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Dear Member of Congress:

With the winter heating season but a few weeks away, I would like to provide you with another update on our nation's oil and natural gas picture. I hope it proves useful, as you meet with your constituents over the recess.

Over the past few weeks, we have witnessed sharp declines in the price of gasoline and crude oil. Since I last wrote to you on July 28, retail gasoline prices have plummeted more than 18 percent and gasoline is selling below \$2 a gallon in some parts of the country. Crude prices on the New York Mercantile Exchange (NYMEX) slumped to a seven-month low on September 20 and stand about \$13 per barrel below late July levels. Though the hurricane season still has a few weeks to play out, we have been spared so far the kind of widespread devastation that pounded the heart of the nation's oil and natural gas region last year, and thus have been able to increase fuel production. The market has responded to the high prices we witnessed earlier this year with increased supply and reduced demand, proving yet again that markets do work.

Our industry has turned its focus to the winter heating season and is working hard to supply consumers with the fuel they need to heat their homes. We move into the winter season from a vastly improved position compared to last year. Heating oil on the NYMEX has dropped some 15.1 percent over the past two months. U.S. refineries, now recovered from last year's hurricanes, are running at high rates, averaging 94 percent of capacity in August, or 3.2 percent above year-ago levels. Inventories of all refined products stood at their highest end-of-August level in several years. Refiners have also been busy building up supplies of the new ultra-low sulfur diesel fuel (ULSD), producing a record 2.6 million barrels per day for the week ended September 15.

While we can take comfort in the easing fuel prices, we must keep in mind that the global oil market is one of volatility, subject to sudden price spikes if supplies are threatened by geopolitical developments or natural disasters. Our nation, dependent on imports to meet almost 60 percent of its oil demand, needs to take a balanced approach to meet its long-term energy challenges. We, and others, have aggressively pursued improvements in energy efficiency, but more work is needed. We urge you to open more of our country's own vast offshore oil and natural gas resources to exploration and to speed up the permitting process for onshore production. The recent discovery in the ultra-deep water reservoirs of the Gulf of Mexico, technically impossible just a few years ago, was made possible by the industry's massive investments and significant engineering advances. Congress, too, played a crucial role in opening the area and encouraging safe and responsible development. Our companies are prepared to continue to invest billions of dollars in advanced technologies to develop domestic resources. Finally, we urge Congress to quickly and equitably resolve the issue of revenue sharing from off-shore production to spur passage of an OCS bill.

We look forward to working with you to develop workable solutions to meet our nation's growing energy needs. For more information, please visit our website (www.api.org), or call Jim Ford, API Vice President of Government Affairs, at (202) 682-8210.

Sincerely,

A handwritten signature in black ink, appearing to read "Red Cavaney", is placed below the word "Sincerely,".

