

Drilling down for answers

By Bob Rackleff, Special to the Times

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The mysterious promoters of offshore oil drilling in Florida waters promise "A Breathtaking Economic Opportunity," in their words. Sounds great! Maybe even true. But first a few questions:

Who are they?

Waging this campaign is Florida Energy Associates, a newly registered limited liability company based in the Daytona Beach law firm of the only listed officer, Doug Daniels. It's supported publicly by the Florida Petroleum Council, Associated Industries of Florida and the Associated General Contractors of Florida.

Any others? Well, Daniels told the *Times/Herald* Tallahassee bureau that they "prefer not to have the notoriety. They prefer not have other people in the oil business know they are looking in Florida."

Will they tell us which oil companies?

We know which expensive lobbyists they've hired, but we need to know who will do the exploring, drilling, producing and refining — and shower billions of new tax dollars on our state government.

The only purported oil guy, M. Lance Phillips, talks like one in a video but is actually a lawyer from the Texas town of Mexia (population 6,418) and a Republican lobbyist. There is a saying in Texas: "All hat and no cattle." We've seen the hat. We've yet to see the cattle.

We simply don't know which companies want to come to Florida — or even if they are oil companies. They won't say. So we can only guess.

Let's just call them Mystery Oil Inc.

What's their credit score?

This matters a lot. We should know financial strength, performance, history of accidents and other important details before putting our precious beaches and marshes at risk.

If Mystery Oil Inc. is, say, an independent oil company, its financial means are limited — especially given the enormous expenses of leasing, exploring and drilling in Florida's 6.7 million acres of offshore state lands. Selling leases to marginal companies just sets us up for failure, as we learned in the Coastal Petroleum debacle.

How much oil and gas is in Florida waters?

According to Mystery Oil Inc., it's billions of barrels of oil — and trillions of cubic feet of natural gas. Even only 1 billion barrels sounds like a lot. But at current consumption levels, a billion barrels lasts America about seven weeks. We use up 3 billion barrels in 21 weeks.

Three billion barrels, Orlando economist Hank Fishkind says, is "the most conservative estimate."

Actually, the "most conservative estimate" is zero — in line with a history beginning in the 1920s that has not been kind to offshore oil production in Florida. All 19 exploratory wells drilled in state waters from 1947 to 1983 produced no commercially viable oil or gas. In fact, the dry hole rate for all onshore and offshore drilling in Florida since the 1920s has been about 98 percent.

The dirty secret of the oil industry is the wild claims — and varying terminology — for reserves made by companies and even nations that have no supporting documentation. Even federal regulators can't agree on reserves data.

The most reliable measure is the "proved reserves" definition required by the Securities and Exchange Commission to prevent defrauding investors. By that SEC standard, the reserves in Florida waters amount to zero.

The money starts rolling in next summer! Really?

Fishkind states that leasing could begin in summer 2010. M. Lance Phillips told the *Times/Herald* that once the plan is approved, a test well could be drilled within 10 days, and oil tapped within 18 months. One of Mystery Oil Inc.'s videos promises that revenues from offshore oil can start flowing "within months of the beginning of energy exploration."

Huh?

To begin, Florida has yet to survey and map leasable drilling areas in the 6.7 million acres of state waters. You can't lease property without legal descriptions.

There's only one part-time state employee to do this today, and the crash project to divide up state waters into lease blocks would require hiring a dozen or more professionals to do the mapping. That would take at least a year, maybe two, followed by rulemaking and public hearings to hammer out the details.

That puts us into 2012 or 2013, when the exploration could begin, assuming the industry can't wait to start.

Exploration would use seismic ships that cost about \$25,000 per day using arrays of air guns that direct loud explosions to the gulf floor and record what bounces back. Like a sonar device — except a repetitive, deafening boom-boom-boom instead of a ping. This can go on for days or even weeks in certain areas. The fish love it.

Then the results are sent for interpretation to oil geophysicists scanning the world for promising formations that may or may not contain reservoirs of enough oil or natural gas to justify the high cost of exploratory drilling.

