Week in News: June 16 – 22, 2008

Bush slams Dems for 'obstructing' new oil production
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Miller debunks energy myths
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As Global Warming Fuels More Extreme Weather, McCain & Bush Urge Congress to Lift Offshore Drilling Ban
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Q&A: Gulf drilling: What would it mean?
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Deepwater oil fields are a final frontier; see video
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Bush slams Dems for 'obstructing' new oil production
The Hill, June 21, 2008; http://thehill.com/leading-the-news/bush-slams-dems-for-obstructing-new-oil-production-2008-06-21.html

By Jordy Yager
Posted: 06/21/08 11:23 AM [ET]
President Bush on Saturday addressed the country to make the case for increasing domestic oil production and blasted Democrats for standing in the way of his plans.
"My administration has repeatedly called on Congress to open access to new oil exploration here in the United States," Bush said in his weekly radio address. "Unfortunately, Democrats on Capitol Hill have rejected virtually every proposal. Now Americans are paying the price at the pump for this obstruction."

Bush has proposed drilling in Alaska, exploring oil shale reserves in the Rocky Mountains and the Green River Basin, expanding stateside oil refineries, and granting access to currently protected offshore drilling sites.

With oil prices close to $140 a barrel and Americans having to pay an average of more than $4 a gallon for gasoline, the issue has become one of the major campaign topics this year, with each side trying to blame the other for the price explosion.

While the GOP has been pushing measures to open up new areas for exploration, Democrats said they agreed that America's oil supply should be increased but argued that oil companies have enough existing opportunities to do so.

The Republican initiative plays in the favor of oil companies, which already have access to 68 million acres of public land for drilling purposes, said Rep. Nick Rahall (D-W.Va.) in Saturday's Democratic radio address.

"Big Oil does not need to be coddled," said the chairman of the House Natural Resources committee. "It needs a kick in the backside."

Opening offshore drilling to oil companies could reap as much as 18 million additional barrels of oil, Bush has argued. But critics say such a venture would not affect gas prices in the immediate future because it would take several years for such oil to make it to the market.

Rahall said renewable fuels and reduced energy consumption is the long-term solution that Democrats will continue to pursue to fulfill the country's energy needs.

In the meantime House Democrats said four energy-related bills are expected to reach the floor next week, including a measure that pushes oil companies to use the drilling and exploration leases they currently hold and legislation that would reduce consumer public transit fares. Democrats also want to tackle that commodity speculation is partially to blame for the high gas prices and want Congress to act on the issue.

House Minority Leader John Boehner (R-Ohio) criticized the Democrats' effort to bring the four measures to the floor, calling it a "charade."

"None of the bills the Democratic leaders reportedly plan to bring up next week will lower gas prices or increase production of American energy, and they know it," Boehner said in a statement Friday night.

Presidential candidates Sens. John McCain (R-Ariz.) and Barack Obama (D-Ill.) have battled over the issue in recent weeks.

McCain reversed his opposition to ending the moratorium against offshore drilling on the Outer Continental Shelf – the sloping edges of America's coasts – earlier in the week, aligning himself with Bush and fellow GOP members.

Meanwhile Obama has continued to support the ban passed by Congress in 1981 in an effort to protect the coastal regions from further deterioration.

Miller debunks energy myths
Pensacola News Journal; June 21, 2008;
http://www.pnj.com/apps/pbcs.dll/article?AID=/20080621/NEWS01/80621006

Here is the weekly newsletter from U.S. Rep. Jeff Miller, R-Chumuckla:

This week I'd like to debunk some of the myths brought up in the energy debate across the nation and leave you with the facts.

Fact #1- The Bureau of Land Management (BLM) administers the 700 million acres of federally owned sub-surface mineral estate, only 6 percent of which has been leased for oil & gas exploration and development.

Fact #2- Only 3 percent of the United States ' 1.76 billion acre outer continental shelf (OCS) is leased for oil and gas exploration and development.

Fact #3- Of the more than 7 billion barrels of oil pumped offshore in the past 25 years, 0.001 percent – that is one-thousandth of 1 percent – has been spilled.

Fact #4- The mean estimate of technically recoverable oil in ANWR is 10.4 billion barrels – all of which is now economically recoverable. That's more than twice the proven oil reserves in all of Texas . That's almost half of the total U.S. proven reserve of 21 billion barrels. That represents a possible 50 percent increase in total U.S. proven reserves.

Fact #5- Drilling of oil and natural gas exploratory wells increased by 98 percent from 2000 to 2007. Yet, crude oil production decreased 12.4 percent.

Fact #6- One million barrels of oil produce 27 million gallons of gasoline and diesel fuel.

Fact #7- United States expanded its dependence on foreign members of the Organization of Petroleum Exporting Countries (OPEC) by a full seven percent in 2007 alone.

Fact #8- Total American Energy Resources Off-Limits: (Leasing Prohibited) Natural Gas: 175.28 Trillion Cubic Feet Oil: 1.127 Trillion Barrels. Federal Revenue Generated if Congress Unlocked Off-limits Energy Resources: $60 TRILLION

Fact #9- Wind-generated electricity increased by 45 percent between 2005 and 2006 and by 21 percent between 2006 and 2007, more than any other renewable source of generation in both years.

Fact #10- The Democrats are blocking domestic energy exploration legislation from being voted upon in the House.

As Global Warming Fuels More Extreme Weather, McCain & Bush Urge Congress to Lift Offshore Drilling Ban
Democracy Now; June 20, 2008;
http://i4.democracynow.org/2008/6/20/as_global_warming_fuels_more_extreme

As Global Warming Fuels More Extreme Weather, McCain and Bush Urge Congress to Lift Offshore Oil Drilling Ban President Bush and John McCain urge Congress to lift a federal ban on offshore oil drilling and in the Arctic National Wildlife Refuge. Their call comes as a new global warming report finds that North America is likely to experience more droughts, excessive heat and intense downpours. We speak with David Helvarg of the Blue Frontier Campaign. [includes rush transcript]

Guest:

David Helvarg, President of the Blue Frontier Campaign, a marine conservation organization. He is the author of three books: The War Against the Greens, Blue Frontier: Dispatches from America's Ocean Wilderness and 50 Ways to Save the Ocean.

AMY GOODMAN: We begin today with the impact of offshore oil drilling. On Wednesday, President Bush cited soaring gasoline prices and urged Congress to lift federal bans on offshore oil drilling and drilling in the Arctic National Wildlife Refuge.

PRESIDENT GEORGE W. BUSH: This morning I asked Democratic congressional leaders to move forward with four steps to expand American oil and gasoline production. First, we should expand American oil production by increasing access to the Outer Continental Shelf, or OCS. Experts believe that the OCS could produce about 18 billion barrels of oil. That would be enough to match America's current oil production for almost ten years.

AMY GOODMAN: Bush's comments came a day after Republican presidential candidate John McCain said the ban on offshore oil drilling had to be lifted to combat rising gas prices. Since McCain's original statement, his own advisers have begun acknowledging lifting the ban would have no immediate effect on supplies or prices.

According to a recent study by the White House's own Energy Information Administration, any impact on oil prices from exploiting the Outer Continental Shelf is expected to be "insignificant."

Meanwhile, vocal opposition to the proposal is growing, particularly from environmentalists, as well as officials in California and Florida, including California Governor Arnold Schwarzenegger.

David Helvarg is the president of the Blue Frontier Campaign, a marine conservation group. He's the author of three books The War Against the Greens, Blue Frontier: Dispatches from America's Ocean Wilderness and 50 Ways to Save the Ocean, joining us on the phone from Maryland.

Welcome to Democracy Now!, David.

DAVID HELVARG: Hi. Thank you, Amy.

AMY GOODMAN: Can you talk about the significance of this call for the ban on offshore oil drilling to be lifted by President Bush and the Republican presidential candidate John McCain?

DAVID HELVARG: Well, I think it makes sense in terms of Cheney and Bush trying to lift the ban. Essentially it's a kind of final gift to their friends in the oil industry. That is, you know, there's no expectation that there will be rapid drilling, but as soon as they have these lease areas on our public oceans in their ledgers, it increases their valuation as companies, it increases their stock value on Wall Street. So, you know, from the Bush administration point of view, why not?

It's a little more difficult to understand McCain's purpose, other than—remember, you know, they falsely tagged John Kerry as flip-flopper. McCain has clearly followed a recent poll that says a majority of Americans are very upset about $4 and $5 gas and looking for any solution and are now willing to open up offshore waters, and I think he jumped on that.

And, you know, he's smart enough—in fact, he's smart enough that a couple of weeks ago he gave a talk in which he pointed out that there's no short-term benefit to this. It will be at least ten years 'til oil production would come online.

And, you know, the battle for the last twenty-five years, this moratorium that's had bipartisan support, essentially it's protected offshore waters, pristine areas, from the threats of oil spills and catastrophic disasters at that level. Now we have this added issue, which if we start drilling production ten, fifteen years down the line offshore, this product, used as directed, overheats our planet. It simply makes no sense.

And I think it's, you know, like his tax, suggested removing the eighteen, twenty cents of federal tax on gas, it's probably going to be seen as somewhat opportunistic. And I know that the Democrats talk about a windfall tax, and if you look at the $2.50 that's been added to gasoline prices in the last year, if you took all that money and put it into a crash program to begin developing non-carbon-based energy systems, you might be going somewhere.

I mean, the problem is that, you know, they're looking at drilling offshore. They're drilling in Bristol Bay, Alaska. The use of fossil fuels is literally melting away the Arctic ice cover, and there are going to be eighteen exploration ships, drilling ships, up there looking for oil this summer. You know, the rapid decline of ice in that area, the extreme weather events we're experiencing, should be a signal for a global response. And unfortunately, at the moment, the global response we're seeing is this kind of cold rush into the Arctic to look at mineral exploration, shipping lanes and even oil drilling.

AMY GOODMAN: So we will soon see no ice in the summer in the Arctic. We just have this latest report led by the National Oceanic and Atmospheric Administration, the US Climate Change Science Program, that says as greenhouse gas emissions rise, North America is expected to experience more droughts, excessive heat, more intense downpours, hurricanes. President Bush basked in the sunlight in Washington, D.C. when he made the announcement of offshore drilling, as people in Iowa—the levees were breaking—were seeing, what now, tens of thousands of people who've basically become climate refugees.

DAVID HELVARG: Well, we're in a country that in 2005, we had a million environmental refugees as a result of Katrina.

And again, McCain, the other day, said there was no spillage from the—he parsed it very carefully—from the 160 offshore rigs that were either damaged or destroyed. I saw them up on beaches. I also talked to the Coast Guard. There was actually 8.2 million gallons of spillage. The rigs themselves were closed down and evacuated before the storm, but all the pipes and tank farms and the infrastructure you get around that created two-thirds of an Exxon Valdez.

And again, you know, the intensified hurricanes happen. I just—you know, this flooding we're seeing in Iowa, they're calling it a 500-year flood. But you remember back in 1993, just fifteen years ago, we had a hundred-year flood. I've talked to a scientist at NASA who says, what we used to talk about hundred-year events become decadal events now, every ten years.

I just spoke with Admiral Brooks, who's the Coast Guard commander for Alaska. He said when he arrived there last year, he thought climate was an issue he'd have to deal with for 2020 or 2030. He says it's happening now. They're putting emergency stations, search-and-rescue stations, up in Barrow this summer. They're, you know, doing over-flights of this open water, because people are there now. The open water has brought—last summer, you had three tour ships that went through the Northwest Passage without informing the Canadians or Americans. Suddenly in Barrow you had 400 German tourists on the beach in Barrow. The local folks were kind of shocked.

But change is happening much more rapidly than was projected by the most conservative projections of the International Climate Change Panel, and it's interesting, because this is the first time in years of working as an environmental journalist, before becoming an ocean advocate. And for years, scientists tended to be more skeptical than the public on things like Alar and even oil spills. Right now, scientists are much more worried than the public. I mean, what we need is—it's insane to be talking about developing new sources of oil. What we need is the kind of global industrial response to develop new energy sources that we had in World War II, when America just remobilized overnight. And unfortunately, we're not treating this threat like World War II; we're treating it like the invasion of Grenada.

AMY GOODMAN: David Helvarg, on the one hand, you have the difference between John McCain and Barack Obama on this. Obama is against lifting the ban on offshore drilling; John McCain is for it. On the other hand, on the issue of nuclear power, they join together—both are for it. In fact, John McCain just called for the building of nuclear power plants in the last week, saying we're going to lose the ability to build, since people aren't going to remember how to do it since one hasn't been built in thirty years.

DAVID HELVARG: Yeah, well, you know, I think that what you're seeing is, as there's a recognition that the science can't be denied and people's own experience of changing weather and climate can't be denied, the natural tendency is for corporations to game the system. And so, you know, the first response to climate change you saw was corn biofuel, corn ethanol, because you already had this big commodity with deep pockets that could push that. And that's very quickly been shown to be a disaster.

The next move, of course, is towards clean coal and nuclear, because again you've got existing industries that have more influence and more lobby power than, say, the geothermal, the wind or the photovoltaic industries. Clean coal, I kind of think of like low-tar cigarettes: it's just unproved. And nuclear is a very expensive way to boil water and has very serious consequences in terms of waste and potential problems. You know, we certainly have to look at the full range, but the range we should be looking at is the range that our energy system is going to have least destructive impact and what's going to have to be a fast and in some ways dirty transition if we're going to escape the worst impacts of climate.

Clearly, we're also going to have to do adaptation. I mean, the next 500 years is a rough period, no matter what we do. We're already seeing in the ocean that even if we transitioned off of coal and gas tomorrow, we're still going to lose half the world's tropical coral reefs to the heat we've already put in the system. The ocean is already more acidic than were projected and really more acidic as a result of absorbing some of our excess carbon than they've been in several million years. So things are changing rapidly. The question is, is it going to be difficult, or is it going to be a disaster?

And clearly, you know, it's bad times and some very bad ideas, like continuing to drill for oil or seeing nuclear as the quick and easy fix. But, you know, these are problems. I think the difference is that, you know, as a candidate, Obama says he's going to be responsive to public demand. I think he probably will be. Senator McCain has some environmental credentials, which he's rapidly discarding to try and shore up his base.

AMY GOODMAN: Well, David Helvarg, I want to thank you very much for being with us, founder and president of the conservation lobbying group Blue Frontier Campaign. Among his books, 50 Ways to Save the Ocean.

Q&A: Gulf drilling: What would it mean?
Bradenton Herald, June 18, 2008; http://www.bradenton.com/local/story/685859.html

For almost 30 years, a federal moratorium has prohibited drilling for oil and natural gas in the eastern Gulf of Mexico. Here are some questions and answers about a move to lift the ban and leave the decision up to the Gulf states.

Would drilling bring lower gas prices?

Not any time soon. Even drilling advocates say it would be 10 years before meaningful production began.

Would oil rigs be visible from our beaches?

Possibly not. Technology has allowed companies to push drilling structures farther offshore into deeper water - out of sight of tourists and most boaters. Some newer subsea wells aren't even visible from the surface - they're linked by pipelines to ships or other platforms.

So does that mean we shouldn't worry about them?

Environmentalists don't think so. They argue that a proliferation of platforms and wells would increase risks to Florida's coast - no matter how far offshore the drilling might be.

How risky are they if we get hit by a hurricane?

Drilling advocates note the offshore drilling industry hasn't had a major spill in 40 years. It even managed to weather direct hits from Hurricane Katrina without significant harm. Though 113 rigs and 457 pipelines were damaged, the Minerals Management Service reported "no shoreline or wildlife impacts of note."

Where is drilling most likely?

The most promising zones are the Destin Dome and Desoto Canyon, about 100 miles south of Pensacola, but industry executives say it's difficult to say what sites might draw the most interest.

How much oil is out there?

The National Petroleum Council estimates that 36.7 trillion cubic feet of natural gas and more than 5 billion barrels of oil remain untapped in the gulf.

