

## Week in News: July 14-21, 2008

### Getting lease for oil drilling is just the start

Houston Chronicle; July 20, 2008;

[http://ap.google.com/article/ALeqM5iHcuoEcit0\\_kR272HwGKm6sL1K6gD921NR480](http://ap.google.com/article/ALeqM5iHcuoEcit0_kR272HwGKm6sL1K6gD921NR480)

### Drilling bans may end

Daytona Beach News, July 19, 2008; <http://www.news-journalonline.com/scripts/printme.asp>

### Looking to Mid-Atlantic for oil

The Baltimore Sun, July 19, <http://www.baltimoresun.com/news/nation/bal-te.drill20jul20,0,3816079.story>

### Offshore drilling safer, but small spills routine

Houston Chronicle, July 19, 2008; <http://www.chron.com/disp/story.mpl/headline/biz/5897424.html>

### Chief Says Exxon Will Keep Doing What It's Doing

NYT, July 19, 2008; <http://www.nytimes.com/2008/07/19/business/19interview.html?ref=business>

### Pickens, Democrats agree in calling for alternative fuels

Dallas Morning Star, July 19, 2008;

[http://www.dallasnews.com/sharedcontent/dws/bus/industries/energy/stories/DN-pickens\\_19bus.ART.State.Edition2.4dba04f.html](http://www.dallasnews.com/sharedcontent/dws/bus/industries/energy/stories/DN-pickens_19bus.ART.State.Edition2.4dba04f.html)

### Editorial - Washington's Dry Well

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### 'Rig' The Election

Ivestor's Business Daily, July 18, 2008;

<http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=301271783391789>

### Going for Liberty

Petroleum News, July 18, 2008; <http://www.petroleumnews.com/pntruncate/766668174.shtml>

### Why Are Gas Prices so High? And What Can Be Done?

Fox News, July 18, 2008; <http://www.foxnews.com/story/0,2933,385546,00.html>

### Finally, we can drill off Florida's coast! Right?

The Advertiser, July 18, 2008;

<http://www.theadvertiser.com/apps/pbcs.dll/article?AID=/20080718/BUSINESS/807180328>

### Geologists say little oil to drill off SC coast

Forbes.Com; July 17, 2008; <http://www.forbes.com/feeds/ap/2008/07/17/ap5227052.html>

### MMS issues final notice for Lease Sale 207

Energy Current, July 17, 2008; <http://www.energycurrent.com/index.php?id=2&storyid=11926>

### House Republicans Block Democratic Effort on Oil Leases, Calling the Bill a Sham

NYT, July 18, 2008; [http://www.nytimes.com/2008/07/18/us/18cong.html?\\_r=1&ref=todayspaper&oref=slogin](http://www.nytimes.com/2008/07/18/us/18cong.html?_r=1&ref=todayspaper&oref=slogin)

### Democrats and GOP Battle Over Oil Exploration

WSJ, July 18, 2008; [http://online.wsj.com/article/SB121634208774764151.html?mod=todays\\_us\\_page\\_one](http://online.wsj.com/article/SB121634208774764151.html?mod=todays_us_page_one)

### Stymied on Offshore Drilling, Republicans Block Bills in Both Chambers

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<http://www.cq.com/document/display.do;jsessionid=58CC77CAE1180F42C30DA65C9C6BDD79.monhegan?matchId=62396936>

### Energy Will Dominate Senate's End-of Summer Agenda, Durbin Says

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### **To Help, Legislation Must Increase the Energy Supply**

WSJ, July 17, 2008; [http://online.wsj.com/article/SB121626366824261081.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121626366824261081.html?mod=googlenews_wsj)

### **For Pelosi, a Fight Against Offshore Drilling**

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### **Lots of energy**

The Hill, July 16, 2008; <http://thehill.com/editorials/lots-of-energy-2008-07-16.html>

### **ATP expands Telemark**

Energy Current, July 16, 2008; <http://www.energycurrent.com/index.php?id=2&storyid=11881>

### **Oil and gas groups applaud Bush's latest OCS order**

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### **Horizontal wells will let BP tap hard-to-reach oil field**

Anchorage Daily News, July 15, 2008; <http://www.adn.com/news/alaska/story/464851.html>

### **President lifts offshore ban, but it won't be effective without action by Congress**

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### **Long Process Likely in Bid to Expand Offshore Drilling**

Washington Post, July 14, 2008; [http://www.washingtonpost.com/wp-dyn/content/article/2008/07/14/AR2008071401665\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2008/07/14/AR2008071401665_pf.html)

### **On Offshore Oil Drilling, the Ball Is Now in Congress's Court**

US News & World Report, July 14, 2008; <http://www.usnews.com/articles/news/politics/2008/07/14/on-offshore-oil-drilling-the-ball-is-now-in-congresss-court.html>

**End to executive ban** [http://online.wsj.com/article/SB121626366824261081.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121626366824261081.html?mod=googlenews_wsj), July 14, 2008; <http://www.iht.com/articles/ap/2008/07/14/business/NA-US-Executive-Ban-Markets.php>

### **Schwarzenegger cold to ending drilling ban**

UPI, July 14, 2008; [http://www.upi.com/Top\\_News/2008/07/14/Schwarzenegger\\_cold\\_to\\_ending\\_drilling\\_ban/UPI-77101216063556/](http://www.upi.com/Top_News/2008/07/14/Schwarzenegger_cold_to_ending_drilling_ban/UPI-77101216063556/)

### **Transcript : Bush Addresses Offshore Drilling** **Bush lifts executive ban on offshore drilling**

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### **Bush lifts executive ban on offshore drilling**

TampaBays10.com; July 14, 2008; <http://www.tampabays10.com/news/local/story.aspx?storyid=84797&catid=8>

### **BP to begin developing Liberty oil field**

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### **Worth the risk? Debate on offshore drilling heats up**

USA Today, July 14, 2008; [http://www.usatoday.com/money/industries/energy/2008-07-13-offshore-drilling\\_N.htm](http://www.usatoday.com/money/industries/energy/2008-07-13-offshore-drilling_N.htm)

### **Gulf Coast States Mull Over Oil Drilling Ban**

NPR, July 14, 2008; <http://www.npr.org/templates/story/story.php?storyId=92471630>

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### **Getting lease for oil drilling is just the start**

Houston Chronicle; July 20, 2008;

[http://ap.google.com/article/ALeqM5iHcuoEcit0\\_kR272HwGKm6sL1K6gD921NR480](http://ap.google.com/article/ALeqM5iHcuoEcit0_kR272HwGKm6sL1K6gD921NR480)

HOUSTON (AP) — The national debate over opening more offshore areas to oil and gas exploration has begged the question: Just what are the companies doing with the tens of millions of acres they're already leasing from the federal government?

In particular, congressional Democrats who oppose President Bush's plan to expand offshore drilling point to 68 million acres of federal land and offshore sites now leased by oil companies that sit idle. It's part of nearly 2 billion acres overseen by two federal agencies — the Bureau of Land Management and the Minerals Management Service — that have potential for oil and gas exploration, the bulk of which is strictly off limits.

The acreage includes vast stretches of land that spread out over Nevada and reach north and east over the Rockies, thinning as they stretch toward Canada to disparate specs on the map. There are smaller and more isolated patches to the east along the mountain ridges of Appalachia and further to the south above the Gulf of Mexico, and huge chunks of northern Alaska and lesser stretches on its southern banks.

A huge chunk of the overall acreage is the U.S. Outer Continental Shelf, the zone of federal waters extending about 200 miles offshore.

The 68 million acres under lease to oil companies has potential reserves to nearly double U.S. oil production and increase natural gas output by 75 percent, the Democrats claim.

So why the lack of activity, particularly when oil prices are at historic levels? It depends on your definition of "activity."

An oil company can spend several years after it negotiates a lease securing the permits and other approvals it needs to begin actual production.

Some of the non-producing leases under scrutiny are in thousands of feet of water in the Gulf of Mexico, where a decade can pass between finding and tapping a new reservoir. The winning bid for such leases can encompass tens of thousands of acres and cost \$100 million or more.

"I think it gives you a good idea why our leases are arranged in 5-, 8- and 10-year terms," said Randall Luthi, director of the Minerals Management Service, the arm of the Interior Department charged with overseeing offshore drilling in federal waters.

"If a company gets to the end of those terms and they're not making significant progress — and I do mean significant progress toward actually producing — those leases come back and we sell them again," he said. Leases also can get tied up in court, often over environmental concerns. Or companies can determine that developing a particular tract doesn't make economic sense. Either way, they're listed on the federal government's books as "non-producing."

Shell Oil Co., for example, is involved in a legal dispute in Alaska that prompted it to abandon a proposed course of exploratory drilling in the Beaufort Sea this summer. Shell has said it remains committed to offshore drilling in Alaska, but production is likely as far as 12 years off.

President Bush and those supporting more drilling say the United States is unwisely cutting itself off from new energy sources as the nation brings in most of its oil from abroad. The Interior Department has estimated 18 billion barrels of oil can be pulled from waters off the U.S. coast that are currently off limits. But almost everyone agrees it would be years before that oil could be retrieved.

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### **Drilling bans may end**

Daytona Beach News, July 19, 2008; <http://www.news-journalonline.com/scripts/printme.asp>

Drilling bans may end

Moratorium on Florida remains

By DINAH VOYLES PULVER

Environment Writer

Q. All the talk about offshore drilling bans this week raises many questions, especially this one: Could we ever see oil rigs off the World's Most Famous Beach? Not likely. Geologists don't think the ocean floor in this area would produce as much oil or gas as other areas.

Q. What was the ban? It prohibited drilling in most coastal areas. By lifting the ban, President Bush removed one of two federal layers protecting the coast from drilling. A congressional moratorium covering the same areas remains.

Q. What is the congressional ban? The ban, which prohibits spending federal money on leasing activities, gets renewed each year as part of the appropriations bill. It's set to expire Sept. 30.

Q. What's next? Drilling opponents fear skyrocketing gas prices could kill the moratorium when it comes up for approval this fall, opening the coastal waters to drilling. A June poll by the Pew Research Center for the People & the Press found a sharp rise since February in support for more drilling, up to nearly 47 percent.

Q. What happens if the congressional ban fails? The Outer Continental Shelf Act governs all activities between three miles offshore and generally 200 miles offshore. The Department of Interior's Minerals Management Service oversees all leasing. It must publish a five-year program that spells out where and when new oil leases will be put up for bid. The next program would be due in 2012. The service would be required to work with the governor of each state where leases are considered. An area off the Virginia coast is in the five-year plan for 2011.

Q. What about elsewhere in Florida? An oil lease was proposed in the Straits of Florida for the 1987-1992 five-year program, but the state sued to stop it. In exchange for the minerals service dropping plans to lease in the straits, the state agreed to drop its opposition to an oil lease on the western edge of the eastern Gulf of Mexico. Leases for one of those areas in the Gulf are available this year.

Q. Would NASA have any influence on drilling off the Atlantic Coast? Yes. If the drilling ban is lifted, a minerals service spokeswoman said, the two agencies would meet to decide which areas might need to be excluded.

Q. Why do some people oppose drilling? Opponents say we need to reduce our reliance on oil because it contributes to harmful greenhouse gases that scientists say are contributing to global warming. They also say drilling poses too many dangers to the environment and would be eyesores on coastal areas if they were within sight. Opponents hope for a permanent ban on drilling.

Q. Why do others support drilling? They say every additional barrel of oil found will reduce the pressure on the price of oil in the world market, because the price is based on supply and demand. They also say it will reduce the country's dependence on foreign oil. Supporters have tried to push bills, including at least one before Congress now, that would permanently ban some areas while opening others and create a partnership program with states that allows them some control of their drilling destiny. The federal government would share lease profits with those states.

Q. So, where do our petroleum products come from? The United States produces 10 percent of the world's oil and uses 24 percent. About 58 percent of the petroleum used in 2007 came from foreign countries, most as crude oil. The top five countries and their share of the imports were:

Canada: 17.8 percent

Saudi Arabia: 12 percent

Venezuela: 11 percent

Mexico: 10 percent

Nigeria: 9 percent

Q. How much of our oil and petroleum products comes from the Persian Gulf countries? About 16 percent of the total supply comes from Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia and United Arab Emirates.

Q. How much tax do you pay on a gallon of gas? 18.4 cents in federal taxes, 15.6 cents in state taxes and for county taxes you pay 18.4 cents in Volusia and 13.4 cents in Flagler.

SOURCES: U.S. Energy Information Administration, Minerals Management Service, State of Florida

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### **Looking to Mid-Atlantic for oil**

The Baltimore Sun, July 19, <http://www.baltimoresun.com/news/nation/bal-te.drill20jul20,0,3816079.story>

Looking to Mid-Atlantic for oil

Rising costs fuel interest in opening the East Coast to offshore drilling

By Matthew Hay Brown

Get Kathy Phillips talking about oil exploration off the Mid-Atlantic, and she conjures a scene right out of the Gulf of Mexico, with drilling platforms, pipelines and pumping stations overwhelming the shoreline.

"People here on the East Coast don't have a clue what it means to have offshore drilling," said Phillips, an environmental activist with the Assateague Coastal Trust. "It's dirty business. The water is dirty, and your beaches end up being dirty, and you're dealing with globules of oil and globs of tar.

"I'm not even talking about oil spills. I'm talking about day-to-day operations."

With energy costs continuing to climb, politicians in Washington are again casting their gaze to the waters of the Mid-Atlantic, and the oil and natural gas reserves that geologists believe lie beneath. New talk of offshore exploration has the region's environmentalists on edge.

"It's definitely the wrong way to go," said Brad Heavner, state director of Environment Maryland. "You can't drill with zero impact."

The decision by President Bush to lift an executive order against exploring the Outer Continental Shelf is putting new pressure on Congress to end its own offshore ban. Republicans and some Democrats are backing legislation that would give coastal states the authority to allow drilling off their shores, in return for a share of the royalties the industry pays the federal government.

For now, the prospect of oil rigs off Ocean City remains distant. Gov. Martin O'Malley and Sens. Benjamin L. Cardin and Barbara A. Mikulski, all Democrats, oppose drilling off Maryland's Atlantic beaches. The state's eight House members, Republicans and Democrats alike, voted together in 2006 to uphold the congressional ban.

But in Virginia, where lease royalties have been seen as a way to fund state transportation needs, Democratic Gov. Tim Kaine favors exploring for natural gas. The state's two senators, Republican John W. Warner and Democrat Jim Webb, are backing legislation seeking the right to do so.

"Our national security requires that we work responsibly toward energy independence," Webb said. "In order to address our nation's energy crisis, all options need to be on the table."

Officials in Delaware, meanwhile, are open at least to talking about it.

"The door certainly is not closed to entertaining a discussion on the matter," said David Small, the state's deputy secretary of natural resources. "There's a lot to talk about, and what the potential implications are."

Rep. John Sarbanes said that offshore drilling demands a single national policy.

"I think you need to be pretty careful about opening it up to a state-by-state decision-making process because you don't know where that will ultimately lead," the Baltimore County Democrat said.

Drilling next door would be too close for Cardin.

"My understanding is that if there was an incident off the coast of Virginia it could very well impact Maryland," he said. "A spill could have a devastating impact on the wildlife on Assateague, as well as to the economic strength of Ocean City.

"The environmental risk is way too great, based upon the expected returns."

The federal government estimates deposits of 15.13 trillion cubic feet of natural gas under the Mid-Atlantic - enough to meet the nation's needs for seven to eight months, at current usage rates. Oil is estimated at 1.5 billion barrels, sufficient to fuel America for about 72 days.

"There's a good feeling that it's out there somewhere," said David Cooke, a geologist with the U.S. Minerals Management Service. "Actually narrowing it down and finding it is the question still needed to be answered."

The deposits would be a small fraction of the reserves found in the Gulf of Mexico and off the northern coast of Alaska, and would likely take 15 to 20 years to find and bring to market, said Cooke.

But if the reserves were confirmed, said Jeff Schrade, a spokesman for the Natural Gas Supply Association, "there could be interest eventually in exploring those areas for development."

Not, however, without opposition. Heavner, of Environment Maryland, a liberal activist group, predicted "an enormous battle."

"You know, we've seen the debate in Florida rage for decades, really, a very high-pitched debate," he said. "I would expect something similar in Maryland, and many other states."

President Bush called again on congressional Democrats to lift the ban on offshore drilling during his weekly radio address yesterday.

"Bringing [Outer Continental Shelf] resources online will take time, and that means that the need for congressional action is urgent," he said. "The sooner Congress lifts the ban, the sooner we can get these resources from the ocean floor to the gas pump. Democratic leaders need to show that they have finally heard the frustrations of the American people."

