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Miami Herald, June 3, 2009; <http://www.miamiherald.com/business/breaking-news/story/1078291.html>

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Sarasota Herald Tribune, June 3, 2009;  
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### **Push for offshore renewables prompts meetings**

Houston Chronicle, June 2, 2009; <http://www.chron.com/disp/story.mpl/business/6455151.html>

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CQ Today, June 2, 2009; <http://www.cq.com/document/display.do?matchId=79755281>

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Greenwire, June 2, 2009; <http://www.eenews.net/Greenwire/2009/06/02/8>

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WSJ, June 1, 2009; <http://blogs.wsj.com/environmentalcapital/2009/06/01/dominion-power-gop-candidate-for-governor-brings-energy-to-virginia-debate/>

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Greenwire, June 1, 2009; <http://www.eenews.net/Greenwire/2009/06/01/6>

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ScienceDaily, June 1, 2009; <http://www.sciencedaily.com/releases/2009/05/090531100819.htm>

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E&E Daily, June 1, 2009; <http://www.eenews.net/EEDaily/2009/06/01/19/>

## **Energy Bill on Track to Pass in Senate**

Roll Call, June 1, 2009; [http://www.rollcall.com/issues/54\\_137/ci\\_energy/35296-1.html](http://www.rollcall.com/issues/54_137/ci_energy/35296-1.html)

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## **Schwarzenegger considers oil drilling off coast**

San Francisco Chronicle, June 7, 2009; <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/06/06/MN251808DH.DTL>

David R. Baker

Desperate to plug California's gaping budget hole, Gov. Arnold Schwarzenegger has turned to an idea he has long opposed - offshore oil drilling.

Schwarzenegger has thrown his support behind a Texas company's proposal to tap an oil field just off the coast of Santa Barbara County. Drills lowered from an existing oil platform near Vandenberg Air Force Base would bore as many as 30 wells into the seabed over the life of the project. The state could reap \$1.8 billion in royalties over 14 years.

Viewed on an annual basis, that isn't much - just over \$100 million a year. But with California's government facing a \$24.3 billion deficit and literally running out of money, the Tranquillon Ridge drilling project would give the governor a rare new source of revenue.

To critics, that smacks of selling out California's treasured coast.

Federal bans on offshore drilling along the nation's East and West coasts expired last year, done in by the historic spike in oil and gasoline prices. California officials - including Schwarzenegger - have been pushing the Obama administration to reinstate the bans. If the state allows this one project, critics say, that argument will be much harder to make.

"The symbolism of drilling in the Santa Barbara Channel is like the symbolism of drilling in the Arctic National Wildlife Refuge," said Assemblyman Pedro Nava, D-Santa Barbara. "It means you can drill anywhere."

The project's supporters - including many environmentalists - consider those fears misplaced. Tranquillon Ridge, they say, is too unique to serve as a Trojan Horse for opening the coast.

California law still blocks new oil drilling in waters controlled by the state, within 3 miles of shore. But the Tranquillon Ridge project would take advantage of a little-known and extremely specific loophole that allows tapping an oil field in state waters if some of the oil seeps into a federally controlled field, beyond the 3-mile line. Few other oil fields identified along California's coast fit that description.

A 14-year plan

The project also comes with its own expiration date.

The company behind Tranquillon Ridge, Plains Exploration & Production Co. of Houston, has agreed to stop pumping oil there in 14 years and shut down four of the company's offshore platforms - but only if the state approves the project. The company made that pledge as part of a landmark agreement it reached last year with several environmental groups.

As a result, Schwarzenegger and the project's other supporters say it would help end drilling along the California coast, not expand it.

"Those of us in Santa Barbara know platforms can be out there indefinitely," said Linda Krop, who helped negotiate the agreement as chief counsel of the Environmental Defense Center. "For us, it was a dream come true. We've

had a hard time explaining that to people who don't live with oil development. They think the platforms are going to go away anyway. They're not."

Tranquillon Ridge's future, however, keeps getting more complicated.

The State Lands Commission rejected the project in January over fears that the expiration date couldn't be enforced. Schwarzenegger then included the project in his May budget revision, asking the Legislature to approve it - essentially bypassing the Lands Commission. If the Legislature agrees, the project would still need the approval of the state Department of Finance, the California Coastal Commission and the federal Minerals Management Service.

The Lands Commission last week urged the Legislature to back off. Even some of the project's supporters don't like the governor's approach. They consider the Lands Commission a staunch defender of California's environment and don't want to see the commission's authority undercut.

"We're in the awkward position of having a means to an end that is very problematic for us," said John Abraham Powell, president of Get Oil Out!, one of the environmental groups backing Tranquillon Ridge. "We think it's a great project. But we are also in strong support of the use of independent commissions."

Steering clear of politics

Plains Exploration, for its part, wants to steer clear of the maneuvering in Sacramento.

"For us, it's about the project, and we'll leave the politics on how the project moves forward to the policymakers," said John Martini, the company's manager of government affairs.

Versions of the Tranquillon Ridge project have been discussed for years. Its current incarnation is unusual in many ways.

Its location straddles the line between coastal waters controlled by the state and those managed by the federal government. The Tranquillon Ridge oil field lies almost entirely in state waters. But the oil platform where the drilling would be performed sits in federal waters.

That adds to the project's political complexity, and its technical complexity as well. Rather than drilling straight down, Plains Exploration would slant-drill into the oil field. The wells would start in the federally controlled portion of the seabed, then burrow into the state area underground.

The oil platform, named Platform Irene, was built in 1986 about 6 miles from shore and has been draining another nearby oil field, in federal waters, ever since. A trio of pipelines running along the seabed transport its oil to shore. The Tranquillon Ridge project, if approved, would not require any additional platforms or pipelines.

As a result, it could be up and running by late 2010, Martini said, if the state grants approval. And even though the federal offshore drilling bans have been lifted, Plains remains committed to the closure date in the agreement, he said.

No end dates in permits

"We negotiated in good faith a legally binding agreement with the environmental coalition," Martini said. "Our commitment to shut down the project in 14 years ... remains intact. None of the external politics has affected the integrity of the agreement."

But federal drilling permits from the Minerals Management Service don't include end dates. Critics fear federal officials could extend the project's life if they wanted to. Under normal circumstances, they say, the project probably wouldn't win the Legislature's approval. But these aren't normal circumstances.

"Strictly on its policy merits, I think it would be defeated," said Assemblyman Wesley Chesbro, D-Arcata (Humboldt County), whose district includes the Northern California coast. "But we are in the worst budget crisis in our lifetimes, so I wouldn't rule anything out."

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**Oil, gas feeling left out of energy proposal**

San Antonio Express, June 6, 2009; <http://www.mysanantonio.com/livinggreensa/47139392.html>

By Jennifer A. Dlouhy

WASHINGTON — The oil and gas industry is giving mixed reviews to a Senate Democrat's proposal to speed development of a natural gas pipeline and force a broad inventory of coastal resources.

The Senate Energy and Natural Resources Committee is expected to advance the measure, drafted by Chairman Jeff Bingaman, D-N.M., on Tuesday as part of a broad energy bill the panel has spent months assembling.

The overall legislation — 250-plus pages long and growing — would require that 15 percent of the nation's electricity come from wind, solar and other renewable sources by 2021. It also aims to speed the deployment of electric transmission lines, promote alternative energy research and boost efficiency.

Environmentalists have applauded much of the bill, saying it would help move the U.S. toward cleaner, renewable energy sources, and give the nation's outdated electric transmission grid a long-overdue upgrade.

But oil and gas industry leaders complain that the measure gives short shrift to domestic production of the fossil fuels that make up the vast majority of the nation's energy supply.