Curtis Morgan, Miami Herald

Deepwater oil fields are a final frontier; see video
USA Today, June 19, 2008; http://www.usatoday.com/money/industries/energy/2008-06-19-deepwater-oil-offshore-drilling_N.htm

By David J. Lynch, USA TODAY
ABOARD THE CAJUN EXPRESS, Gulf of Mexico — Five miles straight down, past the prowling barracuda and tuna, lies a massive sandstone formation marbled with oil. Extricating the inky fluid, which has lain undisturbed for millions of years, and shipping it 150 miles to land won't be easy.
But with rising global demand pushing the price of a barrel of oil near $140, securing new oil supplies from deep, distant spots such as the field code-named Tahiti is critical. That's why Chevron has leased this mobile drilling rig, which displaces more water than one of the Navy's Nimitz-class carriers, to ready for production half a dozen wells scattered across the ocean floor. The vessel's on-board thrusters hold it almost perfectly still, directly above its target, submerged in 4,000 feet of water.

"The deep water has been, and really truly is, potentially the next wave of hydrocarbons into the global energy market. It's hugely important," says Stephen Thurston, Chevron's vice president of deepwater exploration and projects.

Deepwater oil fields, those below more than 1,000 feet of water, represent one of the final frontiers of oil prospecting. The good news is that there's plenty of oil in such deposits, especially here in the Gulf of Mexico and off the coasts of Brazil and West Africa. The bad news is that much of that valuable crude lies in complex geologic formations, hidden beneath a mile or more of troublesome salt layers — meaning these new reservoirs will be costly to develop and thus will do little to eliminate $4-a-gallon gasoline.

By next year when Tahiti begins sending oil to anxious consumers ashore, Chevron expects to have invested $4.7 billion in this project. That outsized sum reflects a surge in oil field costs for raw materials, fuel and specialized gear, which have more than doubled since 2000, according to the Cambridge Energy Research Associates. The daily lease for the Cajun Express alone costs $463,000.

"The level of cost will keep (gas) prices up. It's not like we'll find something easy to produce and all of a sudden the price of gas will go back to $3," says Gary Taylor of industry publication Platts Oilgram News.

The western Gulf of Mexico represents the only United States waters where oil companies are allowed to drill. Persistently high oil prices have shaken, but not ended, the 1981 federal ban on drilling off the U.S. east and west coasts and in the eastern Gulf. President Bush on Wednesday joined likely Republican presidential nominee Sen. John McCain in reversing his support for the prohibition. Democrats remain opposed to expanded coastal drilling, saying it would threaten the environment and do little to curb high gas prices for years.

The increasing prominence of deepwater discoveries such as Tahiti illustrates a core truth behind the steadily rising cost of fuel: All of the easy oil has been found or used. Now, drillers must navigate 4,000 feet of water and an additional 20,000 feet of sand, rock and salt to find what the Earth has left.

"People back home don't think about that, but that's 5 miles! Back when I started in this business, if you went 2 miles, that was a great thing. You got your name on a plaque," says Buddy Horton, a safety consultant at DC International of Lafayette, La., and a 32-year industry veteran.

Last month, Chevron, the second-largest U.S. oil company, reported first-quarter earnings of $5.2 billion, up almost 10% compared with the same period in 2007. The company expects to spend $2 billion this year searching the globe for new oil, with deepwater prospecting claiming the largest single share. Chevron plans this year to begin producing oil from another deepwater field in the Gulf called Blind Faith as well as the Agbami project off the coast of Nigeria.

Into deeper water

The industry's first offshore well was drilled in 1947 within sight of the Louisiana coast in water not much deeper than a municipal swimming pool. From those modest beginnings, the industry has marched steadily into more challenging depths. Last year, 130 deepwater projects produced oil, up from 17 a decade earlier, according to Minerals Management Service, the Interior Department agency that leases offshore parcels.

By 2015, Chevron expects deepwater wells to account for one-quarter of offshore oil production vs. 9% today.

Much of the action now is in so-called ultra-deepwater fields beyond 5,000-foot depths. In 2003, Chevron drilled a record-setting well in 10,011 feet of water, and the San Ramon, Calif., oil giant has plans to go even deeper. It's leased two new drill ships from drilling contractor Transocean capable of reaching total well depths of 40,000 feet, including 12,000 feet of water. The first delivery is scheduled next year.

As companies rush to develop new deepwater fields, they are encountering roadblocks. The most critical: a global shortage of drilling rigs, the legacy of investment-chilling low oil prices a decade ago, when crude dipped below $12 a barrel. The scarcity of rigs is so serious that some promising fields are going unexplored, according to Interior's MMS. Customers trying to lease a rig from Cajun Express owner Transocean must wait two years, says Steven Newman, the company's president. The drilling contractor's order backlog now exceeds $30 billion compared with less than $1 billion four years ago. "I've been in this business for 15 years, and these are the best times I've ever seen. My boss, our CEO, has been in this business for 30 years, and these are the best times he's ever seen," Newman says.

Almost one-third of the world's deepwater rigs are active in the Gulf. Many are prowling an ancient formation called the Lower Tertiary, which sprawls from Texas and Louisiana far offshore and could hold up to 2.8 billion barrels of hydrocarbons.

Chevron's Tahiti field, which the company announced as a major find in 2002, looks like one of the biggest discoveries in the region, potentially containing 400 million to 500 million barrels of oil. It is scheduled to begin producing 125,000 barrels a day next year.

But in this demanding environment, stumbles are not unknown, even over prosaic components such as the heavy shackles designed to secure Chevron's production platform — a floating 60-story structure taking shape nearby — to the ocean floor. In 2007, Chevron delayed the Tahiti program after encountering what it described as "metallurgical problems" with the roughly 1-ton industrial bracelets.

Likewise, last year, Chevron was forced to temporarily abandon one of the six wells in the project's initial phase after an attempt to complete it failed. Now, the more than 140 oil workers from Chevron and several support companies housed on the Cajun Express are proceeding with a second try. The work should be finished in early July.

Griping about Big Oil

Just to get this far in Chevron's multiyear project has been an undertaking. The workers aboard the drilling rig brave hurricanes and toxic fluids while battling tricky currents that tug at the drill pipe as it reaches toward the ocean floor. Below the sea bottom, unpredictable layers of sediments — like a wedding cake with a mind of its own — threaten unanticipated problems with each additional foot of depth. Low-pressure areas known as "thief zones" can baffle drillers by robbing the fluids needed to lubricate the advancing drill bit.

"It takes a lot to drill these wells nowadays. It's not as easy as it used to be. … The equipment needs to be more robust, bigger, heavier-duty," says Marty Hebert, 52, offshore manager for Transocean.

One reason is the extreme conditions associated with operating in very deep fields. The oil trapped below the ocean floor is under pressures that reach 20,000 pounds per square inch — perhaps twice the force of a shallower well — as well as temperatures approaching 400 degrees Fahrenheit. Releasing the oil safely is akin to handling a giant ketchup bottle full of sluggish fluid but ultimately prone to an explosive release.

To complete the Tahiti wells, Chevron had to design new variants of standard drilling tools using exotic alloys such as corrosion-resistant inconel, says Clay Jostes, 29, a field drilling engineer. That's another reason costs are so high.

Prospecting for oil conjures up images of well-muscled men toting heavy pipes and swinging oversized tools. And there's some of that here. At one end of the Cajun Express, a vertical array of various drill pipes resembles an enormous industrial pipe organ.

But today's oil industry owes as much to Silicon Valley as it does to sheer brawn. Specialized three-dimensional software allows industry geologists to "see" beneath the ocean floor and the thick subsurface salt canopy that hides the oil. On the bridge, workers track sea currents and weather on 10 flat-screen monitors, while in the well control center, a driller seated in a cushioned captain's chair watches fluid pressure in the well far below. Robotic minisubs carry out near-daily inspections of the drill pipe.

"A lot of the stuff we do rivals the space program. … It's cutting-edge technology," says Jostes.

But when the young engineer finishes his two-week shift here on the oil field frontier and returns to his New Braunfels, Texas, home, he knows he'll be greeted with grumbling, not applause. "It's frustrating for me to hear my friends. They gripe about the price of a gallon of gas," he says. "They just want to blame Big Oil. But we're not pillaging the American people, and we shouldn't apologize for the profits we're making."

There's still plenty to do before Tahiti sends its first barrel of oil creeping through a pipeline to shore. All six wells on the sea floor will be connected to a subsea manifold, the midway stop on the way to the production platform overhead. By then, Jostes will have moved on to another site.

"As far as oil being a limited resource, will I ever see the end of it? Or will my grandkids see the end of it?" asks Jostes. "I don't think so. I don't think there is a limit."

Where offshore drilling goes, beaches suffer

St, Petersburg Times; June 19, 2008; http://www.tampabay.com/news/environment/water/article634009.ece

By Craig Pittman, Times staff writer

Stephen Leatherman has seen every kind of beach in America, and he really likes the ones in Florida. The man known as Dr. Beach usually ranks them among the prettiest in America. This year he picked Pinellas County's own Caladesi Island as No. 1. If oil companies start drilling in the eastern Gulf of Mexico, that's likely to change. "We've got some of the finest, whitest sand in the world," said Leatherman, a professor at Florida International University in Miami. "Oil doesn't seem to go with that. … This could lower the value of our beaches."

Leatherman has seen what offshore drilling can do to a beach. Texas beaches, for instance, "tend to be the trash can of the gulf." Waste from the western gulf's wells — everything from empty oil drums to tar balls — washes up there.

Allowing drilling in the eastern gulf — a move now touted by President Bush, GOP presidential candidate John McCain and Gov. Charlie Crist — carries risks for the environment as well as for Florida's economy.

Over the past 40 years, oil companies have drilled thousands of wells across the western and central gulf, and there are now about 3,800 offshore structures there. Texas, Louisiana, Mississippi and Alabama have been willing to overlook the trash and tar in exchange for cash and jobs.

But Florida's $50-billion tourist industry depends on clean beaches. The slightest taint — say, a Red Tide bloom — can empty the hotels. That's why in the past Florida politicians from both parties have been as quick to embrace drilling as they have been to shake hands with Fidel Castro.

"The beaches of Florida are like the mountains of Colorado. They are somewhat our defining feature, and anything that threatens to jeopardize those beaches raises great concerns," said former Sen. Bob Graham, a Democrat and longtime drilling opponent who says he is "confounded" to see the issue revived.

In the late 1990s, when Chevron proposed drilling in the gulf 25 miles south of Pensacola, the U.S. Environmental Protection Agency warned that if there were a spill, "there is as great as a 47 percent chance that the slick would reach Florida's coastal waters before dissipating."

Chevron hired Florida State oceanographer Wilton Sturges to study the spill potential. Sturges said he found "that under worst-case conditions the spilled stuff could be brought ashore much faster than any response team could get there to clean it up. It is a real crapshoot about when it might happen, of course. Most bad things happen during nasty weather, when the difficulties of cleanups are at their worst."

For instance, Hurricane Katrina ripped into Louisiana and Mississippi in 2005, destroying 115 oil platforms, significantly damaging 52 more and setting adrift 19. More than 7-million gallons of petroleum products spilled, according to the U.S. Coast Guard. By comparison, in 1989 the Exxon Valdez spilled 11-million gallons in Alaska's Prince William Sound.

It wasn't a hurricane that caused the Ixtoc I spill, the worst in modern history.

Ixtoc occurred in 1979 just north of the Mexican coast. A rig blew out, caught fire and collapsed. The fire and scattered debris made capping the well so difficult that it continued spewing for nearly a year, dumping more than 3-billion barrels of oil. Two months later, the first tar balls washed ashore 600 miles away in Texas. Soon every beach in the state was coated. Tourism dropped by 60 percent.

That was 20 years ago. Drilling is much safer now, said David Mica of the pro-drilling Florida Petroleum Council.

"We've come a long way since then," he said. "I sleep pretty good at night knowing mankind is doing a good job protecting our resources. Of course, there are no guarantees."

Big spills like Ixtoc are rare. Smaller ones are not.

The Coast Guard documented more than 239,000 oil spills across the gulf between 1973 and 2001. In one study of the area where Chevron wanted to drill, the Minerals Management Service predicted that over the next 40 years there could be up to 870 spills of 2,000 gallons or less, which "is expected to result in small pollution events that could temporarily affect the enjoyment or use of some beach segments."

Critics like Enid Sisskin of Gulf Coast Environmental Defense, a Pensacola group that has opposed offshore drilling for more than a decade, say they are not as concerned about oil spills as they are about what she calls "the routine, everyday, day-after-day pollution they dump in the water."

When the rigs first drill into the ocean floor, the crews use fluids called "drilling muds" which include toxic substances including barium, chromium and arsenic. The EPA found that such discharges into the eastern gulf would "introduce significant quantities of contaminants to these relatively pristine waters."

In 2002, the Mobile Press-Register tested grouper and other fish caught around Alabama's offshore rigs. They contained so much mercury that they would not be acceptable for sale to the public under federal guidelines. The source: the drilling muds, which left mercury in the sea-bottom in concentrations as high as that found at Superfund sites.

Then there are all the undersea pipelines and the onshore facilities that would probably have to be built, all of which can leak as well, Leatherman pointed out.

"There's a lot more involved than just drilling a well," he said. "It's just not good for beaches."

Sales of premium gas plummet, even among the luxury class. But "spark knock" may come calling.

Schwarzenegger says drilling ban not to blame for high gas prices
LA Times, June 20, 2008; http://www.latimes.com/news/local/la-me-drill19-2008jun19,0,97631.story?track=rss

Gov. Arnold Schwarzenegger said Wednesday he opposes lifting a ban on new oil drilling in coastal waters, breaking with President Bush and Republican presidential candidate John McCain.

He called California's coastline "an international treasure" that must be protected by a federal oil-drilling moratorium that has been in place for 27 years.

"We're serious about that, and we're not going to change that," he told reporters and business executives at BIO International, an annual biotechnology industry conference in San Diego.

Schwarzenegger, who has endorsed McCain's presidential bid, said the federal offshore drilling ban was not to blame for soaring gas prices. In a statement issued earlier in the day, the governor said technological innovations and expanded fuel choices for consumers ultimately will lead the way to reduced fuel costs.

"We are in this situation because of our dependence on traditional petroleum-based oil," Schwarzenegger said in the statement, which referred only to Bush's call for lifting the ban and did not mention McCain.

Bush on Wednesday urged Congress to lift the federal ban on offshore oil and gas drilling as a way to boost domestic energy production. His call followed a statement earlier in the week by McCain, who said removing the ban would be a key part of his energy plan.

He said states should be allowed to receive some of the royalty revenue from energy taken from their coastal waters.

McCain's proposal was endorsed Wednesday by Florida Gov. Charlie Crist, considered a possible running mate for the Arizona senator. Crist cited rising fuel prices for dropping his long-standing support for the federal government's moratorium.

McCain's position puts him at odds with Schwarzenegger, only the latest issue on which the two Republicans differ. While both have expressed a sense of urgency in dealing with global warming, they disagree on how to provide health care reform, setting timelines for troop withdrawal in Iraq and abortion.

Schwarzenegger spokesman Aaron McLear said the governor continues to support McCain even though they occasionally disagree.

At the biotech conference in San Diego, Schwarzenegger said McCain and the presumed Democratic presidential nominee, Barack Obama, have demonstrated a willingness to confront global warming.

"I'm very happy that both are strong in this area," he said.

Sen. Dianne Feinstein, D-Calif., said lifting the drilling moratorium is an unnecessary risk that could allow unreliable oil rigs to be as close as three miles to California's beaches.

"Californians are all too familiar with the consequences of offshore drilling," Feinstein said in a statement issued Tuesday.

She cited the 1969 spill off the coast of Santa Barbara that killed scores of birds and marine mammals, and soiled miles of coastline with balls of tar.

"And we know this could happen again," Feinstein said.

There are 79 active oil and gas leases off California's coast in federal waters, 43 of which are producing, said John Romero, a spokesman with the Pacific office of the Minerals Management Service, part of the U.S. Interior Department. The others are tied up in court.

