Week in News: July 21-28, 2008

What's under the surface? The 411 on drilling off N.C.
The News&Observer, July 27, 2008; http://www.newsobserver.com/164/story/1155488.html

The American way
Denver Post, July 26, 2008; http://www.denverpost.com/opinion/ci_9988605

90 billion barrels, USGS estimates 90 billion barrels of oil and 1,670 tcf of gas in the Arctic
Petroleum News, July 26, 2008; http://www.petroleumnews.com/pntruncate/773059037.shtml

Diverse interests reach accord on Gulf Coast needs
Shreveport Times, July 26, 2008;
http://www.shreveporttimes.com/apps/pbcs.dll/article?AID=/20080726/NEWS01/807260332/1060

Senate Energy-Speculation Bill Is Blocked
WSJ, July 25, 2008; http://online.wsj.com/article/SB121702679230086263.html?mod=googlenews_wsj

GOP kills effort to release oil from US stockpile
AP, July 24, 2008; http://ap.google.com/article/ALeqM5imPz0z6szykAL-CAKZDEZOAiDREgD924D7FG0

Drill, Drill, Drill: My Interview with Senator Mitch McConnell
CNBC, July 24, 2008; http://www.cnbc.com/id/25835081

Cold Comfort: Arctic Is Oil Hot Spot
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The Oil Man Cometh
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What's under the surface? The 411 on drilling off N.C.
The News&Observer, July 27, 2008; http://www.newsobserver.com/164/story/1155488.html

What's under the surface? The 411 on drilling off N.C.
Barbara Barrett, Washington Correspondent
Comment on this story

Here are a few key questions about the prospects of drilling for oil and gas off the North Carolina coast.
Q: How much is out there?

A: The Minerals Management Service estimates there are nearly 4 billion barrels of oil and 37 trillion cubic feet of natural gas in the Outer Continental Shelf of the Atlantic Ocean. But until companies begin exploring, it's tough to know for sure. And companies often can recover more than they expect, said Andy Radford, a policy adviser at the American Petroleum Institute. In Alaska's Prudhoe Bay on its north slope, for example, initial estimates were that companies would find 9 billion barrels of oil, Radford said. Already, companies have produced 15 billion barrels.

Q: Who makes the decision to drill?

A: First, Congress must lift its moratorium on drilling in the Outer Continental Shelf. President Bush lifted the executive ban earlier this month. There are bills being considered now, but they have little chance of passing.

If the Outer Continental Shelf opens up, the federal government's Mineral Management Service would put out federal leases for bid. Then, oil and gas companies bid for leases -- usually several years in length -- for the right to explore and drill in those areas. Companies decide whether there's enough oil or natural gas to invest in building drilling platforms, pipelines and onshore refining plants. States have regulatory authority for onshore operations and for the waters up to 3 miles off the coast.

Q: What would North Carolina get in return?

A: Advocates of offshore drilling want the states to get a percentage of the royalties that oil and gas companies pay when they make discoveries.

How much North Carolina would receive depends on what's found. But by comparison, the first lease sale in the Gulf of Mexico in 2008 brought $24 million to be shared among Texas, Mississippi, Alabama and Louisiana. Proponents such as U.S. Rep. Walter Jones, a Farmville Republican whose district includes the Outer Banks, want the money used for coastal projects such as new sand or waterway dredging.

Q: When would we see oil and/or natural gas?

A: In about a decade, when the Outer Continental Shelf opens to drilling. If federal leases were open tomorrow, it would likely take eight to 10 years for oil companies to explore the ocean, build the platforms, pipelines and refineries and begin pumping for useful oil.

Q: Who would oversee the industry?

A: Scientists and industry watchdogs say regulatory enforcement is critical to maintaining an environmentally tolerant drilling industry. The federal Minerals Management Service, part of the Department of the Interior, distributes leases and manages revenues from oil and gas companies.

States such as Louisiana and Texas have extensive state divisions dedicated to the oil and gas industry, though the industry is huge there because drilling occurs on land as well. States along the Gulf Coast have imposed environmental regulations to do such things as requiring companies to clean up any spills that create a sheen, prohibiting companies from dumping the toxic "drilling muds" that come up when holes are first dug and requiring permits when pipelines cross wetlands.

Q: Oil companies have leases on millions of acres of waters. Why aren't they drilling now?

A: Companies say they are drilling where they can, but not in areas where exploration shows little or no recoverable oil.

Q: Opponents of offshore drilling as a way to get more domestic oil and gas production say that wind and solar energy are better alternatives. How do they compare in terms of meeting the nation's energy needs? How realistic is this?

A: Research into wind and solar power are increasingly popular on both sides of the argument, and Democrats especially in Congress are pushing for more funds. But fossil fuels still make up most of the nation's energy use. Oil baron T. Boone Pickens told Congress last week that the nation could get 20 percent of its electricity from wind. That would include garnering power for battery-run vehicles and would allow the release natural-gas resources for vehicles run by natural gas.

The American way
Denver Post, July 26, 2008; http://www.denverpost.com/opinion/ci_9988605

opinion

By Ed Quillen

After catching a TV commercial from the John McCain campaign which blamed Barack Obama for high gasoline prices, I wondered how that could be so. After all, Obama has been portrayed as a lightweight who never accomplished much, and now he's the reason we're paying $4 a gallon?

So I called my favorite inside source, Ananias Ziegler, the media relations director for the Committee That Really Runs America.

Right off, he asked me, "Can you prove that Sen. Obama was not part of Vice President Dick Cheney's secret National Energy Task Force that met in 2001?"

"I don't think so," I replied. "But wasn't he just a state senator in Illinois then?"

"Doesn't matter," Ziegler said. "Unless you can demonstrate that he was not involved in the Bush administration's formulation of the wonderful national energy policy we enjoy now, then it's fair to hold him responsible for high gas prices. Besides, he's a Democrat, and everyone knows they've blocked domestic oil production."

I cited numbers from the federal Energy Information Administration. "Domestic crude-oil production peaked in 1970 at 3.52 billion barrels. In 2000, it was down to 2.13 billion. And last year it dropped to 1.86 billion."

"And your point is?" he interrupted.

"If it was that important to increase domestic production, why didn't it increase when there was a Republican president with a Republican House and Senate, when those evil Democrats couldn't have blocked increased drilling?"

"Well, times change," Ziegler said. "Back then, even a Republican governor like Florida's Jeb Bush opposed drilling near his coastline."

"Sort of like Gov. Arnold Schwarz- enegger in California now?" I asked.

"I wish you hadn't brought him up," Ziegler snapped. "Why do they worry, anyway? Don't you know that not a single drop was spilled from an offshore platform in the Gulf of Mexico during hurricanes Katrina and Rita in 2005?"
"That's not quite true," I pointed out. "The Minerals Management Service of the Department of Interior said there were 125 spills involving a total of 16,302 barrels."

Ziegler pondered that and moved on. "Wait until you see our next video production. It'll show a vast array of idle drilling rigs and unemployed roughnecks."

"But don't the oil developers have thousands of acres already leased that they haven't drilled?" I asked.

"Of course they do," Ziegler said. "And if they can bid for more, doesn't that make for increased federal income and a lower budget deficit, even if it doesn't produce any more oil?"

I hadn't thought of it that way. "And the new oil-shale leasing proposal from the Interior Department could work that way, too?" I asked, optimistically. "Studies, surveys, tests, lease sales and swaps, everything but production?"

"More than likely," Ziegler agreed, "since nobody has found a profitable way to use the stuff. But I like the other possibility: a big chunk of your insignificant flyover state chewed into a moonscape. Every drop of water diverted from agriculture to industry. Huge new coal-fired generating plants to meet the electric demands of this industry and its workforce."

I interrupted. "All so people can go back to commuting 80 miles a day in 12-mpg SUVs?"

"Of course," Ziegler said, "just as soon as Obama and your evil, air-loving, water-protecting, wildlife-coddling elected officials get out of our way. After all, Vice President Cheney said it all: 'The American way of life is not negotiable.' "

And with that, Ziegler had to take another call.