"This bill does little to provide new access or bring on additional supplies of domestic oil and natural gas, despite the clear desire of the American people for additional development," said Jack Gerard, president of the American Petroleum Institute.

Dan Naatz, vice president for political affairs at the Independent Petroleum Association of America, called the 12 pages of proposed oil and gas provisions "pretty thin."

As the Obama administration and lawmakers "talk about America's energy puzzle," Naatz said, "the piece that they don't include is America's oil and gas."

The proposal would require the federal government to do an inventory of oil and natural gas resources beneath coastal waters, to guide future decisions about drilling leases on the outer continental shelf. The study also would review alternative energy resources along the coast.

Oil and gas executives have told lawmakers that producers are better equipped to gather that kind of information as part of the leasing and exploration process.

Bingaman's proposal also aims to speed development of a natural gas pipeline to connect the Alaska North Slope with the lower 48 states — a project Gerard cheered.

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### **Cape Wind is Moving Ahead**

Martha's Vineyard Gazette, June 5, 2009; <http://www.mvgazette.com/article.php?21267>

By MIKE SECCOMBE

It has been 2,755 days since the Cape Wind project was first formally proposed. It is a controversy older than the war in Iraq. Hostilities began only a few weeks after the war in Afghanistan.

And, as in those other conflicts, indeed in any protracted battle, it's crucial to maintain morale of the troops, particularly when your allies are dropping off and it looks as if you're losing. Surveys show public opinion in the state is strongly in favor of the wind farm, and the Patrick administration in Boston, too.

Thus Audra Parker, executive director of the Alliance to Protect Nantucket Sound, the main community group opposing the Cape Wind development, has been running a new argument lately.

It's not just about Cape Wind anymore, she argues, although that is still the group's major focus. It is about the precedent which would be set if Cape Wind gets the go-ahead.

If the state can override the wishes of local communities and the regional planning body, in this case the Cape Cod Commission, it could also do so in other waters closer to land, and even on the land.

“There is an ongoing effort by the state to centralize and streamline wind projects both offshore and on land,” she said yesterday.

“There is talk now about giving authority to the state for the siting of land-based projects, without deference to local communities, which seems parallel to what is going on with the state in terms of opening up [marine] sanctuaries to wind development.

“So I think now you can make a broader argument that they are subverting local control on land as well as offshore, and that’s going to affect ultimately not just Cape Cod and Martha’s Vineyard but communities up and down the state both on and off shore.

“Which gives new context and greater importance to the EFSB case.”

The case is the legal action the alliance, the town of Barnstable and, she hopes, the Cape Cod Commission, intend to take against the state Energy Facilities Siting Board by challenging its authority in the Massachusetts Supreme Judicial Court.

The board recently granted a composite certificate, a sort of super permit which grants Cape Wind all the remaining state and local regulatory clearances they needed to begin construction.

That is not the end of the matter; Cape Wind still needs several approvals from federal agencies.

Backed by developer Jim Gordon, Cape Wind plans to build 130 huge wind turbines over some 25 square miles of Horseshoe Shoal in the middle of Nantucket Sound. The site was chosen for several reasons: it is a suitable windy place in shallow water, close to demand for power, and importantly, in federal waters.

At the time the proposal was first mooted, Massachusetts state waters were a marine sanctuary, effectively off-limits to most development within the three-mile zone.

In recent months, however, that has changed. The state is currently in the process of fleshing out a new Oceans Act, and a new management plan will see that sanctuary status removed in many areas, allowing a variety of activities, including the generation of alternative energy.

The possibility concerns many people. In an interview with the Gazette in early May, Martha’s Vineyard Commission executive director Mark London suggested this could leave state waters on three sides of the Vineyard open for wind power developments with no regulation by the towns or their commission.

Broadly, he said, the use of the coastal seas would be divided into three categories: exclusionary zones, which would remain protected; constraint zones, where certain activities would be allowed, and “no constraints, no problems, go right ahead.”

There is real concern about the prospect of diminution of regulatory power in the Vineyard commission and its sister body, the Cape Cod Commission.

The Oceans Act provides that the two local bodies would have regulatory authority over any development in the oceans. But language in the act allows appeals of commission decisions to go to the state EFSB, instead of superior court.

Equally worrying to some, including Ms. Parker, are suggestions that the EFSB could have similar ultimate power over developments on land.

“It’s why it is important for this appeal [to the state supreme court] by the alliance, the town of Barnstable and Cape Cod Commission to be successful,” Ms. Parker said. (The Cape Cod Commission has not yet decided whether it will join the action.)

It will not be the first time the Cape Wind dispute has gone to the Supreme Court, and the result last time does not bode well for wind farm opponents.

In 2005 Cape Wind's plan to run two power transmission cables, partly under the sea and partly under land through the towns of Yarmouth and Barnstable to connect with the regional grid was challenged.

The EFSB had approved it in May 2005, and the court upheld it in December 2006.

In October of 2007, the Cape Cod Commission voted to deny the land transmission portion of the Cape Wind project as a development of regional impact. It was a procedural denial, because Cape Wind never completed its application, believing that it could win superseding approval from the EFSB instead.

Which it did last month.

On the federal level, the largest hurdle for Cape Wind was cleared back in January, when a final environmental impact statement from the Minerals Management Service found it presented no serious environmental hazard.

The 2,800 page final report differed little from a draft released almost a year earlier which identified no lasting major impacts on wildlife, navigation, fishing, tourism or recreation.

At the time, Cape Wind Associates issued a press release saying it hoped all remaining approvals would be in place by March, and that the project could begin by year's end, and have electricity flowing into the grid by 2012.

But it has not gone so quickly. The Minerals Management Service has yet to issue its formal record of decision.

A couple of months after the EIS came out, Cape Wind's communications director Mark Rodgers said he hoped to have the record of decision and the terms of Cape Wind's lease by June, along with the necessary permit from the Army Corps of Engineers.

"It's been a long road; it's been seven years. But we see light now at the end of the tunnel. We hope in a few months to be in a position to become America's first permitted and licensed offshore wind farm," Mr. Rodgers said.

That was in March. Now it is June and other pieces also have yet to fall into place. The Federal Aviation Administration still must give clearance — it previously found the project a presumed hazard to aviation.

And minerals management has yet to complete mandatory consultations with Wampanoag tribal interests and historic agencies.

The new challenge to the powers of the EFSB, even if it does not succeed, promises further delays. And the prospect of still more litigation looms after that.

There is little question about it: this is a long war.

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### **California Mulls New Oil Drilling Amid Need For Revenue**

Capital.gr, June 5, 2009; <http://english.capital.gr/news.asp?id=750167>

By Cassandra Sweet

SAN FRANCISCO -(Dow Jones)- As California teeters on the verge of insolvency, the governor has proposed expanding offshore oil drilling under a plan approved by environmental groups as a way to tap new revenue while protecting the environment.

In a rare agreement between environmental groups and an oil producer, Plains Exploration & Production Co. (PXP) has agreed to permanently shut down four oil platforms off the southern California coast and two onshore processing facilities in Santa Barbara by 2022, and donate 4,000 acres of land for public use, in exchange for the right to immediately expand drilling in the state's seafloor from a platform it operates in federal waters.

Environmental and community groups in Santa Barbara have hailed the project, called Tranquillon Ridge, as a major milestone in their efforts to shut down the oil rigs off Santa Barbara's coast. Current law allows offshore drilling operations that were in place prior to a 1981 moratorium on new offshore drilling to continue indefinitely.

Gov. Arnold Schwarzenegger has championed the Plains project as a new source of desperately needed revenue to help fill California's \$24.3 billion budget shortfall. The state would collect \$100 million from Plains on July 1 and as much as \$2.3 billion in royalties over the 13 years of the project.