House Speaker Nancy Pelosi says she has no plans to bring the issue to a vote. She and other House Democrats want energy companies to focus on the tens of millions of acres of public land that they've already leased for drilling.

"We need to focus on developing the extensive resources currently available before opening up additional land," said Majority Leader Steny H. Hoyer, a Southern Maryland Democrat. "And we need to look to investing more in alternatives, which are critical to our long-term, sustainable energy future."

But as costs increase, Democrats are facing pressure from the growing numbers of Americans who want new areas opened to exploration. In a typical finding, 73 percent in a nationwide CNN/Opinion Research poll last month favored more offshore drilling for oil and natural gas in currently protected U.S. waters.

Senate Majority Leader Harry Reid, a Nevada Democrat, said recently that he would consider exploration. Schrade, whose organization represents U.S.-based natural gas producers and marketers, said he was optimistic.

"We hope Congress will listen to the voice of the American people on this issue," he said. "As prices have escalated, people have begun to say, 'Wow, let's get what we can from where we can.'"

That attitude worries environmentalists.

"We're faced with a challenge in getting as much gas as we're continuing to use and projected to use," said Heavner. "But the answer is not to use all our oil as quickly as possible. The answer is to use less oil."

Democrats say they support domestic drilling as one element of a larger push that would also include conservation and investment in alternative fuels. They have been pushing a "use it or lose it" bill, which would require producers to develop existing drilling leases or return them to the federal government.

"I think it's highly premature to start musing about drilling off the coast of Ocean City when there's plenty of available locations to do drilling now," Sarbanes said. "Anyone who wants to beat that drum, they ought to first explain why they're not using the permits that they've already got."

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### **Offshore drilling safer, but small spills routine**

Houston Chronicle, July 19, 2008; <http://www.chron.com/disp/story.mpl/headline/biz/5897424.html>

Hurricanes can pose particular risks

By DAVID IVANOVICH and KRISTEN HAYS

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WASHINGTON — When a Union Oil Co. well six miles off the California coast blew out in January 1969, an estimated 80,000 barrels of crude spewed into the Santa Barbara Channel — fouling beaches and marring the offshore industry's reputation.

With the nation now debating whether to open more areas offshore to oil and gas drilling, the oil industry can rightly claim it has avoided a repeat of that catastrophe, even as offshore activity has ballooned.

But offshore operators continue to spill thousands of barrels of oil, fuel and chemicals into federal waters each year, government records show.

"This is not a zero-risk proposition," said John Rogers Smith, an associate professor of petroleum engineering at Louisiana State University.

Offshore operators have had 40 spills greater than 1,000 barrels since 1964, including 13 in the last 10 years, according to data from the U.S. Minerals Management Service, which oversees exploration and production in federal waters.

Despite the industry's technological improvements and safety planning, offshore operators have struggled to cope with the hurricanes that blow through the Gulf of Mexico. Seven of the 13 recent larger spills were hurricane related.

But with prices at the pump setting records and raising public support for drilling, President Bush last week renewed his effort to prod lawmakers to agree to open new offshore areas to oil and gas exploration.

Bush rescinded an executive order first put in place by his father, former President Bush, barring oil and gas drilling in much of the federal waters. The president challenged lawmakers to lift a congressional moratorium on drilling in much of what's known as the Outer Continental Shelf.

The moratorium covers waters off the east and west coasts and part of the eastern Gulf.

"Advances in technology have made it possible to conduct oil exploration ... that is out of sight, protects coral reefs and habitats and protects against oil spills," Bush declared.

'A dirty business'

Drilling opponents such as Sen. Dianne Feinstein, D-Calif., have raised the specter of another disaster like Santa Barbara, which fouled beaches and killed thousands of dolphins, seals, birds and other wildlife.

"The technology of the drilling industry may have improved, but offshore drilling is a dirty business and it still leads to oil spills due to failed equipment, aberrant weather or human error on a frequent basis," Feinstein said.

Santa Barbara wasn't even the biggest offshore accident. That dubious distinction goes to what was then Humble Oil, which spilled nearly 161,000 barrels of crude off Louisiana in 1967 when an anchor damaged a submerged pipeline.

No spill near as large as those has occurred from offshore oil and gas activity in federal waters since 1970, Minerals Management Service records show.

There have been huge tanker accidents, most notably the 1989 Exxon Valdez spill in Alaska's Prince William Sound.

And Texans may remember the June 1979 blowout of a well in Mexico's Bay of Campeche, which spewed more than 3 million barrels of oil into the Gulf of Mexico and coated Texas and Mexican beaches. The rig involved was owned by Sedco, a Dallas-based drilling company founded by former Texas Gov. Bill Clements.

Charlie Williams, Shell Oil Co.'s chief scientist of well engineering and production technology, said technological advances in the last 30 years focus on blowout prevention, and the chief tools are 3-D seismic imaging and well control techniques.

The Santa Barbara blowout originated in a well drilled in what engineers call a "shallow hazard" area — one with pockets of natural gas, high-pressure water or faults just below the sea floor, Williams said.

Workers had drilled about 3,500 feet below the sea floor when they started to pull out the pipe to replace a drill bit. Drilling fluid, known as "mud," failed to maintain proper pressure. Rather than fix the problem by reinserting the pipe and pouring in more mud to stabilize pressure, workers capped the well. The pressure increased below the surface and blew through a fault, which released oil and gas.

Williams said seismic imaging can detect such areas so companies can avoid them or take special precautions if a reservoir promises enough bounty to justify drilling.

As a drill bit descends, drilling stops periodically so workers can insert a pipe, called casing, into the hole. The deeper the well, the stronger the pipe must be to withstand increased pressure, Williams said.

The mud pumped into the hole is critical because its weight also stabilizes pressure. The volume of the mud pumped in must be the same as that which flows out.

Williams said a tool right above the drill bit monitors the well, sending signals to the surface through sonic pulses in the mud. Those signals allow crews to monitor pressures and flow rates from control rooms aboard rigs and platforms as well as onshore sites.

The Santa Barbara disaster sparked new regulations requiring installation of safety valves in the well hole, which allow an operator to shut in production when necessary, said Tim Sampson, the American Petroleum Institute's manager of exploration and production.

Downhole safety valves proved their worth during Katrina and Rita in 2005, when no significant spills from undersea wells were reported. The spills that occurred mostly involved pipelines, or equipment at or near the surface.

Evaluations of drilling programs by regulators also are more vigorous. Government and industry officials conduct spill response exercises to try to help ensure they can handle a disaster when it occurs.

"Environment is in people's minds as much as safety is in people's minds," said Ian Hudson, corporate environmental manager for Transocean, a Houston-based offshore drilling company.

Planning, training are key

But Richard Charter with The Defenders of Wildlife Action Fund assails what he calls the industry's "big lie technique" to persuade the public that offshore activity no longer causes environmental damage.

"The idea that drilling doesn't cause spills anymore is just a falsehood," said Charter, a longtime critic of the offshore industry.

The industry doesn't say nothing ever leaks or spills.



Shell's Williams said the key is planning, training and having redundant systems and methods to control unanticipated pressure increases.

From 1998 through 2007, offshore producers released an average of 6,555 barrels of oil a year, according to the Minerals Management Service, which tracks spills of 50 barrels or more. That was 64 percent more than the annual average during the previous 10-year period, but it includes years with extraordinary hurricane activity.

Because of Katrina and Rita, 2005 became the worst year for oil spills since 1988. The government is still monitoring seepage related to that storm damage.

Last year, the industry spilled 2,256 barrels of oil, fuels and chemicals, and during the first half of this year, offshore operators are on a similar course, having spilled 1,114 barrels in five incidents.

Much of the spillage experienced during the hurricanes came from equipment and stored petroleum that were swept off facilities by high waves or sank when facilities foundered.

In the wake of the storms, regulators and the industry worked together to devise new standards to raise production platforms higher off the surface of the water and to better tether facilities to the seabed.

Industry experts note that more equipment is operating offshore today than in previous years. But the data suggest no correlation between spillage volumes and the ups and downs of total oil production.

The amount spilled by industry pales in comparison with seepage from natural fissures — an estimated 1,700 barrels per day off the coast of North America, regulators note.

Frank Gallander, Chevron Corp.'s adviser on subsea operations, drilling and completions, said offshore critics "want absolutes, and there aren't any."

But the industry has moved beyond the days of Santa Barbara, Gallander said.

If the crew running the Union Oil platform had been using today's technology, Gallander said, the Santa Barbara spill wouldn't have happened.

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### **Chief Says Exxon Will Keep Doing What It's Doing**

NYT, July 19, 2008; <http://www.nytimes.com/2008/07/19/business/19interview.html?ref=business>

OIL prices had their biggest ever drop this week, falling by more than \$16 a barrel in the last four days. Still, oil remains at stratospheric levels, settling at \$128.88 a barrel on Friday. And with global oil consumption still growing faster than new supplies, there are few remedies. In an interview, Rex W. Tillerson, the chief executive of Exxon Mobil, shared his views on oil prices, the role of Western companies in a world increasingly dominated by state-owned energy giants and the future for alternative fuels in a fossil fuel world.

Q. The debate lately has centered around expanding domestic drilling. But many say this will do nothing to reduce prices now because it takes 10 years before any new production comes online.

A. If you use that logic, then we should not have any of the barrels that are available today. All of today's supplies were developed years ago. It is nonsensical for people to make that argument. It reflects the ongoing difficulty we have with people who don't understand the nature of the energy system.

Q. Sure, but the argument is that we should focus on the demand side of the equation and that we cannot drill out of this problem.

A. Well, you can't conserve yourself out of this problem either. You can't replace your fuels with alternatives out of this problem either. The reason the United States has never had an energy policy is because an energy policy needs to be left alone for 15 to 20 years to take effect. But our policy makers want a two-year energy policy to fit with the election cycle because that is what people want. The answer is you can't fix it right now.

Q. Globally, the picture for oil supplies looks pretty bleak. Where are new supplies going to come from in the next five years?

A. There is an access issue, in this country, and in many countries around the world. The problem with the supply side of the equation is a problem of accessing the resources in the ground so they can be explored and developed. That's a political question where governments have made choices. This is something where the United States has to look at the mirror first.

Q. Aren't we paying the price for more than a decade of underinvestment in new oil supplies when prices were low in the 1990s?

A. This business is always a function of, can you earn an acceptable return for the risks you are taking. This is still an enormously risky business. We don't advertise our \$100 million dry holes. We've been able to do that thanks to careful risk management. The costs of our failures are born by our ability to be successful in other areas. In the 1990s, there was a big surplus. You could also say the industry paid a big price for having overinvested in the 1970s and 1980s.

Q. Doesn't the obsession with high returns close the door to many opportunities?

A. We manage the business to be economic and robust across a wide range of business environments because that is what we have experienced over the past 100 years, a pretty wide range of business environments. We don't think our approach is leaving us out of any opportunities.

Q. You were an early critic of biofuels, and you once referred to ethanol as "moonshine." What role do you see for alternative fuels, including ethanol?

A. There is no question in my mind that we will develop a replacement fuel for conventional motor gasoline. But we will also develop other ways to use fossil fuels for transportation that are more efficient and more environmentally friendly. We've made the point that we're spending our time and effort to look at what is the next technological leap for transportation fuels, and what are the technologies that Exxon possesses that can contribute to that breakthrough.

Q. Would it be wrong then for government to tax windfall profits to finance research into alternative fuels?

A. Why would you want to tax windfall profits to do so? Why target a specific industry when you are looking to raise revenue? The last time government taxed windfall profits, it was a disaster. Why would you want to do so again? Any taxing program that targets a specific industry is never a very good idea.

Q. What can be done today to reduce oil and gasoline prices?

A. In the near term, the most immediate steps we can take are going to largely be around efficiency. We're already seeing people responding that way, by using mass transportation and economizing the trips they take.

Q. Oil prices dropped by \$16 in four days. Is the bubble bursting?

A. It is difficult for me to explain or rationalize the high level of oil prices we've seen in the last four to six months. We've seen that kind of volatility in the upside. But it is too early to generalize without looking at the longer term trends.

Q. What do you think about the role of financial institutions, sometimes referred to as speculators, in commodity markets? Is Congress right to look into that?

A. As long as we keep our terminology straight here and don't get speculation confused with manipulation. Speculation in all markets, not just in oil but in commodity and capital markets, plays a useful and important

role in risk management and in bringing liquidity. It would be proper for policy makers to ensure that the functioning of the market is not providing for a manipulation of the price.

Q. Many energy experts were caught flatfooted by the rapid rise in prices in recent years. How do you explain it?

A. I was surprised by how rapidly the price ran and how high it ran. It clearly is a demand-driven price run-up that we've seen, especially in emerging economies because of price controls and subsidies. We are not seeing the normal market signals responding normally. That's one of the causes behind the rapid run-up.

Q: Where do you see your company in 20 years? Will oil and gas still be your dominant business?

A: Yes. In 2030, oil and gas will represent 60 percent of the world's energy needs. My view is I am going to keep doing what we do better than anyone else in the world — finding, developing and delivering oil and gas to the world. We will still be doing it in 20 years because people will still be needing it.

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### **Pickens, Democrats agree in calling for alternative fuels**

Dallas Morning Star, July 19, 2008;

[http://www.dallasnews.com/sharedcontent/dws/bus/industries/energy/stories/DN-pickens\\_19bus.ART.State.Edition2.4dba04f.html](http://www.dallasnews.com/sharedcontent/dws/bus/industries/energy/stories/DN-pickens_19bus.ART.State.Edition2.4dba04f.html)

Pickens, Democrats agree in calling for alternative fuels

By DAVE MICHAELS

WASHINGTON - T. Boone Pickens says he's ready to give up partisan politics if it means weaning the country off foreign oil.

Dallas billionaire T. Boone Pickens has mounted a \$50 million ad drive aimed at reducing oil imports by building wind farms and using natural gas to fuel cars. Mr. Pickens once gave millions to a group that undermined U.S. Sen. John Kerry's Vietnam War service and offered \$1 million to anyone who could prove that the Swift Boat group's charges against the presidential candidate were false.

Now he's stopped donating to such groups as he preaches a clean-energy gospel that's won over Democrats such as Senate Majority Leader Harry Reid.

Mr. Pickens, 80, will meet Tuesday with House Speaker Nancy Pelosi and other top Democrats about his plan to replace oil with wind power and natural gas.

As Democrats struggle to address high gasoline prices without opening more wilderness and coastlines to oil companies, Mr. Pickens offers a valuable partnership: a certified oil industry icon who says the country can't drill its way out of the energy crisis.

"I can be most effective as a nonpartisan, and I think the Democrats know me to be an honorable person," Mr. Pickens said Friday, adding that he's talked to Al Gore and the two agreed on "95 percent of what we talked about."

Mr. Pickens is financing a \$50 million advertising campaign aimed at reducing oil imports by building massive wind farms and using natural gas to fuel cars.

The ideas align perfectly with his business ventures, which appears to make Democrats enthusiastic - not cynical - about his pitch.

"If Pickens can show it's very profitable, that's a very important point," said Daniel J. Weiss, director of climate strategy for the Center for American Progress, a liberal think tank.

"That will help steer investors toward those kinds of investments."

In addition to cooperating with Democrats, Mr. Pickens is offering other surprises.

He suggests that the country "probably needs" a national electricity grid to take advantage of all the wind power that would come from the middle of the country, including West Texas. The idea is radical for Texas, whose independent grid gives it freedom from federal regulation.

"What Pickens wants to do is go beyond that, and make sure the grid not only goes from the Panhandle to Dallas or Houston but to Albuquerque or Los Angeles," Mr. Weiss said.

"It's a way to expand the market for clean electricity."

Mr. Pickens is already the country's most famous advocate of wind power.

His company, Mesa Power LLP, announced in May that it would spend \$2 billion on enormous turbines to harness the wind of West Texas.

The state boosted his plan this week by authorizing an almost \$5 billion plan to build transmission lines to carry the electricity to Texas cities.

Count Mr. Reid, the Senate majority leader, as one of his newest fans.

The Nevada Democrat said Thursday that although Mr. Pickens was once "my mortal enemy," he is "putting his money where his mouth is" when it comes to clean energy.

Mr. Pickens will appear next month in Las Vegas with several famous Democrats, including former President Clinton and former Treasury Secretary Robert Rubin, at an energy summit hosted by Mr. Reid and the Center for American Progress Action Fund.