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90 billion barrels, USGS estimates 90 billion barrels of oil and 1,670 tcf of gas in the Arctic
Petroleum News, July 26, 2008; http://www.petroleumnews.com/pntruncate/773059037.shtml

By Alan Bailey

On July 23 the U.S. Geological Survey released the long-awaited results of its appraisal of potential Arctic oil and gas resources.

“The area north of the Arctic Circle has an estimated 90 billion barrels of undiscovered, technically recoverable oil, 1,670 trillion cubic feet of technically recoverable natural gas and 44 million barrels of technically recoverable natural gas liquids in 25 geologically defined areas thought to have potential for petroleum,” USGS said in announcing the completion of its assessment. “… These resources account for 22 percent of the discovered technically recoverable resources in the world.”

30 percent of gas worldwide

Worldwide, the estimated Arctic resources represent 13 percent of undiscovered oil, 30 percent of undiscovered natural gas and 20 percent of undiscovered natural gas liquids, with about 84 percent of the resource occurring offshore, USGS said.
“Before we can make decisions about our future use of oil and gas and related decisions about protecting endangered species, Native communities and the health of our planet, we need to know what’s out there,” said USGS Director Mark Myers. “With this assessment, we’re providing the same information to everyone in the world so that the global community can make those difficult decisions.”

USGS scientist Brenda Pierce told Petroleum News July 24 that the Arctic assessment forms part of a USGS world petroleum project. Following publication of results from that project in 2000 the agency realized that the study had only included a few Arctic basins, she said.

“The Arctic clearly was one area in which we knew we needed to focus in order to really understand the world’s petroleum endowment because there is great petroleum potential in the Arctic,” Pierce said. “So, for the past few years our world petroleum project has focused solely on the Arctic, gathering data, building partnerships, getting the information necessary to conduct an assessment.

Three provinces

USGS thinks that more than half the undiscovered Arctic oil resources occur in just three provinces — Arctic Alaska, the Amerasia basin and the East Greenland rift basin, with 70 percent of the gas resource occurring in the West Siberian basin, the East Barents basin and Arctic Alaska.
Arctic Alaska comes at the top of the list by a large margin in terms of potentially recoverable oil resources, with an estimate of nearly 30 billion barrels. In terms of natural gas, Russia’s west Siberian basin comes out on top with an estimate of 651 tcf; the east Barents basin (the Russian side of the Barents Sea) comes up next with 317 tcf; and Arctic Alaska is third with 221 tcf.

But Donald Gautier, a member of the Arctic appraisal assessment team, cautioned that, with little drilling or seismic surveying in many of the Arctic basins, the new resource estimates are subject to considerable uncertainty.

“I would emphasize that this is a very uncertain area and these are probabilistic estimates with a great deal of uncertainty associated with them,” Gautier said.

And Pierce said that, although the estimates represent oil that could be extracted using current technology, the assessment did not take into account the technical difficulties of operating in deep water or sea ice.

“We assumed these resources are recoverable in sea ice and despite water depth,” Pierce said.

Assessment units

USGS says that the Arctic assessment involved assembling available geologic information and then defining assessment units — mapable volumes of rocks with common geologic traits. Because of the scarcity of seismic and well data in many basins, the USGS scientists found worldwide analogues to the assessment units — geologic settings with similar characteristics — to estimate the probabilities of oil and gas accumulations in the Arctic basins. By adding the estimates for individual assessment units, the scientists could obtain an overall resource estimate for each province. The scientists also estimated likely accumulation sizes and did not assess quantitatively eight provinces where there appeared to be less than a 10 percent probability of a significant accumulation (defined as 50 million barrels of oil equivalent or more).
However, USGS has not yet published the probability distribution data that would give an indication of the level of certainty of the assessment results. Pierce told Petroleum News that USGS is still evaluating the probability distributions of the various assessment units and expects to present the results of this evaluation at the International Geological Congress in August.

Arctic Alaska

The Arctic Alaska province that figures high in the oil and gas resource estimates includes the whole of northern Alaska, most of the Chukchi Sea shelf and quite a large section of the Beaufort Sea shelf. However, USGS has included part of the Beaufort Sea shelf, as defined by bathymetry, within what USGS terms the Amerasia basin province, a province that figures in the top three for potential oil resources. The Amerasia basin province includes extensive areas of continental margin north of Alaska and along the Canadian side of the Arctic Ocean, as well as the Mackenzie Delta, USGS geologist Dave Houseknecht told Petroleum News.
USGS used geologic distinctions, rather than bathymetry or political boundaries, to define the provinces in the assessment, Houseknecht explained. As a consequence there are boundary differences between the USGS Arctic provinces and the provinces covered by some existing petroleum assessments. For example, both the Arctic Alaska province and the Amerasia basin province overlap the U.S. Minerals Management Service Beaufort shelf assessment province.

Houseknecht also stressed that, to achieve consistency across the whole of the Arctic, USGS had used very broadly defined assessment units, even in areas such as northern Alaska where USGS and MMS have published much more detailed assessments. And the 50 million-barrel cutoff point for a “significant accumulation” is relatively high.

“This should be perceived as a lower resolution look at the global Arctic,” Houseknecht said.

Specific assessments such as the MMS Beaufort and Chukchi Sea assessments, and the USGS assessments of different sections of northern Alaska, provide detailed evaluations of multiple petroleum plays and the associated resource potential in the region.

“We continue to defer to the preceding assessments by MMS and USGS for the details of Arctic Alaska resource potential,” Houseknecht said.

Worldwide perspective

But the figure of 22 percent of worldwide undiscovered resources from the new USGS Arctic assessment does bring into perspective the figure of 25 percent that many people have bandied about for Arctic oil and gas resources. The 25 percent figure came from an assessment of seven oil and gas basins that had been broadly described as “Arctic” in the 2000 USGS world petroleum project report, but which contained substantial tracts of land that were not, strictly speaking, within the Arctic.
On the other hand, Professor Anatoly Zolotukhin, deputy rector on international affairs at Gubkin Russian State University of Oil and Gas, said in April that the Russians have estimated that the Russian Arctic Ocean shelf by itself could hold 25 percent of the world’s remaining oil and gas resources.

Of course, no one will really know how much oil and gas exists in the Arctic unless people drill holes in the ground. But whatever the real volumes are, they certainly look to be large.

Diverse interests reach accord on Gulf Coast needs
Shreveport Times, July 26, 2008;
http://www.shreveporttimes.com/apps/pbcs.dll/article?AID=/20080726/NEWS01/807260332/1060

By Mike Hasten • mhasten@gannett.com • July 26, 2008

NEW ORLEANS — Laying down their battle swords in an effort to help each other, environmental and oil and gas production interests have joined government officials in a pact aimed at increasing energy production in the Gulf of Mexico while restoring fragile wetlands.

Calling itself America's Energy Coast, officials from Texas, Louisiana, Mississippi and Alabama and national wildlife associations forged an accord to present a unified front to convince Congress they are serious about restoring the damaged coastline.

All have personal interests in success. Marshes that provide breeding grounds for much of the nation's seafood are being washed away. And oil companies' pipelines and production facilities that supply 90 percent of the nation's oil and gas are threatened by a rapidly eroding coast.

"These estuaries have tremendous ecological value," Susan Kaderka, National Wildlife Federation director for the Gulf region, said during a satellite news conference from the America's Energy Coast conference in Houston, where the accord was signed Thursday. "They are threatened by climate change, sea level rise and hurricanes. Their future depends on a safe and sustainable coast.

"This is an area in need of attention, restoration and protection," Kaderka said.

R. King Milling, chairman of the America's Wetlands Foundation, which initiated the alliance, said the goal of the pact is to "speak with a unified voice to impact policy as well as practices."

Randall Luthis, director of the U.S. Interior Department's Minerals Management Service, described the accord as "a broad agreement on the need for a reliable, sustainable source of energy," as well as a statement that all will work toward restoring the coast, which has been ravaged by hurricanes and is facing other threats.

The group highlights the loss of 17 square miles of wetlands a year in Louisiana, the annual fish-killing area of nutrient-fed low oxygen in the Gulf of Mexico known as "the dead zone," the erosion of beaches in Texas and the 150 miles of the Gulf Intracoastal Waterway at risk from erosion.