Schwarzenegger and other California officials have expressed strong, united opposition to new offshore drilling over concerns about the environment, most recently in response to a Bush administration-era proposal to reopen waters in the nation's Outer Continental Shelf to new drilling.

### Old Rigs, New Revenue

Schwarzenegger has focused on the oil-rig shutdowns and near-term revenue from the Tranquillon Ridge project, but he also argues that it would redirect money to California that would otherwise go to Washington.

"We believe this project would be good for the state, not simply from a fiscal perspective but from an environmental perspective," said H.D. Palmer, a spokesman at the administration's Finance Department.

If oil is going to be produced from California's seabed, the state should get a piece of the royalties, otherwise "we might as well be writing Washington a check," he said.

A small fraction of the 240 million barrels of oil California produced last year came from the state's offshore oil fields, while production from federal waters off the state's coast produced double the amount.

Despite support from environmental groups, including a group called Get Oil Out, the proposal hit a snag in January when the state Lands Commission rejected the plan on a 2-1 vote, in part because it doesn't yet have approval from the federal government, which has authority over the oil platforms. The plan's chief opponent is Lt. Gov. John Garamendi, a Democrat who is running for a seat in the U.S. House.

Schwarzenegger, a Republican, and environmental groups say they're confident they can get the federal approval needed to move the Tranquillon Ridge plan forward.

The Lands Commission "definitely raised some issues, but we feel confident we can address them," said Linda Krop, an attorney for the Environmental Defense Center in Santa Barbara, one of the groups that brokered the deal.

Even with legislative approval, the proposal requires approval from the state Coastal Commission and the U.S. Interior Department. The Legislature is expected to pass a budget bill, with or without the Tranquillon Ridge plan, by June 15.

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### **Mid-Atlantic residents back drilling but prefer wind farms – poll**

Greenwire, June 5, 2009; <http://www.eenews.net/Greenwire/2009/06/05/5>

Alex Kaplun

A new poll shows coastal state residents supporting offshore drilling, a factor spurring oil and gas industry groups to push for increased production.

But the Monmouth University poll released this week also shows strong support for offshore wind farms and deep concerns over the environmental protection and health of coastal areas.

The analysis of public attitudes in five mid-Atlantic states showed 46 percent of residents support offshore drilling -- a significant increase from 33 percent who supported such production when the same poll was last conducted two years ago.

The new survey showed 37 percent opposing drilling, compared with the 40 percent who opposed the policy two years ago. The number of people who have no opinion on the issue fell by half over that period, with those individuals moving mostly to support drilling, according to the analysis.

The Independent Petroleum Association of America (IPAA) quickly jumped on the poll to revive the call for increased offshore drilling.

"Nothing about this poll should come as a surprise," IPAA president and CEO Barry Russell said in a statement. "This poll represents the latest indication of the American people's support for that strategy -- capturing the interests and impressions of a segment of the country not necessarily predisposed to that point of view. Times have changed, however -- and so must we."

The study surveyed 1,006 residents of coastal New York, New Jersey, Delaware, Maryland and Virginia in April. It has a 3.1 percent margin of error.

The poll found somewhat varying views on offshore drilling, depending on the state. In Maryland, Delaware and New Jersey, the majority of residents support drilling, while support sits at 42 percent in Virginia and 37 percent in New York.

Meanwhile, 82 percent of coastal residents would support the placement of non-visible windmills offshore, and 67 percent would support the placement of turbines even if they could be seen from land.

Seventy-six percent said protecting coastal areas should be a high priority, with 61 percent saying they would support greater efforts to protect local coasts even if it required tax increases.

Less than half said they believe the government has done a good job protecting coastal habitats and water quality, while a majority are "very concerned" about water pollution and beach erosion.

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### **Agencies seek more funding to research spill prevention, treatment**

E&E Daily, June 5, 2009; <http://www.eenews.net/EEDaily/2009/06/05/10>

Eric Bontrager

The federal government needs more funding to increase its research efforts into preventing, detecting and treating oil spills, representatives of several federal agencies told a House Science and Technology subcommittee yesterday.

Witnesses at the Energy and Environment Subcommittee oversight hearing said that though there have been many gains in oil spill research since passage of the Oil Pollution Act of 1990 (OPA), which expanded the federal government and industry's oil spill prevention and response programs, the full scope of research envisioned by OPA has not been achieved due in large part to lack of funds.

Four federal agencies -- the National Oceanic and Atmospheric Administration, the Coast Guard, U.S. EPA and the Minerals Management Service -- conduct the majority of federal oil pollution research, but funding levels have been far lower than the \$28 million per year originally authorized by OPA.

Doug Helton, incident operations coordinator for NOAA's Office of Response and Restoration, said that while some funding has been provided through various state and federal agencies as well as the industry, overall research has declined in recent years because of the lower incidence of large spills.

"While research has resulted in advancement in some technologies, our nation's capabilities can be strengthened," Helton said.

He said that with increased research efforts, federal agencies can work to improve techniques like remote-sensing and other surveillance technologies to optimize cleanup operations.

Helton noted that during the November 2007 oil spill in San Francisco Bay, which occurred after the single-hull container ship Cosco Busan struck the San Francisco-Oakland Bay Bridge, remote sensing technology could have helped visual observations at night or during low visibility conditions like fog to expedite and improve the overall cleanup.

Of the 58,000 gallons of oil that were spilled into the bay, just over a third was ultimately recovered.



Better modeling of how oil and other substances act in water is also needed, especially information about cold water spills, Helton said.

He explained that with the summer melting of Arctic sea ice opening up once inaccessible shipping channels, there is a greater need for learning how to clean up and restore arctic habitats after a spill, noting that many of today's standard approaches are ineffective in cold water.

"Improving our fate and trajectory models even a small amount may result in improved response efficiency and considerable reduction in spill costs," Helton said.

Albert Venosa, director of the Office of Research and Development's Land Remediation and Pollution Control Division at EPA's National Risk Management Research Laboratory, said more work must also be dedicated to learning how to prevent and clean up spills of biofuels as growing emphasis is placed on making them part the nation's energy future.

In particular, Venosa said that there needs to be a better understanding of how to deal with spills of glycerin in flowing streams. A byproduct of biodiesel production, glycerin spills have already caused large fish kills, he explained.

"We need a better understanding of the consequences of such scenarios to help federal on-scene coordinators from both EPA and the Coast Guard respond appropriately," he said.

Hoping to help bolster federal research efforts on oil spills, subcommittee member Lynn Woolsey (D-Calif.) this week introduced H.R. 2693, which aims to amend OPA to refocus the federal government's research efforts on new challenges while streamlining the interagency structure for the program to make it more efficient.

The legislation, Woolsey said, "will help to ensure that the federal government is taking an active role to prevent oil spills, and that when they do occur, we have the best possible technology to minimize negative impacts to ourselves and the environment."

The bill would also provide grants to institutions of higher education and research centers to improve technologies used to prevent, combat and clean up oil spills.

One committee aide said after the hearing that the bill will likely go through some changes -- including creating an authorization for more research and development funding -- before heading to markup.

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### **US Gulf players see increasing oversight**

Upstream Online, June 4; 2009; <http://www.upstreamonline.com/live/article180059.ece>

By Noah Brenner

Operators in the US Gulf said federal regulators had increased oversight and are more likely to delay or deny projects since the Obama administration took office in January.

US Gulf players said they felt they were getting less cooperation from the US Minerals Management Service, which oversees offshore development, particularly when discussing costs of regulation.

They also felt the agency was quicker to issue fines.

Bruce McIninch, completion manager for US player Marathon Oil said his company was a month away from doing completions on a well in the Green Canyon area of the Gulf when the MMS denied a key permit.

"We've had a good rapport with MMS over the years," he said. "It's a new era."