An estimated 10 billion barrels of undiscovered oil and nearly 17 trillion cubic feet of undiscovered natural gas lie three miles from California's coast, Romero said.

McCain wants to allow states to decide whether to explore their coastal waters for those undiscovered reserves, something Californians would be unlikely to support, said state Assembly Speaker Karen Bass.

"The idea of increasing offshore drilling off the coast of California I think is absurd, and I can't even imagine we would entertain that," the Los Angeles Democrat said.

Schwarzenegger does not have the support of all his fellow Republicans in California, many of whom agree with McCain and Bush.

The minority leader in the state Senate said he supports lifting restrictions on offshore oil drilling.

"Personally, yes, I believe we need to be drilling in our own reserves," Sen. Dave Cogdill, R-Modesto, said Wednesday during a news conference related to the state budget. "We need to use the resources available to us in this country."

He said it would reduce the country's dependence on foreign oil and would help drive down the cost of gasoline.

"So I am a very strong supporter, as I think most of my caucus is, in the catch phase 'Drill here, drill now, pay less,'" Cogdill said. "It's certainly a better energy policy relating to the needs of the citizens of the United States."

Will there be drilling on Georges Bank?
Cape Cod Times, June 21, 2008;
http://www.capecodonline.com/apps/pbcs.dll/article?AID=/20080621/NEWS/806210320

By Patrick Cassidy
pcassidy@capecodonline.com
June 21, 2008 6:00 AM
It has been nearly three decades since oil companies last dug into Georges Bank southeast of Nantucket.

The eight test wells drilled into the submerged glacial bump in 1981 and 1982 came up dry. At the time, environmentalists and fishermen vigorously opposed continued exploration, a fight that led to a ban on offshore drilling that spread down the East Coast and west to the Pacific.

But with President Bush's call this week to lift the drilling moratorium on the Outer Continental Shelf and the country facing high gas prices, future plans for Georges Bank may, again, hang in the balance.

"We don't even want to open that door, particularly in Georges Bank," Peter Schelley, vice president at the Conservation Law Foundation, said yesterday.

The area is too valuable as a fishery and marine life habitat to risk, Schelley said.

Although Georges Bank may not be the first place companies would look for new offshore oil or natural gas deposits, they would come eventually if given the chance, said Michael Gravitz, oceans advocate for Environment America, a research and policy center associated with the U.S. Public Interest Research Groups.

"The seismic tools that they have today are just a world apart from what they had 25 years ago," Gravitz said. "My guess is they'd be interested in going out there again."

But any oil found in U.S. waters would not bring down the price of gas significantly or quickly, Gravitz said.

Oil companies expressed cautious optimism about the prospect of opening up more areas offshore for exploration and development leases.

"Obviously, we're pleased at the first steps," said Judy Penniman, a spokeswoman for the American Petroleum Institute, a trade association that represents oil companies.

It would likely be seven to 10 years before any production drilling took place if the moratorium is lifted, Penniman said. Individual states would have the power to veto drilling, she said.

Gov. Deval Patrick's administration wants "no part" of drilling on Georges Bank, Robert Keough, spokesman for the state Office of Energy and Environmental Affairs, said in a telephone message left for the Times.

"Massachusetts fought the idea of offshore drilling 30 years ago," Keough said. "It was a bad idea then and a bad idea now."

"Then" was 1979, when a handful of oil interests bought more than $800 million in leases on Georges Bank through the U.S. Department of Interior's Minerals Management Service.

A series of wells drilled about 125 miles off Nantucket to depths up to 20,000 feet found nothing, although a report from the MMS indicated natural gas may be found deeper.

Opportunity knocks
Some companies that drilled in the area no longer exist, but the ones that do are actively seeking new opportunities.

"I think it's safe to say that we're always looking for new prospective areas that are opened up," said Alan Jeffers, a spokesman for Exxon-Mobil.

Before the companies merged, Exxon and Mobil both drilled test wells on Georges Bank, along with Shell, Conoco and two other energy firms.

Those leases are no longer active, according to Caryl Fagot, an MMS spokeswoman.

Jeffers and other oil company representatives would not say whether Georges Bank was in their sights.

"We don't know," said Mickey Driver, a spokesman for Chevron. "We would have to look at the data."

Chevron has drilling platforms off the eastern coast of Canada, but America's northern neighbor also has a moratorium in place on its portion of Georges Bank.

"We need all the energy we can produce everywhere we can produce it in every form," Driver said. "There's no silver bullet."

Companies such as Chevron have diversified and invested in wind, solar and geothermal projects, he said. But for now, with the United States consuming 20 million barrels of oil every day, drilling for crude remains definitely part of the mix, he said.

"It's going to be oil today, tomorrow, 10 weeks and 10 years from now."

Most of that oil comes from outside the United States, he said, adding that finding new deposits is the only way to meet future demand.

Fishermen torn

The reaction from local fishermen yesterday was mixed.

"The system that's out there is unique in the world," Jim Kendall, owner of New Bedford Seafood Consulting, said of Georges Bank. "We don't really know what the outcomes of a disaster out there would be."

Kendall fished Georges Bank when test wells were in place decades ago. He recalled boats catching nets on drilling equipment after they were supposedly removed.

The area poses challenges to fishermen even without man-made obstructions, he said.

Chatham fisherman John Our is more open to exploiting Georges Bank for energy.

"They could drill in Chatham harbor right now," he said, adding that anything to bring down fuel prices that are hurting the fishing industry would be welcome.

Our, who used to fish on Georges Bank but now stays closer to shore, said he especially feels bad for boats out of New Bedford, which can spend $50,000 on fuel for a single trip.

But Our expressed skepticism that drilling at Georges Bank would put a dent in his diesel fuel costs.

"How many rigs can you put out there realistically?" he said.

Georges Bank

Formed in the last ice age, 12,000 to 14,000 years ago

16,000 square miles
10 to 30 feet of water depth along "central crest," sloping off to 600 feet deep on edges
Located 40 to 200 miles off Cape Cod
1 million tons of fish caught at height of foreign fishing operations in 1973, before U.S. marine territory was extended to 200 miles from shore

Source: NOAA scientist Michael Fogarty

Shell again halts plans to drill in Beaufort
Anchorage Daily News, June 21, 2008; http://www.adn.com/front/story/442703.html

ON HOLD: Company says it remains committed to project in the long term.

By WESLEY LOY

Shell says it's giving up on plans to drill in the Beaufort Sea this year due to an unresolved court challenge.

This marks the second straight year the Dutch oil giant has been forced to shelve its offshore drilling plans over the court case.

The Friday announcement came only a day after Shell won a hard-fought air pollution permit for its drilling operations from the U.S. Environmental Protection Agency.

The North Slope Borough, the Alaska Eskimo Whaling Commission and environmental groups last year blocked Shell's drilling plans in a court challenge aimed not at the company directly but at the U.S. Minerals Management Service, which regulates offshore drilling.

The groups argue that industrial noise and potential spills could hurt migratory whales and the Beaufort Sea ecosystem.

In its announcement, Shell said it's giving up on drilling this year because the 9th Circuit Court of Appeals in San Francisco has yet to rule on whether MMS approval of the company's 2007-09 exploratory plan was proper.

"Shell believes this is the responsible decision given the continuing uncertainty and need for our workers and contractors to pursue other opportunities," the company said.

Shell intends to proceed with seismic testing in the Beaufort and the neighboring Chukchi Sea.

"We remain committed to this project for the long term and we consider Alaska a future Heartland for Shell," the company said in its written statement.

Shell began a surge in Alaska in 2005, leasing thousands of offshore acres and assembling a work force in Anchorage. It hasn't yet drilled any wells.

In February, the company spent a staggering $2.1 billion at a Chukchi Sea lease sale.

Offshore oil drilling opponents are rethinking
LA Times, June 18, 2008; http://www.latimes.com/news/science/environment/la-na-offshore18-2008jun18,0,2078954.story

With gas above $4, some who previously backed the longtime ban say it's time to start exploring.
By Richard Simon and Bob Drogin, Los Angeles Times Staff Writers

WASHINGTON -- The environmental movement, only recently poised for major advances on global warming and other issues, has suddenly found itself on the defensive as high gasoline prices shift the political climate nationwide and trigger defections by longtime supporters.

Opposition to offshore drilling -- once ironclad in places like California and Florida -- has begun to soften. Gov. Charlie Crist of Florida on Tuesday eased his opposition to new energy exploration off the coast.

"Floridians are suffering, and when you're paying over $4 a gallon for gas, you have to wonder whether there might be additional resources that we might be able to utilize to bring that price down," said Crist, a Republican.

At the same time, pressure to drill is mounting.

President Bush today is expected to call on Congress to lift the ban on new offshore drilling, and a House committee will consider a proposal to relax the moratorium.

John McCain, the presumed Republican presidential nominee, opposed new offshore drilling in his 2000 presidential campaign. He said Tuesday that he now supported lifting the long-standing ban.

"I believe it is time for federal government to lift these restrictions and put our own reserves to use," the Arizona senator said in a Houston speech on energy security.

Much of the nation's coastal waters are off-limits to new oil and gas leasing until 2012 under executive orders first issued by Bush's father,President George H.W. Bush, in 1991 and extended by President Clinton in 1998. In addition, Congress has taken action annually since 1981 to preclude drilling in coastal areas.

But high petroleum prices have caused policymakers to begin rethinking a variety of issues, including opening the Arctic National Wildlife Refuge to energy exploration and imposing mandatory limits on greenhouse gas emissions from oil refineries and power plants.

"For years I have argued that we should avoid offshore drilling and tapping into underground reserves in ANWR until there was an emergency that left us with no choice," Rep. James T. Walsh (R-N.Y.), a longtime backer of the drilling ban, said recently. "That time has come."

The developments are the latest indication of the growing power of energy prices to overwhelm other priorities.

"We're seeing a large shift in public attitudes toward exploration," said C. Jeffrey Eshelman of the Independent Petroleum Assn. of America, expressing hope that McCain's change of heart "breaks ground for others to follow."

Environmentalists are increasingly concerned. Richard Charter of the Defenders of Wildlife Action Fund called this "the most risky year in 29 years" for the drilling ban.

In one sign of concern, an effort to pass a major climate-change bill stumbled this month amid complaints from Democrats as well as Republicans that it would drive up energy prices.

McCain, in reversing his long-held position in support of the offshore ban, said he continued to oppose drilling in the Arctic refuge, an environmentally sensitive wilderness that he said deserved to stay off-limits.

Environmental groups, as well as McCain's Democratic rival, Sen. Barack Obama, argued that renewed offshore drilling would not increase supplies or lower prices for years. They warned that new drilling off California and other states would carry the risk of pollution.

Douglas Holtz-Eakin, a senior advisor to McCain's campaign, acknowledged in a conference call to reporters that new offshore drilling would have no immediate effect on supplies or prices.

But he added: "There is an important element in signaling to world oil markets that we are serious."

Congressional Republicans have been seizing on high energy prices to ratchet up the pressure on Democrats to allow more domestic drilling.

"For a long time, for appropriate reasons, we've been very sensitive about offshore drilling in California because of our beautiful Pacific Coast," Rep. Jerry Lewis (R-Redlands) said recently on the House floor, adding that technology could allow for a second look.

Despite skyrocketing oil prices, efforts to weaken the offshore ban face stiff opposition.

"The people of California feel strongly about protecting the coast of California from offshore drilling. And so do I," Sen. Dianne Feinstein (D-Calif.) said Tuesday. Gov. Arnold Schwarzenegger opposes lifting the moratorium but "still absolutely supports" McCain, said Aaron McLear, a spokesman for the Republican governor.

"They're going to disagree from time to time, and this is one of those cases," he said.

Sen. Bill Nelson (D-Fla.) decried McCain's stance. "He ought to know he'd ruin Florida's $65-billion tourism economy by allowing oil rigs off the coast."

But as Bush adds his support to the drive to lift the ban, a new attempt is expected today in the House Appropriations Committee to allow drilling 50 miles or more off the coast.

The ban, inspired by a devastating 1969 oil spill off Santa Barbara, has prohibited drilling in most coastal waters except for parts of the Gulf of Mexico and areas off Alaska. Rep. Lois Capps (D-Santa Barbara) expressed confidence that Congress would resist efforts to roll back the ban.

But Sen. Mel Martinez (R-Fla.) said he saw a shifting political climate.

"I think it's changed. And I think $4 a gallon has done that," he said. "This is compelling. I hear that from people everywhere I go."

Martinez said in the new climate, the nation needed resources.

"It's about how can we supply enough product so that there is more supply available to meet the ever-increasing demand," Martinez said. "And offshore may be a part of that equation."

States weigh options in offshore drilling fight
AP, June 19, 2008; http://ap.google.com/article/ALeqM5hmF9E4TPeK3IpaBuFMeFO6fx-JWQD91CS3A00

PENSACOLA, Fla. (AP) — Governors in some coastal states promised to fight attempts to tap offshore petroleum reserves, citing concerns about the environment and tourism. Others agreed with President Bush's call to lift a 27-year-old federal ban on offshore drilling but said states should decide whether to allow it.

Bush on Wednesday joined Republican presidential candidate John McCain in calling for the lifting of a prohibition on drilling along the East and West coasts and in the eastern Gulf of Mexico. As the battle to lift the moratorium began to play out in Washington, states debated their stance.

California Gov. Arnold Schwarzenegger, who has endorsed McCain, said Wednesday he opposes lifting the ban on new oil drilling in coastal waters.

"We are in this situation because of our dependence on traditional petroleum-based oil," Schwarzenegger said in a statement.

Another McCain ally, Florida Gov. Charlie Crist, reversed his opposition to oil exploration off the state's beaches after the presidential candidate said he supported lifting the moratorium. Crist said the issue is about local control.

"I think that not having that moratorium, blanket moratorium, and letting states rights be recognized, if you will, certainly is appropriate," he said.

Crist said he didn't know if Florida legislators would approve drilling, but like McCain he said states should be allowed to make their own decisions. McCain favors lifting the moratorium at the federal level, but letting states decide whether to allow drilling.

The moratorium applies to all federal waters, which extend three miles from the states' coastlines. If Congress lifts the federal moratorium without special provisions giving states a say, states would have little control over oil companies' exploration of federal waters.

If that happens, anti-drilling states' best recourse would be to sue the federal government for allowing activities that are odds with the states' coastal management plans, said Lisa Speer, senior policy analyst for the Natural Resources Defense Council.

Politicians and the public are increasingly divided on the offshore issue as energy prices spiral.

Virginia and South Carolina have largely supported lifting the moratorium, as have the governors of Mississippi and Alaska. California is joined by North Carolina and New Jersey among the anti-drilling states.

"States should be able to control their own destiny with what happens," said Joel Sawyer, a spokesman for South Carolina Republican Gov. Mark Sanford.

The state has "to be incredibly cognizant of our tourism industry and our other natural resources along the coast. We don't want to kill the goose that laid the golden egg," he said.

Alaska Gov. Sarah Palin supports allowing exploration in the Arctic National Wildlife Refuge, which Bush also proposed opening. Palin believes "the answers lie right here in Alaska" for reducing foreign energy dependence, her spokeswoman Sharon Leighow said.

Those in favor of opening closed areas to drilling say they could eventually yield 18 billion barrels of oil and 77 trillion cubic feet of natural gas, but opponents say it could be years before production begins and that would do little to stem the current rise of energy prices.

A state's openness to allowing drilling off its coast will have a big influence on energy companies' decisions about where to explore, said Tom Moskitis, managing director of the American Gas Association, which represent utilities feeding 60 million customers.

"At this point, the energy companies are in favor of giving the states options," he said. "They are looking more to the East Coast where there is a big potential for oil and natural gas. The political climate in California is such that just about everybody is opposed so it's not logical that exploration would begin there."

The Democratic governors of New Jersey and North Carolina joined Schwarzenegger in speaking out against lifting the moratorium.

"Our $35 billion economy is driven by tourism and the use of the shore," said New Jersey Gov. Jon Corzine.