This takes two or three more years — unless you expect oil companies to pay nonrefundable deposits up to \$5 million each, as proposed by future Florida House Speaker Dean Cannon, before bidding on lease blocks they know little about.

So we're up to 2014 to 2016.

Then comes test drilling — if there are drill ships and platforms available — at fees as high as \$500,000 per day. There are only 30 drilling rigs at work today in the gulf, so availability is a challenge.

An exploratory well takes three to six months to drill in a painstaking process that goes even slower once down to 3,000 meters and below. Plus, every six out of seven wells in "pioneer zones fail to yield commercial viable quantities," the Society of Exploration Geophysicists states on its Web site.

That puts us into 2015 to 2017.

Once collected, this mass of complex data from exploratory drilling then goes back to corporate headquarters, where years can go by before the decision to produce — let's say three or four years in the case of Florida — if it happens at all.

That comes to a dozen or more years — into the 2020s — and still no Florida oil is being produced.

Not exactly "next summer."

The reality is that oil companies take their time painstakingly sorting through dozens of competing projects — looking for the surest bets — before making major investments in new production. "My own view is that it's easy to find oil. It's hell to make money," oil explorer and executive Marlan Downey famously said.

For example, the most successful recent offshore producer, the Thunder Horse platform southeast of New Orleans, took more than 15 years. Serious consideration started when BP scientists began in the early 1990s to pore over seismic data, then progressed to leasing likely sites, to exploratory drilling, then completion of the production platform and the flow of oil to markets last year.

And that was in an extensively explored and already very productive region of the gulf.

But what about all that money?

Future oil and gas revenues "can literally fund everything Florida wants to do," M. Lance Phillips asserts in one Mystery Oil Inc. video.

Florida legislative leaders are already preparing to spend the new money, promising to earmark it for such projects as Everglades restoration, buying conservation lands, renewable energy, children's health care and more, according to news reports.

Asking for documentation of such optimistic claims is futile, but history can help. The total state revenues in the last four decades from the Sunniland Trend of southwest Florida and the Jay Trend of Escambia and Santa Rosa counties came to \$717 million, according to the Oil and Gas Section of the Florida Department of Environmental Protection.

That's an average of \$18 million a year. In the fiscal year just ended, Florida collected only \$7.4 million in oil revenues. The state could raise more than that simply by repealing the sales tax exemption for pet care, photo finishing, valet parking and parking services — without risking the pollution of our beaches.

Except that since Jan. 1, the Jay field has produced zero state revenues. The wells are turned off while the company waits for world oil prices to go back up to near \$100 per barrel. In the meantime, almost all the 70 or so oil field workers

in Jay are jobless.

Even more suspect is the promise that oil and gas revenues will stabilize state finances — if you call world oil markets stable.

In fact, no other major source of state revenues could be more volatile. Whipped around by fickle world oil and gas prices and production snags like hurricanes, state revenue estimators could only guess what future oil and gas tax receipts would be.

Where do you get 20,000 direct jobs?

Mystery Oil Inc. persists in promising 20,000 direct jobs in Florida. The offshore oil and natural gas industry would employ 6,750, and state revenues would fund 13,131, according to Fishkind.

This is, to put it mildly, unlikely.

The industry already has plenty of expensive facilities and workers next door in Alabama, Mississippi and other states — just a short boat or helicopter ride from likely lease areas in Florida waters. Florida is close to the existing network of undersea pipelines linked to onshore storage tanks and refineries in nearby states — making connections to this out-of-state network easy and cost-effective.

The industry doesn't need such facilities in Florida — especially given the breathtaking costs of building new facilities — and high risk of failure. For example, a new large refinery costs \$4 billion to \$6 billion to build today. (That's why the industry hasn't built one in America since 1976.)

As for state jobs created with new revenues, consider what happened to the Florida Lottery billions supposed to enhance education. Or consider what happened to the hundreds of millions of dollars from the tobacco settlement.

The new money intended for education went for new tax breaks for business, with no discernible improvement in our schools or other state services.