Douglas Nester of Prime Offshore, said one of his company's platforms in the Gulf has subjected to an unannounced "raid."

Federal inspectors flew out to the location, took pictures and performed a few tests and left, he said.

"There is no doubt we are in a different world with the MMS," he said.

"It's going to be ugly."

J Granger Anderson of US offshore player Energy XXI said he thought MMS was trying to prove to the public that it was a tough industry regulator after scandals that chronicled MMS officials in its Colorado office in taking drugs and having sex with industry representatives.

Anderson said the idea that MMS is "cozy" with industry was never true.

"The MMS has always been tough; it has always been fair; they have never been cozy – ever," he said.

Some industry players attributed the change to inexperience.

"With the administration so young and so new they really haven't had the experience," Total E&P Research and Technology boss Brian Rovelli said. "I expect to see this type of push back."

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### **Agreement aims to protect birds from offshore energy projects**

E&E News PM, June 4, 2009; <http://www.eenews.net/eenewspm/2009/06/04/6>

Patrick Reis

The Fish and Wildlife Service and Minerals Management Service will cooperate to protect migratory birds from offshore renewable energy development under an agreement announced today.

"The vast renewable energy potential off our nation's coasts offers great promise for our clean energy future, but we must develop these resources safely and in a way that protects the environment," Interior Secretary Ken Salazar said during a workshop on offshore renewable energy.

Salazar said the interagency agreement stems from an executive order instructing agencies to comply with the Migratory Bird Treaty Act, which implements treaties between the United States, Canada, Japan, Mexico and Russia.

As part of the agreement, FWS biologists will advise other agencies on minimizing damage to migratory birds.

U.S. coastal waters are flyways for migratory birds, many of which are already threatened by habitat loss. A recent federal study found 39 percent of ocean birds are in decline and in need of additional conservation efforts (Land Letter, March 19).

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### **Bingaman unwraps oil and gas, renewables proposals**

Greenwire, June 4, 2009; <http://www.eenews.net/Greenwire/2009/06/04/2>

Ben Geman, Noelle Straub and Katherine Ling

Senate Energy and Natural Resources Chairman Jeff Bingaman unveiled draft proposals today on oil and gas development and renewable energy projects on public lands that he intends to add to the major energy bill being crafted by his panel.

The New Mexico Democrat also unveiled a revised draft of provisions aimed at improving the collection of energy market data. A spokesman for the committee's ranking Republican, Alaska's Lisa Murkowski, said the market and renewable energy drafts are bipartisan, but she does not support the oil and gas title.

Today, the committee is marking up perhaps the most controversial provision in the energy bill -- a nationwide renewable electricity standard. Bingaman hopes to complete the entire markup next week.

The oil and gas title would alter and broaden a comprehensive inventory of offshore resources that was required under a 2005 energy law but has not been funded.

The draft would still require the inventory but also analysis of other marine resources, including present and possible uses of the outer continental shelf (OCS) for renewable energy, navigation, conservation, recreation and other uses.

Also, the 2005 law said any available technology, including 3-D seismic, should be used. The draft title revises the law to omit mention of 3-D, although it does not preclude it, either. Environmentalists worry that using 3-D seismic will harm marine life.

The new draft identifies a funding stream for the work. It would siphon some money dedicated to a research and development program created under the 2005 law for ultra-deepwater and unconventional resources. The 2005 law authorized a consortium to undertake the work and funds the projects from federal royalty and lease payments.

Other provisions would extend a program for oil and gas permit streamlining and coordination established under the 2005 energy law; require that the head of the Interior Department's Minerals Management Service be a Senate-confirmed position; require Interior to create an OCS lease and permit processing office for the Alaska region; and facilitate "co-production" of geothermal energy at oil and gas sites.

The bill is similar to a draft version obtained by E&E last month, although that version did not provide the dedicated revenue stream for the inventory work from lease and royalty payments. The new draft also omits provisions related to split estates that were part of the earlier copy (E&ENews PM, May 8).

#### Alaska gas provisions

The draft bill would also amend a 2004 law meant to spur construction of a long-sought pipeline to carry natural gas from Alaska's North Slope to markets in the lower 48 states.

The new measure would increase loan guarantee funding available from the project from \$18 billion in the 2004 law to \$30 billion.

The bill also incorporates a Murkowski plan aimed at helping development of a separate in-state natural gas line. It would give Interior right-of-way authority to locate the pipeline alongside 7 miles of highway in Denali National Park.

Murkowski said when she offered the Denali bill as a stand-alone plan earlier this year that it is not meant to decide which route should be selected for a proposed line but rather to remove an obstacle to selecting a plan that would go alongside the George Parks Highway passing through the park.

Murkowski backs the Alaska provisions but said they are not enough to bring her support for the entire oil and gas title, her spokesman, Robert Dillon, said. "To support the entire title, we are hopeful we can get some real production from the OCS," he said this morning.

#### Renewable energy on public lands

The public lands renewable energy proposal aims to streamline both the federal permitting of renewable projects and the environmental analysis required to change federal land-use plans to allow them.

The bill would designate one Bureau of Land Management field office in each of nine states to serve as a pilot project office to improve federal permit coordination for renewable energy projects and transmission. The states are Alaska, Arizona, California, Oregon, New Mexico, Nevada, Montana, Washington and Wyoming. Additional personnel would be assigned to the offices.

The federal share of any royalties, fees or other payments from wind or solar development on public land would be deposited in a "BLM Wind and Solar Energy Permit Processing Improvement Fund." The bill would authorize \$10 million per year from 2009 to 2019 from that fund -- or from the Treasury, if the fund does not have that much cash -- to cover the costs of administering program operations for wind and solar development.

The bill also would require Interior to complete within one year a programmatic environmental impact statement under the National Environmental Policy Act to analyze the potential effects of a program to develop solar energy on BLM land and any necessary amendments to land-use plans, and then to amend those plans as appropriate to allow renewable energy development. Similarly, the Forest Service would have 18 months to do the same for solar and wind projects on national forest lands.

But the bill stipulates that those requirements would not delay processing applications for wind and solar projects on BLM lands or in national forests.

Key senators from both parties have questioned whether Interior's new push to expedite renewable energy development on public lands could cause permanent environmental harm.

Interior Secretary Ken Salazar insisted that the land-use planning process is being developed to ensure that renewable energy projects are built in the best places, taking into account environmental issues (E&E Daily, June 4).

Under the bill, the National Academy of Sciences would be required to conduct a study on the siting, development and management of projects for wind and solar development on BLM and national forest land. The report would recommend the most effective system to authorize projects, whether a competitive or noncompetitive leasing system would be more effective, and any other needed changes in federal law.

The bill would also extend funding through fiscal 2020 for the the Geothermal Steam Act.

#### Energy markets

The revised energy market provision requires the Energy Information Administration to collect data on all oil inventories and physical oil assets that are owned by the 50 largest traders of oil contracts, including all futures contracts, in cooperation with the Commodity Futures Trading Commission.

The plan must include the volumes of product under ownership and the storage and transportation capacity. EIA Administrator Howard Gruenspecht told the committee in April that it would be difficult and would need significant new resources to accomplish.

The draft would also require EIA to collect data on commercial storage capacity for oil and natural gas and take all of this information into account when forecasting and analyzing energy prices. It elaborates on a working group -- including the heads of the EIA, Energy Department, CFTC, Federal Energy Regulatory Commission and Treasury Department and others -- which would investigate the increased participation of financial investors and excessive speculation in the commodity markets and the need for additional federal authority.

It would also have EIA and the national laboratories work to expand and format a data analysis and create a Web site for consumers to see and compare electricity prices.