Luthis said the agreement "could not be more timely" as the nation depends on oil and gas while it works on alternative energy sources.

Dale Hall, of the U.S. Fish and Wildlife Service, said the agreement is "recognition of not what we're against but what we are for. We are for all of those things and we are trying to find a balance."

Mark Hurley, president of Shell Pipeline and chairman of the AEC Industry Council, said that with so many diverse interests on the panel, "we didn't expect to agree on everything. We found common ground that we can agree on."

Kaderka agreed the groups were "finding common ground" and said "we're all trying to find our way. It's no secret to anyone that these are interests that have not always seen eye to eye."

Louisiana Senate President Joel Chaisson, D-Destrehan, said at the National Conference of State Legislatures in New Orleans the agreement "represents a milestone" because so many groups, including state and local governments, have come together.

He cited a poll of residents in the four states that found 91 percent believe the states should work together, 90 percent believe the federal government should contribute and 88 percent believe "we can drill for oil in the Gulf and protect the coast at the same time."

Now that a draft agreement has been reached,"we must move quickly to transform our plan into action," said Rep. Warren Chisum, of Pampa, Texas.

Chisum, part of a group of lawmakers from throughout the country at the NCSL summit who flew over the Louisiana coast, said, "We are in serious trouble. Our offshore assets out there are threatened and our coast is eroding. Without a healthy coastline, we cannot sustain production."

The next steps are to put the accord into a form that calls for action and present it to Congress, Milling said.

"We don't have time to waste," Kaderka said.

Louisiana will have money to meet its share of coastal restoration costs when oil production begins in newly leased offshore areas off the Outer Continental Shelf, Chaisson said.

But the federal government is requiring a $1.8 billion match within three years, which "would devastate our effort. We're willing to pay, but we need more time."

The four-state coalition could help in convincing a new Congress to allow a longer payout, Chaisson said, because "there's strength in numbers."

Senate Energy-Speculation Bill Is Blocked
WSJ, July 25, 2008; http://online.wsj.com/article/SB121702679230086263.html?mod=googlenews_wsj

By IAN TALLEY
July 26, 2008; Page A5

WASHINGTON -- Senate Republicans on Friday blocked a vote on legislation to rein in speculation in the energy markets, instead calling for energy votes that would expand domestic petroleum production and more nuclear power development.

Democrats, in a 50-43 vote, failed to gain the 60 votes needed to bring the speculation bill forward for consideration on the Senate floor. Now they face another week of energy debate as Republicans threatened to hold the measure up to hammer home their "drill more, use less" policy.

With President Bush pushing to lift restrictions on offshore drilling and oil exploration in Alaska, the Wall Street Journal Digital Network asked New Yorkers what they think. (July 25)
The Democrats' legislation would require the Commodity Futures Trading Commission to set limits on the amount of speculative trades that can be made by participants who aren't buying futures to offset their exposure to the actual commodity, including in over-the-counter markets and other exchanges exempt from the same oversight as the New York Mercantile Exchange.

"There's clearly nothing more important in the country for Congress to deal with ... than the price of gas at the pump," said Sen. Mitch McConnell (R., Ky.). The minority leader said his party would continue to hold up business on the Senate floor until Democrats allowed them to offer a series of amendments on expanded offshore drilling, oil-shale development, nuclear power and other energy alternatives.

Republicans have been trying to use a swell of public support for increased petroleum production -- including areas currently closed on the Outer Continental Shelf -- to break Democrats' opposition to lifting a decades-old drilling moratorium.

Senate Majority Whip Richard Durbin, an Illinois Democrat, said the Republicans' strategy boiled down to pure politics. "They believe they have a winning hand, they believe the 'drill now' is the winning message to take into November," when the country will elect a new president, he said.

Oil prices sank to their lowest in weeks Friday as investors questioned whether crude has cooled enough to reflect a serious deterioration in demand. Prices at the pump eased to nearly $4 a gallon, and light, sweet crude for September delivery fell $2.23 a barrel to $123.26 on the New York Mercantile Exchange. But Americans continue to feel the pinch from high fuel prices, and recent polls suggest that energy remains a top economic issue for voters.

The spat over the number of amendments that would be allowed to the Democrats' energy bill fits within the general tone of debate over the legislation. Both sides have repeated that acting to bring down the price of crude oil is their top priority, but both have then accused the other of not taking the issue seriously.

Senate Majority Leader Harry Reid of Nevada said he has offered the Republicans to have separate votes on drilling, oil shale and nuclear, but that they have so far declined the offer.

Republicans said they haven't received a formal offer.

The House of Representatives also is considering an energy-market antispeculation proposal, but its legislation would give the regulator more discretion to set trading limits and exercise new power.

The legislation would extend the CFTC's oversight to previously exempt over-the-counter markets, according to House Agriculture Committee Chairman Collin Peterson, a Minnesota Democrat. It also calls for new full-time CFTC staff to "improve enforcement, to prevent manipulation and to prosecute fraud," he said.

The House Agriculture Committee approved the bill Thursday, and it is set to go to the floor of the House of Representatives for a vote next week.

Specifically, the bill would codify actions taken recently by the regulator, forcing position limits on the designated contract markets such as the New York Mercantile Exchange and foreign boards of trade such as IntercontinentalExchange's ICE Futures Europe.

GOP kills effort to release oil from US stockpile
AP, July 24, 2008; http://ap.google.com/article/ALeqM5imPz0z6szykAL-CAKZDEZOAiDREgD924D7FG0

By ANDREW TAYLOR – 56 minutes ago

WASHINGTON (AP) — House Republicans on Thursday scuttled a bill that Democrats hoped would help lower gasoline prices by forcing the Energy Department to release 70 million barrels of oil — about a three-day supply — from the national stockpile.

Democrats promised that the action would have produced immediate relief at the pump, as was the case with similar releases in 1991, 2000 and 2005. The Strategic Petroleum Reserve now holds about 700 million barrels.

Despite winning a clear 268-157 majority, the measure still lost. Democratic leaders had brought the proposal up for debate under rules requiring a two-thirds vote to pass.

But passing the bill by just a majority would have meant allowing Republicans to force a vote on new offshore drilling leases.

"They're hiding from a vote," said GOP leader John Boehner of Ohio. "They're scared to death to allow us to ... force their members to vote on drilling."

Democrats said the release from the oil reserve could provide relief at the pump within two weeks, though they would not say how much it would help $4-per-gallon gas. Earlier releases, such as a 34 million barrel drawdown in 1991 during the Persian Gulf War, caused prices to fall.

As debate began, the White House threatened a veto. "Rather than drawing down a strategic reserve intended to protect our nation's energy security from a severe supply disruption, Congress should pass legislation to increase domestic oil supply," the White House said in a statement.

Across the Capitol, political squabbling promised to doom a Senate bill that would curb the kind of speculation in the oil markets that many people believe is partly responsible for the increases in oil prices.

Republicans appeared unlikely to agree to cut off debate and move the measure to a final vote. They complained that Senate Majority Leader Harry Reid, D-Nev., had blocked them from offering amendments.

The result of all of the political maneuvering is that Congress will adjourn for a five-week vacation without having passed into law any response to high gas prices since legislation in May that required President Bush to suspend filling the reserve.

Republicans believe they are gaining the political upper hand because of Democrats' refusal to allow new drilling in the Outer Continental Shelf. Democrats said they have not seen any erosion in their standing with voters and say it allows them to cast Republicans as doing the bidding of big oil companies.

"This is an issue that the Republicans have latched onto in the absence of any other issue they have to talk about," said the House's second-ranking Democrat, Rep. Steny Hoyer of Maryland. "Not the economy, not Iraq, not foreign policy ... it's the only issue they have."

Drill, Drill, Drill: My Interview with Senator Mitch McConnell
CNBC, July 24, 2008; http://www.cnbc.com/id/25835081

Posted By:Larry Kudlow

What follows below is an unofficial transcript of my interview on Kudlow & Company last night with Senate Minority Leader Mitch McConnell.

