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NEWS RELEASE

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Americans Stung by High Fuel Prices:

Government Expert Cites Offshore Natural Gas as Potential Solution

Americans stung by high natural gas prices may be in for a bumpy ride this winter, according to government experts. While prices of natural gas are at record levels, government data indicate offshore natural gas may be a near-term solution.

According to the U.S. Minerals Management Service, the area known as the outer continental shelf may hold as much as half of the nation's supply of undiscovered natural gas that is considered technologically recoverable. The outer continental shelf is a 1.76 billion acre area that begins 3 to 12 miles off the U.S. Coast.

Agency data show, the natural gas exists below current shallow-water drilling platforms in the Gulf of Mexico, some at depths more than three miles. Speaking at an energy leadership forum today in Houston, MMS Director R.M. "Johnnie" Burton said, "This important frontier can be accessed from existing infrastructure, and that means it can be brought to market more quickly."

Burton noted, "Because natural gas is a clean burning fuel source, demand for it has sharply increased over the last decade—about 90 percent of the new energy plants that come online in the next decade will be powered by natural gas; and about half of all American homes are heated with natural gas—around 56 million homes." Natural gas is most commonly used to heat homes and schools, to generate electricity, and serves as the raw material in plastics and fertilizer manufacturing.

"This is a simple supply and demand issue, creating volatile price fluctuations," said Burton. According to MMS data, the increase in demand surged at a time when domestic natural gas production in the shallow waters of the Gulf of Mexico began dramatically declining. During the 1990s, natural gas production in the area declined by 23 percent. Increased deepwater natural gas development compensated for the loss, but new MMS data indicate deepwater production is projected to level off over the next few

years, creating a greater need for new natural gas sources.

Burton said, "With our available domestic resource base in decline and our major source [Canada] of imports facing its own production limits, we are forced to find alternative reserves to meet increasing demand by American consumers."

The gap between supply and demand could increase by another 50 percent in the next 20 years, according to Department of Energy projections.

MMS is the Department of Interior agency that manages the nation's oil, natural gas and other mineral resources on the Outer Continental Shelf in federal offshore waters. MMS also collects, accounts for and disburses mineral revenues from federal and American Indian lands. Those revenues totaled more than \$6 billion in 2002 and more than \$127 billion since MMS was created in 1982.

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MMS Internet website address: <http://www.boem.gov>