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#### **Energy freedom isn't blowing in the wind or basking in the sun it's drilling now**

Miami Herald, June 4, 2009; <http://www.miamiherald.com/news/environment/story/1081037.html>

By DAVID A. RIDENOUR

WASHINGTON -- Miguel Cervantes created one of the most memorable characters of literature with Don Quixote, a delusional man who jostled with windmills he thought were giants.

Now the Obama administration and Congress are quixotically raising their lances against another hypothetical menace: fossil fuels. In this instance, it's not a just a fictional Spaniard who'll be tossed to the ground, but an already staggering U.S. economy.

Turning their backs on America's huge, untapped reserves of oil and gas, President Barack Obama and House Energy and Commerce Committee chairman Henry Waxman, D-Calif., are championing more federal subsidies for the sorriest solutions to our energy problems - wind and solar power.

Has anyone in the White House or on Capitol Hill ever taken a course in logic? Apparently not! If they had, they might not be shunning economic stimulus that would cost taxpayers zilch, yet could create up to 160,000 jobs and up to \$1.7-trillion in new government revenue.

A significant part of this would flow to cash-strapped states, giving them funding needed to help unemployed workers and their families, fund schools, and avoid cuts in critical state services.

The U.S. Mineral Management Service calculates that up to 115-billion barrels of recoverable oil lie beneath our outer continental shelf - enough to replace almost 53 years of current imports from unstable and often unfriendly OPEC-cartel members, including Iran, Nigeria, Venezuela and Algeria.

New Interior Secretary Ken Salazar says he will auction off two leases in the Gulf of Mexico this year, neither of which is located in the 85 percent of the outer continental shelf that was, until recently, subject to a decades-long moratorium on drilling. The moratorium effectively still exists.

Salazar has championed the construction of wind turbines along the Atlantic shoreline, arguing wind power could replace 1 million megawatts of electricity now generated chiefly by natural gas, coal and nuclear power.

Wind currently provides less than 1 percent of America's electricity needs and construction of the giant towers has been vigorously resisted by communities from New England to Florida and by environmental activists.

Locals see them as eyesores that destroy natural panoramic views, while some "greens" see them as executioners chopping up thousands of birds, including such beloved species as eagles.

If Salazar sincerely believes 1 million megawatts of electricity can be generated by wind, he's about as delusional as Quixote. Some 330,000 wind turbines - equal to about 160 for every mile of the U.S. Atlantic coastline - would be needed to generate that kind of electricity, a Department of Energy study suggests.

Even if Salazar could overcome activist opposition to his plan for - let's call it "energy sprawl" - he and his allies would face a brutal backlash from consumers, angered by skyrocketing power bills. Electricity from wind already costs about 50 percent more than coal. Offshore wind turbines would be even more costly due to higher technology and maintenance costs.

Solar power is even worse. Solar thermal electricity costs double natural gas-generated power and triple coal-generated power.

With America in the midst of what's been called the worst recession since the Great Depression, many are looking to that crisis for lessons for today.

Franklin D. Roosevelt and Harry S. Truman understood how critical domestic supplies of energy are to both U.S. national security and economic recovery.

During 1943 miners' strike, for example, FDR questioned not only the patriotism of miners who didn't return to work - but that of their wives and children, too!

And in 1945, Truman issued a proclamation asserting the U.S.'s exclusive right to the natural resources in the seabed of our continental shelf, noting, "... efforts to discover and make available new supplies... should be encouraged."

To put Truman in today's vernacular, "drill, baby, drill!"

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### **Rahall eyes addition to climate bill but leadership uncertain**

E&E Daily, June 4, 2009; <http://www.eenews.net/EEDaily/2009/06/04/1>

Ben Geman

House Natural Resources Chairman Nick Rahall (D-W.Va.) hopes to add a major oil and gas title to the Democratic energy and climate bill, but it remains unclear whether he will get the chance as House leaders aim to speed the bill's progress.

Rahall's staff last month circulated draft legislation that would raise onshore royalty rates, end the royalty-in-kind program, overhaul planning and regulation for onshore and outer continental shelf energy development, and impose a series of ethics reforms, among other features.

"I'd prefer to have it attached to the climate bill, because when we're talking about energy, it should be in a comprehensive piece of legislation," Rahall told E&E yesterday. "Now is the time to do it, in a nonpolitical season

without the emotions attached thereto, and at a time when the price of the pump is relatively low compared to where it was when we heard 'Drill, baby, drill,'" he added.

But the path forward for the proposal is uncertain. The bill has not yet been formally introduced, and Rahall said it is being prepared so that "if asked to include it as part of climate change, we'll be ready rather than go through a crammed session to get it ready."

House Speaker Nancy Pelosi (D-Calif.) yesterday said she wants committees to act by June 19, and floor debate could begin by the end of this month (E&ENews PM, June 3). A Democratic leadership aide said there has not been a decision on whether Rahall's plan will be part of the larger energy and climate bill.

Asked if the bill would be ready before the deadline, Rahall replied: "Yes, or if not, we'll be ready to go with it at the proper time and with the request of the leadership."

The bill would require a far-reaching reorganization of the Interior Department.

The draft would consolidate all energy and mineral leasing programs currently in the Bureau of Land Management and Minerals Management Service into one agency in Interior that would handle lease sales, inspection, enforcement and revenue collection for traditional and renewable energy. The agency would be called the Office of Federal Energy and Minerals Leasing.

Interior Secretary Ken Salazar said the measure is under review.

"We also have our own thoughts about organization within the department," he said yesterday. "We are in the process of developing what our position will be relative to MMS and the BLM and how we move forward with leasing of our public lands both onshore and offshore. And also taking a look at how we collect revenues, both onshore and offshore."

The draft measure also aims to improve planning, creating new outer continental shelf "regional planning councils" as well as joint BLM and Forest Service efforts to work with states planning for both renewable and traditional energy development. There are also some renewable energy-specific provisions addressing public lands leasing for wind and solar projects.

Other provisions include new "diligent development" rules for onshore and offshore petroleum leases, new fees on nonproducing leases, and shorter lease terms for onshore leases. Rahall and some other top Democrats have argued that the oil and gas industry has done too little to bring existing leases into production even while seeking access to new areas.

Environmental groups have mixed feelings about the measure.

A Wilderness Society official said last month that the group worries a new "super leasing" office within Interior could place undue emphasis on energy development, while the Sierra Club's Athan Manuel said the bill should include new protections following the expiration of decades-old offshore leasing moratoria last year. But they also praised some provisions (Greenwire, May 27).

The oil industry quickly attacked the draft last month, alleging it would stymie investment and development of domestic resources.

A key member of Rahall's committee was noncommittal about the draft plan. Rep. Jim Costa (D-Calif.), who chairs the Energy and Mineral Resources Subcommittee, said there is clearly a need for reform within MMS. The agency has been plagued by scandal in recent years and Salazar has said addressing the issue is a priority.

Costa also said the bill "fits in context" with larger efforts to overhaul energy policy under way in the House and Senate.

But Costa said he wants to get a clearer understanding of the intent behind consolidating the BLM and MMS energy programs under the Office of Federal Energy and Minerals Leasing the bill would create. Costa also said he was concerned that raising royalty rates could harm natural gas development.

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## **Why low oil prices now may mean higher oil prices later**

Miami Herald, June 3, 2009; <http://www.miamiherald.com/business/breaking-news/story/1078291.html>

By KEVIN G. HALL  
McClatchy Newspapers

What until recently was a steep drop in global crude oil prices has sparked delays and cancellations of major energy projects across the globe. Experts fear that this pullback could provoke costly supply shortages just over the horizon.

"Energy investment worldwide is plunging in the face of a tougher financing environment, weakening final demand for energy and falling cash flows," the Paris-based International Energy Agency warned in a report late last month.