North Carolina Gov. Mike Easley also argued to keep the moratorium in place.

"It doesn't work for states to decide. If the state above or below you has a problem it affects your shores as well," he said. "It's too much squeeze for the juice when you look at real estate on the coast, recreational fishing and tourism that could be adversely affected by some problem."

Will $4 Gasoline Trump a 27-Year-Old Ban?
NYT, June 19, 2008;
http://www.nytimes.com/2008/06/19/washington/19energy.html?th=&emc=th&pagewanted=print

WASHINGTON — One was an oilman from Texas, the other a high-paid energy executive. Despite that, or perhaps because of it, for seven years George W. Bush and Dick Cheney have been unable to persuade Congress and the public that domestic oil drilling is an answer to America's energy needs.

With the clock running down on his presidency, Mr. Bush made one last push Wednesday by calling on Congress to end the 27-year moratorium on most offshore drilling. With oil at more than $130 a barrel, gasoline over $4 a gallon and the broader economy threatened, the White House is betting it can finally break a decades-old Washington deadlock between those who favor domestic oil exploration and those who say conservation is the key.

The question is whether Americans are feeling enough pain at the pump to force their elected leaders to go along, and whether it will make any real difference if they do.

"If Congressional leaders leave for the Fourth of July recess without taking action, they will need to explain why $4-a-gallon gasoline is not enough incentive for them to act," Mr. Bush said Wednesday in the White House Rose Garden. "And Americans will rightly ask how high oil — how high gas prices have to rise before the Democratic-controlled Congress will do something about it."

Other Republicans, notably Senator John McCain, the party's presumptive presidential nominee, are abandoning their long-held opposition to drilling in coastal waters. Newt Gingrich, former speaker of the House, recently posted an online petition, headlined "Drill Here, Drill Now," to strengthen support for domestic oil exploration, and gathered 650,000 signatures in two weeks.

"My prediction is that unless oil prices go down below $60 a barrel, you are now at a fundamental turning point at which you will see a new political coalition emerge," Mr. Gingrich said in an interview. "This is a huge populist issue, and politicians who ignore it do so at their own peril."

But Democrats do not feel especially imperiled. Although one moderate Democrat — Senator Mary L. Landrieu of Louisiana, who has long advocated expanding drilling in the Gulf of Mexico — is drafting legislation aimed at increasing domestic production, the leadership is holding fast. Speaker Nancy Pelosi of California said Wednesday, "We cannot drill our way to energy independence."

If anything, Democrats say, the White House action gives them a chance to paint Mr. Bush as beholden to the oil industry and Mr. McCain as a clone of Mr. Bush, a message that will only grow louder as the November election draws near.

"To have President Bush be the face of this issue for the Republicans means having the worst possible spokesman," said Geoff Garin, a Democratic strategist who helped run Senator Hillary Rodham Clinton's presidential campaign.

"What Republicans are doing for themselves right now," Mr. Garin added, "is deepening the impression that they are the party of Big Oil."

Whether $4-a-gallon gasoline is producing more support for domestic drilling is hard to discern. A Gallup poll conducted last month found that 57 percent of those surveyed favored drilling for oil in coastal and wilderness areas that are now off limits, but there are no earlier data for comparison. In March, before the latest spike in gasoline prices, a Pew Research Center survey found that 50 percent opposed drilling in the Arctic National Wildlife Refuge, in Alaska, while 42 percent were in favor.

Mr. Bush has long supported the proposal to drill along a coastal strip of the refuge. But he has not before taken up the cause of offshore drilling, partly because it was such a hot-button issue in the state of Florida, where his brother Jeb was governor. Congress first adopted its moratorium against drilling on the outer continental shelf, 3 to 200 miles offshore, in 1981. In 1990, Mr. Bush's father signed an executive order reinforcing the ban; Mr. Bush promised Wednesday to rescind the order if Congress ended its moratorium.

In the Rose Garden, the president made the case that in the long run, the solution to high prices was to reduce demand for oil by promoting alternative-energy technologies, a view widely shared across the political spectrum. But "in the short run," he said, "the American economy will continue to rely largely on oil, and that means we need to increase supply, especially here at home."

The federal Energy Information Administration estimates that 18 billion barrels of oil are in the area covered by the moratorium, and the White House says that is enough to match current American production for 10 years. But a 2007 analysis by the agency concluded that opening up drilling in the moratorium area "would not have a significant impact on domestic crude oil and natural gas production or prices before 2030."

The primary concern about offshore drilling has been that unsightly oil rigs would dampen tourism, or that spills would threaten the environment. Advocates, and even critics, say new technology has greatly reduced the risk of spills. But David B. Sandalow, an energy expert at the Brookings Institution in Washington who advises Democrats, argues that the amount of oil that could be recovered is so small as not to be worth the environmental risk.

"It's like walking an extra 20 feet a day to lose weight," he said. "It's just not enough to make a difference."

But Robin West, who managed the offshore leasing program for the Reagan administration and is now chairman of PFC Energy, a consulting company, argues that additional supply could make a difference in price, especially if domestic drilling were coupled with aggressive conservation efforts. He said it would take time, though — a minimum of five or six years, even if drilling were to begin today.

"A logical energy policy," Mr. West said, "is to encourage production and discourage consumption. And prices will go down."

But with just seven months left in his presidency, the relationship between Mr. Bush and Congressional Democrats is already set, and unlikely to produce fresh agreement on what might be a logical energy policy, especially in the thick of a presidential election season.

As Vin Weber, a Republican former congressman from Minnesota, said: "I think we have been deadlocked on energy over ideological concerns for a long time, and the urgency in the country was not there to break out of this debate. And now the urgency of the country is there, and it's too late for this administration."

Deals With Iraq Are Set to Bring Oil Giants Back
NYT, June 19, 2008;
http://www.nytimes.com/2008/06/19/world/middleeast/19iraq.html?_r=1&ref=todayspaper&oref=slogin

Deals With Iraq Are Set to Bring Oil Giants Back
By ANDREW E. KRAMER
BAGHDAD — Four Western oil companies are in the final stages of negotiations this month on contracts that will return them to Iraq, 36 years after losing their oil concession to nationalization as Saddam Hussein rose to power.

Exxon Mobil, Shell, Total and BP — the original partners in the Iraq Petroleum Company — along with Chevron and a number of smaller oil companies, are in talks with Iraq's Oil Ministry for no-bid contracts to service Iraq's largest fields, according to ministry officials, oil company officials and an American diplomat.

The deals, expected to be announced on June 30, will lay the foundation for the first commercial work for the major companies in Iraq since the American invasion, and open a new and potentially lucrative country for their operations.

The no-bid contracts are unusual for the industry, and the offers prevailed over others by more than 40 companies, including companies in Russia, China and India. The contracts, which would run for one to two years and are relatively small by industry standards, would nonetheless give the companies an advantage in bidding on future contracts in a country that many experts consider to be the best hope for a large-scale increase in oil production.

There was suspicion among many in the Arab world and among parts of the American public that the United States had gone to war in Iraq precisely to secure the oil wealth these contracts seek to extract. The Bush administration has said that the war was necessary to combat terrorism. It is not clear what role the United States played in awarding the contracts; there are still American advisers to Iraq's Oil Ministry.

Sensitive to the appearance that they were profiting from the war and already under pressure because of record high oil prices, senior officials of two of the companies, speaking only on the condition that they not be identified, said they were helping Iraq rebuild its decrepit oil industry.

For an industry being frozen out of new ventures in the world's dominant oil-producing countries, from Russia to Venezuela, Iraq offers a rare and prized opportunity.

While enriched by $140 per barrel oil, the oil majors are also struggling to replace their reserves as ever more of the world's oil patch becomes off limits. Governments in countries like Bolivia and Venezuela are nationalizing their oil industries or seeking a larger share of the record profits for their national budgets. Russia and Kazakhstan have forced the major companies to renegotiate contracts.

The Iraqi government's stated goal in inviting back the major companies is to increase oil production by half a million barrels per day by attracting modern technology and expertise to oil fields now desperately short of both. The revenue would be used for reconstruction, although the Iraqi government has had trouble spending the oil revenues it now has, in part because of bureaucratic inefficiency.

For the American government, increasing output in Iraq, as elsewhere, serves the foreign policy goal of increasing oil production globally to alleviate the exceptionally tight supply that is a cause of soaring prices.

The Iraqi Oil Ministry, through a spokesman, said the no-bid contracts were a stop-gap measure to bring modern skills into the fields while the oil law was pending in Parliament.

It said the companies had been chosen because they had been advising the ministry without charge for two years before being awarded the contracts, and because these companies had the needed technology.

A Shell spokeswoman hinted at the kind of work the companies might be engaged in. “We can confirm that we have submitted a conceptual proposal to the Iraqi authorities to minimize current and future gas flaring in the south through gas gathering and utilization,” said the spokeswoman, Marnie Funk. “The contents of the proposal are confidential.”

While small, the deals hold great promise for the companies.

“The bigger prize everybody is waiting for is development of the giant new fields,” Leila Benali, an authority on Middle East oil at Cambridge Energy Research Associates, said in a telephone interview from the firm's Paris office. The current contracts, she said, are a “foothold” in Iraq for companies striving for these longer-term deals.

Any Western oil official who comes to Iraq would require heavy security, exposing the companies to all the same logistical nightmares that have hampered previous attempts, often undertaken at huge cost, to rebuild Iraq's oil infrastructure.

And work in the deserts and swamps that contain much of Iraq's oil reserves would be virtually impossible unless carried out solely by Iraqi subcontractors, who would likely be threatened by insurgents for cooperating with Western companies.

Yet at today's oil prices, there is no shortage of companies coveting a contract in Iraq. It is not only one of the few countries where oil reserves are up for grabs, but also one of the few that is viewed within the industry as having considerable potential to rapidly increase production.

David Fyfe, a Middle East analyst at the International Energy Agency, a Paris-based group that monitors oil production for the developed countries, said he believed that Iraq's output could increase to about 3 million barrels a day from its current 2.5 million, though it would probably take longer than the six months the Oil Ministry estimated.

Mr. Fyfe's organization estimated that repair work on existing fields could bring Iraq's output up to roughly four million barrels per day within several years. After new fields are tapped, Iraq is expected to reach a plateau of about six million barrels per day, Mr. Fyfe said, which could suppress current world oil prices.

The contracts, the two oil company officials said, are a continuation of work the companies had been conducting here to assist the Oil Ministry under two-year-old memorandums of understanding. The companies provided free advice and training to the Iraqis. This relationship with the ministry, said company officials and an American diplomat, was a reason the contracts were not opened to competitive bidding.

A total of 46 companies, including the leading oil companies of China, India and Russia, had memorandums of understanding with the Oil Ministry, yet were not awarded contracts.

The no-bid deals are structured as service contracts. The companies will be paid for their work, rather than offered a license to the oil deposits. As such, they do not require the passage of an oil law setting out terms for competitive bidding. The legislation has been stalled by disputes among Shiite, Sunni and Kurdish parties over revenue sharing and other conditions.

The first oil contracts for the majors in Iraq are exceptional for the oil industry.

They include a provision that could allow the companies to reap large profits at today's prices: the ministry and companies are negotiating payment in oil rather than cash.

"These are not actually service contracts," Ms. Benali said. "They were designed to circumvent the legislative stalemate" and bring Western companies with experience managing large projects into Iraq before the passage of the oil law.

A clause in the draft contracts would allow the companies to match bids from competing companies to retain the work once it is opened to bidding, according to the Iraq country manager for a major oil company who did not consent to be cited publicly discussing the terms.

Assem Jihad, the Oil Ministry spokesman, said the ministry chose companies it was comfortable working with under the charitable memorandum of understanding agreements, and for their technical prowess. "Because of that, they got the priority," he said.

In all cases but one, the same company that had provided free advice to the ministry for work on a specific field was offered the technical support contract for that field, one of the companies' officials said.

The exception is the West Qurna field in southern Iraq, outside Basra. There, the Russian company Lukoil, which claims a Hussein-era contract for the field, had been providing free training to Iraqi engineers, but a consortium of Chevron and Total, a French company, was offered the contract. A spokesman for Lukoil declined to comment.

Charles Ries, the chief economic official in the American Embassy in Baghdad, described the no-bid contracts as a bridging mechanism to bring modern technology into the fields before the oil law was passed, and as an extension of the earlier work without charge.

To be sure, these are not the first foreign oil contracts in Iraq, and all have proved contentious.

The Kurdistan regional government, which in many respects functions as an independent entity in northern Iraq, has concluded a number of deals. Hunt Oil Company of Dallas, for example, signed a production-sharing agreement with the regional government last fall, though its legality is questioned by the central Iraqi government. The technical support agreements, however, are the first commercial work by the major oil companies in Iraq.

The impact, experts say, could be remarkable increases in Iraqi oil output.

While the current contracts are unrelated to the companies' previous work in Iraq, in a twist of corporate history for some of the world's largest companies, all four oil majors that had lost their concessions in Iraq are now back.

But a spokesman for Exxon said the company's approach to Iraq was no different from its work elsewhere.

"Consistent with our longstanding, global business strategy, ExxonMobil would pursue business opportunities as they arise in Iraq, just as we would in other countries in which we are permitted to operate," the spokesman, Len D'Eramo, said in an e-mailed statement.

But the company is clearly aware of the history. In an interview with Newsweek last fall, the former chief executive of Exxon, Lee Raymond, praised Iraq's potential as an oil-producing country and added that Exxon was in a position to know. "There is an enormous amount of oil in Iraq," Mr. Raymond said. "We were part of the consortium, the four companies that were there when Saddam Hussein threw us out, and we basically had the whole country."

Lifting Ban Wouldn't Be Immediate Fix for Oil
WSJ, June 19, 2008; http://online.wsj.com/article/SB121383994611987281.html?mod=googlenews_wsj

Output Could Be Seven Years Away; A Vast Unknown
By BEN CASSELMAN

As politicians debate whether to open federal offshore waters to oil and natural-gas drilling, there is agreement on at least one point: It isn't a short-term fix.

If the bans were lifted tomorrow, it would be at least seven years -- and likely as long as a decade -- before the first oil began to flow off the coasts of Florida, California and the eastern seaboard.

"Is it going to happen overnight? No," said Dan Naatz, vice president of the Independent Petroleum Association of America. "Is it going to solve all of our nation's energy problems? No."

President Bush's call Wednesday for Congress to lift its longstanding moratorium on offshore drilling was a bid to address consumer anger over soaring electricity and gasoline bills ahead of the fall elections. Republicans claim that Democrats' opposition to expanded drilling is restricting energy supplies when the nation needs them most, amid a run-up in crude-oil prices to more than $135 a barrel. Democrats counter that opening the federal waters to the oil industry could do irreparable environmental and economic harm to sensitive coastal areas, while failing to lower prices for consumers.

Underlying the argument is a vast unknown: With the disputed areas long off-limits even to exploration, neither government nor industry experts know exactly how much oil and gas is there, how best to get at it, or even where it is. And although the industry's environmental record is much improved since headline-grabbing oil spills of earlier eras, risks remain, and addressing those risks could delay production for years.

Nonetheless, the industry has for years coveted the potential energy reservoirs hidden beneath federal waters. By broad government calculations, there are 86 billion barrels of oil in offshore waters, with about 18 billion barrels of that located in areas now off-limits. The greatest prize based on sheer volume is believed to be in the waters off the coast of Southern California, which is estimated to hold 5.6 billion barrels of oil and 10 trillion cubic feet of natural gas. The eastern and central Gulf of Mexico are believed to hold 3.7 billion barrels of oil and 21.5 trillion cubic feet of gas. Experts believe there are smaller caches off the Atlantic seaboard and further up the Pacific coast.

If the moratoriums were lifted -- a far-from-certain prospect with Democrats controlling Congress -- the industry's attention likely would turn first to the eastern Gulf of Mexico. That is partly from political expediency;

Tuesday, Florida Gov. Charlie Crist reversed his earlier position to endorse drilling off his state's coast, something most other coastal governors oppose.

