

STATE OF SOUTH CAROLINA

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February 16, 2009

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COLUMBIA, SOUTH CAROLINA 29201  
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The Honorable John E. Courson  
412 Gressette Building  
Columbia, SC 29202

Dear Senator Courson:

This letter is in response to your question on offshore oil drilling during my recent revenue update to the Senate Finance Committee. Oil and natural gas drilling off the South Carolina coast was prohibited by Presidential and Congressional moratoria since 1982. These moratoria were lifted in September 2008 and the Secretary of the Interior through their Minerals Management Service (MMS) are now planning on offering leases in the South Atlantic outer continental shelf beginning in 2014. The Oil and Gas Exploration, Drilling, Transportation, and Product Act codified Chapter 43 of Title 48 regulates the use of submerged lands out to South Carolina's three mile territorial limit.

According to MMS estimates, the undiscovered technically recoverable oil and gas resources (UTTR) of the outer continental shelf (OCS) total 85.88 Billion barrels of oil and 419.88 Trillion cubic feet of natural gas. In total, these oil and natural gas resources are equivalent to 160.6 Billion barrels of oil. The OCS comprises the submerged sea beds whose minerals are subject to Federal jurisdiction and generally extend from 3 to 200 miles offshore. The Atlantic Outer Continental Shelf (OSC) region, which includes the entire eastern seaboard, has an expected 10.4 Billion gallons of undiscovered oil and natural gas resources, or 6.5% of the national UTRR total. In comparison, the United States consumed 7.55 billion barrels of crude oil and natural gas in 2007. If these resources are found and produced, offshore UTTR could fuel US demand for over 20 years.

Past history of exploration in the Atlantic OCS suggests this may be difficult. There were 46 exploratory wells drilled between 1978 and 1984 with no commercial discoveries. Based on existing geological information if hydrocarbons are found, they will most likely be natural gas. When oil companies examine whether to explore off our coast versus other sites they will consider not only the potential resources, but also the expected risks, which will generally be lower in areas with proven resources and less environmental sensitivities. While offshore oil and gas activities have become much safer in recent years, spilled oil and coastal shorelines don't mix. The National Oceanic and Atmospheric Administration ranks the South Atlantic coastline as having the highest relative environmental sensitivity to spilled oil. Given the relatively low amount of potential resources off our shores and the environmental sensitivity of our coastline there does not seem to be much incentive to drilling off South Carolina at current prices.

If I can be of any further assistance, please advise.

Sincerely,

A handwritten signature in cursive script that reads "William Gillespie".

William C. Gillespie, Ph.D.

WCG:gos