The IEA also warned that investment is being curtailed both on the supply side and the demand side, meaning that spending is falling on both drilling of oil and gas wells and on expansion of refineries, pipelines and power stations.

In the short term, falling prices are a boon to consumers. Experts, however, warn of problems if the U.S. economy - the world's largest oil consumer - returns to normalcy and the global economy resumes its torrid pace of growth.

If the ability to find and produce more oil is put on hold and the global economy roars back to life, last year's record oil prices could seem tame. Today's pullback in prices may be setting the stage for tomorrow's shortages.

One of the world's leading voices on energy trends, IHS Cambridge Energy Research Associates, reached a similar conclusion in a private report titled "The Long Aftershock."

CERA researchers believe that deferred or canceled projects will prevent 7.6 million barrels a day of expected oil growth from coming onto world markets in 2014.

"CERA estimates that 52 percent of the potential net growth in liquids production capacity from 2009 to 2014 is at risk of deferment or cancellation because of poor project economics or investor cash flow difficulties," CERA's report said.

The energy research group thinks that the projected additional new oil production capacity of 14.5 million barrels a day coming online through 2014 will be cut in half unless there's a sudden spurt in demand. This reduced production could spark supply shortages and price spikes.

"That's clearly something we should pay attention to," said John Felmy, the chief economist for the American Petroleum Institute, the trade group for oil producers.

The potential shortages, he said, argue for expanded offshore drilling to ensure future supplies.

Few markets are as volatile as oil. Over a period of 12 months, contracts for future delivery of oil soared from \$70 a barrel to a record \$147 a barrel in July. Then they collapsed over the next four months to less than \$40. During the past month, oil prices have come roaring back to near \$70 a barrel, even as inventories hover at record highs and demand remains at 10-year lows.

Before the big run-up in prices, deepwater drilling in the Gulf of Mexico and complex refining of western Canada's oil sands needed oil prices of \$40 a barrel to break even. But as prices soared, so did production costs, and that break-even point stands somewhere between \$60 and \$80 a barrel.

In today's volatile price environment, projects are being put on hold or are being killed altogether.

"There are long-term projects, and you have to be confident about the price to make the investments," said oil historian Daniel Yergin, CERA's chairman, in an interview. "You've seen the oil sands are a very important and secure source of supply to the United States. And 70 percent of the projects from last summer have now been postponed."

Much of CERA's projected investment drop-off involves the oil sands region, where oil is literally boiled out of tar-like deposits. Canada is the largest oil exporter to the U.S. market, and much of it comes from the oil sands. Canada's daily production average for the oil sands this year is projected to be 1.3 million barrels.

However, warned the IEA report, falling prices and slumping demand have led to the suspension or cancellation of oil sands projects that collectively amount to 1.7 million barrels a day of lost production. Investment totaling more than \$150 million has been curtailed, and these projects can't be profitable unless crude oil sells for \$75 a barrel or more.

On a global scale, oil prices had risen for an unprecedented seven consecutive years as a growing world economy thirsted for oil and gasoline. Projects were planned across the globe to match growing demand and rising prices.

Then came September, when the near-crash of the U.S. financial system brought a global recession. Oil prices fell so far that large producers can no longer finance new projects out of their cash flow, the IEA's report said. Many are borrowing at a premium because of the global credit crunch and have scaled back or delayed projects.

For state-owned oil companies, such as those in Mexico and Venezuela, falling prices have meant more of their earnings are being diverted to social programs and there's less money to find, produce or refine more oil.

The IEA, in its recent report, asked, "Are we heading for a mid-term supply crunch?" The answer is still uncertain, the report's authors said.

"The outlook for spare crude oil production and refining capacity in the longer term hinges on how quickly demand recovers once the global economy is back on the road to recovery, how much further investment is scaled back in coming months and how quickly investment rebounds in the coming years," the IEA said. "The faster the rebound in demand, the more likely it is that capacity will be squeezed in the medium term," and the greater likelihood of high prices because of tight supplies.

The timing would be awful. Few economists believe the U.S. economy will return to sustainable growth before the end of 2010, and by 2011 the benefits of federal stimulus spending will wear off. An oil supply crunch that triggers high prices could kill recovery on the vine.

"Although it will take time for these changes to have an impact on total global oil supply, that impact could prove to be significant in three to five years," CERA's report concluded. "Slower growth in oil production capacity over the next five years could lead to the next period of rising oil prices, but much depends on the recovery of world oil demand."

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### **Leaders are the real threat behind oil drilling**

Sarasota Herald Tribune, June 3, 2009;

<http://www.heraldtribune.com/article/20090603/COLUMNIST/906031026/2127?Title=Leaders-are-the-real-threat-behind-oil-drilling>

By JUNE CUSSEN

In his May 24 guest column, state Rep. Dean Cannon, R-Winter Park, has demonstrated the fundamental threat behind offshore drilling -- at best, the ignorance of elected leaders, and at worst, an irresponsible rush to make decisions based upon the slick but false advertising of special oil interests from other states.

Cannon neglects to mention the following in his column: 1) conventional rigs and platforms (not portable or submergible ones) were the only rigs considered in the House bill; and 2) while some tarballs are created naturally from ocean floor seepage, this requires close proximity to a major geological feature such as the Miocene Monterey Formation (California) or the Continental Shelf (Texas), which Florida does not share. And, in any event, tarballs are still overwhelmingly linked to leaks from drilling infrastructure. Is that what we want washing up on the second-ranked beach (Herald-Tribune, May 22) in the nation?

Cannon and the special interests who inform him conveniently gloss over impacts from the full apparatus of offshore drilling -- pipelines, vessels, refineries, storage and transportation.

The U.S. Department of Energy and the U.S. Environmental Protection Agency both confirm that roughly 1.3 million gallons of oil spill into U.S. waters each year from vessels and pipelines. On shore, the EPA has chronicled an average of 180 storage tank spills per week since 2000, contaminating groundwater and streams. More than 100 Gulf of Mexico platforms were lost in Hurricanes Katrina and Rita, which also produced nearly 600 marine and terrestrial spills, resulting in spillage of more than 9 million gallons of oil.



Offshore drilling operations also produce mercury, barium, arsenic and cadmium.

Cannon wants to beguile us with industry promises of riches and jobs, while stating that "science" will guide his administration as speaker of the Florida House next year. But he fails to mention that Louisiana, which has had offshore oil and gas drilling since the 1940s, received a total of only \$1 billion in royalties over the 15 years between 1986 and 2002 (less than Florida stands to gain from a new cigarette tax in a single year). And despite a history of drilling, Louisiana is ranked last in the nation for health care and fourth highest in juvenile poverty, and has among the lowest national rates for high school completion. It's estimated that repairing the drilling-based damage to Louisiana's coastal wetlands and marshes could cost \$40 billion. By contrast, Florida's coastal and beach economies generate tens of billions of dollars each year, including almost \$8 billion in recreational and commercial fishing, and hundreds of thousands of jobs.

Poor judgment by leaders with regard to growth has placed Florida among the highest nationally in rates of excess housing inventory, foreclosures and unemployment. We should not allow them to impose another economic and environmental subprime debacle upon this state with offshore drilling.

June Cussen is a co-founder of the Sarasota Network for Climate Action. She lives in Sarasota.

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### **Push for offshore renewables prompts meetings**

Houston Chronicle, June 2, 2009; <http://www.chron.com/disp/story.mpl/business/6455151.html>

Kristen Hays

The agency that regulates U.S. offshore energy activity will hold a dozen public workshops this month on leasing areas in federal waters for renewable energy projects, offshore wind farms or generating electricity from ocean waves.

However, lack of interest from Gulf Coast states merited only one of those sessions alongside the oil- and gas-heavy Gulf of Mexico in New Orleans.