But how Mr. Pickens' big ideas translate in Washington is uncertain.

Energy politics have become thorny as Democrats resist President Bush's call to allow exploration on the Outer Continental Shelf, or OCS.

If there's no immediate compromise on new drilling, Mr. Pickens' emphasis on natural gas could have appeal.

Rep. Rahm Emanuel, a leading House Democrat, announced legislation this week to force automakers to make 10 percent of their cars run on natural gas by 2018.

The bill would provide \$2.6 billion in bonding authority for low-interest loans for natural-gas fueling stations.

Mr. Emanuel has been working on the proposal for a year and spoke to Mr. Pickens about it, an aide said.

Mr. Pickens said he didn't think he influenced the bill but said the two had "a good conversation" about it.

But Mr. Pickens doesn't agree with all the Democrats' energy priorities.

Bills to limit speculation on energy prices are "wasting time" and ignore the cause of high prices - not enough oil, he said.

"Go ahead and drill on the OCS," said Mr. Pickens, who also plans to meet with House Republican leaders next week.

"I'm not against anything except for foreign oil."

The United States imports about 65 percent of its oil, costing the country about \$700 billion a year, Mr. Pickens says.

By comparison, most of its natural gas comes from North American sources.

Rep. Gene Green, a Houston Democrat who supports new domestic drilling, said Mr. Pickens' plan is "a great idea" but could be ensnared in partisan politics.

Hundreds of House Republicans and energy-state Democrats would probably insist that legislation such as Mr. Emanuel's include authorization for new domestic drilling.

"Natural gas is at historically high [price] levels, and if we're going to create another big user of it, we're going to have to have more production," Mr. Green said.

Mr. Pickens supports new exploration but says Mr. Green has it wrong.

Wind power could replace natural gas for power plants.

The country has been woefully slow to adopt natural gas as a fuel for vehicles, even though the idea is gaining ground overseas, he noted.

The world has 8 million vehicles running on natural gas, but only 142,000 in the United States, he said.

"We have ample natural gas to do this," he said. "So how did we get ourselves in this spot?"

"We got ourselves here because the oil was cheap. And they kept feeding us rope, and we hung ourselves."

Even former Green Party presidential candidate Ralph Nader, who's running a low-profile independent campaign this year, thinks Mr. Pickens' platform could make a difference in the energy debate.

"I'm very alert to the way things move in Washington, and very often they move in unconventional manners," Mr. Nader said.

"They don't move because the president moves or because the Congress moves. They move because some one person or persons take a dramatic detour.

"It's like [Ross] Perot."

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### **Editorial - Washington's Dry Well**

Washington Post, July 19, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/18/AR2008071802803.html>

### **President Bush turns up the heat on offshore oil drilling.**

WITH OIL hovering around \$130 a barrel and an American public increasingly antsy about gasoline prices resting comfortably above \$4 a gallon, President Bush ratcheted up the pressure on Congress this week to open the Outer Continental Shelf to oil drilling by rescinding the executive order prohibiting such exploration. There's just one catch: For the president's action to take effect, Congress has to lift its own ban, which has been in place since 1983. And that's not going to happen.

House Speaker Nancy Pelosi (D-Calif.) and Senate Majority Leader Harry M. Reid (D-Nev.) oppose giving states the power to permit offshore drilling for oil because -- as they correctly point out -- drilling for the estimated 18 billion barrels of oil underneath the Outer Continental Shelf would have no immediate impact on the pain consumers are feeling at the pump. Yet, after spending the Fourth of July recess getting an earful from their constituents about high gas prices, they feel the need to do something. Thus the recent push for the passage of "use it or lose it" legislation that would force the oil companies to use the offshore oil leases they already have. Mr. Reid's office released a series of statistics on the number of acres "not producing oil" and "not being drilled." That tally makes three assumptions: that in a time of record prices Big Oil would let viable areas sit untapped; that every lease represents a guarantee of oil; and that areas not producing or not being drilled are inactive.

The Shell Perdido project off Galveston, Tex., shows the weakness both of President Bush's proposal and the Democratic response. After winning five leases for ultra-deepwater tracts in 1996, Shell had to submit an exploration plan and secure a number of environmental permits. Oil was found in 2002. This required the company to file a resource development plan, including an oil spill response strategy, before it could build any infrastructure. Building of the spar hull, a partially submerged cylinder upon which the production platform will sit, was not sanctioned until 2006; it arrived in Texas last month. The production facilities are now being constructed. During that 12-year timeline, all of Shell's five leases have been classified as "nonproducing."

According to Shell, "The platform is capable of producing 130,000 barrels of oil equivalent (or 100,000 barrels of oil and 200,000 cubic feet of [natural] gas per day)" when production finally begins "around the turn of the decade."

"To reduce pressure on prices . . . we need to increase the supply of oil, especially here at home," Mr. Bush said on Monday from the Rose Garden. He's right. But that can't happen soon, and what's needed in the meantime is an increase in the supply of political courage to bring about a bipartisan energy policy that is rooted in long-term solutions rather than short-term political gain. With six months to go in Mr. Bush's term and Congress about to go away for the summer, Washington is going to hit a dry well.

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### 'Rig' The Election

Investor's Business Daily, July 18, 2008;

<http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=301271783391789>

### 'Rig' The Election

INVESTOR'S BUSINESS DAILY

Energy: A day after House Democrats pretend to be in favor of drilling, Sen. Diane Feinstein calls offshore drilling a "distraction." Mark Sept. 30 on your calendar. It's the day Democrats have to put up or shut up.

When President Bush lifted the executive order banning exploration and drilling in the Outer Continental Shelf, two things happened almost immediately: The world price for oil started to drop and the Democrats panicked. They could no longer hide under the umbrella the order provided.

On Sept. 30, when the Interior Department's 2008 appropriations expire, the Democrats will have to reauthorize the congressional ban and explain to the voters why.

Thursday's charade on HR 6515 allegedly was about opening up the National Petroleum Reserve Area in northwest Alaska. The reality was that the Democrats added environmental restraints that virtually invited environmental groups to sue to block any further development.

The NPRA straw man was invoked to justify the "use it or lose it" part of the bill. But "use it or lose it" already is the law of the land. Nick Rahall, D-W.Va., chairman of the House Resources Committee and HR 6515 floor manager, voted for it in 1992.

Under current law, energy companies already are required to utilize acquired leases within a five- to 10-year period or the interior secretary has the right to revoke the lease.

Another Democratic hoax was the claim that the bill would stop the export of Alaskan oil. The fact is, we haven't exported any oil from Prudhoe Bay since President Bush took office. GOP proposals to open ANWR guarantee all its oil will reach the lower 48 states.

Back in 1992, Rahall, who complains that the oil companies are sitting on their leases, held hearings in order "to examine the rapid oil and gas development that has taken place on our nation's public lands in recent years."

Three years later, President Clinton vetoed a bill that passed the House and Senate and which would have opened up a mere 2,000 acres of frozen tundra in ANWR that today would be delivering more than a million barrels daily.

On Rahall's Web site is his committee's agenda for 2008, a major focus of which is slowing the "rampant, nearly unfettered energy development on federal lands (which) continues despite ever-increasing evidence of the serious resource impacts caused by this activity."

In Rahall's eyes, the oil companies are damned if they do and damned if they don't.

In an op-ed in the Los Angeles Times on Friday, Feinstein repeated the canard that the oil companies are sitting on 68 million acres of leases that go unexplored. If the California senator knows where they are, can she please tell House Minority Leader John Boehner and the rest of us?

On his Web site, Boehner says: "Democrats have been utterly unable to say where they came up with the claim that oil companies are sitting on 68 million acres of federal lands without drilling for oil or gas on any of it — and particularly how they arrived at the amount of oil they claim could be found on those 68 million acres."

Feinstein falsely claims that the "vast majority of the Outer Continental Shelf is already open to oil exploration." As we noted here Friday, 85% of the 1.76 billion acres of the OCS is prohibited from being developed by the congressional ban.

The senator says that "areas containing an estimated 82% of all the natural gas and 79% of the oil are today available to oil companies through existing federal leases." How does she know that, considering that 85% of the OCS is off-limits? How does she know this if the land is unexplored and the leases unused?

Feinstein calls offshore drilling a "distraction." Countries like Brazil call it energy independence. If Brazil had copied the Democrats' energy policy, it wouldn't have found its Carioca offshore field earlier this year. It may hold up to 33 billion barrels.

That followed the discovery in December of the Tupi field, estimated to contain 5 billion to 8 billion barrels of crude. Somehow the Brazilians aren't too worried about oil spoiling the pristine beaches of nearby Sao Paulo or Rio de Janeiro during the tourist season.

Here at home, Chevron announced in 2006 what's likely to be the biggest American oil find since Prudhoe Bay in Alaska. Discovered under 7,000 feet of water and more than 20,000 feet under the sea floor, the Wilcox formation may hold as much as 15 billion barrels of oil that will begin being delivered in 2014.

The geology is complicated, but the formation extends into the Gulf of Mexico and inland underneath Louisiana and Mississippi. The well that was drilled was 175 miles off the coast of Louisiana.

Shell is spending a good chunk of its "windfall" profit to build and deploy an oil-drilling platform in the Gulf of Mexico as tall as the Eiffel Tower known as Perdido. It will be anchored to the seabed by moorings spanning an area the size of downtown Houston.

Set to begin production next year, Perdido will produce 100,000 barrels of badly needed crude a day.

The oil companies are sitting on nothing. It's the Democrats who are sitting on our energy future.

Let's vote on it in Congress this September and then cast a vote on Congress this November.

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### **Going for Liberty**

Petroleum News, July 18, 2008; <http://www.petroleumnews.com/pntruncate/766668174.shtml>

BP board gives green light for field development; rig being constructed

Alan Bailey  
Petroleum News

After years of debate about how and whether to develop the Liberty oil field in the Beaufort Sea, five or so miles offshore Alaska's North Slope, the BP board has finally given the go ahead to bring the field into production. In a July 14 announcement the company said that it is proceeding with full development of the field, using ultra extended reach drilling from the Endicott field satellite drilling island.

"Liberty is an important project for the nation, for Alaska and for BP. It demonstrates that new sources of domestic energy can be developed and produced responsibly," said Robert Malone, chairman of BP America.

"We're moving forward with the Liberty project and that's really exciting for us," Doug Suttles, president of BP Exploration (Alaska) told a July 14 Anchorage press conference. "... Our ultimate investment in Liberty will probably approach \$1.5 billion."

Suttles characterized the Liberty development as an example of "exploring through technology," in which investment is put at risk to use new technologies to develop known oil pools.

"We'll be doing a number of things that have never been done before in our industry," Suttles said. "We'll be drilling the longest wells ever drilled."

#### Work has started

Work on the Liberty project has already been cranking into action. A high-resolution 3-D survey of the drilling corridor and construction of the massive drilling rig required for the project are both under way.

"We started fabricating the rig just a few weeks ago," Suttles said. "... Now we're actually moving. There are people at work."

BP is gearing up to do the civil construction work involved in expanding the Endicott satellite drilling island during the winter of 2008-09, ready to mobilize the rig to the drill site in the summer of 2009, said Darryl Luoma, Liberty project general manager. The site will be expanded from about 11 acres to about 30 acres to accommodate operating space for the rig, an extended pipe rack and a new camp for on-site workers, he said.

Following assembly of the rig on the drill site, the rig will be commissioned and handed over to the drilling operations team for the commencement of drilling in 2010. Following a three-month period of training and rig shake down, the first well will be a simple injection well for disposing drilling cuttings. That well will mark the start of a four to five-year drilling program, with first production slated for 2011, Luoma said.

#### Shallow water

The Beaufort Sea is about 20 feet deep in the area of Liberty and BP originally conceived a field development plan involving an offshore production island. The field would have become a look alike to the Northstar field, in the Beaufort Sea around 35 miles to the west, with a subsea pipeline carrying oil to the shore. But in 2002, following major cost and schedule overruns in the Northstar development, BP cancelled its plans for Liberty. In 2005 the company came up with an alternative plan to develop the field using extended reach drilling from a shore location, perhaps at Point Brower, on the west side of Foggy Island Bay, or at another location further east. The company had already successfully used extended reach wells with horizontal departures of 25,000 feet and more to tap oil from an undersea reservoir in its Wytch Farm field in southern England.

Early extended reach drilling concepts for Liberty involved piping the production from a remote drill site to either the Endicott or Badami facilities for processing, Luoma said.

But, rather than embarking on a significant North Slope infrastructure extension to a remote location, in addition to dealing with some major drilling challenges, BP eventually elected to drill extended reach wells from the Endicott satellite island. The island is already connected to the North Slope road system and the wells could easily hook into the Endicott production infrastructure, Luoma explained.

The Liberty drilling pad and associated facilities will require an extension to the existing Endicott satellite drilling island. But by simply bolting Liberty onto the existing Endicott infrastructure, the surface impact of the new field will be minimized.

"What in effect we're doing is using world-class wells, world-class drilling technology to significantly reduce ... the footprint of development," Luoma said.

And, by operating from an existing field infrastructure, BP will be able to use an amended version of the Endicott oil spill contingency plan, rather than have to develop a completely new plan for Liberty, he said.

#### Up to six wells

The development plan that BP has now put into operation involves drilling up to six ultra extended reach wells to hit targets two miles underground, anywhere from six to eight miles from the surface well location at Endicott.



The drilling plans involve drilling downwards from the Endicott drill pad and then deviating the wells to the east into near horizontal configurations. Then, as the drill bits grind their way close to the Liberty field location, the drillers will deviate the wells down into the reservoir, Luoma said. The required horizontal departures of 34,000 to 44,000 feet from the surface wellheads would establish new world records.

"We see Liberty as really the next step, the next progression out, for extended reach drilling," Luoma said.

BP has already conducted extended reach drilling with horizontal departures up to about 20,000 feet in the Milne Point, Niakuk and Northstar fields on the North Slope and in the Beaufort Sea. But rotating the drill string in an exceptionally long well requires an especially powerful rig. The lack of suitably powerful drilling rigs on the North Slope has proved an obstacle to pushing the extended reach drilling envelope in northern Alaska, Luoma said.

### Massive rig

So, for the Liberty drilling, BP has commissioned Parker Drilling Co. to design and build the world's most powerful land based drilling rig.

"We describe the rig as one of the enabling pieces of this project — we actually wouldn't do this project if we weren't bringing this special piece of equipment up here to Alaska," Luoma said. "... This piece of equipment delivers about two times the power requirement to turn the drill pipe as any other piece of equipment out there in the industry."

But with exceptional lengths of drill pipe subject to exceptional stresses, the weight and strength of the pipe material become critical to drilling success. BP has been developing lightweight steel alloy pipe designs for the Liberty drilling and may even use aluminum piping at the downhole ends of the wells.

"That pipe, 30-foot lengths of pipe screwed together, over nine miles long has to hold together under some extreme stresses and pressures," Luoma said. "We have a drill-pipe development program that's under way now that is producing Liberty-spec drill pipe ... that's running through lab testing."

Field testing in Alaska of the Liberty-spec piping later in 2008 should enable BP to order the piping by the end of the year, he said.

The directional drilling will use state-of-the-art rotary steerable technology to steer a drill bit along a planned well path across several miles into a selected target in the oil reservoir. Mud pulse technology, in which sound signals are transmitted through the drilling mud in the well, will enable the drillers to communicate with equipment at the downhole end of the well, to determine the precise location of the drilling bit and to manipulate the steering technology.

### Well casing

The placement of steel casing along the length of each well bore will also prove critical to success.

"Our biggest risk in drilling a well all the way out to the Liberty reservoir is having a weak zone ... that caves in on us," Luoma said.

And the exceptional length of the Liberty wells will entail the use of four different casing diameters, two more diameter changes than in a conventional well. The casing diameter will become progressively smaller from the surface end of the well to the downhole end.

BP is also trying to minimize drilling problems by conducting the 3-D seismic survey that has just started in the waters east of Endicott. Rather than delineating the field reservoir, the survey is focusing on the drilling corridor between Liberty and Endicott. The current seismic data from the area isn't adequate for detailed well planning, Carl Lundgren, Liberty subsurface manager, explained.

"We're going to be able to precisely place different casing strings all the way down through the rock section into the reservoir," Lundgren said.

The use of 3-D visualization software will also enable the identification of potential hazards that might cause expensive drilling delays.

"We're able to ... map certain features ... look for different weaknesses in the rock and be able to angle the wells around different zones that we see a concern for," Lundgren said.

For example, the well planners want to precisely delineate a worrisome 2-mile by 12-mile canyon structure in the subsurface of the drilling corridor.