Kudlow: Our lead story tonight is the hammer and tongs, drill, drill, drill battle in Congress that could decide the fate of the November election, the economy, and stocks. Here to tell us about this historic battle is Republican Senate Leader Mitch McConnell of Kentucky. Mr. Leader, welcome back. Thank you sir for your time.

McConnell: Glad to be with you Larry.

Kudlow: Senator McConnell, there's a lot of talk about a drilling deal that could be out there – energy speculation, trading speculation may be part of it. There was a 94-0 vote on a procedure. Where is this debate? Because this could really be a huge issue for stocks and the economy, and I reckon for the November election as well.

McConnell: Well there's good news and bad news. The good news is we're turning to the subject. The bad news is our Democratic friends think this is only a speculation problem. You know, the most famous rich Democrat in America, Warren Buffett, says it's not a speculation problem; it's a supply and demand problem. Boone Pickens has been down here promoting his plan which involves doing everything. He thinks we ought to do all of these things.

What our goal is as Senate Republicans is to get the Democrats to open this thing up. Let's have real amendments on real issues. And at the top of the list, obviously, would be following the desire of over 70 percent of the American people to get the option to go into the Outer Continental Shelf. Right now 85 percent of the Outer Continental Shelf is off limits. [Democrats] have shut down all of the oil shale. We have three times the reserves of Saudi Arabia in oil shale, right here in America. A moratorium has been imposed by this Congress last year on that. We need to have votes on those amendments and see if we can do a better job of opening up our own resources and become significantly less dependent on Middle East oil.

Kudlow: Senator McConnell, let me pick you up on the moratorium idea. First of all, what would be in this? Would it be a total reversal of the moratorium that expires September 30th? Are we talking offshore drilling? Are we talking Alaska, ANWR. Are we talking shale?

McConnell: Well I think we ought to do, at the very least on offshore, is give states an option. A state like Virginia for example, which wants to go into the Outer Continental Shelf, is currently not permitted to do that. At a very minimum, we ought to allow states an option. Many of our members obviously think 50 miles and out, and that's what we're talking about, nobody by the way would see any of these oil rigs, because they'd be further out away from the shore. Why not give states the option at the minimum to do that?

And why in the world would we want to shut down oil shale when we have three times the oil reserves of Saudi Arabia right here on shore, on land, in the western United States? There are other things we ought to do as well. I'd like to see a vote on opening up a small portion of the Alaskan wilderness. I'd like to see an amendment on coal to liquid. We'd all like to promote nuclear power, particularly those who are concerned about climate change. There are a lot of things we need to do. And we need to do them now. The American people are demanding that we do it now.

Kudlow: There are reports that you were having negotiations with Senator Reid and the Democratic leadership in recent days over amendments to what I guess is some kind of anti-speculators bill. I'm not sure if that's even right. But the report said that these negotiations broke down sir. Can you shed any light on that?

McConnell: No they continue. The first thing we want to make clear to the Democrats is that we want to get on this subject, and stay on this subject. We think they want to just pass some kind of bill on speculation that almost no one thinks would make a difference, and then move on to something else. We want to stay on this issue. We want to offer amendments that will make a difference. We hope that will encourage the American people that we're finally going to get a handle on our own energy production and try to make a difference in the future, rather than handing our future over to Middle Eastern governments, many of whom are not friendly with us.

Kudlow: Senator, there's a gang of ten out there, I'm sure you know about it. We interviewed Senator Mary Landrieu of Louisiana who's one of the ten. They're looking for a compromise deal to open lots of drilling opportunities offshore and onshore. Not Alaska, but I think the shale was included with some conservation measures. Sir are you working with the gang of ten? Might that be some support for your position?

McConnell: Well I certainly hope so. I've certainly encouraged this group. I think any Democrats we can find who are willing to come on board for additional drilling both on and offshore, I think that's a good thing. And by the way, I want to emphasize that every member of my conference also is in favor of most of the measures you can think of to use less. For example, we're enthusiastically in favor of incentivizing battery-driven cars. Many of my members are interested in natural gas, natural gas automobiles, which are driven all around the world, except here. We have a few here, but not nearly enough. We're for both finding more and using less. Our Democratic friends, most of them, and I think Senator Landrieu may be an exception to that, are only interested in using less. They're not interested in finding more. And that's not enough to help solve this problem.

Kudlow: As you can imagine, the whole world is watching this debate. Since President Bush removed the executive moratorium, we've seen a precipitous drop in energy. Oil prices are off, I don't know, more than $20 dollars, about 15 percent, just on the hope of greater energy supplies. So the whole world is watching this debate in the Senate and the House. Do you have any sense of a timetable for votes that would give us guidelines?

McConnell: Well we're on the subject now. And our view, Republicans in the Senate's view, is that we ought to stay on this subject until we do something worth doing. Something important that will send a signal, not only to the rest of the world, but to the American consumer that we intend to get a handle on this problem and make progress.

Kudlow: You know Senator, you and I have talked about your need to create a firewall against, perhaps, contingencies in the election coming up. 60 votes is the magic number. In your judgment, is this drill, drill, drill argument a key political issue? Could this in fact boost GOP hopes for November?

McConnell: Well it could. My first choice frankly is to get something done that's important for the country. But if our friends on the other side are unwilling to increase domestic production, then we're happy to take that to the people as a political issue this fall. First choice is to have an accomplishment; second choice is we take it to the American people. We think they're on our side. We think they want us to expand American production, and to begin to solve this problem now.

Kudlow: When might the first votes occur? Are we talking tomorrow? Are we talking Friday? Are we talking actually before you go out for Labor Day?

McConnell: Yeah. Friday and then you know, if we stay on the subject, which is my goal, we'll be still dealing with this next week.

Kudlow: All right, Senator Mitch McConnell. Thank you very much for the update sir. We appreciate it.

McConnell: Thank you Larry.

Cold Comfort: Arctic Is Oil Hot Spot
WSJ, July 24, 2008; http://online.wsj.com/article/SB121683690003077857.html?apl=y&r=166208

Hard-to-Reach
Energy Reserves
Limit Potential
By GUY CHAZAN
July 24, 2008; Page A8

The Arctic contains just over a fifth of the world's undiscovered, recoverable oil and natural-gas resources, according to a review released Wednesday, confirming its potential as the final frontier for energy exploration.

A report by the U.S. Geological Survey found that the area north of the Arctic Circle has an estimated 1,670 trillion cubic feet of natural gas -- nearly two-thirds the proved gas reserves of the entire Middle East -- and 90 billion barrels of oil.

The report, the culmination of four years of study, is one of the most ambitious attempts to assess the Arctic's petroleum potential. One of its main findings is that natural gas is three times as abundant as oil in the Arctic, and most of that gas is concentrated in Russia.

The survey reflects interest in an area once off-limits to oil exploration. It has become more accessible as global warming reduces the polar icecap, opening valuable new shipping routes, oil fields and mineral deposits.

But any attempt to create an Arctic drilling frenzy will likely meet strong resistance from environmentalists worried about the impact on what is still a near-pristine wilderness. And it could trigger a flurry of territorial disputes over who controls the oil and gas under the Arctic seabed.

The USGS report, which brings together disparate data held by individual countries as well as new information from geologists working in the field, is the first time anyone has produced a comprehensive, publicly available estimate of the Arctic's hydrocarbon treasures.

Its conclusions will be read closely at a time when concerns about supply have driven up crude prices. But scientists cautioned that it will take decades to develop the Arctic's hard-to-get-at oil and natural gas.

"It will not ratchet up global production like a new Saudi Arabia," said Donald Lee Gautier, a USGS geologist who played a key role in the survey, known as the Circum-Arctic Resource Appraisal. "These are additions that will come over time."

Exploration in the area north of the Arctic Circle has already unearthed more than 400 oil and gas fields. They account for about 40 billion barrels of oil and more than 1,100 trillion cubic feet of gas, the USGS said.

But large parts of the Arctic, especially offshore, remain unexplored. Near-permanent sea ice makes it almost impossible to acquire seismic data and drill exploratory wells.