"Most of the work will be on the Atlantic or Pacific coasts. There's less discussion at this point about potential projects in federal waters in the Gulf of Mexico," said Walter Cruickshank, acting director of the Interior Department's Minerals Management Service.

"Based on the level of interest (along the Gulf Coast), we felt one meeting in New Orleans was enough for this initial round," he said.

The workshops stem from the Obama Administration's framework for offshore renewable energy development in waters more than three miles off U.S. shores, known as the outer continental shelf. Waters within that three-mile area are under state jurisdictions.

The framework delineates a process for granting leases, easements and rights-of-way for renewable energy operators to essentially rent offshore areas from the government to develop such projects.

There is no schedule yet for offshore lease sales for renewable projects. The workshops are intended to give potential operators a rundown of the leasing process and the Federal Energy Regulatory Commission's role in issuing licenses for "hydrokinetic" projects, or those involving ocean wave or current energy.

Maureen Bornholdt, offshore renewable energy program manager for the MMS, said leasing could take one to two years, depending on how far along states or operators are on studies of environmental impacts and compliance.

Cruickshank noted that project developers will have the challenge of working out how their operations would tie into electricity grids., while "we're concerned with the offshore piece of this."

The first meeting will be Thursday in Washington. The rest, in addition to New Orleans, will be in coastal cities in Virginia, Florida, New Jersey, Georgia, Seattle, Maine, Oregon and California.

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## Draft Bill Seeks Overhaul of Interior's Oil and Gas Leasing Program

CQ Today, June 2, 2009; <http://www.cq.com/document/display.do?matchId=79755281>

By Coral Davenport

House Natural Resources Chairman Nick J. Rahall II, W.Va., is floating a draft bill to overhaul the Interior Department's oil and gas leasing program, which Democrats have long criticized as too closely aligned with the interests of the oil industry.

Rahall and other Democratic leaders have pressed for years to raise more revenue from oil companies — efforts that in the past met with powerful pushback by the oil industry and the Bush administration. But chances for an overhaul have improved dramatically with the Democrats' recent electoral successes.

The draft bill would raise the rates oil and gas companies pay to drill on public lands for the first time since the 1980s, increasing royalties from 12.5 percent to 18.75 percent. It would also shorten drilling lease terms from 10 years to five years and require companies not actively using leases to pay a fee, a variation of the "use it or lose it" concept Democrats pressed during the 2008 presidential campaign.

The U.S. government receives one of the lowest rates of return in the world from oil and gas leases, according to a 2007 Government Accountability Office study.

The bill also would eliminate a "royalty in kind" program through which leaseholders could pay royalties in oil or gas. Offshore drilling leases would have to meet a "no discharge" requirement to diminish ocean pollution. And energy production leasing rules would also expand to include renewable sources such as wind and solar.

In addition, the bill would set up strict new ethics penalties on employees involved in energy production who behave "in an unethical or unprofessional manner" or accept gifts from industry employees. It would also bar energy production employees from working for other entities conducting business with the department.

Democratic Natural Resources Committee staff worked with Interior Department staff to craft the language based on past Democratic efforts to raise rents on oil companies and to redress errors in earlier drilling leases estimated to have led to a loss of more than \$10 billion in payments by oil companies to the federal government.

The language also responds to an inspector general's report last summer that found that department employees responsible for regulating oil and gas royalties engaged in wide-ranging ethical violations, including sexual contact and illegal drug use with oil industry workers.

"This legislation is important and needed to address the glaring mismanagement in recent years of America's domestic energy resources," Rahall said Tuesday.

Rahall said he is unsure about when or how the legislation might advance. One strategy for getting it moving could be to add it to a sweeping energy and climate change bill (HR 2454) now making its way through several committees, including his.

Environmental groups said they are generally pleased with the draft.

"We like that wind and solar are treated as primary important sources of energy. We like the discharge language," said Athan Manuel, director of lands protection programs for the Sierra Club. Manuel said his group would like to add language that focuses on protecting public lands rather than concentrating on developing energy, but said he is generally happy with the overhaul, particularly as it relates to the Minerals Management Service (MMS), which has had jurisdiction over oil and gas leasing.

"There were a lot of issues with MMS," Manuel said. "They did a bad job of collecting royalties. It was an agency that was way too focused on leasing as many areas as quickly as possible."

Oil companies, which have argued that increasing regulation and royalties will decrease exploration and raise oil prices, slammed the draft. Jack Gerard, chief executive of the American Petroleum Institute said the bill "will impose hurdles, drive up costs and stifle investments, which will lead to less energy."

Republicans on the Natural Resources panel also slammed the draft. "It appears to be just one more attempt by the Democrats to eliminate American energy jobs, create more bureaucracy and further delay onshore and offshore energy development," said spokeswoman Emily Lawrimore.

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### **Schwarzenegger pushes plan to issue first Calif. lease since '69**

Greenwire, June 2, 2009; <http://www.eenews.net/Greenwire/2009/06/02/8>

Debra Kahn

California Gov. Arnold Schwarzenegger (R) is promoting plans to issue the state's first new offshore drilling lease in 40 years, over the opposition of state regulators and environmental groups.

The state imposed a moratorium on new offshore drilling after a 1969 spill off Santa Barbara. In January, the State Lands Commission denied Plains Exploration & Production Co.'s (PXP) application to expand an existing lease in the Tranquillon Ridge, saying it would set a bad precedent.

Since then, statewide opposition to drilling has stiffened as the Obama administration has proposed opening federal waters off California to drilling (Greenwire, May 22).

But Schwarzenegger maintains that the state's \$23 billion budget deficit requires a re-examination of drilling policies. Last month, he proposed overriding the Lands Commission's PXP decision by putting it to the Legislature, where the matter resides in a conference committee that is scheduled to meet today on budget issues. Extending PXP's lease through 2022 would generate \$1.8 billion over the next 14 years, the state has estimated.

At a State Lands Commission hearing in Santa Monica yesterday, the state's lieutenant governor blasted Schwarzenegger's proposal.

"This would destroy several decades of work that this commission has done," Lt. Gov. John Garamendi (D) said. "Never before has this commission's decision on an oil lease been overturned by a governor. What we have here is a naked end run around the commission for the first time since the power was removed from the Department of Finance" in 1930.

Environmentalists who supported PXP's application in January also lined up to oppose Schwarzenegger's proposal, saying it would undermine the commission's authority on future decisions.

"If you really want the money that bad, this project should go back to the State Lands Commission," said Susan Jordan, executive director of the California Coastal Protection Network. "You don't have the right to unilaterally take control."

"The Department of Finance believes this body just made the wrong decision on January 29," said deputy finance director Tom Sheehy, Schwarzenegger's representative on the commission. "There's a \$23 billion budget deficit, and the Department of Finance believes this isn't time for business as usual."

Several other state officials opposed it, saying it would send a signal to the federal government, which is currently considering four areas of California as locations for new offshore drilling leases.

"If the state wants the funds, why not the feds?" asked state Coastal Commissioner Sara Wan. "And if the state believes it won't have adverse environmental effects, why shouldn't the feds lease here?"

The commission also passed a resolution opposing Schwarzenegger's budget proposal.

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### **Dominion Power: GOP Candidate for Governor Brings Energy to Virginia Debate**

WSJ, June 1, 2009; <http://blogs.wsj.com/environmentalcapital/2009/06/01/dominion-power-gop-candidate-for-governor-brings-energy-to-virginia-debate/>

By Keith Johnson

Want a preview of what the political battle over energy will look like in next year's midterm elections? Take a look at Virginia, one of two states with gubernatorial races this year.