"We've never drilled something like that," Lundgren said.

Although there's always a risk of failure, BP is confident that it's done its homework in assessing the technical feasibility of the Liberty drilling.

"We've been working for the last three years and even beyond that identifying how to drill these wells," Luoma said. "We believe with the technical work that we've done we can deliver the wells at Liberty."

"What we've done is moved it from something we wanted to do three years ago but weren't willing to invest in yet," Suttles said. "... "You're never guaranteed but obviously we believe we're going to be successful."

#### Federal leases

Because Liberty lies in federal outer continental shelf leases, the field comes under the jurisdiction of the U.S. Minerals Management Service rather than the State of Alaska. And BP will not pay state ACES production tax on Liberty oil.

"This will be the first fully federal development in Alaska, the first field that lies completely in federal leases," Suttles said (the Beaufort Sea Northstar field straddles state and federal land).

But as well as generating revenues for the federal government, the field will generate revenues for the state and the North Slope Borough, Suttles said. Because the field is located less than 6 nautical miles offshore, the state will receive 27 percent of the federal royalties from field production. The new Liberty facilities will generate property taxes.

And the field will result in employment for Alaskans. Right now 250 Alaskans are working on the project and, at its peak, employment will increase to 500, Suttles said.

Liberty oil will also help keep the trans-Alaska pipeline in operation and, by improving the economics of the Endicott facilities, will extend the life of that field, he said.

But Suttles sees the challenges and risks involved in developing Liberty as part of a worldwide trend towards seeking oil in increasingly difficult situations.

"This is the sweet spot where a company like ours participates," Suttles said. "If you look around the world we're in the tough places doing the toughest stuff, because that's our niche. ... That's why we're still bullish about the future for Alaska."

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#### **Why Are Gas Prices so High? And What Can Be Done?**

Fox News, July 18, 2008; <http://www.foxnews.com/story/0,2933,385546,00.html>

WASHINGTON — Sky high gas prices are not caused by any one reason, but rather a complex puzzle of events that are all interconnected. This is the message two world renowned experts on global energy delivered to Senate Republicans and Democrats who gathered for a one day energy summit, hosted by Energy Cmte Chairman Jeff Bingaman, D-NM.

It's not what most members wanted to hear, though, as Dr. Dan Yergin and Roger Diwan were pushed and pulled in all directions, as each senator tried to get either expert to provide information that gave credence to their cause. Yergin, a Pulitzer prize-winning author and chairman of Cambridge Energy Research Associates, implored members not to look for "either, or" solutions. But that was not what most had in mind. Diwan, an energy markets expert, urged members to look at a constantly changing range of connected events. But that, too, didn't fit in the equation of most.

Democrats looked for support for anti-speculation measures, which both Yergin and Diwan provided. Meanwhile, Republicans dug for the root cause in the tight global supply market - and pushed a need to drill, which both Yergin and Diwan supported. But the experts told members the two were not mutually exclusive.

Yergin outlined what he saw as the reasons for sky high gas prices: speculation, the weak dollar, geopolitics or volatile world events, like Iran's nuclear ambitions, and a "shortage psychology."

Democrats were eager to hear that Yergin and Diwan both perceive big problems in the futures markets for oil, each saying "oil is the new gold" that has, over the past two years, come to be seen as a valuable asset class. Diwan said there are far too many noncommercial people in the market, those who do not actually touch the product, and called for more transparency, especially with nontraditional over-the-counter trades and swaps. Diwan said Congress "should insist all players in the market abide by position limits," something a Democrat-sponsored bill on the Senate floor now would do.

The real estate crisis had a global effect, depressing the value of the dollar even further, and both experts told senators the weak dollar is a prime driver in the cost of oil going up. This, in turn, said Diwan, is creating a "vicious cycle" that is pushing more oil into the global financial market and in turn creating a "very strong cycle that is hard to break," he told Sen Sheldon Whitehouse, D-RI, who asked if there was a "negative feedback cycle."

Sen Lisa Murkowski, R-AK, thought she had the answer. Just two days after President Bush lifted the ban on offshore drilling, Murkowski said the price of oil went down \$9.00. Was that psychology at work, which would favor oil drilling?? No, Diwan, told the senator. "It's very difficult to assign one cause. I can come up with 20 reasons. The U.S. announced that it would negotiate with Iran that day, Diwan said, and that had a "much bigger effect."

Both experts agreed that world events were a major part of the rise in prices. In a tight supply market, any event can have a traumatic effect. Yergin said concerns over Iran's nuclear ambitions were having a particularly "pervasive effect." Yergin also added that unrest in Nigeria, Venezuela, Iraq - 8 big fields are not operating, Mexico, and Russia were all creating tremendous problems.

Finally, both Yergin and Diwan talked extensively of a "shortage psychology" in the global market that is working to push up prices. Yergin said, "There's a false perception that the world is running out (of oil)...pervasive in the market is the belief that world is out by 2012 or 2013."

Diwan laid out a timeline that led to increased prices. He said there were 2 shocks from 2003 to 2005 - a "supply shock" (Venezuela, Nigeria problems) and a "demand shock" (a surge in the emerging world, China and India, and in U.S.). By 2005, only Saudi Arabia had spare capacity. Also that year, with short supply, the financial markets got involved in the picture. Supply got tighter and tighter. In 2006, the price of oil jumped from \$40 to \$100. "Now oil is financial," Diwan said, noting that now about 70% of the speculation market is made up of people who never touch the commodity.

Demand in the U.S. is coming down now, but it is not coming down globally - which keeps the markets tight. Diwan seemed to say that only massive action would break through the skeptical markets. The perception is that new drilling, which takes years to produce results - if any are produced at all, will produce only small amounts of oil, if anything, especially in the U.S., but both men held out hope that new technology could change that. Both referred to a major discovery two years ago in offshore Brazil. Yergin said, "No one would have thought you'd find a North Sea there," referring to a major oil-producing area off Russia.

Sen Majority Leader Reid made a brief appearance in the morning, pushing his speculation agenda and a bill which he's introduced on the floor to reign in the practice. "We can't continue forever to consume 25% of the world's supply of oil while we only have 3% of world supply. It's simple math," he said. "Speculation is only part of

the problem," Reid finished, promising to bring other issues to the floor "at a later time." He then left the meeting.

Sen Byron Dorgan, D-ND, a staunch advocate for strongly reigning in the oil futures markets, asked Yergin how it was that prices shot up so high over the past 18 months. "Oil prices were bumping along at about \$70 per barrel at the start of the credit crisis," Yergin recounted, saying the weak dollar and loss of confidence in the U.S. markets were a big factor. Again, Yergin said Iran had a major effect; "Its centrifuges continued to whirl." He also said supplies in Mexico and Venezuela decreased; Iraqi production has not returned post-war; and Russian production is down and "may even be in decline."

Dorgan was not convinced, saying, "Well, I think speculation plays a larger role."

Still, Sen Jeff Sessions, R-AL, tried to tie speculation to a need for more drilling. He said curbing speculation was like finding a guy on an island dying of thirst with flies all around him, saying, "This is like coming along swatting flies away, but what he really needs is to give him a drink of water. If we produce more we can stop speculators."

No matter how hard members pushed Yergin and Diwan to confirm their own positions, neither would be pinned down to one solution, saying, as Diwan did, "It would be very difficult for me to say how you shift one piece of the puzzle." Yergin warned, "There is a tendency to try to find a simple explanation. But for something this complex, there just is not single explanation."

Yergin also warned senators that they better consider increasing the supply of natural gas. He said, "I suspect this winter you'll be looking at some big problem like now" which he said would dramatically push up electricity costs, as well.

So, what would the experts do if they were in a position to create policy to attack high prices? Yergin said, "I'd want to look more on the demand side...conserve..Do more on CAFE (Corporate Average Fuel Economy)." Yergin said there is "a woeful lack of knowledge" in the U.S. about concrete steps Americans can take that would save 600-700,000 barrels of oil per day. He said a public information campaign could highlight three easy actions that would reap big savings: keeping tires properly inflated, cold starts, and no lead foot driving.

Yergin said senators should look at the whole picture — production, speculation, and conservation. "We have a \$14 trillion economy. It doesn't work to just rest on one leg." Diwan noted that conservation was a problem, too. "We have allowed, over the years, encouraged consumption not conservation," he said and called on Congress to "flip that." And Diwan reminded members that the average car efficiency in the U.S. is "about half here than in Europe. So, you can do things on the efficiency side now. The U.S. consumes about 50% of the world's gasoline."

Congress increased CAFE standards in a 2005 energy bill to 35 miles per gallon by 2020, but members were ridiculed for offering a way out, or "off ramp," for auto manufacturers who can prove that this move would cause harm to their business. Members called it a "high hurdle," but experts balked.

Republicans took away some measure of comfort as Yergin told them that in this very tight supply market, any announcement of new areas opening up for oil companies could have a bigger, positive effect on prices than it probably normally would. But Yergin said oil companies are dealing with a doubling of costs to develop an oil field, a shortage of labor and equipment, as well as a "steel shock" - with costs of steel up 40% since the first of the year.

It was clear, members on both sides of the aisle want a new inventory of what's available in the Outer Continental Shelf, saying most of the information known is at least 10 years old. Yergin called on members to include both oil and natural gas.

The nearly 3-hour long workshop ended on a bit of down note with a bipartisan twist. Sen Pete Domenici, top Republican on the Energy Cmte, said, "This is the worst economic problem America has ever had in my time here...and it's capable of destroying us...I think we ought to go after the offshore and Alaska with a vengeance." But Conrad countered, "Speculation is part of what's occurring. There are a whole new set of players in market...But it's also true that we have a set of policies that have discouraged production and encouraged consumption. We have got to reverse that...Some of our colleagues just want to deal with half of the ball field (Democrats and Republicans)...As far as I'm concerned, they have it half right."

Meanwhile, on the Senate floor, Democrats and Republicans are expected to deal with four measures next week – each side offering a bill to deal with speculation and each side offering its own energy bill. It is unclear how the debate will unfold or what will be in each bill. Democrats are expected to address drilling in their energy bill, though they are not expected to call for an opening of any new areas for this, according to a senior Democratic leadership aide. Republicans have long pushed for new drilling, anti-speculation measures, and increased use of plug-in vehicles.

One thing is clear from today's activities, members are feeling intense pressure from their constituents to do something to bring down gas prices.

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### **Finally, we can drill off Florida's coast! Right?**

The Advertiser, July 18, 2008;

<http://www.theadvertiser.com/apps/pbcs.dll/article?AID=/20080718/BUSINESS/807180328>

Assuming that Congress does what it should do, and finally lifts the ban on offshore drilling along U.S. coasts, one would think that we would be set to drill away. There is a serious hump that we have to overcome in order to be able to explore the deep-water regions of the Outer Continental Shelf. We don't have the rigs available to do the drilling.

"The crunch on rigs is everywhere," said Alberto Guimaraes, a senior executive of Petrobras, the Brazilian oil company that has discovered some of the most promising offshore oil but has been unable to get at it.

"Almost 100 percent of the oil companies are constrained in their investment program because there is no rig available," Guimaraes said.

A decade of underinvestment in the 1990's, shortages in steel, lack of engineering and manufacturing capacity, and doubling of cost have contributed to the now furious growing market for deep-water exploration. Existing drill ships are not available, and will not be for some time. Some industry executives suspect that the existing ships are booked for the next five years, causing many oil companies delays in their exploration plans.

The lack of offshore rigs can be felt everywhere. Record prices are being paid for the rigs that are in operation. It's simply supply and demand. One company just received a contract for over \$600,000 per day for an offshore platform in the Gulf of Mexico. That's an increase of 500 percent since 2002. With oil prices so high and large reserves in the Gulf, it is still cost efficient to pay these high prices, but it will do nothing to lower the cost of oil in the short term.

With this shortage of drill ships comes incredible opportunity. Companies are ramping up production of offshore platforms and drill ships. There are already 16 new drill ships scheduled to be delivered this year: more than double the amount shipped over the last six years combined. In fact, 75 ultra-deepwater rigs should be delivered from 2008 to 2011, according to ODS-Petrodata, a firm that tracks drilling rigs. But even then, the United States is not situated to begin exploring off the coast of Florida.

The majority of the new orders are going to Asia, Africa, Australia and Brazil. These areas have already begun exploring their deepwater reserves, and are ready to actively pursue them. The Gulf of Mexico remains one of the most expensive places in the world to drill. Add to that the shortage of ships, and the fact that the United States still doesn't want you to drill off of Florida, and it's no surprise that the drill ships are not headed to our Gulf.

So, what are we to do? Congress needs to act now. If we had acted 10 years ago and lifted the moratorium we would not be where we are now. As soon as we lift the moratorium, companies will ramp up their efforts in the Eastern OCS. This will encourage more production of rigs and drill ships. The companies that have been moving their resources to different areas of the world, will pull them back to the U.S. and the Gulf to explore for the billion of barrels of oil that exist just off the coast of Florida.

Don Briggs is president of the Louisiana Oil and Gas Association. His column appears twice a month in The Advertiser. He can be reached at don@loga.la.

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## **Geologists say little oil to drill off SC coast**

Forbes.Com; July 17, 2008; <http://www.forbes.com/feeds/ap/2008/07/17/ap5227052.html>

Associated Press

Geologists say little oil to drill off SC coast

By BRUCE SMITH 07.17.08, 3:14 PM ET

CHARLESTON, S.C. - While national momentum grows to lift a ban on offshore oil drilling, geologists say it's unlikely there will be rigs off South Carolina anytime soon because there's simply little oil to be had.

President Bush says the nation should lift the long-standing ban on drilling off the Atlantic and Pacific coasts.

And Citizens for Sound Conservation, a group based in Charleston, announced this week they will push Congress to eliminate the ban in next year's federal budget - a ban which has been included in the appropriations bill each year since 1981.

State Sen. Robert Ford, D-Charleston, said this week he will propose a measure in the state legislature to allow drilling off the South Carolina coast.

But geologists say there is little to drill for.

"We just don't have the great kind of geology and the shallow enough water," said Cassandra Runyon, a geologist at The College of Charleston.

Oil companies would have to travel 60 miles from shore to reach the outer continental shelf. But even there, conditions weren't right to form oil, Runyon said.

"It was active several million years ago but it didn't have the right geologic conditions like the Gulf shore did where there were swamps and the conditions were just right for the peat and everything to convert itself to the carbons and eventually to the oil," she said.

"There's no petroleum" off South Carolina, agreed Mitchell Colgan, who 20 years ago worked for Shell Oil and who now also teaches geology at the College of Charleston.

"There was a little bit of exploration that took place many years ago but there was nothing that showed there was any value. It wasn't economically feasible," he said.

Even if oil prices continued to rise, there would still be little incentive, he said. "The recoverables were very low. It wasn't on the radar screen. There is no reservoir quality."

Oil drilling could mean spills that would spoil the beaches which draw tourists, warned Hamilton Davis, a project manager for the South Carolina Coastal Conservation League, which opposes lifting the ban.

South Carolina's \$16 billion tourism industry is the largest in the state.

He said if oil was found, tourists probably wouldn't see oil derricks because they would be well out at sea. But if drilling did start, refineries and other energy infrastructure would come to coastal communities, he said.

Lewis Gossett of Citizens for Sound Conservation said exploratory drilling off South Carolina could be done in a way in which "the habitat is protected and our economic interests are promoted."

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## **MMS issues final notice for Lease Sale 207**

Energy Current, July 17, 2008; <http://www.energycurrent.com/index.php?id=2&storyid=11926>

NEW ORLEANS: U.S. Minerals Management Service (MMS) has issued the final notice for Western Gulf of Mexico Lease Sale 207. The sale will be held on Aug. 20 at the Royal Sonesta Hotel in downtown New Orleans.

Sale 207 includes 3,400 unleased blocks covering around 18 million acres in the Western Gulf of Mexico Planning Area offshore Texas. The blocks are located from nine miles to 250 miles (14 km to 402 km) offshore in water depths ranging from 16 feet to over 10,978 feet (four m to 3,346 m). MMS expects the lease sale could result in the production of 242 to 423 million barrels of oil and 164 Tcf to 2.64 Tcf of natural gas.

Bids may be submitted until the morning of Aug. 19 at the MMS Gulf of Mexico regional office in New Orleans. Acreage offered includes blocks in the South Padre Island, North Padre Island, Galveston, Matagorda Island, Brazos, Mustang Island, High Island, West Cameron, Sabine Pass, Garden Banks, Alaminos Canyon and Keathley Canyon areas.