Compare these speculative numbers to the potential spills and pollution by offshore oil and gas to the livelihoods of 1 million Floridians working today in our \$65 billion-a-year tourism industry. There's no comparison.

Won't gasoline be cheaper?

Even if all goes as promised, in the 2020s, Florida drivers will get no price break — because the refineries are somewhere else.

There will be no "Florida oil" we can claim as our own — just a tiny share of the pooled 20 million barrels of oil Americans consume every day that get allocated by market forces beyond our control.

What's their real oil spill record?

Despite the evidence, Mystery Oil Inc. boasts that the industry has an "excellent and well-documented safety record." Fishkind claimed in a public radio interview that the industry lost only 714 gallons from rigs and pipelines during Hurricane Katrina.

They accomplished this statistical feat by defining down offshore oil spills, as Dave Mica of the Florida Petroleum Council told the *Naples Daily News*, to only spills "associated with exploration production ... associated with the exploration of looking for oil" — and by simply ignoring widely available spill data.

This definition conveniently ignores spills from production platforms, pipelines and shore facilities like storage tanks and refineries connected to offshore production — and the reality of hurricanes in the Gulf of Mexico.

Hurricanes Andrew, Ivan, Katrina, Rita, Dennis, Gustav, Ike and others seriously damaged much of the offshore industry and spilled millions of gallons of oil in gulf waters. Katrina and Rita alone spilled 9 million gallons, not including oil spilled from "minor" spills, according to Coast Guard data.

It doesn't even take a hurricane. On July 26, a Shell pipeline off the Louisiana coast leaked about 63,000 gallons and created an 80-square-mile oil slick, according to the Coast Guard.

In Florida waters, Mystery Oil Inc. says that it would use the same production technology that "visionary leaders" were using in western Australia — just weeks before a massive blowout on Aug. 21 created an oil sheen over 1,800 square miles.

Then there are Mystery Oil Inc.'s claims that the spilled oil disperses and disappears — that it doesn't affect anything — and that the spills are infinitesimal compared to volumes of oil and gas produced in the gulf and shipped without incident.

Tell that to the hotels and other tourist businesses at St. Pete Beach and nearby which suffered large financial losses when a barge and tanker spill in 1993 oiled the beaches and mangroves.

"The real victims of the accident were the Tampa Bay area fishing and tourist industry," states the Florida Division of Emergency Management, which noted "a 50 percent drop in bookings and a two-year dip in tourism business." Commercial fishing revenues dropped by 80 percent.

This was in line with a study released the year before by the Pinellas County Commission, which estimated that such an oil spill would cause \$4 billion (in 1992 dollars) in business losses.

So when do we get some answers?

When will they identify themselves? When will they provide some verifiable data? When do we get a realistic timetable besides "Drill here, drill now"? When do we learn the plan for exploring and producing oil or gas in Florida — a plan with real strategies, geographic boundaries, timetables, financial projections — a realistic assessment of risks to our precious beaches?

Florida leaders, when do we get serious about energy efficiency?

Probably the worst impact of this campaign is the distraction from our real problem — we use too much energy. Americans consume a quarter of all the energy consumed in the world — consuming this finite resource as if we are the last generation to need it. And Florida is among the worst.

Unless we change course toward a comprehensive energy efficiency strategy — unless we quit fooling ourselves that drilling here or there will solve our energy problems — the impact on Florida's economy will be devastating.

Energy efficiency is the surest, fastest way to solve our energy problems — without personal sacrifices — and make us more competitive.

Consider Wal-Mart, which realized it faced huge increases in energy costs four years ago. It didn't buy an oil company. It invested instead in an energy efficiency campaign that today includes its 100,000 suppliers.

The money Florida consumers spend on motor fuels and overweight vehicles creates almost no lasting value here. It drains scarce consumer dollars away from more constructive uses and creates a drag on our economy that leaves us poorer.

And we are doing nothing meaningful to reverse this course — instead being dazzled by the outlandish promises of secretive companies.

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