

Statement of API President and CEO Red Cavaney at Joint Press Conference on Hurricane Preparedness

May 30, 2007

I am honored to be a part of today's joint press conference on hurricane preparedness.

Over the past year, API and the U.S. oil and natural gas industry have continued to work closely with the Departments of Energy and Homeland Security, the Minerals Management Service, and the Coast Guard to be fully prepared for this year's hurricane season. I want to thank those agencies for their continued cooperation and support, as we work together to further learn from our experiences during three major hurricanes in the Gulf of Mexico – Ivan, Katrina and Rita.

As you know, these three hurricanes included two back-to-back Category 5 storms, featuring 200 miles-per-hour winds and seas of up to 100 feet, and all within 12 months. Nevertheless, no significant exploration and production releases occurred. The offshore infrastructure in the Gulf, which includes some 4,000 platforms and 33,000 miles of pipeline, survived the three storms well. However, there were still lessons to be learned and improvements in performance to be made.

API plays two primary roles for the industry on hurricane preparedness: first, we help gain a better understanding of the operating environment in and around the Gulf during hurricanes, and then we apply that knowledge to make offshore facilities more survivable. Second, we work to improve industry reliability by fostering collaboration

among member companies and with federal, state and local governments as well as with other industries.

The Committee on Hurricane Response, formed by API, the International Association of Drilling Contractors, and the Offshore Operators Committee, promotes communication, shares lessons learned, coordinates industry review of critical design standards, and serves as a conduit to regulatory agencies.

API member companies in all segments also continue to independently further improve preparedness. They have, for example, reviewed and updated emergency response plans, established redundant communication paths and made pre-arrangements with suppliers to help insure they have adequate resources during an emergency.

Fortunately, none of last year's 10 storms, including five hurricanes, made landfall in the U.S. The industry took advantage of the respite to make significant improvements to its operations and procedures. Industry and government shared information at a two-day API hurricane conference on what worked well, and where improvements could be made in hurricane preparation and response. API also participated in a similar conference hosted by the U.S. Department of Energy.

Our industry's upstream sector continued to analyze and apply updated environmental data on how powerful storms affect conditions in the Gulf. During the 2004 and 2005 hurricanes, waves were higher and winds were stronger than anticipated in deeper parts

of the Gulf. The revised wind and wave data prompted API to reassess its recommended practices, or RPs, for operations there. API published three interim documents for the 2006 hurricane season covering the operation and construction of both mobile offshore drilling units and fixed and floating production platforms. This year, a second edition of the RP for the mooring of mobile offshore drilling units was issued incorporating updated data analysis. Today, we are publishing three new interim documents, with final RPs expected next year. Finally, API is hosting workshops on these new publications in New Orleans and Houston this July.

Meanwhile, our companies are refining and distributing fuel at record levels after recovering from damage sustained during the 2004 and 2005 hurricanes. For 2007, refiners and marketers continue to work with authorities to clarify priorities for power restoration critical to restarting operations and, where possible, to provide emergency power generation to avoid significant disruptions to fuel delivery and distribution. Companies have made provisions for emergency shelter and payroll distribution, and employees have received additional training and participated in various exercises and drills. Where appropriate, onshore buildings have been strengthened.

Finally, the liquids pipelines operating on or near the Gulf have also done extensive reviews of their assets and operations since the 2004 and 2005 hurricanes. While there were some outages, none lasted more than a few days despite some dramatic damage to supporting infrastructure such as electric power generation and distribution. To prepare for future severe storms, pipeline companies have taken a variety of steps, including

installing on-site backup electric power generation capability, improving communications systems to support continued operations, and working with vendors to pre-position food, water and transportation, and plan for other emergency supplies and services.

Let's hope we have another quiet year on the hurricane front in 2007, as we did in 2006.

Our industry, however, is prepared for all eventualities. API and the industry will continue to work closely with the government to learn from the recent hurricane experience. Working together, I am confident that industry and government can meet whatever challenges we will face.