Climate change is opening the region. The Northwest Passage, home to deadly ice floes that can crush ships, was ice-free last summer. Some predict it will turn into a new trade route between Europe and Asia, and a channel that oil companies can use to ferry workers, equipment and supplies around more freely.

Enticed by the promise of vast deposits, energy companies are flocking northward -- often because they have few other places left to go. The Arctic, especially offshore Alaska and northern Canada, is one of the few parts of the world where the majors can easily acquire exploration acreage. Elsewhere, soaring crude prices have prompted oil-rich states to renegotiate contracts and sometimes kick out Western oil companies.

Associated Press
A Canadian ranger looks along the length of one of the gaping new cracks in the large Ward Hunt Ice Shelf, in an April photo. Climate change is opening up the region's potential for energy exploration.
Earlier this year, Royal Dutch Shell PLC spent more than $2 billion acquiring drilling leases in Alaska's Chukchi Sea. Last year, Exxon Mobil Corp. and Imperial Oil Ltd. of Canada bid nearly $600 million to win a big exploration

block in Canada's Beaufort Sea. BP PLC will spend $1.5 billion to develop Liberty, an oil field off the northern coast of Alaska.

Yet drilling in the Arctic is controversial. Shell has been forced to delay a drilling plan off northern Alaska because of a legal challenge from environmental groups that say it could harm whale and walrus populations.

Oil exploration might also be hampered by rising nationalism. The five circumpolar states -- Canada, Russia, the U.S., Norway and Denmark -- are scrambling to claim new territory in the central Arctic Ocean. Last August, a Russian submarine planted the country's flag on the seabed some 14,000 feet under the North Pole. Shortly afterward, Canadian Prime Minister Stephen Harper announced that his country's military presence in the Arctic would be beefed up.

The rhetoric stems from disagreements over who has sovereignty over the North Pole. Russia rests its claim on the theory that two underwater mountain chains that cross the Arctic Ocean, the Lomonosov and Mendeleev Ridges, are in fact extensions of its continental shelf. Denmark disputes that. A United Nations body that rules on such claims has recommended additional research.

Mr. Gautier, the U.S. geologist, said that one of the survey's main conclusions was that a lot of the gas in the Arctic is in Russian waters, in places like the South Kara Sea and South Barents Basin. These are both geological extensions of onshore areas that are rich in gas.

The presence of so many hydrocarbons there "will reinforce Russia's global dominance in natural-gas resources," he said. Russia is already the largest producer of natural gas and sits on the biggest gas reserves.

Yet there is little likelihood that much of Russia's Arctic wealth will be exploited any time soon. The country still has vast untapped fields onshore that are first in line to be developed.

Development would also be hampered by Russia's likely reluctance to let in foreign companies with experience developing oil and gas riches in hostile environments like the Arctic. Some firms have been allowed in, but only as junior partners of state-controlled Russian entities such as OAO Gazprom.

The situation could change. Neil McMahon, an oil analyst at Sanford Bernstein, said Russia will come under mounting pressure to sell offshore leases to Western companies and use the cash to boost investment in flagging domestic oil production.

The Oil Man Cometh
NYT, July 24, 2008; http://www.nytimes.com/2008/07/24/opinion/24egan.html?th&emc=th

By TIMOTHY EGAN
Published: July 24, 2008

There he is, the sound of money in a wizened Texas drawl, the tired realist looking a bit like the John Huston character from “Chinatown” as he warns in national television ads that we should just listen here and do as he says.

And what the 80-year-old T. Boone Pickens says, in a $58 million campaign, is that we can’t drill our way to lower gas prices. By implication, anybody who tells you otherwise — including the fellow Texan he helped put in the White House — is a fraud.

This is a political parable for the ages: the guy who was behind one of the knockout punches to John Kerry four years ago is now doing Democrats the biggest favor of the election by calling Republicans on their phony energy campaign.

“Totally misleading” is the way Pickens describes Republican attempts to convince the public that if we just opened up all these forbidden areas to oil drilling then gas prices would fall. He’s not against new drilling, but he is honest enough to say it wouldn’t do anything.

Republicans are furious at their longtime benefactor. Senator John McCain is currently running an ad in which he directly blames Barack Obama for $4-a-gallon gas at the pump — as bogus a claim as anything yet made in 2008.

Then along comes Pickens, Texas oilman and billionaire corporate raider, overwhelming the McCain attack with a saturation message that has the added value of being true, as Henry Kissinger once said about another matter.

Pickens was a geologist before he found a deep pool of money, so when he says “the geology just isn’t there” to reduce oil imports through new drilling in offshore areas, he has some cred.

But, more importantly, Pickens is betting $10 billion in constructing what he says will be the world’s largest wind farm in the gusts of West Texas. If the mighty winds of the American midsection were harnessed, it could free up plentiful natural gas for vehicles — a relatively quick step away from foreign oil.

Would it enrich him further? Yes. But perhaps it’s not about money. In “Chinatown,” the old man played by Huston was asked by Detective Jake Gittes what more he could possibly buy at his age.

“The future, Mr. Gittes. The future.”

But before T. Boone poses for his statue, he has to answer to his past. Pickens was the moneybags, to the tune of $3 million, behind the Swift Boat attacks that made Senator Kerry’s honorable service in Vietnam sound like Rambo tangled up in lies. He even promised to pay $1 million to anyone who could challenge the veracity of the claims.

After a group of veterans presented him with documents identifying 10 lies of the Swifties, Pickens broke his promise. The vets misunderstood the precise details of the $1 million offer, he said last month. Sorry, but thanks for your service, boys!

The old-fashioned term for this is welshing on a bet, which dishonors Wales.

Because so much is at stake in the energy debate, some are quick to embrace Pickens. An endorsement from Carl Pope, executive director of the Sierra Club, is prominently displayed on the Pickens Web site.

“To put it plainly,” Pope says, “T. Boone Pickens is out to save America.” I asked Pope why he lent his words to someone who had so much to do with giving us another four years of the oil intransigence of the Bush administration.

“Ten billion dollars gets my attention,” he said.

No doubt, the Pickens plan makes sense. Just last week, Texas state officials gave preliminary approval to the biggest investment in clean energy in American history, backing a $4.9 billion plan to build transmission lines for wind energy.

Meanwhile, looking bravely to the past, Bush and McCain are trying to convince us that more oil drilling will save us from $5-a-gallon gas. History says otherwise. The number of oil and gas permits on federal land doubled in the last five years, with no effect on price or supply. And Bush’s own Energy Information Administration says increased drilling wouldn’t move the market in the short term.

McCain knows this, despite the brazen lie in his Obama gas ad. He now says drilling offshore would have “a psychological impact.” Just like that “mental recession” his former chief economic adviser Phil Gramm spoke of. These guys need to get off the couch.

It’s sad to see McCain go down this path, an easy sell for a fast-food nation. Straight talk distress.

Winning the argument may depend on who has the bigger megaphone. Advantage Pickens. Which means advantage Obama. Unless, of course, McCain wants to Swift Boat him, and then he knows who to turn to.

Oil Survey Says Arctic Has Riches
NYT, July 24, 2008; http://www.nytimes.com/2008/07/24/business/24arctic.html?_r=1&th&emc=th&oref=slogin

By JAD MOUAWAD
Published: July 24, 2008

The Arctic may contain as much as a fifth of the world's yet to-be-discovered oil and natural gas reserves, the United States Geological Survey said Wednesday as it unveiled the largest-ever survey of petroleum resources north of the Arctic Circle.

Oil companies have long suspected that the Arctic contained substantial energy resources, and have been spending billions recently to get their hands on tracts for exploration. As melting ice caps have opened up prospects that were once considered too harsh to explore, a race has begun among Arctic nations, including the United States, Russia, and Canada, for control of these resources.

The geological agency's survey largely vindicates the rising interest. It suggests that most of the yet-to-be found resources are not under the North Pole but much closer to shore, in regions that are not subject to territorial dispute.

"For a variety of reasons, the possibility of oil and gas exploration in the Arctic has become much less hypothetical than it once was," Donald L. Gautier, the chief geologist for the survey, said during a news conference Wednesday. "Most of the resources are on the continental shelf in areas already under territorial claims."

