017 OCS Leasing Plan proposed by the administration fails to offer access to any new areas offshore, meaning that future business opportunities will be limited for us and countless businesses like ours. This includes offshore Virginia, an area that was scheduled to hold a lease sale in 2011, but must now wait until at least 2017 due to the administration's plan.

Their plan closes the majority of the outer continental shelf to new energy production, only allowing lease sales in areas that were already open to drilling in the Gulf of Mexico and Alaska, but with delays in sales in the Beaufort and Chukchi Seas until 2016 & 2017.

Currently, less than 3 percent of the outer continental shelf is leased for oil and gas exploration and development. Some say this isn't a big problem because, they claim, the Obama administration's 5 year plan allows for access to the production of more 75 percent of the nation's recoverable energy resource in the oceans. This claim is disingenuous as it relies upon decades old data in areas we have not assessed for decades because of a lack of access. If we used the same standard of claiming there was nothing there while actively choosing to remain blind to what exploration and development might tell us about the resources, we would have none of the tremendous economic benefits we see on non-federal lands in places like the Bakken and the Marcellus. We have only discovered how sizable the resource is there due to active exploration and production.

Just look at what is happening with shale oil and gas in the Bakken and the Marcellus. In the Bakken and Marcellus, they are using technologies that didn't exist with old estimates were made. This further

underscores that there very well may be considerably more available offshore that we ever thought before.

In the Bakken there is much more oil that were estimated a few years ago. In 1995, the U.S. Geological Survey estimated that the Bakken formation held 151 million barrels of technically recoverable oil. But in 2008, after the impact of active exploration and development with technologies that enable hydraulic fracturing and direction drilling were included in the USGS's assessment, the estimate of recoverable oil in the Bakken jumped 25 fold. This sounds like energy security to me.

The same is true in the Marcellus shale. In 2002, the United States Geological Survey estimated the area held about two trillion cubic feet of natural gas and .01 billion barrels of natural gas liquids. By 2011, however, the USGS estimated the area held 84 trillion cubic feet of natural gas and 3.4 billion barrels of liquids. Within a span of 9 years, behind active exploration and development, as well as new technology, estimates of natural gas supplies in the Marcellus have increased 42-fold, and liquids 340-fold.

In contrast to plays like the Bakken and the Marcellus, the federal government holds the key to new offshore access. This is why the policy decisions the federal government makes are so critical. We cannot know whether there is a Bakken type resource off Virginia or anywhere else offshore without the ability for oil and natural gas exploration and production companies having the ability to go out and actively explore. More importantly, for small businesses like mine, new business opportunities in places like offshore Virginia are tied to these ill-conceived federal policy decisions.

I believe that the trickledown effect of jobs created from these explorations would ultimately free this country from a recession.

More resources mean more opportunity for people like me to help produce energy domestically. One study found that opening up the offshore areas could create 1.2 million jobs and produce \$70 billion in new wages. It isn't just that large companies would hire more people, small business owners like me would have more work and would be able to employ more workers to produce more energy in America.

Owning our own business and working to produce American-made energy in the oilfield industry is our American Dream.

We believe that the government's role is to protect our country and encourage American workers to develop our natural resources. But instead, our government seems to be doing more to support foreign workers develop energy sources abroad.

I'm here today because our nation needs energy, and thousands of energy workers like me are willing and able to help produce that energy right here at home. Mr. Chairman and members of this committee, please let us go back to work.

By the way, the President's plan has not worked. I believe that we have thousands of years of natural good energy here in America. How will we ever know unless exploration is allowed in our country?

Thank you-