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### **House Republicans Block Democratic Effort on Oil Leases, Calling the Bill a Sham**

NYT, July 18, 2008; [http://www.nytimes.com/2008/07/18/us/18cong.html?\\_r=1&ref=todayspaper&oref=slogin](http://www.nytimes.com/2008/07/18/us/18cong.html?_r=1&ref=todayspaper&oref=slogin)

By CARL HULSE

WASHINGTON — House Republicans on Thursday blocked a Democratic effort to pressure energy companies into drilling for oil on lands they already leased from the federal government, calling the legislation a sham.

As the fight over gasoline prices reached the floors of both the House and Senate, the Democratic initiative to spur exploration in areas where drilling has been sanctioned fell short of the margin needed under rules used to bring the measure to the floor even though it drew majority support.

The vote was 244 to 173, more than 30 votes less than required. Rejecting the measure were 162 Republicans and 11 Democrats; 218 Democrats and 26 Republicans supported it. Democrats used rules requiring a two-thirds majority for approval to deny Republicans an opportunity to offer their own proposal to open restricted coastal areas to oil rigs.

Opponents said the legislation, which also called on the Interior Department to accelerate leasing in an area of Alaska specifically set aside for drilling, could diminish domestic exploration since it would bar oil companies from obtaining new leases if they were not actively exploring current holdings. Republicans said companies might be reluctant to bid on new sites they could then lose if they were seen as not moving fast enough.

The White House expressed a similar view in issuing a veto threat against the bill. "By blocking some firms from competing for new leases, this legislation would further increase gasoline prices that already exceed \$4 per gallon and result in unintended consequences due to litigation," the White House said.

Democrats said they were calling the bluff of Republicans on their persistent demands for more domestic production. "Drill on the leases you have or let somebody else do it," said Representative Steny H. Hoyer, Democrat of Maryland and the majority leader.

Under fire from Republicans for not opening up coastal areas to new drilling, Democrats offered the legislation to show that they favored increased domestic oil and gas production, but want it to take place where drilling is already allowed. They said oil could be produced more quickly from those areas rather than in new locales.

"Let there be no mistake about it," said Representative Nick J. Rahall II, Democrat of West Virginia and chairman of the Natural Resources Committee. "As Democrats, we are pro-drilling. We are for drilling now. We are for drilling in areas that bring near-term relief to the American public."

Democrats say oil companies are sitting on 68 million acres they could be exploring. But Republicans say many of those sites have proved to be dry holes or are the subject of lawsuits and disputes over federal permits. They said that energy companies need new stock and that technological improvements have made drilling less of an environmental threat.

"We tied up offshore in the days of the eight-track tape player," said Representative Jack Kingston, Republican of Georgia. "Today the world has iPods, BlackBerries, cellphones and everything else. Technology has moved past the good old tape player."

In the Senate, Senator Harry Reid of Nevada, the majority leader, took steps to start debate on a measure intended to curb speculation in the oil markets, trading that members of both parties have said is the cause of at least some of the jump in oil prices.

The measure, which faces a crucial test vote early next week, would provide new staff members and authority to the Commodities Futures Trading Committee to pursue suspected cases of excessive speculation. It also seeks to force traders using foreign exchanges to follow United States regulations. And it calls for new limits on the futures contracts that can be held by those who are not commercial producers and buyers of actual petroleum products for future delivery.

Senate Republicans support elements of the Democratic bill and may not stand in the way of its full consideration. But they are pressing for an opportunity to offer amendments like one opening the coast to new exploration.

At the same time, Senator Ted Stevens, Republican of Alaska and often a party leader on energy issues, said Thursday that he was anxious to take steps to curb speculation.

"We have to do something to put these people in fear," Mr. Stevens said.

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### **Democrats and GOP Battle Over Oil Exploration**

WSJ, July 18, 2008; [http://online.wsj.com/article/SB121634208774764151.html?mod=todays\\_us\\_page\\_one](http://online.wsj.com/article/SB121634208774764151.html?mod=todays_us_page_one)

By SIOBHAN HUGHES and IAN TALLEY  
July 18, 2008; Page A3

WASHINGTON -- Democratic congressional leaders hit more obstacles in their effort to take control of the election-year energy debate, as Republicans hammered at a straightforward and increasingly popular message: Drill.

Republicans on Thursday blocked a House Democratic leadership proposal that would expand oil and gas drilling without lifting a federal ban on new offshore drilling, which has consisted of congressional and presidential moratoriums. Republicans and some Democrats favor easing the ban, which has been in effect for two decades.

In the Senate, Majority Leader Harry Reid (D., Nev.) said he is open to a compromise that would encourage more domestic oil and gas production but wants to focus on strengthening oversight of energy-futures markets, arguing that speculation has driven up crude prices.

Republicans have indicated they would block passage of Sen. Reid's legislation if it doesn't include provisions for more domestic oil and gas production. With more than a half-dozen polls showing a rise in public support for more drilling offshore, Republicans are pressing Democrats, saying an energy bill without new access to exploration would be "half a solution."

Republicans want to give states the choice whether to allow access to drilling off their coasts on the Outer Continental Shelf in areas under a congressional moratorium. President George W. Bush Monday lifted a presidential moratorium, pressuring Congress to reciprocate. While California lawmakers have said they are against opening the state's offshore area to drilling, state politicians in Virginia and Florida are considering it.

Sen. Reid faces pressure from senators who want to lift the offshore ban, including some in his own party who, at a minimum, favor more offshore production and opening up oil-shale development in the Midwest.

A bipartisan group of 10 senators, five from each side of the aisle, is working to develop energy legislation that could gain enough political momentum to pass.

Sen. Kent Conrad (D., N.D.), who heads up the so-called Gang of Ten, told Dow Jones Newswires Thursday that a consensus energy document was being prepared by staff and should be ready by Tuesday. That means the final draft of a consensus proposal might be ready in time to be added as an amendment to Sen. Reid's speculation bill if the majority leader allows it.

Sen. Reid has indicated that the types of new-supply proposals he may put forward next week include forcing the administration to tap the nation's Strategic Petroleum Reserve and accelerating lease sales on acreage not under the moratorium, particularly around the southwest Alaskan coast.



As talks between Sen. Reid and Minority Leader Mitch McConnell of Kentucky have broken down, according to Democratic aides, the party whips -- Richard Durbin (D., Ill.) and Jon Kyl (R., Ariz.) -- have started intense negotiations to broker a deal.

Thursday's jousting in Congress was partly overshadowed by the continuing slide in the price of oil. Among the explanations offered is that a slowing U.S. economy would translate to lower demand for oil. But the recent decline still leaves oil prices well above their levels of a year ago, and isn't likely to stop the partisan wrangling over energy policy.

Exactly what Congress will or can do remains unclear. In the House, Speaker Nancy Pelosi (D., Calif.) Thursday failed to get the two-thirds majority she needed to clear the path for passage of a measure that focuses on speeding up drilling in Alaska but also would put companies holding leases for oil and gas drilling under more pressure to drill on those lands rather than letting them sit idle.

"Increasing domestic supply means facilitating drilling where it is allowed already," Rep. Pelosi said on the House floor. She said there are already 68 million acres onshore and offshore where drilling is allowed but where there is no production.

Drilling off the U.S. coast already accounts for 16% of domestic natural-gas production and 27% of domestic oil production; Republicans want to force a vote on more offshore drilling.

"They'd drill under the Washington Monument if they could get away with it," Rep. Nick Rahall (D., W.V.) told reporters after the vote.

Rep. Lee Terry (R., Neb.) countered that the Democratic measure does little to offer new oil or gas resources. This "is a rhetorical, political bill," he said. "Don't be snookered."

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### **Stymied on Offshore Drilling, Republicans Block Bills in Both Chambers**

CQ Today, July 17, 2008;

<http://www.cq.com/document/display.do;jsessionid=58CC77CAE1180F42C30DA65C9C6BDD79.monhegan?matchId=62396936>

By Coral Davenport and Aliya Sternstein, CQ Staff

Democratic resistance to Republican efforts to offer an offshore drilling plan helped defeat a House bill to strip energy companies of unused oil and gas leases and stall a Senate bill to crack down on energy futures speculation.

For the second time, the House voted Thursday to reject a Democratic bill (HR6515) that would require energy companies to develop their existing leases or lose them. The 244-173 vote fell 34 votes short of the two-thirds necessary to pass the bill under an expedited procedure.

Democratic leaders brought the bill to the floor under suspension of the rules to prevent Republicans from trying to amend or recommit the bill to add their drilling provision.

Republicans in both chambers are pressing for legislation that would lift the statutory prohibition on opening most U.S. coastal waters to energy exploration.

"I don't want to see a drilling amendment or a motion to recommit," said the bill's sponsor, Nick J. Rahall II, D-W.Va., chairman of the House Natural Resources Committee.

**GOP Senators Resist Speculation Bill**

Meanwhile, the Senate remained at a standstill on legislation (S 3268) that would toughen regulation of energy futures trading. Majority Leader Harry Reid, D-Nev., filed a motion Thursday to force a vote next week to bring the bill to the floor. The motion needs 60 votes to prevail.

Republicans generally support addressing speculation in energy markets, which critics blame for contributing to higher prices.

But they say a speculation bill alone addresses only a narrow aspect of the problem. They want to deal with the issue in the context of broader energy legislation, which would include their drilling plan.

Republicans objected Thursday to a motion by Reid to move forward on the bill, saying they had no commitment he would let them offer amendments, including their drilling plan.

Democratic aides said Republicans would have to let the bill proceed to the floor before offering amendments.

"There's been no decision on how to proceed with this," said Minority Whip Jon Kyl, R-Ariz., who is negotiating with his Democratic counterpart, Richard J. Durbin of Illinois, to find a way forward.

#### 'Use It or Lose It'

The House Democrats presented the "use it or lose it" bill as their own drilling legislation, designed to force oil companies to use the leases they already hold before opening currently off-limits areas to leasing.

"Let there be no mistake about it — as Democrats, we are pro-drilling," Rahall said. "We are for drilling now and we are for drilling in areas that bring near-term relief to the American public."

The bill also included provisions aimed at expediting production in Alaska's National Petroleum Reserve, 20 million acres already open to energy exploration; speeding construction of an oil and gas pipeline from Alaska; and barring export of Alaskan oil.

The new provisions helped supporters gain ground on an earlier use-it-or-lose-it bill (HR 6251). Democrats fell 56 votes short of the needed two-thirds majority in the June 26 vote but narrowed the gap by 22 votes on Thursday. The number of Republicans who voted with Democrats rose to 26 from 11 last month, and the number of defecting Democrats shrank to 11 from 19.

Some Republicans who voted for the bill said they were heartened by the Democratic pro-drilling rhetoric.

"It's a rhetoric bill, not a realistic bill," said Jack Kingston, R-Ga., who voted in favor. "But this is good because the Democrats are admitting that we have to open up more lands."

But the White House issued a veto threat against the bill Thursday, saying the use-it-or-lose-it provision would reduce domestic oil supply by chilling investment and placing new restrictions on exploration.

Minority Leader John A. Boehner, R-Ohio, said he supported the new provisions on Alaskan oil but slammed the Democrats for not allowing amendments. Boehner accused Speaker Nancy Pelosi, D-Calif., of "running scared."

Pelosi countered that oil companies are not producing on leases they hold for 68 million acres of land and water. Republicans contend that current law already requires energy companies to surrender leases they are not exploiting after a set period.

Majority Leader Steny H. Hoyer, D-Md., wouldn't rule out bringing the failed bill back to the House floor under a rule.

#### Senate Considers Side-by-Side Offerings

The Senate speculation bill would increase staffing at the Commodity Futures Trading Commission and broaden the agency's regulatory duties. Traders using offshore markets would be required to abide by the same rules as those trading on U.S. exchanges. The bill would limit the number of futures contracts an investor can hold.

Among the procedural ideas under negotiation, according to aides, are allowing side-by-side amendments to the Democratic speculation bill or votes on side-by-side speculation bills offered by each party, followed by votes on side-by-side energy bills or amendments. All would have a 60-vote threshold.

Republican aides said GOP members would not be satisfied with being allowed to offer just speculation-related amendments or their own speculation bill.

"If the Republicans don't like our speculation package, we would hope that Sen. Kyl can direct the Republican caucus to work with us," Reid said.

Republicans ridiculed the idea of going after futures speculation first, amid what they view as more pressing energy questions. But Democrats are eager to clear a speculation bill by the August recess and say it's a good first step.

"There are many more parts" to addressing energy issues, Durbin said. "But let's start with speculation."

The next Senate vote is expected July 22 on cloture on the motion to proceed to the energy futures speculation bill. The Senate is not in session Friday. The chamber will reconvene July 21 at 3 p.m. and resume consideration of the motion to proceed to the speculation measure.

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### **For Pelosi, a Fight Against Offshore Drilling**

NYT, July 17, 2008; <http://www.nytimes.com/2008/07/17/washington/17pelosi.html?th=&emc=th&pagewanted=print>

### **For Pelosi, a Fight Against Offshore Drilling**

By CARL HULSE

WASHINGTON — Upon entering Congress in 1987, Representative Nancy Pelosi quickly became part of the solid California front against oil drilling along much of the nation's coast.

The Santa Barbara oil spill in 1969 and the steady push to tap the potential reserves off the state's rugged coast had galvanized Californians and made opposition to offshore drilling part of the political DNA of up-and-coming figures like Ms. Pelosi.

She repeatedly resisted oil drilling in marine sanctuaries near her San Francisco district and, after joining the Appropriations Committee, was an advocate of reinstating the ban on coastal drilling through spending restrictions each year.

"We learned the hard way that oil and water do not mix on our coast," Ms. Pelosi told a crucial committee in 1996 as she argued for keeping the ban before a Congress then controlled by Republicans.

Now, with gasoline prices soaring, those drilling restrictions are facing their most severe test in years as calls intensify to pursue domestic oil more forcefully. Yet despite increasing pressure from President Bush, a full-bore assault by Congressional Republicans and some anxiety among her own rank-and-file Democrats, Ms. Pelosi is not budging.

"The president of the United States, with gas at \$4 a gallon because of his failed energy policies, is now trying to say that is because I couldn't drill offshore," Ms. Pelosi said in an interview. "That is not the cause, and I am not going to let him get away with it."

Her voice carries considerable weight because Ms. Pelosi, who is now House speaker, can prevent a vote on expanded drilling from reaching the floor.

And she and Senator Harry Reid of Nevada, the majority leader, appear intent on holding the line against calls to approve drilling in areas now off limits. They argue that the oil and gas industry is not aggressively exploring large expanses it has already leased on land and offshore. They have also urged Mr. Bush to pour some fuel from national reserves into the commercial supply chain in an effort to lower prices.

Trying to demonstrate that Democrats are not opposed to drilling in acceptable locales, the House is scheduled to vote on Thursday on a proposal that would deny oil companies any new leases unless they can show they are diligently exploring existing holdings. The measure would also require annual lease sales from lands in Alaska set aside as a National Petroleum Reserve, and direct the Interior Department to make sure a pipeline is linked to the reserves. Democrats, not subtly, are calling the measure the Drill Responsibly in Leased Lands, or Drill, Act.

In the Senate, Democrats are pushing a measure to curb speculation in oil markets.

But Representative John A. Boehner of Ohio, the Republican leader, who is escorting a delegation to the Arctic National Wildlife Refuge in Alaska this weekend, said the Democrats' approach was woefully insufficient. Mr.

Boehner said Ms. Pelosi, in insisting on preserving the drilling ban, was putting Democrats in the crosshairs of voters furious about gas prices.

"I think Speaker Pelosi is walking her Blue Dogs and other vulnerable Democrats off a cliff, and they know it," said Mr. Boehner, referring to the coalition of Democrats representing more conservative districts.

He accused the speaker of using procedural maneuvers to thwart votes on expanded drilling, a position that he said would prevail if the moment arrived. "Harry Reid and Nancy Pelosi are standing in the way of what the American people want," Mr. Boehner said.

In both the House and Senate, small groups of Democrats have begun meeting informally with Republicans to try to reach a bipartisan response to higher oil prices, and opening up new areas to drilling is part of the mix. Leaders of the Blue Dog coalition are openly pressing for drilling in the Arctic refuge and elsewhere.

Backers of the drilling ban have pushed back furiously and appear to have bolstered some of their colleagues. Senator Barbara Boxer, a California Democrat who has been fighting offshore drilling since the 1970s, has been cornering fellow senators to impress upon them the importance of the ban to Californians, comparing it to a mainstay of farm-state senators.