The assessment, which took four years, found that the Arctic may hold as much as 90 billion barrels of undiscovered oil reserves, and 1,670 trillion cubic feet of natural gas. This would amount to 13 percent of the world's total undiscovered oil and about 30 percent of the undiscovered natural gas.

At today's consumption rate of 86 million barrels a day, the potential oil in the Arctic could meet global demand for almost three years. The Arctic's potential natural gas resources are three times bigger. That equals Russia's proven gas reserves, which is the world's largest.

The agency called the Arctic region "the largest unexplored prospective area for petroleum remaining on earth."

The world currently holds 1.24 trillion barrels of proven oil reserves and 6,263 trillion cubic feet of proven natural gas reserves.

The survey looked at "undiscovered technically recoverable resources," defined as resources that can be produced using current technology.

While the findings contain some uncertainty, they confirm a widely held industry belief that the Arctic may be the next frontier for global oil exploration.

Two regions stand out. A third of the yet-to-be discovered oil, or about 30 billion barrels, is off the coast of Alaska. The findings also confirmed the pivotal role of Russia. Nearly two-thirds of the yet-to-be found natural gas resources are in two Russian provinces, the West Siberian Basin and the East Barents Basin, which straddles the territorial waters of Russia and Norway.

Speaking of Alaska, Mr. Gautier said: "It is the most obvious place to look for oil in the North Arctic right now. It is virtually certain that petroleum will be found there."

Unlike much of the continental shelf off the lower 48 states, the Alaskan coast is generally open to oil exploration. This year, oil companies spent $2.6 billion to acquire leases on government-controlled offshore tracts.

Even as production declines on Alaska's North Slope, many people believe Alaska could see a revival as oil companies move offshore. Native and environmental groups are fighting some offshore drilling, however.

The geological survey compiled estimates from a variety of sources, including government and privately held data, from Denmark, Greenland, Norway, Russia, the United States and Canada.

Column: Drilling Our Way Out Of Today's Oil Crisis
CBS, July 22, 2008; http://www.cbsnews.com/stories/2008/07/22/politics/uwire/main4284480.shtml

(UWIRE.com) *This story was written by Holly Foxen Wells, The Daily Aztec*

When Vice President Dick Cheney announced that China was drilling for oil off the coast of Florida in cooperation with the Cuban government early this July, there was an uproar. Gas prices are soaring and no one is happy with the thought of China conducting oil explorations right in America's backyard, especially when the United States isn't conducting offshore drilling of its own.

It turns out that Cheney was mistaken, but the underlying issue still lingers. Because of a lease with Cuba, China can drill off American shores, but because of our own bureaucracy, the United States is tying its own hands. It's completely ridiculous that we are forgoing any sources of oil with gas prices as high as they are, especially when these sources would simultaneously decrease our own dependence on foreign oil.

As the price of oil continues to climb, other countries are increasing their off shore oil explorations. Canada, Cuba, Brazil, Australia and Russia have all jumped on the offshore exploration bandwagon, but the UnitedStateshas not followed suit.

The United Statesis suffering a major energy crisis right now, and we should be drilling in as many places as we can manage. Offshore drilling may be a short-term solution to a long-term energy problem, but if countries like China can already drill and drain our nearby coastal regions of oil and gas deposits, there's no reason why we shouldn't save ourselves a few bucks at the gas pump until alternative energy sources are further developed.

Which leads to the following question: Why aren't we taking advantage of this abundant oil supply?

The answer is painfully simple: politics.

Two federal bans stand in the way of offshore energy exploration for the United States.The Executive Moratorium, which was instituted in 1990 and is set to expire in 2012, can be eliminated by the president at any time. The Congressional Moratorium comes in the form of a budget rider in Congress, which would expire if not annually renewed. Democrats continually renew the bill while Republican's efforts to kill it continually fail. Two weeks ago on Capitol Hill, Republican-led efforts to rescind the offshore drilling ban were rejected yet again by a House Subcommittee.

Former Speaker of the House Newt Gingrich, who chairs the non-partisan group American Solutions for Winning the Future, wants action. He recently gathered more than 1 million signatures for a petition called "Drill Here. Drill Now. Pay Less." The petition is pleading with the U.S. Congress to "act immediately to lower gasoline prices (and diesel and other fuel prices) by authorizing the exploration of proven energy reserves to reduce our dependence on foreign energy sources from unstable countries."

Gingrich is not alone in his grassroots efforts. Republicans have long been pushing for an energy plan that encourages domestic oil exploration and production. Such plans also focus on alternative energy sources such as wind, nuclear and captured carbon dioxide, which could ultimately yield long-term solutions to the current energy crisis. If passed into law, the "Drill Here. Drill Now. Pay Less." plan could help America wean itself off its foreign oil dependence and strengthen our energy security.

Sadly, the energy plan is having a hard time taking flight. In addition to the moratoriums, Democrats in Washington are blocking the United States from pursuing any type of domestic oil and gas exploration, citing that such drilling would be "environmentally hostile."

This excuse is just plain ridiculous.

Technology has made off shore drilling environmentally safe and unobtrusive. Oil spills are virtually unheard of. In fact, it's very possible that the offshore drillingban increases the environmental threat, because less local drilling means more incoming oil tankers, which pose a greater risk of spillage than if we were to drill here.Far more importantly, Democrats are not representative of the voice of the American people on this topic. According to Gingrich and a number of other sources, the majority of Americans support drilling in presently restricted areas if it is done in an environmentally friendly way.

Congress' annual budget rider is an outdated ban on domestic energy production.

Because of such bans, our nation's vast outer continental shelf remains untapped by drilling. According to the U.S. Mineral Management Service of the Department of the Interior, this shelf contains "at least 86 billion barrels of oil and 420 trillion cubic feet of natural gas."

That equates to 10 times the oil and 20 times the natural gas Americans use in a typical year.

This potential abundance of oil could lessen our dependence on foreign oil, create jobs and initiate new investments in our economy.

We can't "drill our way out" of our reliance on oil, but we can make the transition to alternative energy sources much easier while lessening our dependence on foreign oil.

There is no reason to keep the United States from drilling off its own coast, especially when other countries can drill right under our noses. It is not the long-term solution, but it will give some much-needed relief to Americans at the gas pump.

The lowdown on offshore oil reserves
SF Chronicle, July 22, 2008; http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2008/07/22/MN6M11SN60.DTL

The lowdown on offshore oil reserves
David R. Baker, Chronicle Staff Writer

Tuesday, July 22, 2008

-- U.S. offshore oil fields could hold enough crude to supply all of the country's needs for more than 11 years.

Or they might not. No one knows for certain because, with new offshore oil drilling banned on the East and West coasts, no one has gone looking for oil there in years.

Now congressional Republicans are pushing hard to make offshore drilling a key issue in the presidential campaign, hoping to channel the anger Americans feel over historically high oil and gasoline prices. More oil, they argue, will bring lower prices.

The federal government estimates the nation's outer continental shelf might hold 85.9 billion barrels of crude, including 10.13 billion barrels off California. For comparison, the United States consumes about 7.56 billion barrels of oil per year. The nation's sea floor also could hold 419.9 trillion cubic feet of natural gas, equal to U.S. consumption for 14 1/2 years. But the federal estimates are just that - estimates.

"You don't really know what's there until you go out and drill a well," said Ken Medlock, an energy research fellow at Rice University's James A. Baker III Institute for Public Policy. "And even then, you're not 100 percent sure of what you're going to get."

In addition, offshore oil exploration is slow and costly.

If the federal government opened California's coast to drilling tomorrow, the first exploratory wells probably wouldn't be drilled for at least six years, Medlock said. Bringing newly discovered oil fields into full production would take longer.

That means any new oil wouldn't arrive on the market until midway through the next decade, at the earliest. The process is slow enough that the Energy Information Administration, the statistics branch of the U.S. Department of Energy, estimated last year that opening the coasts to offshore drilling would have no significant impact on oil prices before 2030.