Beyond the politics, the industry is eager for access to the eastern Gulf because it is one of the surer bets for relatively easy, cheap-to-produce oil and gas. A quarter of current U.S. oil production each year -- close to half a billion barrels -- comes out of the central and western Gulf of Mexico, where drilling is allowed. Much of the roughly 3.7 billion barrels of oil believed to reside in the eastern Gulf is in relatively shallow water that is readily accessible using current drilling technology.

But even there, the U.S. Minerals Management Service, which oversees the offshore oil industry, estimates it would take at least two years from the day the moratorium was lifted for the government to conduct environmental and economic reviews prior to its first lease sale. Recent history suggests it would take at least five more years for the winning bidders to explore, drill wells, build production platforms and lay pipelines so that commercial production could begin.

Environmental battles -- likely given the strong opposition from many environmental groups -- could delay the projects for years more. Already, critics of offshore drilling are preparing for a fight. At stake, said Holly Binns, field director for Environment Florida, "are what are considered the best beaches in the world."

If the Gulf of Mexico poses challenges, other coastal areas could be even more difficult. On the Atlantic coast, oil-reserve estimates are so out of date that the Minerals Management Service has had to draw on well data from Nova Scotia and North Africa -- which eons ago bordered North America -- to estimate reserves. "We're really emphasizing the word 'estimate,'" said Chris Oynes, who oversees the Minerals Management Service's offshore program.

With so much uncertainty, the industry likely would spend years exploring before deciding where to drill.

Federal waters along Southern California already produce some oil -- about 26 million barrels per year -- from platforms built before the moratorium went into effect in the 1970s. That means some of the pipelines and infrastructure needed for production are already in place, and the industry already knows at least something about the geology of the area.

But California's offshore legacy includes a devastating 1969 oil spill off the coast of Santa Barbara, when a well blew out and dumped at least 80,000 barrels of crude oil across more than 40 miles of coastline. The accident led directly to the moratorium on further drilling there, and remains a touchstone for drilling opponents.

The industry claims it has cleaned up its act. Oil rigs now have automated systems to prevent blowouts like the one in Santa Barbara, and wells can be quickly shut down from shore to limit spillage. Pipelines, too, are tracked remotely and have automatic shut-off mechanisms to prevent major spills.

Mr. Oynes, of the Minerals Management Service, points to the limited devastation wrought by Hurricanes Katrina and Rita in 2005 as an industry success story. The storms battered production platforms, tore drilling rigs from their moorings and tangled pipelines, but only about 13,000 barrels of crude oil was spilled into the water -- slight by industry standards.

Environmental groups remain skeptical. Further drilling in hurricane-prone areas, they say, only risks further spills. Those objections could delay production in these regions long after the moratoriums are lifted.

Lift the Ban
National Review, June 19, 2008;
http://article.nationalreview.com/?q=YzVkN2E5MjIxZTE3MGJkMjVmNjZkYzAzNjc4YzMzODc=

Lift the Ban

By the Editors

John McCain is finally starting to exploit Barack Obama’s weakness on the energy issue. With gasoline topping $4 per gallon, McCain reversed his stance on offshore drilling and called for Congress to lift a 27-year-old moratorium on coastal energy exploration. With this shift, McCain has put himself on the same side as two-thirds of the American people, according to a recent poll. Obama, meanwhile, has said that he "would have preferred a gradual adjustment" toward $4 per gallon gasoline, but otherwise he seems amenable to it — as we would be, if that $4 price reflected market conditions instead of government restriction of the energy supply.

Lifting the ban on offshore drilling won't increase supply right away, but would signal to oil speculators that the U.S. is serious about increasing domestic production, long smothered under regulatory and tax practices that discourage exploration and the expansion of our refining capacity. That could immediately put downward pressure on the price of oil and alone would do more to reduce the price at the pump than anything Barack Obama has proposed. But McCain should go even further.

He remains opposed to drilling in a miniscule section of the Alaskan National Wildlife Reserve (ANWR), and so far he hasn't said anything about oil shale, a type of oil-producing rock found in abundance on federal lands in the Western U.S. Although the price of traditional crude will have to rise even more before shale becomes a viable alternative, it is worth considering given the trajectory of the market. On this, McCain should look to President Bush, who gave a speech Wednesday calling on Congress to lift the offshore drilling ban, reiterated his longstanding support for drilling in ANWR, and asked Congress to repeal a ban on oil-shale leasing on federal lands.

The U.S. Minerals Management Service estimates that drilling offshore could produce as much as 86 billion barrels of oil. Drilling in ANWR — which would only affect approximately 2,000 of its 19 million acres — could supply 5 percent of America's oil each year for 12 years before it starts to decline, according to Energy Department estimates. And though there are barriers to their exploitation, oil-shale deposits in the Western U.S. could yield up to 800 billion barrels — three times the proven reserves of Saudi Arabia.

To his credit, McCain has been touting nuclear power, and wants to streamline the permitting process for new plants. But he continues to plug for "energy independence" as if it's a revolutionary policy, when it has been a standard Washington promise since the Nixon administration and remains a chimera. He foolishly talks of wind, solar, and tide as if they are viable near-term substitutes for fossil fuels. And he feels compelled to condemn the "obscene" profits of the oil and gas industry, as if it were responsible for the increased prices — set by a global market — for its products.

McCain should realize that anti-business demagoguery is a Democrat's game. Indeed, the most ambitious energy proposal we've seen from Obama so far is a punitive new tax on oil companies, intended to produce pain rather than revenue. In reality, a "windfall" profits tax would function as a tax on *investors* in oil companies, including many pension plans and retirement funds. The Congressional Research Service found that the last time Congress imposed such a tax, it reduced domestic production by discouraging investment in oil companies. It also puts the government in the business of deciding what profits are acceptable, which is itself unacceptable.

Americans favor increasing — not reducing, or making more expensive — energy production. We're glad McCain has taken a step in that direction.

Our View: Dare to drill
Panama City News Herald, June 15, 2008;
http://www.newsherald.com/articles/oil_4458___article.html/percent_gas.html

The pain motorists feel at the pump can't be any worse than the headache being generated by Congress' debate over what to do about rising gasoline prices.

Washington says it sympathizes with Americans paying $4 or more per gallon, but it refuses to address the problem. Instead, congressional Democrats wasted time last week trying to enact a "windfall profits" tax on U.S. oil companies, not because it would cut the price of crude but because it would give angry consumers a scapegoat to shake their fists at.

Although there are no quick fixes that will significantly cut consumer costs over the next several months, there is plenty politicians can do to effect long-term changes in the nation's energy policy that will ensure that future gas prices will stabilize and be less dependent on world market forces.

The problem is fundamentally one of supply and demand. Prices go up because the global demand for oil is increasing faster than it can be supplied. The situation is exacerbated in the United States because American companies control so little of the global market. For example, Exxon Mobil is the largest U.S. oil and gas company (boo, hiss!), but it accounts for only 2 percent of global energy production, 3 percent of global oil production, 6 percent of global refining capacity and 1 percent of global petroleum reserves. Most of the price we pay at the pump reflects the cost of acquiring crude oil from abroad.

Taxing domestic oil profits won't lower gas prices or increase supply. Indeed, it likely would do the opposite. That's what happened when it was last tried, from 1980-88. The Congressional Research Service found that windfall profits tax decreased domestic production by 3 percent to 6 percent and increased American dependence on foreign oil by 8 percent to 16 percent. Oh, and tax collections declined. So the country got less oil and the government raked in less revenue. But hey, Big Oil sure found out who's boss.

If Congress really cares about the consumer and wants to reduce the nation's dependence on foreign oil, instead of creating political punching bags, it will eliminate federal restrictions on domestic oil drilling.

According to the Department of the Interior, 62 percent of all onshore federal lands are off limits to oil and gas developments. In addition, there are moratoriums on drilling on the outer continental shelf of the Atlantic and Pacific oceans, the eastern Gulf of Mexico (most notably the coast of Florida), areas of the Rocky Mountains and Alaska.

The latter includes the infamous Arctic National Wildlife Refuge, a 19.6-million-acre area (about the size of South Carolina) that has been off limits to drilling since 1980. Congress repeatedly has defeated attempts to open it to oil exploration, and President Clinton vetoed such a bill in 1995. Opponents say they want to preserve the "pristine" nature of ANWR's bleak wilderness, but drilling would take place in only 2,000 acres - an area roughly the size of a major airport.The same kind of fears that are applied to the Gulf of Mexico are similarly overblown. Oil rigs would be located beyond the horizon so as not to spoil the view from the beach. But there are bigger concerns about oil spills washing ashore and destroying our beautiful white sand.

First, most of the rigs off Florida's coast would collect natural gas, not oil. Regardless, the Gulf already has 4,000 oil platforms in operation and hasn't suffered a major spill in decades, despite the area being hammered by several major hurricanes. Since then, technology has improved to further reduce the risk of accidents and to contain any spillage that might occur. The biggest threat to the environment comes not from oil production, but from transportation, such as a tanker ship rupturing.

Even if Congress lifted prohibitions on drilling tomorrow, it could take as long as 10 years to recover the first barrel of crude from new oil fields. That won't alleviate today's gas prices. However, if President Clinton had not blocked ANWR drilling in 1995, the nation now would have an additional 1 million barrels of oil a day, making gas cheaper and America less dependent on foreign supplies while it continues to develop alternative sources of energy.

End the wait - lift the bans. Start the drilling.

Learning From the Oil Shock
Washington Post, June 18, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/17/AR2008061702010.html?wpisrc=newsletter&wpisrc=newsletter

Learning From the Oil Shock

By Robert J. Samuelson

We all know that gasoline is at $4 a gallon and that oil is at $135 a barrel. But if you think that's the end of the story, don't talk to economist Jeffrey Rubin of CIBC World Markets. By Rubin's reckoning, we've barely passed the halfway point on a steady march upward that will take gasoline to $7 a gallon and oil to $225 by 2012. Despite fluctuations, the underlying rise, he says, will have pervasive and surprising side effects. Among them:

· U.S. manufacturers benefit, because rising ocean-freight costs -- reflecting fuel prices -- make imports more expensive. Some production returns to the United States, and some shifts from Asia to closer exporters (Mexico over China). Since 2000, estimates Rubin, the cost of shipping a 40-foot container from East Asia has gone from $3,000 to $8,000. With oil at $200 a barrel, the shipping cost would be $15,000.

· Inflation becomes more stubborn. For years, the Federal Reserve has focused on "core inflation" -- prices minus energy and food. The justification is that large food and energy price changes usually reverse themselves. But if they move steadily higher, that logic collapses. "While core inflation may be barely over 2 percent, that's only of solace if you don't eat or drive," Rubin says. Overall inflation is twice that, about 4 percent.

· Two distressed industries -- homebuilding and autos -- suffer further. "In two years, there will be fewer Americans driving," he says. Higher gasoline prices push people into mass transit and car pools. Home prices take another hit, especially in distant suburbs with long commutes. "People won't be able to afford what they used to afford," he says.

Do not underestimate oil's fallout. The world may have arrived at Peak Oil, when dwindling oil reserves no longer permit much annual increase in production. This may not be literally true; estimates of vast undiscovered oil reservoirs imply that Peak Oil is decades away. But governments that control 75 percent or more of known reserves are behaving as if Peak Oil is already here. They're hoarding a scarce commodity by limiting new exploration. Meanwhile, production at some old fields is dropping rapidly. Spare capacity has been depleted as demand outruns new supply.

High prices close the gap. The grim price outlook by Rubin and others presumes that this situation persists. Of course, they could be wrong if higher prices cause demand to drop sharply and supplies increase unexpectedly. Saudi Arabia recently signaled a modest production increase. In the United States, prices have already led to less driving. In March, highway travel was down 4.3 percent from a year earlier. Buying patterns for autos have shifted. Through May, sales of sport-utility vehicles dropped 31 percent from a year earlier, reports WardsAuto.com. Oil demand is also stagnating in Europe and Japan.

But higher demand from developing countries and oil producers is offsetting the lower demand of wealthy countries. Consumption in these countries will rise 3 percent in 2008, projects the International Energy Agency.

There's been a huge transfer of power to oil producers. Even at $100 a barrel, Saudi Arabia, Kuwait and the United Arab Emirates will earn almost $8 trillion in oil revenue between now and 2020, estimates the McKinsey Global Institute. More troubling are the political implications. "This has really strengthened the Iranians, Russians and Venezuelans to be more provocative in the world," says Larry Goldstein of the Energy Policy Research Foundation. Although governments control crude supplies, private companies have dominated distribution. Anyone can buy oil at a price. Now oil could become a political commodity offered to friends at a discount, withheld from rivals.

How can we retrieve some of our lost power? The first thing is to get out of denial. Stop blaming oil companies and "speculators." Next, we need to expand domestic oil and natural gas drilling, including in Alaska. Although we can't "drill our way" out of this problem, we can augment oil supplies and lessen price strains. It might take 10 years or more, because new projects are huge undertakings. But delay will only aggravate our future problems.

Finally, we need to realize that high prices may stimulate new biofuels from wood chips, food waste and switch grass. Production costs of these fuels may be in the range of $1 a gallon, says David Cole of the Center for Automotive Research. If true, that's well below today's wholesale gasoline prices. To assure new producers that they wouldn't be wiped out if oil prices plunged, we should set a floor price for oil of $50 to $80 a barrel, says Cole. This could be done with a standby tariff that would activate only if prices hit the threshold. Oil prices are unpredictable, and should a price collapse occur, Americans wouldn't be deluded into thinking we've returned permanently to cheap energy. We've made that mistake before.

McCain's call for offshore oil drilling won't bring relief soon
McClatchy News Service, June 17, 2008; http://www.mcclatchydc.com/election2008/story/41379.html

David Lightman | McClatchy Newspapers

WASHINGTON — Opening America's coastal waters to oil drilling, as John McCain urged in an address Tuesday, is unlikely to provide Americans with more oil for at least seven to 10 years.

That's the estimate from the American Petroleum Institute, the oil industry trade group. Major environmental groups think the increased supply would be at least that distant before arrival, and say it mostly would benefit Big Oil.

"It would take a decade to bring new leases into production, and then they would only line the coffers of the oil industry," said Carl Pope, the Sierra Club's executive director.

Deron Lovaas, senior energy analyst at the Natural Resources Defense Council, noted that even if billions of barrels of oil are available offshore, the U.S. still will control only a fraction of the world's supply, so energy independence isn't within reach.

"We are just not blessed in this country with enough resources for this to make a big difference," Lovaas said.

McCain, speaking Tuesday in Houston, disagreed.

"We have enormous energy reserves of our own," he said, "and we are gaining the means to use these resources in cleaner, more responsible ways."

McCain argues that increased offshore drilling would help lessen dependence on foreign oil. U.S. oil imports have doubled since 1973, and petroleum products make up about 40 percent of the U.S. trade deficit.

The Interior Department offered a wide range of estimates of how much oil might be within reach of U.S. offshore drilling in a 2006 report. It estimated that the Outer Continental Shelf could hold 115.4 billion barrels. However, it also estimated that recoverable reserves off U.S. coasts in areas now banned from production probably hold only about 19 billion barrels.

The figures differ widely because the higher number is a broader measure that includes "cumulative production, proved and unproved reserves."

The world consumes about 86 million barrels a day. The U.S. share of that is about 20.6 million barrels, 60 percent of them from foreign sources.

One thousand million barrels equals 1 billion, so if there are 19 billion barrels in the areas McCain would open to drilling, that's enough to provide about 920 days, or about 2.5 years, of current U.S. consumption.

Washington lawmakers imposed a ban on offshore drilling in 1981, with exceptions. States can opt out: Drilling is permitted off the western Gulf Coast, but efforts to do so in Virginia, South Carolina and Georgia have fallen short.

McCain would lift the ban as a matter of national policy, but would let coastal states impose bans off their own coasts.