"This is our ethanol," Mrs. Boxer said of protecting the coast from oil drilling.

Since taking over as speaker, Ms. Pelosi has asserted herself on energy policy, which she sees as an overarching cause that encompasses national security, climate change, the economy, health care and the environment.

"This captures everything," said Ms. Pelosi, who last year broke a deadlock that had lasted for decades over increasing automotive fuel economy standards.

In a private meeting last week, according to some in attendance, Ms. Pelosi told members of her leadership team that a decision to relent on the drilling ban would amount to capitulation to Republicans and the White House, and that she was having none of it. She attributes today's energy problems to a failure of the Bush administration to develop a comprehensive approach, to its ties to the oil industry and to a mishandling of the economy.

With the drilling restrictions under such scrutiny, backers of the ban say they are heartened that Ms. Pelosi wields the power she does.

"It is really important to have a Californian as speaker on this topic," said Representative Lois Capps, a Democrat who represents Santa Barbara.

Ms. Pelosi has shown a willingness on issues like terror surveillance and spending on the Iraq war to look past her personal views and allow legislation she opposes to move through the House. But on the drilling ban, it is clear she sees her position as the one that should carry the day. She said national policy had to move beyond the long dispute over the ban.

"This is part of the fight we are in," she said. "We have to get to a place where one day my grandchildren will say, 'Do you believe our grandparents had to go with their car and fill up?' It will be like going with a barrel on our head to a well to get water. That will be the equivalent."

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## **Lots of energy**

The Hill, July 16, 2008; <http://thehill.com/editorials/lots-of-energy-2008-07-16.html>

Editorial

Lots of energy  
By The Hill Editors

Rep. John Peterson (R-Pa.) is retiring at the end of the 110th Congress, but he is not mailing it in.

Peterson is working hard to pass a broad, bipartisan energy bill this year. Some on Capitol Hill call that mission impossible, saying that both parties are dug in on gas prices and have little incentive to strike a deal before the elections.

Peterson knows he faces an uphill battle, but believes it can be done if he can convince enough Republicans and Democrats to endorse a bipartisan measure.

Along those lines, he has partnered with Rep. Neil Abercrombie (D-Hawaii) to put together a working group of like-minded lawmakers — 10 Democrats and 10 Republicans — in the lower chamber.

The two lawmakers announced on C-SPAN Wednesday that their plan would not call for drilling in the Arctic National Wildlife Refuge (ANWR). Peterson favors drilling in a lot of places, but knows that ANWR is a poison pill, especially in the Senate.

Abercrombie, a straight shooter with a good sense of humor, said Americans are fed up with Washington and are not going to give a pass to either party on high gas prices.

The Peterson-Abercrombie bipartisan pact formed during a Resources Committee hearing when Peterson convinced Abercrombie to change his position on natural gas. To his great credit, Abercrombie said he thought he knew a lot about natural gas, but found out he didn't.

Peterson is also working to convince the man at the top of his party's ticket to embrace more drilling. Concerned about Sen. John McCain's (R-Ariz.) stance on energy, and global warming in particular, Peterson has withheld his endorsement.

Usually, a presidential campaign wouldn't be very concerned about an endorsement from a retiring House member. But the McCain camp, wisely knowing Peterson is getting more and more attention this year, met with the lawmaker recently to talk energy policy for nearly an hour and a half.

Peterson isn't ready to endorse McCain officially. It sounds as though he will, though he doesn't want to rush it and is using his leverage to secure promises.

During this heated campaign season, it is impressive that Abercrombie and Peterson are trying to achieve the improbable. And make no mistake, they will push hard in the waning days of the Congress.

Abercrombie, who has not been shy in criticizing his party leaders on a variety of issues, said Wednesday that he and his Republican colleague from Pennsylvania "have lots of energy" and predicted that outrage on gas prices will force their bill to the House floor later this year.

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### **ATP expands Telemark**

Energy Current, July 16, 2008; <http://www.energycurrent.com/index.php?id=2&storyid=11881>

HOUSTON: U.S. Minerals Management Service has accepted ATP Oil & Gas Corp's bids for Atwater Valley Block 19 and Block 62 in the deepwater Gulf of Mexico. ATP acquired a 100 percent interest in both blocks for US\$463,980 and will serve as operator of both blocks.

Atwater Valley Block 19 is located in 4,199 feet (1,280 m) of water and Atwater Valley Block 62 is located in 4,173 feet (1,272 m) of water. Both blocks join onto ATP's Telemark Hub. Telemark Hub includes discovered reserves at

Mirage on Mississippi Canyon Block 491, Morgus on Mississippi Canyon Block 942, and Telemark on Atwater Valley Block 63.

Each of the blocks that make up the Telemark Hub is 100 percent owned and operated by ATP. ATP is developing Telemark Hub and expects first production in the first half of 2009, with additional production expected in 2010.

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### **Oil and gas groups applaud Bush's latest OCS order**

Oil & Gas Journal, July 15, 2008; [http://www.ogj.com/display\\_article/334414/7/ONART/none/GenIn/1/Oil-and-gas-groups-applaud-Bush's-latest-OCS-order/](http://www.ogj.com/display_article/334414/7/ONART/none/GenIn/1/Oil-and-gas-groups-applaud-Bush's-latest-OCS-order/)

Nick Snow  
Washington Editor

WASHINGTON, DC, July 15 -- Oil and gas trade associations and other business groups applauded US President George W. Bush's July 14 cancellation of an executive order banning oil and gas leasing on 85% of the Outer Continental Shelf.

"It is now up to Congress to lift the moratoriums," said the American Petroleum Institute in a statement. "Doing so could boost US supplies of oil and natural gas, increase the nation's energy security, add additional, well-paying American jobs, and bring billions of dollars into the Treasury. We encourage Congress to pass a common-sense and effective long-term energy policy."

Independent Petroleum Association of America Pres. Barry Russell commented, "Congress can no longer look the other way on this issue. If we don't take the necessary steps today, America will be in a worse position tomorrow." Conceding that exploring in areas currently off-limits won't produce oil and gas in the near term, Russell urged adoption of a comprehensive long-term energy policy that would include conservation, efficiency, unconventional fuels, "and all forms of American energy, including additional oil and gas resources, for the future."

"While it is true that exploration in areas that are currently off limits will not produce oil and natural gas in the short term, America must endorse solutions today that will produce results tomorrow, Russell said.

R. Skip Horvath, president of the Natural Gas Supply Association, said, "This is a smart decision because natural gas from US shores will add to our security of supply. Natural gas is essential to maintaining a high standard of living. Americans have flooded Congress and the White House with their calls and letters on high energy prices, and recent polls indicate that more than 70% favor increased drilling. The people have spoken, the president has acted, and we hope the House and Senate are listening," Horvath said.

#### **A strong signal**

"While the president's move will not solve all of the nation's energy challenges, it sends a strong signal to Congress that it is time to end the annual congressional moratoriums," said Tom Fry, president of the National Ocean Industries Association. "We are the only nation in the world that consistently limits access to our own domestic resources, despite a long record of safe and environmentally responsible exploration and production of offshore oil and gas. In light of rapidly growing global demand for hydrocarbons, and the resulting negative impacts on the American economy and overall quality of life, the locking up of US energy resources makes absolutely no sense."

American Gas Association Pres. David N. Parker said, "Because natural gas helps reduce emissions, environmentally conscious Americans are demanding more and more of it to power their homes and offices. Removing the ban on offshore production would go a long way in meeting the American consumer's increasing demand for this clean-burning energy source, as well as our nation's long-term climate-change goals. We are pleased that President Bush understands both the economic and environmental benefits of expanding natural gas production, and we hope that Congress will follow his lead," Parker said.

American Chemistry Council Pres. Jack N. Gerard commented, "Clearly, the ground is shifting on energy policy. As the crisis has grown, as it has become clear to Americans that the United States is jeopardizing our own economy and our ability to compete globally by not moving forward with expanded domestic energy development, and as poll after poll have shown that more than two thirds of Americans support it, we've seen growing interest in this issue among lawmakers of both parties," Gerard said. "We strongly encourage the House and Senate to continue exploring comprehensive energy legislation that includes efficiency; diversity, including renewables and other lower-emission sources and technologies; and expanded domestic energy supply."

National Association of Manufacturers Executive Vice-Pres. Jay Timmons said, "This country is facing an energy crisis. It is imperative that every opportunity to reduce the cost of energy be taken. An appropriate place to start is by increasing our access to domestic resources." Citing estimates that the OCS contains more than 420 tcf of gas and 86 billion bbl of oil, Timmons said that providing access to these resources would send a signal to the rest of the world that the US is serious about reducing the energy price burden that confronts American consumers and manufacturers.

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### **Horizontal wells will let BP tap hard-to-reach oil field**

Anchorage Daily News, July 15, 2008; <http://www.adn.com/news/alaska/story/464851.html>

LIBERTY: Crews can work from existing drilling pad in Arctic waters, company says.

By ELIZABETH BLUEMINK  
ebluemink@adn.com

Imagine a bent straw made out of steel extending 8 miles long and 2 miles deep, plunging through icy water and miles of undersea rock.

That's how the next major oil field in Alaska probably will be developed.

BP announced Monday that it will spend \$1.5 billion -- drilling the longest wells in the world -- to develop the Liberty oil field under the Beaufort Sea. Oil could begin flowing by 2011.

A few years ago, BP shelved the idea of drilling Liberty -- which lies about five miles offshore in federal waters, farther from land than any other oil field in Alaska's arctic -- by building an expensive gravel island.

At the time, BP said the idea didn't make financial sense.

Now, BP says it will tap Liberty by enlarging a gravel island built years ago for the Endicott oil field. BP will use a technique called horizontal drilling to reach Liberty six to eight miles to the east.

The project will expand the life span of the Endicott, a 21-year-old field that is now producing only a tenth of its peak output, company officials said.

### **FEDERAL WATERS**

This week, BP is beginning seismic surveys in the Beaufort to determine the placement of the six Liberty wells. Construction could start next year and drilling could begin in 2010, company officials said.

Because Liberty lies under federal waters, most of the tax revenue from production will go to federal coffers, with 27 percent of the royalties returning to the state. Most of the other Arctic oil fields lie on state land.

BP declined to estimate the amount of federal or state tax revenue that will result from the oil field. The state and the North Slope Borough will get additional tax revenue, such as property taxes.

It's doubtful that the company would have pursued the project if it had been subject to the state's hefty oil production tax enacted last fall, said Doug Suttles, BP Alaska's president, at a news conference on Monday.

### **SMALL FIELD**

Liberty is BP's first major investment in an oil prospect on the North Slope or in waters off Alaska's coast since the launch of its Northstar field, which began producing oil in 2001, Suttles said.

Liberty's output will be small -- peaking at about 40,000 barrels per day -- compared to overall current oil production on the North Slope.

The state estimates oil companies will pump out an average of 722,000 barrels of North Slope crude per day this year.



But with major fields like Prudhoe Bay in decline, developing smaller, less-accessible fields is needed to keep oil flowing through the trans-Alaska pipeline, Suttles said.

Another example of a small field is the new Qannik satellite, near the Alpine oil field west of Prudhoe, which will peak at 4,000 barrels a day next year, Conoco Phillips announced Monday. Pioneer Natural Resources Co. just began production from the Ooguruk field, which should peak at 20,000 barrels a day.

## ENVIRONMENTALIST REACTS

Some environmentalists said their feelings about Liberty are mixed.

They like the fact that the project uses horizontal-drilling technology, which minimizes the physical footprint of the development and reduces the amount of wildlife disruption in the Beaufort.

But they aren't happy about any new oil development in Arctic waters given the uncertain future of polar bears and other species deemed at risk due to climate change. And they are worried about the effect on marine mammals of noise from the industry's seismic surveys. Seismic surveys blast sound waves into the seafloor to test the rock formations below.

"I neither want to sing its praises or overly condemn it," said Brendan Cummings, an attorney for the Tucson, Ariz.-based Center for Biological Diversity, of the Liberty project.

In an effort to preserve polar bear habitat, his group is suing the federal government to try to block offshore oil drilling in the Arctic. The Liberty project is not part of that lawsuit.

The company has already obtained two critical permits from federal agencies to develop Liberty but it is still seeking final approvals from the state and the North Slope Borough. The National Marine Fisheries Service is taking public comments on a BP request for permission to unintentionally harass whales and seals during its seismic surveys.

Recently, the Liberty project overcame a few legal challenges.

For example, an Anchorage federal judge last week rejected the village of Point Hope's claim that the U.S. Minerals Management Service violated a couple of federal environmental laws when it granted BP and Shell Oil Co. permission to conduct seismic surveys in the Beaufort and the Chukchi seas this summer.

The village said the minerals service should not have authorized the seismic surveys because of their potential to harass and harm marine mammals.

At least four oil companies -- BP, Conoco, Eni and Shell -- plan to conduct seismic surveys in offshore waters this summer, according to the Alaska Support Industry Alliance.

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### **President lifts offshore ban, but it won't be effective without action by Congress**

Houston Chronicle, July 14, 2008; <http://www.chron.com/disp/story.mpl/nation/5888150.html>

By DAVID IVANOVICH and KRISTEN HAYS  
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WASHINGTON — President Bush's decision Monday to lift a presidential ban on oil and gas drilling in most offshore federal waters won't open new areas to exploration.

Since the Democratic-controlled Congress still has its own drilling moratoriums in place covering virtually the same area, Bush's move was largely symbolic.

But with gasoline prices reaching new heights again Monday, Bush raised the political heat on a Congress that wants to show it is doing something to deal with high energy prices.



"The American people are watching the numbers climb higher and higher at the pump," Bush said during a ceremony in the White House Rose Garden. "Now the ball is squarely in Congress' court."

The U.S. Minerals Management Service, which oversees offshore drilling in federal waters, estimates the areas still subject to a congressional ban hold 17.8 billion barrels of recoverable oil reserves and 76.4 trillion cubic feet of natural gas.

But Democrats on Capitol Hill want to prod producers to drill on acreage they have already leased but failed to develop, rather than open new areas to offshore drilling.

House Speaker Nancy Pelosi, D-Calif., dismissed Bush's move as a "hoax," and Senate Majority Leader Harry Reid, D-Nev., characterized Bush's position as "Johnny one-note, just drill, drill, drill."

Lifting the presidential ban, Pelosi said, "will neither reduce gas prices nor increase energy independence."

#### Executive orders

For 27 years, Congress has had moratoriums in place that bar drilling off the east or west coasts and portions of the eastern Gulf of Mexico. Congress has had to act each year to renew the drilling bans.

And Bush's father, former President Bush, issued an executive order in 1990 creating a secondary, multi-year barrier to oil and gas drilling. President Clinton extended the drilling ban until 2012.

In 2006, lawmakers passed the Gulf of Mexico Energy Security Act, which opened some new areas of the eastern Gulf to drilling but established a new ban on drilling within 100 miles of the Florida coastline.

President Bush's decision to lift his predecessors' executive orders raised questions about three areas in the eastern Gulf, including one south of Pensacola, Fla., which were part of the presidential ban but were not covered by the Gulf of Mexico Energy Security Act.

#### Dueling reactions

White House spokesman Scott Stanzel said Monday evening those areas still will not be open to drilling because "they are not part of a current leasing plan."

Brent Blackwelder, president of Friends of the Earth Action, called the announcement a "gimmick that won't do anything to lower the cost of gas. It's time to stop playing politics and start finding solutions."

But oil executives hailed Bush's move.

Larry Nichols, chief executive officer of Devon Energy, the second-largest leaseholder in the Gulf, called Bush's decision "a great first step."

Critics of offshore drilling point to a damaging spill off the coast of Santa Barbara, Calif. in 1969. But Nichols argued that incident doesn't justify the continuing ban.

"Technology has grown dramatically in the last 50 years and to keep responding to, and dredging up, something that old and out of date is really irresponsible."

Jim Hackett, chief executive officer of Houston-based Anadarko Petroleum Corp., pointed to recent polling that he said "demonstrates that American consumers understand the need for greater access."

In an interview with the Chronicle last week, Shell Oil Co. President Marvin Odum responded to the argument that more offshore drilling would not lower prices at the pump, saying "You're not going to get any results until you start. It is important to start, and it's important to start now."

#### \$3.95 a gallon in Houston

And Mickey Driver, a spokesman for Chevron Corp., which has more leases in the Gulf than any other producer, argued the industry needs to be able to scope out how much oil and gas is actually in the offshore.

"So much of our resources here are off-limits, and we can't even look to see what's there," Driver said.