"It's a crock to say that's any kind of near-term solution for the pain drivers are feeling at the pump," said Bill Corcoran, senior regional representative for the Sierra Club.

Drilling supporters acknowledge the long time frame but say there's no better moment to start than now. If the federal government hadn't stopped most new coastal drilling 26 years ago, some of that oil would already be on the market, they argue.

"We've had a lot of years of federal policy that has resembled a 'Just Say No' approach," said Joe Sparano, president of the Western States Petroleum Association.

He hopes changing public attitudes toward drilling will open the coasts. A Field Poll last week found that while a majority of Californians - 51 percent - still rejects offshore drilling, opposition within the state isn't as strong as it once was. The last time the poll asked Californians about drilling, in 2005, 56 percent opposed it.

"If the number of Californians who support new drilling offshore continues to increase, maybe the politicians who represent them will respond," Sparano said.

Not all of America's coastal waters are closed to drilling.

Most of the country's estimated offshore reserves - about 75 percent - lie in areas that have been drilled for years or are being opened for exploration. Roughly 48 percent of the nation's estimated reserves, or 41 billion barrels, lie beneath the western and central Gulf of Mexico, where oil companies armed with new drilling technology are pushing into ever deeper water. Another 27 percent of the estimated reserves, or 23.6 billion barrels, are believed to lie off the north coast of Alaska, where the federal government sold oil exploration leases this spring, despite fears that the work would hurt the polar bear population.

California has about 23 percent of the country's estimated offshore reserves, with 10.13 billion barrels in federal waters that begin 3 miles off the state's coast. An additional 1 billion barrels may lie closer to shore, in waters controlled by the state government.

California witnessed the world's first offshore oil well, drilled in 1897 at the end of a pier near Summerland (Santa Barbara County). But a 1969 accident at a well farther west in the Santa Barbara Channel, which spewed crude oil into the water and coated beaches, turned public opinion against offshore drilling.

Congress imposed a moratorium on new offshore wells along much of the country's coastline in 1982, and President George H. W. Bush added a presidential moratorium in 1990. But President George W. Bush lifted that moratorium early last week as part of a concerted Republican push on drilling. Republican presidential candidate John McCain has called for lifting the congressional moratorium as well.

Even if that happens, it probably wouldn't create a stampede to California's coast.

Gov. Arnold Schwarzenegger remains opposed to expanded offshore drilling, saying the country should focus instead on weaning itself off oil. The state government does not have direct control over federal waters off its coast, but it could place obstacles in the way of anyone looking for oil there.

The California Coastal Commission could object to any federal lease for oil exploration off the state's coast, said Brian Baird, assistant secretary for ocean and coastal policy at the California Resources Agency. The U.S. secretary of commerce could override the commission, but the state could then take the project to court, he said.

Although victory would hardly be guaranteed, "I would say it's a pretty strong hand," Baird said.

Drilling talk dredges up memories of '72
Gainesville Sun, July 21, 2008;
http://www.gainesville.com/article/20080720/NEWS/966350249&title=Drilling_talk_dredges_up_memories_of__72_

By Amy Reinink

The lifting of the executive ban on offshore drilling earlier this month conjured images of tall, steely platforms pocking the horizons of beaches along Florida's Gulf and Atlantic coasts for many Floridians. For some Alachua County residents, the news conjured images of an oil company drilling much closer to home.

In 1972, Chevron drilled a test well northwest of Waldo, according to state records. That test well and others drilled in Alachua County never led to any oil production, according to state records, but studies of the geological information unearthed by the Chevron well led University of Florida geologists to publish a paper in 1987 laying out evidence that Florida was once attached to Africa.

The long-filled Chevron well highlights Florida's long history as a source of both oil and oil-company research as the debate about offshore drilling heats up.

Florida currently has only two oil-producing areas on dry ground, said UF geology professor Guerry McClellan. Oil is still produced in the Sunniland oil fields in southwestern Florida and the Jay oil fields on the Panhandle.

McClellan said the most likely candidate for offshore oil production near Florida lies beneath the eastern Gulf of Mexico, off the shore of Florida's Panhandle.

He said estimates for how much oil currently lies below the surface range from "relatively modest to gigantic numbers."

"The reality is, nobody knows," he said. "If anybody does know, nobody's telling. Oil companies are very guarded about that kind of information. The only way to find out what's down there is to go looking."

That hasn't stopped politicians at every level of government from debating the merits of and perils of offshore drilling, including its effect on gas prices and the tourism industry.

Locally, state Sen. Steve Oelrich, R-Cross Creek, joined the chorus of voices pushing for offshore drilling recently, issuing a press release that supports offshore drilling to lower the country's dependency on foreign oil and thereby its gas prices.

But McClellan and other geology professors said no matter how much oil is available off Florida's coastline, it would be years before wells are permitted, drilled, brought online and made available for use.

Even then, current estimates of the oil available in the eastern Gulf of Mexico suggest even a best-case scenario would increase the United States' oil supply by about 3 percent, McClellan said. "At our current prices for gas, that isn't really going to change our situation much at all."

Exploratory drilling

The well northwest of Waldo was drilled at a time when oil companies got more information about what lies below the earth's surface using the only method available to them: drilling.

"That kind of exploratory drilling was what was done everywhere in the '70s," said UF geology professor John Jaeger.

Initially, North Florida's limestone-rich foundation made oil companies curious about what might lie below the surface, Jaeger said. Oil fields in places like West Texas and the Persian Gulf region sit atop limestone-rich areas, Jaeger said.

According to state records, the Chevron well near Waldo and others in Alachua County did not lead to oil. Doug Jones, director of the Florida Museum of Natural History, said that was likely no big surprise to oil companies.

"It was really an exploratory well," Jones said, referring to the 1972 Chevron well. "It was not really intended to find oil, but to characterize what the geological strata looked like. To understand where oil and gas deposits are and maximize your chances of success in recovering oil, you have to understand a lot about the surrounding rocks. The more oil companies understand about the rocks around the Gulf of Mexico, the better their models will be as to where to drill to find oil deposits."

But that didn't mean the well was a total loss.

‘Lucky' break

Jones was an assistant geology professor at UF in the early 1980s when he and other UF geologists traveled to New Orleans to pick up pieces of the core, or the sections of earth removed during drilling, from a Chevron warehouse. Jones said the core was stored in a multitude of boxes on rows of shelves in a building that "looked like something out of the end of ‘The Raiders of the Lost Ark.' "

Back in Gainesville, Jones and other geologists used the data available from the core, such as the age of the sediments and the types of fossils embedded in it, to determine that 400 to 500 million years ago, Florida was likely attached to Africa, not North America. It only attached to North America after the supercontinent Pangea split, geologists theorized.

Oil companies had drilled more than 50 wells in southern Georgia and North Florida by the 1970s, Jones said. Chevron just happened to be done researching the well it drilled in 1972 just when UF geologists were looking for a core to research.

"This was a handy one we were lucky to get ahold of and have access to," Jones said.

It's rare that oil companies drill without the promise of oil these days,

said McClellan. New technology lets them see what's below the surface without expensive drilling operations.

So no matter what happens off Florida's coasts, McClellan said it's unlikely oil companies will be revisiting Alachua County anytime soon.

Offshore drilling is a false promise
Christian Science Monitor, July 21, 2008; http://www.csmonitor.com/2008/0722/p09s01-coop.html

Oil and gas firms covet U.S. offshore reserves, but with oil prices so volatile it's unclear how much would be tapped -- or where it would end up
By Moira Herbst
Business Week

Breaking with an 18-year ban imposed by his father, President George W. Bush recently lifted an executive order prohibiting oil exploration in U.S. coastal waters. With that act, Bush said on July 15 at a Rose Garden news conference, "the only thing standing between the American people and these vast oil resources is action from the U.S. Congress." Meanwhile, an organization led by former U.S. House Speaker Newt Gingrich, American Solutions, is promoting a "Drill Here. Drill Now. Pay Less." campaign, collecting more than 1 million signatures to petition Congress to "act immediately to lower gasoline prices" by allowing exploration off America's coasts.