He gained a valuable ally Tuesday when Florida Gov. Charlie Crist reversed his long-standing support for the ban on drilling off the Sunshine State's coast and applauded McCain. Crist often is mentioned as a potential McCain running mate.

"We have to be sympathetic to the pocketbooks of the people of Florida and what they are paying at the pump for gas, and balance that with what our state might be able to contribute in terms of resources," Crist said.

South Carolina Gov. Mark Sanford, another potential McCain running mate, doesn't oppose lifting the national ban so long as his state maintains power over what happens off his coast.

Joel Sawyer, Sanford's spokesman, said the governor probably would oppose the state moving to permit drilling if the federal ban were lifted. "It's something the governor would probably not support based on potential danger to our tourism industry and our natural resources," Sawyer said.

Even if states let drilling proceed, it would take years before new oil would flow.

First, drillers would need to clear regulatory hurdles and overcome environmental concerns.

Even if permission were granted, oil companies would have to find it worthwhile economically to drill; that's probably not a problem if prices stay high, but could be questionable if they fall again, as they did in the 1980s and '90s.

If companies found significant amounts of oil, some question whether this country has enough refining capacity to handle the new supply. The nation has slightly fewer refineries than it did in the mid-1980s.

Drilling advocates think the effort is worth it.

John Felmy, the American Petroleum Institute's chief economist, said that opening coastal waters "could make markets think there will be important changes in the future," and perhaps send prices lower.

R. Skip Horvath, the president and chief executive officer of the Natural Gas Supply Association, agreed, saying that allowing drilling "would send a strong message that Congress is serious about doing what it can to reduce energy costs."

Opponents fear environmental damage, especially to beaches that are essential parts of coastal-state economies and cultures. The key reason for a federal moratorium, Pope said, is that "one state could jeopardize beaches in neighboring states with risky offshore drilling."

A spill off the Virginia coast, for instance, "would impact beaches, marine life and tourism in New Jersey."

The Rainforest Action Network notes that even without a spill, a single oil rig can dump more than 99,000 tons of drilling fluid and metal cuttings into the ocean.

McCain joins drilling proponents in countering that technology is much cleaner and safer now.

"It's safe enough these days that not even Hurricanes Katrina and Rita could cause significant spillage from the battered rigs off the coasts of New Orleans and Houston," McCain said, citing the devastating 2005 storms.

High energy prices upset balance in U.S. West
Washington Post, June 17, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/17/AR2008061702264_pf.html

By Adam Tanner

BIRNEY, Montana (Reuters) - The log cabins and dirt roads on Jeanie Alderson's isolated ranch suggest little has changed since her great-great aunt and uncle first came to the rolling hills of southeastern Montana 120 years ago.

Yet with energy prices at record highs, she fears that interest in long-dormant rights to develop oil and gas resources underneath her land could badly upset the natural beauty and balance of the rugged American West.

"No one in 1916 or 1909 had any concept of strip mining or coalbed methane pumping out, and the devastation," Alderson said. "When you start pumping out groundwater, we think, 'Uh oh, there goes my livelihood.'"

Divided ownership of land above and below ground -- known as split estates -- has deep roots in the American West, where the federal government offered cheap land to settlers and railroad companies but often kept subsurface rights.

Today, the government manages 700 million acres of mineral rights. On 58 million of those acres, mostly in the West, others own the rights to the surface.

Environmentalists complain that the Bush administration has dramatically expanded mineral leases in energy-rich states such as Wyoming and Montana, and they say oil and gas companies are scrambling for a piece of the action before President George W. Bush leaves office in January.

"In the closing days of the Bush administration we are seeing this enormous rush to lease everything gas-related," said Teresa Erickson, staff director of the Northern Plains Resource Council, an environmental group.

State governments also lease mineral rights, but some regional officials say it is federal leasing that threatens their wildlife and the environment.

"The level of leasing in recent years has been breathtaking," Montana Gov. Brian Schweitzer, a Democrat, told Reuters. "The arrogance of this administration vis-a-vis federal lands -- it dwarfs the previous administrations."

According to the U.S. Minerals Management Service, which collects revenues on federal leases for oil, gas, coal and other solid minerals, the federal government sold leases on 47,497,077 acres in the 2007 fiscal year, compared with 37,448,305 acres in fiscal 2001, a 27 percent increase.

U.S. Department of Interior officials testified in March that leasing and producing minerals has earned the government $176 billion from oil, natural gas and other minerals since 1982, including $11.4 billion in fiscal 2007.

The department's goal is to ensure that companies are in compliance with the terms of their lease and that the government is receiving fair market value, the officials, Stephen Allred and Randall Luthi, told a U.S. congressional subcommittee.

WHY AREN'T WE MINING IT?

Alderson and her family owns the 8,400-acre Bones Brothers Ranch above ground and about a quarter of the mineral rights below. Unknown to her until she started researching the issue, many of the mineral rights were leased in 1999 to 2000, some going for as little as $2 an acre in 10-year leases, although prices for leases are up sharply since then in many places.

One travels many miles on dirt roads to arrive at the ranch where calves are raised, and beyond log cabins nature extends as far as the eye can see. A few miles away the Indian military leader Crazy Horse fought his last battle in 1877.

"The public thinks -- even Montanans -- that there is this big chunk of land, why aren't we mining it?" Alderson said. "My parents were told in the 1970s, it's your patriotic duty -- so that someone in Poughkeepsie can have an electric toothbrush."

Nearby, at the Diamond Cross Ranch, an energy company in February set up a methane gas well after Forest Mars Jr., the billionaire heir to the candy company bearing his family surname, lost a court fight to prevent it.

"The worst part of the split estate issue is that it pits neighbor against neighbor," said Phil Wood, manager of the Diamond Cross Ranch.

That's because those owning the mineral rights may want energy exploration, while those who do not own the rights have nothing to gain. With higher energy prices "there is going to be more activity, of course, and with more activity comes more complications," Wood said.

Under a 1977 U.S. law, mineral owners cannot mine federal coal without permission from surface owners.

"It's an impediment to development, you betcha," said Chuck Kerr, president of the Great Northern Properties, the largest private holder of U.S. coal reserves, with 20 billion tons. "It means everybody has got to be in support. If you have surface holdouts that can stop project development, well, you can't go anywhere."

By contrast, companies can produce coal-bed methane gas and oil without the landowner's consent, and passions often run high when the driller shows up.

Les Zahrowski of Golden Arrow Exploration said that over the years he has encountered a series of landowners who have attempted to block his firm from getting access to their minerals. One man came out with a high-powered rifle, he said.

"They are very nasty; they put up a fight," he said.

In coal-bed methane gas development, water is removed from the coal bed, either to be dispersed on the surface or pumped back into the earth. But ranchers in arid regions such as southeast Montana fear changes to their water supplies.

"We'd like them to be responsible with the water that's produced from that well," said ranch manager Wood. "What I'd like is stricter guidelines for the drilling company."

Montana's governor said rich families have long used the opaque system of registering mineral rights to help avoid large inheritance tax bills. Schweitzer, a ranch owner himself who does not know who owns all of the mineral rights below his lands, favors a more open system.

"I don't think the Bones Ranch and others in Montana are saying we are going to lock up those minerals forever," said Schweitzer. "But they would ask a little consideration of their business as well."

Crist now backs drilling for oil off coast of Florida
Miami Herald, June 18, 2008; http://www.miamiherald.com/news/nation/story/574071.html

BY LESLEY CLARK AND MARY ELLEN KLAS

Gov. Charlie Crist on Tuesday abandoned his opposition to drilling off Florida's coast, signaling he's ready to bet that public support is eroding for a ban that has prevented oil and gas exploration off the state's beaches for two decades.

Crist, who has touted his opposition to oil drilling since he ran for the Senate in 1998, embraced GOP presidential nominee John McCain's call to lift the federal moratorium that protects the U.S. coastline. Crist said he supports exploring areas previously off-limits because ``Floridians are suffering."

"When you're paying over $4 a gallon for gas, you have to wonder whether there might be additional resources to bring that price down," said Crist, who endorsed McCain for president and has been suggested as a potential vice-presidential pick.

Drilling off Florida's coast has been likened to the "third rail" of politics, but Crist suggested economic issues may trump environmental worries.

SUPPORT DRAWS FIRE

Still, his support -- and McCain's proposal -- drew immediate fire from environmental groups and Democrats who said further domestic drilling would not lower prices, which they said are being fueled by speculation.

"For a major candidate to say his answer is to drill off the coast of the United States shows a lack of vision," said Florida Sen. Bill Nelson, speaking on a conference call arranged by Barack Obama's campaign. Nelson accused McCain of flip-flopping, noting he opposed lifting the ban when he ran for the White House in 2000.

But McCain's call comes as gas prices soar and Republicans and Democrats -- with an eye to the November election -- blame each other. A bipartisan front of Florida politicians that has long fought off efforts to drill showed increasing signs of fraying.

Hoping to add to that momentum, President Bush on Wednesday plans to push lawmakers to lift the ban.

Florida Sen. Mel Martinez, who had worked closely with Nelson on rebuffing drilling efforts, but who, like Crist, has endorsed McCain, suggested the tide may be turning as gas prices rise.

"The governor seems to have agreed with him and I kind of agree with him, so maybe things are changing in that regard," Martinez told reporters at the Capitol.

McCain, appearing in Houston -- in what he called the "oil capital of America" -- said the United States has ``enormous energy reserves of our own. And we are gaining the means to use these resources in cleaner, more responsible ways. . . .

"Yet, for reasons that become less convincing with every rise in the price of foreign oil, the federal government discourages offshore production," he said. ``As a matter of fairness to the American people, and a matter of duty for our government, we must deal with the here and now, and assure affordable fuel for America by increasing domestic production."

2006 COMPROMISE

Martinez didn't fully embrace the measure but said if McCain's plan adopts a compromise that he and Nelson struck with pro-drilling advocates in 2006, ``the rest of it is something I can probably live with."

That 2006 compromise opened up part of the eastern Gulf of Mexico but gave Florida a 125-mile buffer from any drilling rigs.

McCain's proposal would give states the power to decide whether to drill and would give them incentives to do so.

Even drilling advocates acknowledge that opening offshore waters to exploration is unlikely to provide more oil for seven to 10 years. Environmental groups think results are even more distant.

Others question whether the United States has enough refining capacity to handle significant amounts of new domestic oil.

The nation today has slightly fewer refineries than in the mid-1980s, when smaller operations closed after losing government subsidies.

The biggest prize in Florida is estimated to be the Destin Dome, where 39 exploratory wells drilled in the 1970s and '80s showed vast reserves of natural gas, some of it accompanied by a light, low-grade crude oil, from Pensacola to Tampa Bay.

Little is known about the extent of the oil and gas reserves off Florida's coast. The federal Minerals Management Service estimates that the reserves within the first 100 miles of Florida's coast would produce only natural gas and not oil, because the discoveries have been too deep for oil -- 20,000 feet or more -- and are under temperatures too high for oil to exist.

The National Petroleum Council estimates the eastern Gulf might hold 36.7 trillion cubic feet of natural gas and 5.2 billion barrels of oil. Others doubt those numbers but say there is no way to know without further exploration.

Environmentalists warn, however, that Florida's multibillion-dollar tourism industry, its fisheries and its coastal real estate market are as much at risk as the environment if drilling anywhere in the Eastern Gulf is allowed.

HARMFUL FLUIDS

Federal regulators acknowledge that drilling discharges harmful fluids and cuttings, disturbs delicate marine life and poses a threat to endangered sea turtles.

Despite the questions, Crist cited recent polls that he says show ``people are much more favorably inclined to this idea so long as it's done safely, it protects our state and if that could help us lower the price of gas at the pump."

Allison DeFoor, a Republican environmentalist and advisor to Crist, said the governor is shrewdly reading the public's softening opinion of domestic drilling.

`MOOD OF THE PEOPLE'

"Economics is driving us all off of our ideological positions and into the world of the practical," he said. ``I have never seen a politician who is as good at discerning the mood of the people he serves and my sense is he has done that again."

The Florida Democratic Party, however, accused Crist of "turning his back on Florida" and accused him of opposing drilling as recently as last week, citing news reports.

"If John McCain jumps off a cliff, will Charlie Crist jump, too?" party spokesman Mark Bubriski said, noting that Crist in campaigning for governor and U.S. senator ``actually was a bigger supporter of the moratorium than some other Republicans."

Thunder Horse project producing after 3-year delay
Houston Chronicle; June 16, 2008; http://www.chron.com/disp/story.mpl/business/energy/5841216.html

BP's Thunder Horse platform in the Gulf of Mexico is finally pumping oil and natural gas.

BP spokesman Ronnie Chappell said Monday that Thunder Horse started pumping from a single well on Saturday, launching a lengthy commissioning process.

"There's still a lot of work to do. There are other wells to prepare for production and others to drill and complete. But we're on track, making good progress and on schedule to have the field online by year-end," he said.

When the structure 150 miles southeast of New Orleans reaches its daily capacity of 250,000 barrels of oil and 200 million cubic feet of natural gas, Thunder Horse will be the Gulf's biggest producer.

Thunder Horse originally was scheduled to start producing three years ago. But system and design troubles prompted lengthy delays.

Ballast system failures left the installation listing 20 degrees after Hurricane Dennis blew through the Gulf in July 2005. About a year later, a crucial piece of equipment on the seabed sprung a leak, forcing BP to haul the piece back to shore for repairs.

When running at full tilt, Thunder Horse alone will increase overall U.S. oil and natural gas production by 3.6 percent.

BP owns three-fourths of Thunder Horse, and Exxon Mobil Corp. one-fourth

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Oil Giants Try to Deflect Gas-Price Fury
WSJ, June 17, 2008; http://online.wsj.com/article/SB121365592982878815.html?mod=dist_smartbrief

Ads Paint Industry As Part of Solution To Global Problems
By RUSSELL GOLD

Facing the toughest political climate in a generation, the oil industry is using a barrage of advertisements to deflect anger over $4 a gallon gasoline prices.

Exxon Mobil has been particularly aggressive, running televised spots during the NBA Finals and network morning talk shows, and buying large print ads in the U.S. and Europe. Chief executive Rex Tillerson appears in one of the ads, which began running earlier this month, discussing the company's goal of caring for the environment as it provides energy to the world. Ads from other oil companies hit on similar themes: investment in alternative fuels and technology required to produce oil these days.

Exxon
Exxon Mobil is countering negative images of the oil industry with an ad campaign.
Exxon's ads are part of a growing effort by the industry to counter a political backlash against rising oil prices and global-warming worries. Oil companies have traditionally been the bogeyman for consumers during times of rising prices, with ad campaigns often employed to soften the industry's image.

But as oil companies' profits have soared, so has the pain felt by consumers paying more for gasoline, food and electricity. That is ratcheting up pressure on Congress, which is debating possible solutions such as issuing a windfall profits tax on oil companies in order to fund alternative-energy projects.

The oil companies' latest ad campaign seeks to paint the industry as part of the solution to the globe's most pressing energy and environmental problems.

While a majority of Americans still believe oil companies deserve a "great deal of blame" for energy problems, according to a recent Gallup poll, a growing percentage say supply-and-demand dynamics are responsible for high prices. People are also citing market speculators and the declining value of the U.S. dollar as culprits for rising prices. Many industry analysts agree that the heart of the problem lies in the industry's struggle to increase supply at a time of soaring global demand.

"You've gone from one central villain to a number of villains," says Dennis Jacobe, chief economist for the Gallup Organization.

As gasoline prices have risen, so has industry spending on its image. The companies and their industry associations spent $52.5 million on advertisements in the first quarter, up 18% from the same period a year earlier, according to tracking firm TNS Media Intelligence. This spending is expected to jump in the second quarter on the back of Exxon's campaign, which has included print advertisements in the New York Times and a weeklong series of two-page ads in The Wall Street Journal.

Exxon wouldn't disclose its advertising budget. The industry's latest problem began in 2005 after Hurricanes Katrina and Rita prompted a sharp spike in oil prices, which infuriated Congress and the public despite the industry's efforts to showcase how it quickly got disabled refineries and pipelines running again. It was a scary moment, says Red Cavaney, president of the American Petroleum Institute. He worried that legislators would respond with new laws that would seriously gut the industry's profits and make it less competitive against foreign oil companies.