Bush made his announcement as gas prices hit records again Monday. Regular unleaded gasoline was selling for nearly \$4.11 a gallon nationwide and \$3.95 a gallon in Houston, according to AAA's Daily Fuel Gauge Report.

Diesel fuel also set records, fetching an average \$4.82 a gallon across the country and \$4.75 at Houston area gas stations, AAA reported.

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### **Long Process Likely in Bid to Expand Offshore Drilling**

Washington Post, July 14, 2008; [http://www.washingtonpost.com/wp-dyn/content/article/2008/07/14/AR2008071401665\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2008/07/14/AR2008071401665_pf.html)

By David A. Fahrenthold  
Washington Post Staff Writer  
Monday, July 14, 2008; 5:04 PM

A new push in Washington to increase offshore oil and natural-gas drilling has intrigued politicians and alarmed environmentalists in Maryland, Virginia and Delaware, where the ocean has been off-limits to exploration for 19 years.

Energy experts, though, say Ocean City sunbathers probably won't find themselves staring out at oil rigs anytime soon.

Before drilling could begin, they say, Congress would have to reopen long-closed tracts of the Atlantic. Energy companies would have to make an expensive bet on a seabed they know little about. And then there would be a long turning of bureaucratic gears before any oil got pumped.

So it would be years before any drilling began off the Eastern Shore -- and it certainly wouldn't happen without a fight.

"You are looking at a pristine natural habitat destroyed. You're looking at dead fish floating in the water. You're looking at shorebirds and migratory birds and waterfowl covered in oil," said Kathy Phillips, an environmental activist for Assateague Island, whose title is "coastkeeper." She was imagining a major oil spill washing up on the island's shores. "People on this coast don't have any idea of what it involves," she said.

Today, President Bush announced that he would lift an executive order banning oil and gas exploration along the mid-Atlantic and other sections of the U.S. coastline. Now, the focus will shift to Capitol Hill, where presidential candidate Sen. John McCain (R) and other Republicans have pushed legislators to lift a similar Congressional ban.

The offshore areas at stake are in federal waters, which generally extend from three to about 200 miles offshore. New drilling is already permitted in parts of the Gulf of Mexico and the Alaska coast. But, in the 1980s, Congress banned it in a progressively larger area along the Pacific and Atlantic shorelines, as legislators from coastal states grew worried about oil spills.

Now, a bill in the U.S. Senate would reopen all areas more than 50 miles from shore, including those off Maryland, Virginia and Delaware. In its current form, the bill would give states the power to veto drilling off their shores. But it would reward those who say yes with a cut of the royalties that energy companies pay.

U.S. Rep. Eric Cantor (R-Va.), who said he plans to introduce a House bill that would reopen Virginia waters only, conceded that such moves would not immediately add to the country's fuel supply. But he said it still might lower the cost of today's \$4-a-gallon gas by assuring energy companies that they would have fuel in the future.

"If we were to signal in this country that we're going to get serious" about drilling in offshore areas, Cantor said, "I do think that will send a signal to the global markets."

In theory, there are 3.82 billion barrels' worth of oil under the seabed along the entire Atlantic coast. That would meet U.S. petroleum needs for about half a year, according to federal estimates. They project that the natural gas under this seabed is more than three years' worth, at current rates of use.

But officials at the U.S. Minerals Management Service say there has been no exploratory drilling on this coast for more than two decades. So, while they believe that oil and gas are out there, they can only guess at how much.

"It's probably impossible to know, given the paucity of data," said Chris Oynes, an associate director of the service, which oversees offshore drilling.

If Congress does reopen these areas -- and President Bush ends a similar presidential moratorium, as he has promised -- the decision about whether to allow drilling could then fall to the three Eastern Shore states.

So far, Maryland officials seem to be the most adamant against drilling. A spokesman said Gov. Martin O'Malley (D) is opposed. So are the state's two senators, Democrats Barbara A. Mikulski and Benjamin L. Cardin.

"You're talking about a natural treasure in Assateague Island, and you're talking about one of Maryland's premier tourist destinations" in Ocean City, Cardin said. He said that an oil spill from a platform or pipeline could devastate both. "We don't want to put that kind of risk on our state."

Delaware officials said they would at least listen to proposals from energy companies.

"It's not an automatic don't-even-think-about-it," state natural resources official David Small said.

Virginia Gov. Timothy M. Kaine (D), by contrast, supports exploration for natural gas in areas more than 50 miles off the coast. State officials say that if gas or oil is actually found, they would decide whether to let companies pump it out.

Virginia Del. Christopher B. Saxman (R-Staunton), a supporter of drilling, said that energy companies had indicated to him some interest in exploring Virginia waters. But, he said, they were also cautious, since so little is known about the area.

"Whether Virginia is going to realize a significant amount of offshore drilling . . . remains to be seen," Saxman said. "But we should at least open up the possibility."

And even if states do allow drilling, it is unclear when -- or if -- oil and gas companies will be interested.

Energy analysts said such companies would probably be more interested in other now-closed areas, off the California and Florida coasts. These places are closer to existing oil pipelines and refineries, they said, and their oil and gas deposits have been studied much more thoroughly.

"There would probably be far more interest in the eastern Gulf of Mexico than there would be in the mid-Atlantic," said Stewart Glickman, an equity analyst at the firm Standard & Poor's. But, Glickman said, "it is a possibility at some point."

And even if they are interested, federal officials say it might take eight to 12 years before final approval is granted for large-scale extraction of oil or gas.

Local environmentalists say they are against any drilling, citing concerns about leaky pipelines, new on-shore processing plants, and platform lights that might clutter up a pristine night sky. They are also afraid of a large-scale oil spill -- though officials at two national seashore parks along the Gulf Coast said this week that offshore rigs near them cause few major pollution problems.

On the Eastern Shore, activists say that drilling could still harm the environment, even if nobody spills a drop. If burning the oil and gas contributes to climate change, they say, it would help raise seas, which could swamp parts of the peninsula within a century.

"Why would we further jeopardize our coast with additional sea-level rise?" said Glen Besa, of the Virginia chapter of the Sierra Club. He said that the drilling would also not provide an answer for long-term energy needs: "For every complex problem, there's a simple solution. And it's wrong."

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### **On Offshore Oil Drilling, the Ball Is Now in Congress's Court**

US News & World Report, July 14, 2008; <http://www.usnews.com/articles/news/politics/2008/07/14/on-offshore-oil-drilling-the-ball-is-now-in-congresss-court.html>

Bush's lifting of symbolic ban on offshore oil drilling puts added pressure on Congress to act

By Kent Garber

Posted July 14, 2008

After President Bush's largely symbolic decision to lift an 18-year-old executive moratorium on drilling for oil and natural gas along the outer continental shelf, the real question is how Congress will respond.

Bush's decision, which he called a reaction to high fuel prices and security concerns over foreign oil, leaves Congress as the primary barrier to broader domestic exploration. Since 1982, a congressional moratorium, renewed each year as part of the funding bill for the Interior Department, has restricted oil drilling off the Atlantic and Pacific coasts and in parts of the Gulf of Mexico.

Record gas prices have prompted many conservative lawmakers, including presumptive Republican presidential candidate Sen. John McCain, to embrace offshore oil drilling, arguing that even the prospect of greater production will help lower fuel costs and promote energy security. Democrats, for the most part, have scoffed at such explanations, pointing to recent Department of Energy studies showing that drilling in the outer continental shelf will have an "insignificant" impact on costs in the next two decades.

But even before the president's move, at least two recent developments suggest that Congress may be warming up to the idea. In both cases, lawmakers have quietly chipped away at the congressional moratorium. In December 2006, Congress passed the Gulf of Mexico Energy Security Act. Among other provisions, it made some 5.8 million acres in the central Gulf of Mexico available for oil leasing (pending environmental reviews) that had been previously included in the moratorium. In the Senate, where the measure originated, support was overwhelming. The bill passed, 71 to 25.

A similar case involves the North Aleutian Basin in Alaska. From 1990 to 2003, Congress annually voted to prohibit oil and natural gas drilling in the region. But in 2004, it ended the moratorium, and in 2006, the state's governor, with local support, asked Bush to remove the region from the executive moratorium. Bush happily obliged. Now the area is subject to environmental reviews and public comment before leases are sold to allow exploration.

The idea of increased drilling is popular in the polls. But resistance to the idea remains strong, particularly in light of unanswered questions about the purported benefits of renewed drilling.

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### **End to executive ban on drilling applauded by oil industry, even with slim odds for success**

International Herald Tribune, July 14, 2008; <http://www.ihf.com/articles/ap/2008/07/14/business/NA-US-Executive-Ban-Markets.php>

The Associated Press

Monday, July 14, 2008

HOUSTON: The oil industry applauded President George W. Bush's announcement Monday that he would lift an executive ban on offshore drilling, even though no drilling will take place unless Congress lifts its own ban.

The American Petroleum Institute, the industry's trade association, said opening new regions to oil companies would, among other things, boost supplies of oil and natural gas and create more well-paying jobs.

"We encourage Congress to pass a common-sense and effective long-term energy policy designed to increase conservation and energy efficiency," said API spokeswoman Judy Penniman.

The U.S. has had two prohibitions on offshore drilling, one imposed by Congress and another by executive order signed by the first President Bush in 1990. The current president, trying to ease market tensions and boost supply, called last month for Congress to lift its prohibition before he did so himself.

Congressional Democrats, joined by some Republican lawmakers from coastal states, have opposed lifting the prohibition that has barred energy companies from waters along both the East and West coasts and in the eastern Gulf of Mexico.

"Lack of access to responsible production is a root cause of our continuing energy shortfall," Shell Oil Co., the U.S. arm of European oil giant Royal Dutch Shell PLC, said in a statement. "As we have seen, limited supply and increased demand can lead to shortages and higher prices."

Oil prices settled above \$145 a barrel Monday after hitting a trading record of \$147.27 a barrel on Friday before retreating somewhat. At the pump, gasoline prices hit a new U.S. record just a tenth of a penny shy of \$4.11 a gallon.

Environmental groups immediately criticized the decision. The Natural Resources Defense Council said Bush's "pro-big oil policies" have already have left the U.S. more addicted to oil than ever.

"Americans deserve policies that free us from fossil fuels and give us better choices that will bring down our energy costs, make our air cleaner, and help solve global warming," said Jim Presswood, the NRDC's energy advocate.

In a note Monday, FBR Research said the president's decision may put pressure on Congress and some governors to open more acreage to drilling, "it is not by itself sufficient to conquer a complex web of competing incentives."

"Political football isn't production," FBR said. "While lifting the moratorium will force opponents of offshore drilling to justify their stance, \$145 (a barrel) oil does not guarantee action on off-limits areas."

Bob Malone, president of BP PLC's American operation, noted that one-fourth of U.S. oil production comes from the 15 percent of the Outer Continental Shelf not currently off limits.

"It's time to open the rest," Malone said. "Something good could happen, as it has in the deepwater Gulf of Mexico where oil production has increased 15-fold since government began encouraging exploration there twenty years ago."

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### **Schwarzenegger cold to ending drilling ban**

UPI, July 14, 2008; [http://www.upi.com/Top\\_News/2008/07/14/Schwarzenegger\\_cold\\_to\\_ending\\_drilling\\_ban/UPI-77101216063556/](http://www.upi.com/Top_News/2008/07/14/Schwarzenegger_cold_to_ending_drilling_ban/UPI-77101216063556/)

SACRAMENTO, July 14 (UPI) -- California Gov. Arnold Schwarzenegger fired back at the Bush administration Monday for its decision to lift the ban on offshore oil drilling.

The Republican governor said in a statement that offshore drilling was "not the answer" to higher fuel costs and urged a focus on non-petroleum energy.

"We will continue to foster a market for alternative energies because choice is the only way we will ultimately bring down fuel costs," Schwarzenegger said in a written statement.

President George Bush announced Monday he was lifting the executive order banning oil exploration in the U.S. outer continental shelf. Exploration remains blocked by a congressional ban that is likely to be renewed when it expires at the end of September.

The president and other Republicans have urged expanding offshore production beyond the Gulf of Mexico and Alaska as a means of increasing the supply of domestic crude.

Sen. Lisa Murkowski, R-Alaska, a leading proponent of offshore drilling, said in a written statement that the decision should be up to individual states.

A state opt-in process with revenue sharing is an equitable way to help the nation acquire more energy, while still giving states control over development off their coastlines," she said.

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**Transcript : Bush Addresses Offshore Drilling** Bush lifts executive ban on offshore drilling

Washington Post, July 14, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/14/AR2008071401358.html>

CQ Transcripts Wire

Monday, July 14, 2008; 2:28 PM

BUSH: Good afternoon.

Across the country, Americans are concerned about the high price of gasoline. Every one of our citizens who drives to work or takes a family vacation or runs a small business is feeling the squeeze of rising prices at the pump. To reduce pressures on prices, we must continue to implement good conservation policies, and we need to increase the supply of oil, especially here at home.

For years, my administration has been calling on Congress to expand domestic oil production. Unfortunately, Democrats on Capitol Hill have rejected virtually every proposal. And now Americans are paying at the pump.

When members of Congress were home over the Fourth of July recess, they heard a clear message from their constituents. We need to take action now to expand domestic oil production.

One of the most important steps we can take to expand American oil production is to increase access to offshore exploration on the Outer Continental Shelf, or what's called the OCS.

But Congress has restricted access to keep parts of the OCS since the early 1980s. Experts believe that these restricted areas of the OCS could eventually produce nearly 10 years' worth of America's current annual oil production.

And advances in technology have made it possible to conduct oil exploration in the OCS that is out of sight, protects coral reefs and habitats, and protects against oil spills.

Last month I asked Congress to lift this legislative ban and allow the exploration and development of offshore resources. I committed to lift an executive prohibition on this exploration if Congress did so, tailoring my executive action to match what Congress passed.

It's been almost a month since I urged Congress to act, and they've done nothing. They've not moved any legislation.

And as the Democratically controlled Congress has sat idle, gas prices have continued to increase. Failure to act is unacceptable. It's unacceptable to me, and it's unacceptable to the American people.

So today I have issued a memorandum to lift the executive prohibition on oil exploration in the OCS.

With this action, the executive branch's restrictions on this exploration have been cleared away. This means that the only thing standing between the American people and these vast oil resources is action from the U.S. Congress.

Now the ball is squarely in Congress's court. Democratic leaders can show that they have finally heard the frustrations of the American people by matching the action I have taken today, repealing the congressional ban, and passing legislation to facilitate responsible offshore exploration.

BUSH: This legislation must allow states to have a say in what happens off their shores, provides a way for the federal government and states to share new leasing revenues, and ensure the environment is protected.

This legislation should also take other essential steps to expand domestic production.

Congress should clear the way for our nation to tap into the extraordinary potential of oil shale, which could provide Americans with domestic oil supplies that are equal to more than a century's worth of current oil -- of oil imports.

Congress should permit exploration in the currently restricted areas of northern Alaska, which could produce roughly the equivalent of two decades of imported oil from Saudi Arabia.

Congress should expand and enhance our domestic refining capacity, so that America will no longer have to import millions of barrels of fully refined gasoline from abroad.

The time for action is now. This is a difficult period for millions of American families. Every extra dollar they have to spend because of high gas prices is \$1 less they can use to put food on the table or send a child to school. And they're rightly angered by Congress' failure to enact common-sense solutions.

Today, I've taken every step within my power to allow offshore exploration of the OCS. All that remains is for the Democratic leaders in Congress to allow a vote.

The American people are watching the numbers climb higher and higher at the pump, and they're waiting to see what the Congress will do.

Thank you.

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### **Bush lifts executive ban on offshore drilling**

TampaBays10.com; July 14, 2008; <http://www.tampabays10.com/news/local/story.aspx?storyid=84797&catid=8>

President George Bush has moved the country one step closer to offshore oil drilling by lifting an executive ban.

Washington, DC – President George Bush announced from the Rose Garden Monday afternoon that he's lifted an executive order banning oil companies from exploratory drilling in the Outer Continental Shelf.

But offshore drilling is not a done deal yet. The President needs Congress to lift its own legislative ban before drilling could begin.

U.S. Senator Bill Nelson, while visiting the Bay area Monday, referred to Bush's announcement as a "scare tactic."

Nelson has worked to "keep offshore drilling away from Florida's coast in order to protect the state's tourism-driven economy, its unique environment and the country's vital military testing and training areas in the Gulf of Mexico."

He blocked Senate drilling legislation until "it provided adequate protections for Florida, including a 125-mile buffer off the Panhandle and a 235-mile no-drilling zone off most of the state's west coast."