Told in political sound bites, the message is simple: Many people believe the U.S. has walled off a vast gold mine of oil in coastal areas that could be tapped to lower prices. "We have reserves that aren't being explored or developed, and this environment of high energy prices presents a great opportunity," says Charles Davidson, CEO of Houston-based Noble Energy (NBL). He says it "would be a great win for the country" if Congress follows Bush's lead and lifts the ban.

The reality, as usual, is far more complicated. Drilling in the now-restricted areas would require years of extensive seismic research before a single rig could operate. Even then, companies would not embark on such massive projects unless the profitability were clear. What's more, the federal Energy Information Administration estimates that access to new U.S. deposits would not significantly affect overall domestic production for 22 years.

Still, the extreme crimp of high fuel prices has mobilized efforts to expand U.S. oil production. "If the ban is lifted, more studies can be done to find out where the best resources are," says Cathy Landry, a spokeswoman for the American Petroleum Institute. "Every day we wait is a day further from more oil production. We need to get started."

Enough to Make Us Energy-Independent?

How much oil and natural gas is there offshore? No one really knows. According to estimates from the Interior Dept.'s Minerals Management Service [MMS], the U.S. has roughly 18 billion undiscovered and technically recoverable bbl. of oil and 76 trillion cubic feet of natural gas. Eric Potter, associate director of the Bureau of Economic Geology at the University of Texas at Austin, says that if these areas are opened up now, by 2025, 1 million additional bbl. per day could potentially be added to the market. Using International Energy Agency demand forecasts, by 2030 this production would equal less than 5% of U.S. daily consumption, and less than 1% of global daily consumption. "It would certainly help," says Potter. "But it won't make us energy-independent."

Still, lifting the ban is politically popular among Americans desperate for action on soaring energy costs. Almost three-quarters of American adults "strongly" or "mildly" favored increased drilling for oil and natural gas in offshore water, according to a CNN/Opinion Research poll conducted on June 26-29, higher than in previous polling.

Potential Hot Spots

The oil-services industry is capitalizing on the political momentum, targeting several coveted areas where it wants the freedom to explore. One is the eastern Gulf of Mexico off the coast of Florida, where the MMS says about 3 billion bbl. of oil could be recovered. This area, which includes the natural gas-rich Destin Dome 30 miles from Pensacola, could prove most accessible because of existing equipment in other parts of the Gulf. In addition, there's the currently off-limits Atlantic coastline's estimated 3.8 billion recoverable bbl., and a potential 10 billion recoverable bbl. lie beneath currently inaccessible Pacific waters.

The oil industry has been pressing lawmakers for access. The National Ocean Industries Assn. [NOIA], which represents 300 companies engaged in offshore oil and gas drilling, spent $200,000 in the first quarter, according to a disclosure form filed in the House. The group, whose members include drilling giants Diamond Offshore Drilling (DO) and Halliburton (HAL), used the money to press for lifting the offshore oil ban and on a variety of other issues. NOIA also includes companies that would more immediately benefit from more access: seismic exploration companies including CGGVeritas, WesternGeco, a subsidiary of oil-services firm Schlumberger PGS Geophysical.

Other industry groups eagerly support such a switch. "At today's [oil] price levels, there is lots of interest in offshore areas," says William Whitsitt, president of the American Exploration & Production Council, a trade group for independent oil companies including Devon Energy (DVN), Noble Energy, and Apache (APA). The American Petroleum Institute [API] also supports lifting the ban.

No Guarantee to Drill

But while companies and their lobbyists are gunning for access, there's no guarantee they'd ultimately produce more fossil fuels. First, seismic exploration data have not been updated for more than a quarter century, and extensive testing would be required before companies made decisions on capital allocations. And any oil that is recovered would go into the global marketplace -- not directly into U.S. consumers' cars. [The API counters that new supplies anywhere would help to lower overall consumer prices.]

Democratic lawmakers are raising such arguments to oppose new production in coastal areas. They point to MMS data showing that 83% of the area now leased by energy companies in the Outer Continental Shelf is not producing energy. While there are 2,200 producing leases in that space, an additional 6,300 are nonproducing. Democrats have proposed the "Drill Act," which they say would spur exploration on already available lands in Alaska, the West, and the western Gulf of Mexico. "There may be good and sufficient reasons why the companies that lease this land are not producing oil from it, but I believe we need to ensure that there is diligent development of existing leases," Senator Jeff Bingaman [D-N.M.], chair of the Senate Energy & Natural Resources Committee, told the Senate on July 16.

Noble Energy's Davidson disputes the notion that companies are intentionally not drilling on leased areas, citing the complexities of obtaining the proper government permits and seismic research. Also, wells selected for drilling may come up dry because of faulty data. "Energy companies are trying to pursue every idea we can," says Davidson. "I find the idea that leases are lying fallow a real stretch."

Conservative Companies

Meanwhile, some prominent politicians are beginning to support the idea of coastal drilling -- or at least some aspects of it. Senator Kent Conrad [D-N.D.], for instance, says he supports more oil drilling in the Gulf of Mexico but has not committed to domestic offshore drilling elsewhere. In June, Governor Charlie Crist [R-Fla.] reversed his long opposition to drilling off the state's coast, citing the financial pain high prices are inflicting.

With oil prices extremely volatile, companies are being conservative [BusinessWeek.com, 3/20/08] on their capital spending, fearful of an abrupt end to the bullish run. The uncertainty was highlighted the week of July 11-18, when crude oil futures tumbled [BusinessWeek.com, 7/17/08] more than 12%, to settle at $128.88 on July 18 from a July 11 record high above $147.

If the oil ever does flow from U.S. coastal areas, its ultimate destination offers another wrinkle to the issue. Crude oil sloshes around a vast global marketplace, where energy producers aim to secure the best price. That means U.S.-sourced crude could be sold anywhere a consumer is willing to pay more. Former Vice-President Al

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There May Be Oil Offshore, But
Business Week, July 21, 2008; http://www.msnbc.msn.com/id/25783611/

Oil and gas firms covet U.S. offshore reserves, but with oil prices so volatile it's unclear how much would be tapped -- or where it would end up

By Moira Herbst
Business Week

Breaking with an 18-year ban imposed by his father, President George W. Bush recently lifted an executive order prohibiting oil exploration in U.S. coastal waters. With that act, Bush said on July 15 at a Rose Garden news conference, "the only thing standing between the American people and these vast oil resources is action from the U.S. Congress." Meanwhile, an organization led by former U.S. House Speaker Newt Gingrich, American Solutions, is promoting a "Drill Here. Drill Now. Pay Less." campaign, collecting more than 1 million signatures to petition Congress to "act immediately to lower gasoline prices" by allowing exploration off America's coasts.

Told in political sound bites, the message is simple: Many people believe the U.S. has walled off a vast gold mine of oil in coastal areas that could be tapped to lower prices. "We have reserves that aren't being explored or developed, and this environment of high energy prices presents a great opportunity," says Charles Davidson, CEO of Houston-based Noble Energy (NBL). He says it "would be a great win for the country" if Congress follows Bush's lead and lifts the ban.

The reality, as usual, is far more complicated. Drilling in the now-restricted areas would require years of extensive seismic research before a single rig could operate. Even then, companies would not embark on such massive projects unless the profitability were clear. What's more, the federal Energy Information Administration estimates that access to new U.S. deposits would not significantly affect overall domestic production for 22 years.

Still, the extreme crimp of high fuel prices has mobilized efforts to expand U.S. oil production. "If the ban is lifted, more studies can be done to find out where the best resources are," says Cathy Landry, a spokeswoman for the American Petroleum Institute. "Every day we wait is a day further from more oil production. We need to get started."

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Offshore Drilling Foes Cite Idle Acreage
Tampa Bay Online, July 21, 2008; http://www2.tbo.com/content/2008/jul/21/na-offshore-drilling-foes-cite-idle-acreage/?news

The Associated Press

Published: July 21, 2008

HOUSTON - 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 68 million acres under lease to oil companies have potential reserves to nearly double U.S. oil production and increase natural gas output by 75 percent, the Democrats contend.

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."

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.