"People don't have to love us," says Mr. Cavaney. "We want them to appreciate us for the role we're doing and respect us for getting the job done."

But that respect was elusive. An API public-perception poll in late 2006 found the public ranked the oil industry below even the tobacco industry. "It was clear to us we had a problem," says Bill Tanner, a ConocoPhillips spokesman. Last summer ConocoPhillips supplemented its print ads with four television ads, produced by Dallas-based Allyn, a part of Fleishman-Hillard. Another two are in the works.

Chevron launched its own series of television ads last year, emphasizing the complex global forces affecting oil prices. To underscore this, the campaign kicked off with a 2½-minute commercial featuring scenes shot in 13 different countries. Oil and the environment, says the narrator, "is the story of our time. It is definitive and all-encompassing and it leaves no one untouched."

The Exxon ads, which began June 1 and were produced by Euro RSCG, part of Havas SA, portray Exxon as a company filled with technology whiz kids working to secure the world's energy future. Earlier this month, Exxon also began sponsoring "Nova" -- a public-broadcasting science program.

Tapping into Americans' faith in innovation "is a tried-and-true corporate-brand approach," says Allen Adamson, managing director of branding consultant Landor Associates.

One of the Exxon ads flashes an image of a windmill, crops and the sun, evoking a triptych of alternative energy: wind, biofuels and solar power. But not everyone is sold on the message. Considering Exxon's past denial of alternative energy's potential to replace fossil fuels, the ads amount to little more than greenwashing, says Kert Davies, research director in Greenpeace's Washington office.

McCain Seeks to End Offshore Drilling Ban
Washington Post, June 17, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/16/AR2008061602731.html?wpisrc=newsletter

By Michael D. Shear and Juliet Eilperin
Washington Post Staff Writers
Tuesday, June 17, 2008; A01

Sen. John McCain called yesterday for an end to the federal ban on offshore oil drilling, offering an aggressive response to high gasoline prices and immediately drawing the ire of environmental groups that the presumptive Republican presidential nominee has courted for months.

The move is aimed at easing voter anger over rising energy prices by freeing states to open vast stretches of the country's coastline to oil exploration. In a new Washington Post-ABC News poll, nearly 80 percent said soaring prices at the pump are causing them financial hardship, the highest in surveys this decade.

"We must embark on a national mission to eliminate our dependence on foreign oil," McCain told reporters yesterday. In a speech today, he plans to add that "we have untapped oil reserves of at least 21 billion barrels in the United States. But a broad federal moratorium stands in the way of energy exploration and production. . . . It is time for the federal government to lift these restrictions."

McCain's announcement is a reversal of the position he took in his 2000 presidential campaign and a break with environmental activists, even as he attempts to win the support of independents and moderate Democrats. Since becoming the presumptive GOP nominee in March, McCain has presented himself as a friend of the environment by touting his plans to combat global warming and his opposition to drilling in the Arctic National Wildlife Refuge and in the Everglades.

Representatives of several environmental groups criticized him for backing an idea they said would endanger the nation's most environmentally sensitive waters.

"It's disappointing that Senator McCain is clinging to the failed energy policies of the past," said Tiernan Sittenfeld, legislative director for the League of Conservation Voters.

Sierra Club political director Cathy Duvall said McCain "is using the environment as a way to portray himself as being different from George Bush. But the reality is that he isn't." The group began running radio commercials yesterday that criticize McCain's environmental record in the battleground state of Ohio.

Democratic Sen. Barack Obama joined the criticism, calling the idea of lifting the ban the wrong answer to out-of-control energy prices. "John McCain's plan to simply drill our way out of our energy crisis is the same misguided approach backed by President Bush that has failed our families for too long and only serves to benefit the big oil companies," Obama spokesman Hari Sevugan said.

Energy policy -- led by the spike in gas prices -- is now a top-tier issue in the campaign, forcing both candidates to shift their attention from other domestic issues and foreign affairs. Spot prices for a barrel of crude oil briefly hit an all-time high yesterday, flirting with $140 a barrel before settling back to a bit less than $134.

In the Post-ABC poll, conducted Thursday through Sunday, about half of those surveyed called high gas prices a serious burden, while the issue emerged for the first time during the campaign as a top concern for voters. Obama held double-digit leads over McCain as the candidate more trusted to deal with gasoline prices and energy policy.

While both candidates have spoken about the need to shift to cleaner energy sources, they have proposed different ways to do so.

McCain backs federal subsidies for building more nuclear power plants, which he considers the best way to reduce U.S. carbon dioxide emissions. He plans to begin outlining his energy proposals in the first of three major speeches today in Houston. Aides said the centerpiece of the speech will be the proposal to lift the ban on drilling, but McCain will also have harsh words for market speculators who are driving up the cost of oil.

"Investigation is underway to root out this kind of reckless wagering, unrelated to any kind of productive commerce, because it can distort the market, drive prices beyond rational limits, and put the investments and pensions of millions of Americans at risk," he will say in the speech, according to excerpts the campaign provided yesterday.

Obama backs using money raised through an auction of greenhouse-gas emissions credits to bolster research and development projects, while imposing requirements on how much renewable energy public utilities would have to buy.

Yesterday in the down-at-the-heels manufacturing city of Flint, Mich., Obama said that a new energy policy must be part of government efforts to revive the economy.

"Our dependence on foreign oil strains family budgets and it saps our economy. Oil money pays for the bombs going off from Baghdad to Beirut, and the bombast of dictators from Caracas to Tehran," Obama said. "Our nation will not be secure unless we take that leverage away, and our planet will not be safe unless we move decisively toward a clean energy future."

McCain's call for an end to the coastal oil drilling ban is at odds with his oft-stated view that drilling should remain off-limits in sensitive areas such as the Arctic National Wildlife Refuge. Asked by reporters about those places, McCain said yesterday that he still thinks the refuge is a "pristine" area and opposes drilling there.

The senator's push to end the ban is sure to annoy two key Republican allies -- California Gov. Arnold Schwarzenegger and Florida Gov. Charlie Crist -- both of whom oppose drilling off their states' coastlines.

Schwarzenegger spokesman Aaron McLear noted the governor's overall support for McCain's candidacy but said: "There are things that he and the senator will agree on, and things they won't agree on." Crist said in a statement: "It has become increasingly clear that we must be pragmatic in protecting both our beaches and our economy. We look forward to the dialogue as we move forward to protect both our environment and our country's economic interests."

Congress created a moratorium on new drilling off the coast in 1981, and every president since then has extended it.

While McCain has traditionally sided with environmentalists on climate change, he has a mixed voting record on oil drilling and support for renewable energy.

Saudis to pump oil at fastest rate in decades
Reuters, June 16, 2008; http://uk.reuters.com/articlePrint?articleId=UKSP32578220080616

By Simon Webb

DUBAI, June 15 (Reuters) - The world's top oil exporter Saudi Arabia will boost output next month to the fastest rate in decades to help keep pace with demand and tame what it sees as unacceptably high fuel prices.

Riyadh plans to lift output to 9.7 million barrels per day (bpd) in July, United Nations chief Ban Ki-moon said on Sunday after meeting Saudi Oil Minister Ali al-Naimi.

That would be a rise of 550,000 bpd or over 6 percent since May and would take Saudi crude output to its highest monthly rate since August 1981, according to U.S. Energy Information Administration data.

"9.7, that is what he (Naimi) said," on July output, the Abu Dhabi-based The National newspaper quoted the UN Secretary General as saying on its website.

The Saudi output plan comes to light a week before the kingdom hosts an unprecedented meeting of producers and consumers to tackle market instability.

A relentless rise in oil prices to well above $130 a barrel has sparked fuel protests from Asia to Europe and roiled financial markets as policymakers fear higher inflation will slow the global economy.

Saudi King Abdullah told Ban that Riyadh would do its utmost to bring the price down.

King Abdullah "sees that oil prices are currently abnormally high and he is willing to do all that is possible to bring prices to their appropriate levels," state news agency SPA quoted Ban as saying after meeting the Saudi monarch.

Saudi Arabia has already increased supply by 300,000 bpd this month from May to meet demand from buyers primarily in the United States.

ENOUGH TO LOWER PRICE?

But a higher daily rate of 9.7 million may not be enough to dent the price, said David Kirsch of Washington-based consultancy PFC Energy.

"If they want to put pressure on prices they need substantial price discounts that would encourage greater stock building," he said.

Oil fell nearly $2 a barrel on Friday after industry newsletter the Middle East Economic Survey reported Riyadh was considering a sizeable output increase to near 10 million bpd.

U.S. crude CLc1 has more than doubled in a year to strike a record $139.12 a barrel earlier this month.

The sky-rocketing price has led many countries -- including top consumer the United States -- to call on the Organization of the Petroleum Exporting Countries, and Saudi Arabia in particular, to boost output.

Supply plans by core OPEC members could see exports from the Gulf rising by close to one million bpd this month and next. (For a FACTBOX on OPEC output increase plans click on [ID:nL1549928])

U.S. Treasury Secretary Henry Paulson warned on Saturday that oil's rally could prolong the U.S. economic downturn.

The kingdom is also concerned about the effects of costly oil and intends to address the issue at its hastily convened meeting on June 22 in Jeddah.

"I don't know if the Jeddah meeting will reverse the trend of rising oil prices, but it will certainly show that Saudi Arabia and OPEC are making every effort not to be the cause of the problem," said an oil industry expert.

Saudi Arabia is the only member of OPEC with the spare capacity to boost supplies quickly and significantly. It could pump around 2 million bpd more than it does.

Congress Pushes to Keep Land Untamed Bills Could Add Millions of Acres Of Wilderness
Washington Post, June 16, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/15/AR2008061502137_pf.html

By Juliet Eilperin

INDEX, Wash. -- With little fanfare, Congress has embarked on a push to protect as many as a dozen pristine areas this year in places ranging from the glacier-fed streams of the Wild Sky Wilderness here to West Virginia's Monongahela National Forest. By the end of the year, conservation experts predict, this drive could place as much as 2 million acres of unspoiled land under federal control, a total that rivals the wilderness acreage set aside by Congress over the previous five years.

A confluence of factors is driving this wilderness renaissance: the shift in Congress from Republican to Democratic control; environmentalists' decision to take a more pragmatic approach in which they enlist local support for their proposals by making concessions to opposing interests; and some communities' recognition that intact ecosystems can often offer a greater economic payoff than extractive industries.

"It may not seem like it on most issues, but in this one arena Congress is getting things across the goal line," said Mike Matz, executive director of the advocacy group Campaign for America's Wilderness. "Nobody gets everything they want, but by coming together, talking with age-old adversaries and seeking common ground, wilderness protection is finding Main Street support and becoming motherhood-and-apple-pie."

Against the backdrop of Bush administration policies that have opened up millions of acres of public land to oil and gas exploration, logging and other commercial uses, environmental advocates and lawmakers argue that it makes sense to cordon off more of the country's most unspoiled places.

The administration has offered more than 40 million acres in the Rockies for oil and gas drilling and other "extractive" uses, according to the Wilderness Society, and it has done the same with 70 million acres in the Alaskan Arctic. In addition, the Forest Service estimates that development eliminates 6,000 acres of the open space every day.

The administration has generally favored expanding wilderness acreage, letting Congress determine which areas should be protected and how. Part of this stems from the fact that nearly all of these bills have broad constituencies, which include local faith, business and hunting groups as well as GOP officeholders. And as Bush approaches the end of his second term, he is eyeing opportunities to leave his mark on the nation's landscape.

In the first wilderness designation this year, the Wild Sky Wilderness became law in May. It set aside more than 106,000 acres of low-elevation, old-growth forest and jagged mountain peaks crisscrossed by streams that feature wild salmon and steelhead runs.

The logging business has largely died out in Index, a town less than two hours from Seattle, and residents see the wilderness as a way to promote the recreational activities that now help drive the local economy.

"In the past 30 years, we've seen this town move into an entirely recreational economy," said Bill Cross, a former city council member in Index who helped lobby for the designation. "I see Wild Sky as an extension of that."

Wilderness areas, which have the strictest level of federal protection, account for just over 107 million acres nationwide -- 4.8 percent of the nation's land mass, roughly half of it in Alaska. Federal law prohibits mechanized transport in wilderness areas, but they are open to such activities as hiking and fishing.

In recent weeks the House has passed six wilderness bills, including Wild Sky, that would protect more than 500,000 acres. The Senate Energy and Resources Committee has approved another four wilderness bills and the panel could pass more, an effort that Chairman Jeff Bingaman (D-N.M.) said was aimed at addressing "some pent-up demand for bills that had been in the works for most of the last decade."

Although several factors have spurred the flurry of legislative activity, much of it stems from the fact that former House Resources Committee chairman Richard Pombo (R-Calif.) -- who fiercely opposed designating any new wilderness -- lost his seat in 2006. As many as a dozen bills are expected to pass this year, and another seven have been introduced recently.

Almost all 12 have bipartisan support, and many include concessions to traditional opponents such as loggers and off-road-vehicle riders. But they also show that Democrats are intent on reasserting federal authority in the realm of conservation.

"When I changed the name from Resources to Natural Resources, it wasn't just for cosmetic reasons -- it's for what I view as the real guts of the responsibility of this committee," said Pombo's successor, Rep. Nick J. Rahall (D-W.Va.). "To those critics who say, 'Why do we need new wilderness?' I say these areas already are wilderness. We simply want to preserve them as they are, as they have been for generations, and preserve them for future generations."

Some environmentalists say even these measures cannot compensate for the tens of thousands of drilling permits the administration has leased in recent years. Katie McKalip, a spokeswoman for the advocacy group Theodore Roosevelt Conservation Partnership, noted that in the past decade in Wyoming, a land area equal in size to Virginia has been leased for development.

"Our public lands, and the fish and wildlife species that depend on them, are falling victim to a management policy that effectively values one land use -- oil and gas development -- above all others," McKalip said.

Some Republicans question why the federal government would add more wilderness when it is struggling to maintain the public lands it already holds.

"If you're not preserving and taking care of what you've got, why are you adding to it?" said Sen. Tom Coburn (R-Okla.), who has placed parliamentary "holds" that are blocking action on several bills.

In an interview, Coburn said he has no problem with states designating wilderness areas if they are prepared to finance their upkeep, noting that the Forest Service has a multibillion-dollar backlog of projects. "If you want to do it, why shouldn't the state be doing it? If Oregon wants to create new wilderness, I'm all in favor of Oregon doing it."

But supporters of congressional action say that only the federal government has the capacity to protect the most vulnerable areas. Sen. Patty Murray and Rep. Rick Larsen, both Democrats from Washington state, pushed to include 30,000 acres of low-elevation areas in Wild Sky on the grounds that they were ecologically critical and close to major population centers. These areas, below 3,000 feet, have a Tolkienesque landscape, with bright green, moss-covered trees and aquamarine water that locals dub "glacier milk" because the ground-up stones from glaciers give it an ethereal color.

"We call it the cleanest, coldest, clearest river in the state," said high school science teacher Mike Town, who started pushing for wilderness protection nearly a decade ago. "If you really want to protect salmon, or even Puget Sound, the water quality of the rivers that drain into Puget Sound needs to be addressed."

Murray and Larsen, whose bill made concessions to church groups, the Boy Scouts and float-plane operators in order to forge a consensus on the bill, said it took time to convince some opponents that creating wilderness would benefit the local community. The lawmakers removed a few thousand acres from the plan to placate snowmobilers, clarified that existing float-plane use could continue and ensured that church groups and the Boy Scouts could still get access to their camping grounds.

"When you say 'wilderness,' the hair goes up on the back of their necks, and they envision chains going around trees they'll never touch," Murray recalled in an interview. "It can't just be in-your-face 'We're going to protect those areas, we don't care what you think.' "

With the support of several senior Republicans, including Sen. Larry Craig (Idaho) and then-Agriculture Undersecretary Mark Rey, the Wild Sky bill passed the Senate three times, but Pombo repeatedly blocked it in the House.