U.S. Representative Kathy Castor also spoke out from the Bay area Monday against President Bush. She issued the following statement:

"President Bush and VP Cheney continue to side with Big Oil over the interests of the American people. Bush's claim that drilling off of coastal Florida will lower gas prices is a hoax and a sham. Even Florida's biggest pro business lobby states that drilling off our coast will not do anything to lower gas prices. Instead, a comprehensive energy plan is required that targets oil speculators to lower prices, promotes conservation and transit, forces oil companies to drill on the 68 million acres already available to them but not being tapped, and encourages drilling in the national reserve area to more immediately increase our oil supplies."

Florida environmental groups see Monday's announcement as an ominous threat to thousands of miles of beaches and the billions of tourist dollars that prime the state's economic engine.

"It's sort of ironic considering that his father, George H. Bush, was dubbed the environmental president after he imposed the moratorium," said Environment Florida's Holly Binns.

Monday's announcement is even more threatening, Binns said, because Gov. Charlie Crist recently reversed his opposition to drilling and echoed a similar proposal by presumptive Republican presidential nominee John McCain.

On June 16, Crist said he would welcome the lifting of the federal moratorium in favor of giving states the right to decide if they want offshore drilling. Crist, who has been lauded by environmentalists for his strong stance on fighting global climate change, is often mentioned as a potential running mate for McCain.

Although supporters of offshore drilling acknowledge that it could take 10 years for the new oil to start flowing, Crist said he wanted to help Floridians struggling with \$4-a-gallon gasoline.

"I hope I have a reputation of wanting to protect this environment, because I do," Crist told reporters last month. "But I also have to balance that ... with what's happening to Florida families, what's happening to this economy, how dependent we are on foreign oil."

"It's a huge disappointment when a politician who has had a long history of protecting Florida's environment reverses course like he has," Binns said.

Crist was on an international trade mission in England today and could not immediately be reached.

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### **BP to begin developing Liberty oil field**

Ft. Mills Times, July 14, 2008; <http://www.fortmilltimes.com/124/story/224561.html>

By JEANNETTE J. LEE  
(Published July 14, 2008)

ANCHORAGE, Alaska — Oil company BP says it will begin developing its Liberty oil field, which will involve drilling the world's longest wells to reach an offshore reservoir in the Beaufort Sea.

The company on Monday says oil production is expected to begin in 2011.

Liberty is expected to yield about 100 million barrels of oil.

New production is intended to offset declining production on Alaska's North Slope, and keep oil flowing down the trans-Alaska oil pipeline.

The company estimates field development will cost \$1.5 billion. Work will start this summer with a seismic survey.



The field is located on federal leases on the outer continental shelf, about 6 miles offshore from Alaska's northern coast.

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### **Worth the risk? Debate on offshore drilling heats up**

USA Today, July 14, 2008; [http://www.usatoday.com/money/industries/energy/2008-07-13-offshore-drilling\\_N.htm](http://www.usatoday.com/money/industries/energy/2008-07-13-offshore-drilling_N.htm)

### **Worth the risk? Debate on offshore drilling heats up**

**By Rick Jervis, William M. Welch and Richard Wolf, USA TODAY**

PORT FOURCHON, La. — From his perch at the southern tip of Louisiana, port director Ted Falgout sees green: the color of money that comes from the nation's busiest haven of offshore drilling.

"It's OK to have an ugly spot in your backyard," Falgout says, "if that spot has oil coming out of it."

From her vantage point in Santa Barbara, Calif., a city known for beautiful beaches and wealthy residents, Mayor Marty Blum recalls black: the color of more than 3 million gallons of oil that flowed from a drilling rig blowout in 1969 and covered 35 miles of coastline with a thick layer of goo.

"The people of Santa Barbara don't want any more oil drilling. That's just pretty plain," she says. "But everybody's got a price, and at a certain price per gallon, we're all going to want more drilling."

Environmental hazard or energy bonanza: Oil and natural gas trapped beneath the USA's ocean floor mean different things to different people. As gasoline soars beyond \$4 a gallon, President Bush and his would-be Republican successor, John McCain, see a viable source of domestic production. Democrat Barack Obama and the nation's environmentalists see a threat to pristine waters and beaches — and little help at the pump from offshore drilling.

It's a debate with a rising decibel level, thanks to an energy crisis fueled by rising demand halfway around the world.

The United States consumes nearly one-fourth of the world's oil but produces only about 10%. Its 1.76 billion-acre Outer Continental Shelf, which extends from about 3 to 200 miles offshore, is prime hunting ground.

In 2006, a consortium led by Chevron proved that oil could be produced from a geological area about 175 miles from Louisiana that's estimated to hold 3 billion to 15 billion barrels of oil.

Since Congress imposed a moratorium on new drilling in 1981, most of the nation's coastline has been off-limits — a type of ban that does not exist in countries such as Brazil and Norway, which have found large oil deposits offshore. As prices rise, polls show two-thirds of Americans favor new drilling for oil and gas.

"The big discoveries are happening offshore," says Robert Bryce, managing editor of *Energy Tribune*. "This is where the action is."

By most estimates, at least 18 billion barrels of oil can be produced from areas that are off-limits, on top of 68 billion barrels in areas where drilling is allowed. The 18 billion barrels would be enough to fuel the country for 2½ years.

Randall Luthi, director of the Minerals Management Service, says the estimate is "extremely conservative, because it's been 20 or 30 years since we've had the opportunity to look and see what's there."

### **A tale of two coasts**

No two places illustrate the two sides of the debate better than Louisiana and California, where much oil has been produced but much more lies below:

•**Louisiana** has had offshore drilling since 1947. About 172 active rigs dot the Gulf of Mexico waters off the coast, producing about 79% of the oil and 72% of the natural gas that comes from drilling off the nation's coastlines.

The state gets about \$1.5 billion annually in oil and gas revenue, a figure that will grow when it starts receiving part of oil companies' royalty payments in 2017 under federal law.

"It's absolutely worth it," says Garret Graves, head of the Governor's Office of Coastal Activities.

The biggest environmental impact has been the estimated 10,000 miles of canals dug by the oil and gas companies to transport oil and lay pipelines.

The canals crisscross the coastal wetlands of Louisiana and have contributed to coastal erosion, says Mark Davis of Tulane University.

Environmentalists say the canals and lack of marshland removed an important natural buffer against storms and amplified Hurricane Katrina's damage.

Offshore drilling also draws bustling ports, pipelines, petrochemical plants and other infrastructure that can disrupt natural coastal ecosystems.

"Where you have oil and gas, you have petrochemical plants," says Cynthia Sarthou of the Gulf Restoration Network. "I haven't seen one come without the other."

•**California** was home to the first U.S. offshore oil production in 1896, from a wooden pier in Summerland. Today, it's easy to spot oil rigs from coastal highways and the pricey seaside real estate that dots Santa Barbara County's hillsides.

There are 26 oil and gas drilling platforms off the southern California coast and 1,500 active wells. Those in federal waters have produced more than 1 billion barrels of oil and 1.5 trillion cubic feet of natural gas since the 1960s, says John Romero of the Minerals Management Service.

Since the 1969 spill, he says, they've spilled only 852 barrels of oil, the result of better technology and regulatory vigilance.

Federal geologists, Romero says, estimate an additional 10 billion barrels of oil and 16 trillion cubic feet of natural gas are under the sea floor in areas where drilling is banned. But producers are mindful that, since 1969, public opinion has not been on their side.

"Our industry has gotten a pretty clear message from the California public that at least up until recently, there was not much interest in seeing new drilling off California," says Joe Sparano, president of the Western States Petroleum Association.

### **'Oil and water don't mix'**

Environmentalists see two basic problems from offshore drilling: pollution from everyday operations and oil spills from platforms, pipelines and tankers.

On both fronts, they acknowledge, the industry has improved through the years.

"Today's technology is much better at routine drilling, at avoiding the kinds of seepages that were common a generation ago," says Tyson Slocum of Public Citizen.

Even so, there are still risks.

When oil is brought up from beneath the ocean floor, other things are, too. Chemicals and toxic substances such as mercury and lead can be discharged back into the ocean.

The water pumped up along with the oil may contain benzene, arsenic and other pollutants. Even the exploration that precedes drilling, which depends on seismic air guns, can harm sea mammals.

"Basically, oil and water don't mix," says Melanie Duchin of the environmental group Greenpeace, who lives in Alaska and still sees pollution from the 11 million-gallon Exxon Valdez spill of 1989, which supplanted Santa Barbara as the nation's worst. "Oil smothers wildlife."

Government officials and industry specialists say improved technology and government oversight have made routine drilling safe.

State and federal laws regulate how much of each chemical can be discharged into the water; most are at insignificant levels, according to the Minerals Management Service. The mercury that's generated cannot be absorbed by fish tissue, officials say, avoiding the food chain.

"The best fishing in the Gulf is where the rigs are," says Rep. John Peterson, R-Pa., a leading proponent of offshore drilling.

Spills from platforms have become far less frequent over recent decades, federal data show.

A report by the National Research Council found that offshore oil and gas drilling was responsible for just 2% of the petroleum in North America's oceans, compared with 63% from natural seepage and 22% from municipal and industrial waste. Coast Guard reports show that the amount of oil spilled in U.S. waters dropped from 3.6 million barrels in the 1970s to less than 500,000 in the 1990s.

During Hurricanes Katrina and Rita in 2005, 115 oil platforms were toppled, but only insignificant amounts of oil spilled, says Roland Guidry, Louisiana's oil spill coordinator.

There was significant pollution — 8 million to 10 million gallons of oil spilled, mostly from tanks and pipelines on land and from tankers striking submerged drilling platforms — but less than 10% of that came from federal offshore operations.

Today's technology, such as automatic shutoff valves on the seabed floor and mechanical devices that can prevent blowouts caused by uncontrolled buildups of pressure, has greatly reduced the risk of oil spills.

"Offshore drilling is the safest way to go," Guidry says. "Those guys don't spill oil."

Environmentalist Richard Charter of the Defenders of Wildlife Action Fund says smaller spills are still too common.

"This is a dirty, polluting industry," he says. "I've seen it with my own eyes, stepped in it with my own feet."

The biggest pollution risk involved in offshore drilling is in transporting the oil back to shore — by pipeline, barge or tanker.

The 2002 National Research Council report found that marine transportation was responsible for one-third of worldwide petroleum spillage, about eight times the amount caused by drilling platforms and pipelines.

Still, the Minerals Management Service projects about one oil spill per year of at least 1,000 barrels in the Gulf of Mexico over the next 40 years. Every three to four years, it says, a spill of at least 10,000 barrels can be expected.

"If that hit a beach in western Florida once every four years, I think people would care," says Michael Gravitz of Environment America. "Those communities live and die by having clean beaches."

### **Looking beyond the Gulf**

Beyond environmental concerns, the central debate focuses on where to drill for more oil.

Democrats in Congress, led by House Speaker Nancy Pelosi of California, say areas where drilling already is permitted should remain the bull's eye. Only about 8 million of 43 million leased acres were producing oil in 2006. Nearly 80% of the oil estimated to be producible is within limits.

Willard Green, past president of the American Association of Petroleum Geologists, says Democrats "are suggesting that there's a great big lake of oil under that acreage, and all the companies have to do is dig a hole down and produce it."

Much of it, he says, lacks enough oil to make drilling economical. About 70% of the oil found in the Gulf last year was in deep water, where it's more expensive to drill.

The central and western Gulf "is an area that we've picked over a lot," says Richard Ranger, senior policy adviser at the American Petroleum Institute.

Some critics of offshore drilling say companies want to stockpile leases before Bush, a former oil company executive, leaves office. "They want to put inventory on the shelf," Gravitz says.

The nation's coastal shelf runs from Maine to Texas and from California to Alaska, but geologists are most interested in untapped waters west of Florida and southern California. Proponents of drilling also have hopes for the northern Atlantic.

Even the Department of Energy says oil from those areas won't arrive anytime soon.

It projected last year that with the ban in place until 2012, new drilling would produce only 7% more oil in 2030, and the impact on oil prices would be "insignificant."

Proponents counter that most testing for oil beneath the ocean floor was done a generation ago.

"Until we can go out there and look," says Paul Hillegeist of Quest Offshore Resources, a consulting firm, "no one knows what's going on."

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### **Gulf Coast States Mull Over Oil Drilling Ban**

NPR, July 14, 2008; <http://www.npr.org/templates/story/story.php?storyId=92471630>

by Debbie Elliott

Morning Edition, July 14, 2008 · As gas prices continue to climb, lawmakers in both parties are looking for solutions, including lifting the 27-year ban on offshore drilling along much of the nation's coastline.

Congress first approved the ban after thousands of production facilities were erected in the central and western Gulf of Mexico. Top Florida Republicans have backed the ban on drilling off its coast, but now some are changing their minds.

On Monday, President Bush is expected to lift the executive ban on offshore oil drilling, but Congress would still have to lift its legislative ban before drilling could happen.

Oil and natural gas platforms dot the Gulf off the coasts of Texas, Louisiana, Mississippi and Alabama. Off Florida's coast, however, the scene from the beach is different.

Enid Sisskin of Gulf Breeze, Fla., would like to keep it that way. Sisskin, a board member of the group Gulf Coast Environmental Defense, has been fighting proposals to drill in the eastern Gulf for 16 years.

Sisskin notes that tourists visit the Pensacola, Fla., beaches for white sands and emerald waters. Tourism not only fuels the economy here; it's the economic engine for the state.

"It's what people come here for," Sisskin says. "We're not willing to sacrifice our economy for what is potentially a very small amount of oil or gas in comparison to the world supply and will do very little if anything to lower prices."

Traditionally, that has united politicians from this area. Democrats and Republicans alike support the federal moratorium on offshore drilling.

#### Shifting Sands

Former Republican Gov. Jeb Bush long fought to protect Florida waters. And current Gov. Charlie Crist, also a Republican, took a similar stance.

But GOP presidential candidate John McCain reversed his long-standing support for the ban, and now Crist has, too. Crist says he would support production off Florida's coast as long as it was "far enough, safe enough and clean enough."

Republican Jeff Miller, who represents northwest Florida in Congress, says the days of shielding Florida's waters from production activity may be over.

Miller opposed offshore drilling when he was first elected to Congress in 2001. But now he favors lifting the ban, as long as production activities don't interfere with military operations in the region. (The Air Force uses the Gulf for training exercises.)

"I think when the public begins to change their tune ... then elected leaders need to be paying attention as well. The breaking point seemed to be \$4-a-gallon gas," Miller says.

Even some Democrats in Congress — notably members of the conservative Blue Dog Coalition — are bucking their leadership and now support legislation to lift the offshore moratorium.

Miller says he's been hearing from local businesses that it's time to use the resources that might lie beneath the eastern Gulf.

The Minerals Management Service, the federal agency that manages the nation's natural oil and gas resources on the outer continental shelf, estimates there to be some 3.6 billion barrels of oil in the Gulf. That's roughly as much oil as the U.S. consumes in six months. There could be even more natural gas

Some prominent business groups don't think drilling is worth it.

#### Alabama Coast

Sandy Johnston, executive director of the Pensacola Beach Chamber of Commerce, says that drilling in the Gulf would be her worst nightmare.

"We have everything to lose and nothing to gain. Nothing," Johnston says. "Drilling is not going to change the price of gas today, next week, next month or next year. It's just going to destroy a beautiful location."

While the debate rages in Florida, less than 60 miles to the west, coastal residents and tourists see a different seascape. On Dauphin Island, a barrier island south of Mobile, Ala., natural gas rigs can be clearly seen from the beach.

Frances Coleman, the editorial page editor of the Mobile Press Register, says that the rigs don't really make any noises that can be heard on land.

"At night you can see some of the lights. But other than that it's just interesting little blips on the horizon. It's just part of this area, what we see when we go to the beach," she says.

From where Coleman sits on the beach, about 13 of the steel structures can be seen. The producing wells have a long arm jutting up that looks like a construction crane with a little flame on top.

Occasionally, boats travel between the platforms. Some are fishing the underwater structures where fish congregate. Others appear to be supply vessels. Coleman calls it a mixed-use image — the Gulf here being used for both commerce and recreation.

Energy companies started producing natural gas off Alabama's shores in the early 1980s. Today, there are 49 wells that generate more than \$500 million a year in royalties and other state revenues, according to the Alabama Oil and Gas Board.

According to Steve Russell, director of business expansion and retention at the Mobile Chamber of Commerce, the natural gas is distributed as far north as New York and New Jersey as well as to Alabama and Florida.