"It was a failure of American democracy, where you had one man who prevented the will of the American people from being fulfilled," said Rep. Jay Inslee (D-Wash.), who battled Pombo on the Resources Committee. "What you're seeing right now is this one-man dam has broken."

Doug Scott, who has been working on wilderness bills for 30 years and is now policy director of the Campaign for America's Wilderness, said he thinks that someday the United States will complete the mission envisioned in the 1964 Wilderness Act. But it hasn't gotten there yet, he said.

"There will be a last acre -- we just won't know it's the last acre," he said. "And I don't think I'll live to see it."

Surging Oil and Food Prices Threaten the World Economy, Finance Ministers Warn
NYT, June 15, 2008;
http://www.nytimes.com/2008/06/15/business/worldbusiness/15ministers.html?_r=1&th&emc=th&oref=slogin
By MARTIN FACKLER
OSAKA, Japan — The global economy faces a one-two punch from slowing growth and soaring fuel and food prices, finance ministers from the world's richest nations warned Saturday, though they stopped short of offering concrete solutions.

Finance ministers from the Group of 8 industrialized nations wrapped up a two-day meeting in Japan that was dominated by talk of rising petroleum prices, which have set off street protests across the world. In a statement, the ministers said higher prices of oil and other commodities threatened the world economy at a time when it was still reeling from the collapse of the housing market in the United States.

The ministers urged oil-rich nations to increase production to help reverse a trend that has pushed up oil prices to nearly $140 a barrel, a record. The ministers also warned that the rising cost of oil and other commodities could spur broader increases of prices and wages.

The specter of fighting inflation as the ministers try to revive their flagging economies would "make our policy choices more complicated," the statement said. The combination of inflation and low growth, known as stagflation, is difficult to escape because steps to spur economic activity, like lowering interest rates, can also lead to price increases.

"For a long time, the world economy enjoyed a combination of robust growth and low inflation, but it now faces headwinds," the statement said. "Elevated commodity prices, especially of oil and food, pose a serious challenge to stable growth worldwide."

The Group of 8 nations — Britain, Canada, France, Germany, Italy, Japan, Russia and the United States — are many of the world's largest consumers of oil. But most have little say over production, and over drivers of oil prices like rising demand from China and India.

The ministers also failed to find common ground on whether to take action to curb speculation in oil futures markets, which some have blamed for exacerbating price increases. While Italy called for measures like making futures trading more expensive, this was resisted by the United States and Britain, where big futures markets operate.

“It is sometimes difficult to distinguish between an airline that may hedge its fuel price, which is perfectly sensible planning, and someone who is speculating or even gambling on the price of oil,” said Alistair Darling, Britain’s chancellor of the Exchequer.

The American Treasury secretary, Henry M. Paulson Jr., attributed higher oil prices to changes in supply and demand and a failure by oil-rich nations to build enough wells and refineries.

“At its heart, this run-up in price reflects long-term trends in global supply and demand and strong economic growth coinciding with a period of minimal investment in oil production,” Mr. Paulson told reporters. “This is not something that lends itself to short-term solutions.”

As a compromise, the ministers asked the International Monetary Fund to look into what was driving the recent surge in oil prices. The ministers also called for aid to help developing nations in Africa and elsewhere deal with higher prices of commodities, particularly food ingredients.

The ministers met to help work out the agenda for next month’s summit meeting of Group of 8 heads of state in northern Japan. Speaking to reporters after the meeting, they said they also discussed steps to soothe financial markets and help developing nations fight global warming.

One item not discussed, despite wide expectations that it would be, was currencies, and particularly the possibility of intervention to prop up the slumping United States dollar. Japan’s finance minister, Fukushiro Nukaga, the host of the meeting, said currencies were discussed only on the sidelines.

At a news conference, Mr. Paulson brushed aside questions about intervention.

“A strong dollar is in our nation’s interest,” he said, adding that solid fundamentals in the American economy would eventually help the United States currency recover.

War Power Grab
WSJ, June 16, 2008; http://online.wsj.com/article/SB121355275157975511.html?mod=googlenews_wsj

Gigot: Still ahead, prices skyrocket as the U.S. sits on untold oil reserves. Where we could be drilling and why we're not, when we come back.

Gigot: Worried about rising prices at the pump? Wondering what Congress is doing to ease your pain? Well, recent ideas include suing OPEC, a windfall profits tax on oil companies, and new punishments for so-called price-gouging--everything except expanding energy supplies here at home.

Here to tell where we could be drilling and why we're not, Wall Street Journal columnist Kim Strassel, senior economics writer Steve Moore and editorial page writer Joe Rago.

Joe, let's start by putting some facts on the table. There are all kinds of areas in the United States where we are not allowed to drill--

Rago: That's right.

Gigot: --oil and natural gas. Alaska--how much do we have?

Rago: We have about 10.4 billion barrels of oil in Alaska.

Gigot: OK. Outer Continental Shelf--that's off the shore of Pacific and the Atlantic coasts and the Gulf of Mexico.

Rago: Right. That's about 86 billion barrels of oil, as well as 420 trillion cubic feet of natural gas. You've also got oil shale in the American West, which might be up to 1.8 trillion barrels.

Gigot: Trillion.

Rago: Trillion barrels of oil.

Gigot: And is the technology developed enough to get into that oil shale, or is that still a ways off?

Rago: It's a ways off, but it's definitely been proven successful on a commercial scale.

Gigot: All right now, Kim, why can't we drill for oil in any of these places?

Strassel: You know, the Bush administration came in 7½ years ago and had this as one of their top priorities, but you have had the Democratic, Democrats in Congress, aided by some Republicans, fighting to keep restrictions in place so--

Gigot: But wait a minute, Kim. But President Bush also has an executive order that he inherited from previous presidents, including his father, that bars some of that drilling. And didn't Jeb Bush, the former governor of Florida, ask him also to bar drilling in the western Gulf of Mexico?

Strassel: That is absolutely true. You've got moratoria, bans, on offshore drilling, both a congressional one and a presidential one. And you have had states, in particular ones that have big environmental lobbies, step up and demand that the president and Congress not release those moratoria. So that's one of the problems. You also have restrictions on allowing ANWR, the Arctic National Wildlife Refuge, to be open for drilling as well. And until Congress or the president acts, we simply cannot access any of these places.

Gigot: Steve, I should have made that the eastern Gulf of Mexico; the western gulf is open. But is there any chance, do you think, that President Bush is going to remove that moratorium and put some pressure on Congress to act?

Moore: I think he sure ought to, especially when you're talking about $130-a-barrel of oil and $4 gasoline prices.

Paul, this is showing up as the No. 1 issue in all of the polls that are being done in terms of Americans' concerns. And the key figure here, Paul, I actually think, is Sen. John McCain. John McCain has consistently been against drilling. He's been against drilling in Alaska. And I think his campaign--he ought to change his tactic and say Look, it was one thing to be against drilling in places like Alaska and offshore when oil was $30 or $40 a barrel. But now it's $130 a barrel. Paul, it's not just a matter of the economy. It's also a matter of our national security. All of those dollars flowing to the Middle East.

Gigot: Yeah, Joe?

Rago: I was just going to say, you know, whatever environmental delicacies we might have had in the past, you know, they just don't apply today with modern technology. Hurricanes Katrina and Rita smashed facilities all up and down the Gulf of Mexico, not a single oil spill. And I also think you're seeing the public come around. Gallup just released a poll at the end of May that showed 57% of the American people were in favor of drilling in some of these off-limits areas.

Gigot: But there's no--Steve or Kim, there's no question. I mean this is--immediate drilling would not change the price of oil right away, would it? Because these things take about 10 years to come on stream.

Moore: Yeah, but you know, Paul, let me disagree with you on that for a minute.

Strassel: Yeah.

Moore: I actually think if Congress were to make a declaration--"We're going to start drilling in all these places"--the price of oil today would fall, because the speculators who are out there driving up the price, you would see the futures price of oil, I think, fall pretty dramatically. So I think it has an impact on today's price that we're not drilling.

Strassel: And I think, too, that when you got to the point where you actually had some of this coming online, and if you opened these places up--and some places you could get out there quickly--right now with oil markets as tight as they are, even a small marginal additional amount would have a significant impact on prices.

Gigot: What about the pressure that this change that Joe mentioned, of the politics, where the public is beginning to say, Look, we want to have more drilling, how much is this going to pressure the Democratic leadership from its rank and file saying Look, we don't want to oppose this? Is there any chance that this will move in this Congress?

Moore: No, because this Democratic Congress is totally in the laps of the radical environmentalists who basically say no to drilling--and, by the way, no to coal, no to nuclear. Almost every energy source that we have, Paul, they don't want to exploit.

Gigot: And Barack Obama has said this week, in what some people thought was a flub, that he wished oil prices, energy prices, gasoline prices, had risen more gradually. But why isn't John McCain taking advantage of this politically?

Strassel: That is a huge question, why John McCain and why--now the Republicans in Congress are trying to.

Look, the problem for the Republicans here is that Americans tend to blame high gas prices on whoever is in the White House. So they're going to have to try to shake that stigma. But they've got an opportunity here in saying, Look, the reason we're in this mess is because Democrats have not allowed any of our proposals to drill for years and years now. And they've got to talk about what Joe said, about the fact that you can do this with technologically advanced equipment. And they've got to take the reform approach here. They could do that, and John McCain could. It'd be a huge election help for them this year.

Gigot: All right, Kim, thank you.

Quest for Oil: Where to Look Is the Question
WSJ, June 16, 2008; http://online.wsj.com/article_print/SB121358521129676481.html

Drill on New Lands Or Existing Fields? Fueled by Gas Price
By STEPHEN POWER and BEN CASSELMAN

The oil industry is turning up the heat on Congress to open up more federal land to oil and natural-gas drilling, arguing that will do more to cut energy prices than new taxes on industry profits. But environmentalists and Congressional Democrats opposed to that tack are firing back with a new challenge: Drill what you have.

For years, political and environmental obstacles have limited the oil industry's access to large swaths of U.S. territory, most notably the Arctic National Wildlife Refuge in northern Alaska.

Democrats have tended to support restrictions on access to sensitive lands and focused on other ways to drive down prices: reining in speculators; punishing the OPEC oil cartel; and funding research on alternative-energy sources, possibly via a windfall-profits tax on oil companies.

Industry backers, including many Republicans, say the answer to high prices is increased supply and that the way to do that is to drill in areas now off-limits.

Now, voter anger over soaring gasoline prices is shoving this perennial dispute to the top of Washington's energy agenda. On the New York Mercantile Exchange, benchmark crude for July delivery fell $1.88 Friday to settle at $134.86, near its all-time high. Last Monday, the average retail price for a gallon of regular unleaded was $4.039, according to the Energy Information Administration.

A recent Gallup poll shows 57% of Americans support opening up new territories to drilling, while a Wall Street Journal-NBC News poll conducted this month shows 59% of Americans saying Congress should take the lead on responding to high gas prices.

Although high prices are giving the oil industry a new opportunity to make its case for greater access to domestic petroleum, the industry's allies in the Democratic-controlled Congress have so far had little success. Last week, a House panel voted against lifting a decades-old ban on drilling in the outer continental shelf.

Complicating matters, Sen. John McCain of Arizona, the presumptive Republican presidential nominee, has broken with many members of his party, including President Bush, in saying he would oppose drilling in the

Arctic National Wildlife Refuge. He has indicated he would defer to the wishes of coastal states on drilling in the outer continental shelf.

Democrats are looking to shift the terms of the debate by arguing it is possible to increase domestic oil production without opening up new lands. The government, they point out, has leased some 91.5 million acres of land and waters for drilling, but federal data show only about a quarter of that is producing oil and gas. Moreover, the portion is shrinking; about 27% of the onshore acres were producing oil and gas in 2007, down from an average of 30.5% in production over the preceding decade.

The industry and its backers say such arguments reflect a fundamental misunderstanding of the oil industry. Companies don't know how much oil is under the lands they lease, so they buy up large swaths in the hope that a fraction will work out. Much of the area that isn't producing, they say, doesn't have oil or gas in commercially viable quantities.

Moreover, bringing a new field into production can require years of mapping, testing, drilling and construction -- during which time the land would show up in statistics as being "not in production," even as companies spend millions or even billions of dollars to bring it online.

"I guarantee you, anybody who's got a commercial discovery today in the United States has got it under development. They'd be silly not to at these prices," Exxon Mobil Corp. Chief Executive Rex Tillerson said in an interview.

Such explanations aren't winning over skeptical Democrats on Capitol Hill. "Why should we expect oil-and-gas companies to rush into new areas to begin production when they are sitting on literally millions and millions of acres of existing leases without doing any production on those?" Sen. Jeff Bingaman, a New Mexico Democrat who is chairman of the Senate Committee on Energy and Natural Resources, said in a speech last month.

Mr. Bingaman added in an interview, "If there have been a lot of leases let that are not produceable, that's information we need to have to determine whether we should renew those leases. There's no reason to renew leases if they're not produceable."

Some lawmakers are mulling ways to change the industry's incentives. Wall Street increasingly values oil companies -- especially the smaller ones that dominate onshore U.S. production -- based on their reserves, not just their production. That gives companies an incentive to snap up land even if they won't be able to drill it for years.

On Thursday, House Democrats introduced legislation that seeks to compel energy companies to either produce or give up the federal onshore and offshore leases they are holding, by barring them from obtaining any more leases unless they can demonstrate that they are producing oil and gas, or are "diligently developing" the leases they hold.

Currently, companies must give up nonproducing leases after a set period of time -- usually five or 10 years -- but they can often get extensions, and there is no limit on the number of leases a company can hold at a given time.

The bill is modeled on a 1976 law that attempted to discourage speculation on federal coal as a result of the energy crises of the 1970s.

"If they're bidding on these leases, we're assuming they're bidding on them because they believe there's a high-percentage likelihood that there is oil there. And if they don't, then they should not have bid on them," says Rep. Edward Markey, a Massachusetts Democrat who is chairman of the House Select Committee on Energy Independence and Global Warming.

Red Cavaney, president of the American Petroleum Institute, a trade group, called Mr. Markey's remarks, "naive."

"They call the first step in the oil business 'exploration.' If every bit of land had oil and gas, you wouldn't need to explore," he said.

High prices have driven new interest in fields that weren't economical when oil was selling for less than $60 a barrel three years ago. If prices stay high, Mr. Cavaney said, the percentage of leased land in production will rise.

Even if the lands are opened to drilling, however, most experts don't expect immediate relief from high prices. The more-accessible reserves off the coasts of California and Florida would take several years to bring into production, and the remote Arctic refuge would take a decade or more. Even once those fields did come online, their impact on prices would likely be limited. The largest field in the Arctic National Wildlife Refuge is believed to contain about 1.4 billion barrels of oil -- roughly half what Saudi Arabia exports in a single year.

As oil prices have hit records, proponents of drilling in new areas have increased pressure on Congress. A group led by the former House Speaker Newt Gingrich said Wednesday that its "Drill Here, Drill Now, Pay Less" petition drive had netted half a million signatures.

Industry supporters say they can't be sure how much oil exists in areas they haven't explored. But they say there are good reasons to think large reserves exist in areas now closed to drilling. Closed areas in the Gulf of Mexico and off the coast of California, for example, abut areas that have been drilled successfully for years.

The industry also complains that efforts to produce on leased land are sometimes slowed by environmental groups. In the West Tavaputs field in Northeastern Utah, Denver-based Bill Barrett Corp. is producing natural gas on only 30% of the more than 40,000 acres of federal land it owns the rights to there. The company says its progress has been stymied by legal challenges from environmental groups.

Steve Bloch, an attorney for the Southern Utah Wilderness Alliance, says his group and others have been trying to slow drilling in the area but they have often been unsuccessful. State-wide, he adds, his group has objected to only a small fraction of drilling-permit applications.