Republican Bob McDonnell, billing himself as "a jobs governor," is putting energy at the heart of his campaign to turn purplish Virginia back into a red state (okay, commonwealth.) Over the weekend, he formally accepted the Republican nomination for governor and launched a familiar battle cry:

On energy, our opponents will say NO to offshore drilling, NO to clean coal, NO to nuclear, and NO to the new jobs and investment that come with it.

When it comes to promoting energy independence:  
They'll just say NO, we'll just say YES!

Mr. McDonnell said "Virginia can be the energy capital of the east coast," and called for oil and gas drilling 50 miles offshore and supported Virginia's coal industry. That's part of an all-of-the-above energy prescription:

Yes, we must develop new technologies for wind, solar, biomass, and other renewables. But to keep a good supply of low-cost power, we need oil and natural gas, and we must speed up the approval and permitting process for nuclear and clean coal-generation plants.

That came a week after Republican national chairman Michael Steele rallied support for Mr. McDonnell by reprising his "drill, baby, drill" line and urging Democrats to "get a clue" about energy.

Energy—especially offshore drilling—is one of the main ways Mr. McDonnell is trying to differentiate himself from his three Democratic potential challengers.

The Washington Post said that the call for offshore drilling drew the most applause—next to a promise to protect the "unborn."

Popular as the idea may be, it won't do terribly much to end U.S. dependence on foreign oil. The Washington Post also notes that 20-year old U.S. geological surveys estimate the Virginia coast holds about 130 million barrels of oil—about one week's worth of U.S. consumption.

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### **Group wants to put Fla. offshore drilling ban on ballot**

Greenwire, June 1, 2009; <http://www.eenews.net/Greenwire/2009/06/01/6>

A group of activists plan to ask Florida voters next year to lift the 20-year ban on drilling in state waters and mandate the state build an offshore oil and gas industry.

Floridaoil.org, led by Don Baldauf of Bradenton, intends to place a question on the 2010 ballot that would kick-start a new offshore drilling industry for the state. It might also ask voters to expand Florida's seaward boundaries to create greater drilling options.

Baldauf points to the U.S. Submerged Lands Act to support the expansion. The 1953 law states that if a state indicates "heretofore or hereafter" by constitutional provision or law that it intends to extend its boundaries, then that claim "is hereby approved or confirmed."

U.S. Department of Interior spokesman Frank Quimby said that the law was meant to establish a 3-mile or 10-mile seaward boundary for states that had yet to claim any at all. "It wasn't saying that states have authority to make new claims," he said.

The group hopes that their initiative will be supported by voters who are frustrated with increasing gas prices. But environmentalists hope they will want to protect their state's coastal resources.

The state House considered a similar plan this spring to lift the ban on drilling in sea waters. Yet President Jeff Atwater (R) refused to bring it to vote in the state Senate because it had not received a full vetting in his chamber (Catherine Dolinski, Tampa Tribune, May 31). -- LZ

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## **Significant Gas Resource Discovered In Gulf Of Mexico**

ScienceDaily, June 1, 2009; <http://www.sciencedaily.com/releases/2009/05/090531100819.htm>

The Gulf of Mexico contains very thick and concentrated gas-hydrate-bearing reservoir rocks which have the potential to produce gas using current technology.

Recent drilling by a government and industry consortium confirm that the Gulf of Mexico is the first offshore area in the United States with enough information to identify gas hydrate energy resource targets with potential for gas production.

Gas hydrate, a substance comprised of natural gas and water, is thought to exist in great abundance in nature and has the potential to be a significant new energy source to meet future energy needs. However, prior to this expedition, there was little documentation that gas hydrate occurred in resource-quality accumulations in the marine environment.

"This is an exciting discovery because for the first time in the U.S. Gulf of Mexico, we were able to predict hydrate accumulations before drilling, and we discovered thick, gas hydrate-saturated sands that actually represent energy targets," said U.S. Geological Survey Energy Program Coordinator Brenda Pierce.

The U.S. Department of Energy (DOE), the U.S. Geological Survey (USGS), U.S. Minerals Management Service (MMS) and a group of U.S. and international energy industry companies under the management of Chevron were responsible for conducting this first ever drilling project with the goal to collect geologic data on gas-hydrate-bearing sand reservoirs in the Gulf of Mexico.

"We have also found gas hydrate in a range of settings, including sand reservoirs, thick sequences of fracture-filling gas hydrates in shales, and potential partially saturated gas hydrates in younger systems," said USGS Scientist Timothy Collett. "These sites should provide a wealth of opportunities for further study and data collection that should provide significant advances in understanding the nature and development of gas hydrate systems."

The most important technical accomplishments include:

- The collection of a comprehensive set of logging-while-drilling (LWD) data through expected hydrate-bearing sand reservoirs in seven wells at three locations in the Gulf of Mexico.
- LWD sensors provided unprecedented information on the nature of the sediments and the occurrence of gas hydrate.
- The expedition discovered gas hydrate in both sand and fracture dominated reservoirs.
- The discovery of thick gas-hydrate-bearing sands validates the pre-drilling integrated geological and geophysical approach used to identify the targets and provides increased confidence in assessing the energy resource potential of marine gas hydrates.
- In the case of the Walker Ridge and Green Canyon drill sites gas-hydrate-bearing sand reservoirs between 50 and 100 ft thick were discovered.
- The discovery of concentrated gas hydrates in sand reservoirs has made Walker Ridge and Green Canyon prime locations for future research drilling, coring, and production testing.
- Field operations during this expedition were also supported by AOA Geophysics, the Borehole Research Group at Lamont-Doherty Earth Observatory of Columbia University, Schlumberger, and the crew of the Helix Q4000 drilling vessel.

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## **House panel to review federal research efforts into spill prevention**

E&E Daily, June 1, 2009; <http://www.eenews.net/EEDaily/2009/06/01/19/>

Katie Howell

Current federal research and development efforts to prevent, detect and mitigate oil spills will be discussed at a House Science and Technology subcommittee hearing this week.

Thursday's Energy and Environment Subcommittee session also will serve as an opportunity to check in on the \$6.3 million slated for oil spill research in this year's omnibus spending bill.

The hearing comes as the Senate is considering legislation, S. 685, that would require cargo ships to double hull their fuel tanks to reduce the risk of spills in an accident. That bill easily passed through the Senate Commerce, Science and Transportation Committee with a voice vote late last month (E&E Daily, May 21).

Congressional interest in the matter stems mostly from an accident two decades ago when the Exxon Valdez tanker ran aground in Alaska's Prince William Sound, rupturing its hull and spilling nearly 11 million gallons of crude oil across more than 11,000 square miles of ocean and more than 350 miles of beaches.

"When we look at the amount of oil transported around the world, the number of refineries and other things, it is not without the realm of possibility that we could be looking at another spill of magnitude of the Exxon Valdez," said David Westerholm, who directs the National Oceanic and Atmospheric Administration's office of response and restoration (Greenwire, March 23).

The disaster still affects Alaskan fishing communities and plays a role in shaping federal policy.

After the Exxon Valdez spill in 1990, federal regulators realized huge gaps in regulatory oversight of the oil industry, so they implemented the Oil Pollution Act of 1990, which overhauled shipping regulations, imposed new liability on the industry, required detailed response plans and added extra safeguards for shipping in Prince William Sound.

The \$6.3 million slated to come from the Oil Spill Liability Trust Fund in this year's omnibus spending bill will address oil spill prevention and mitigation research outlined in the 1990 bill.

Schedule: The hearing is Thursday, June 4, at 2 p.m. in 2318 Rayburn.

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### **Energy Bill on Track to Pass in Senate**

Roll Call, June 1, 2009; [http://www.rollcall.com/issues/54\\_137/ci\\_energy/35296-1.html](http://www.rollcall.com/issues/54_137/ci_energy/35296-1.html)

By Geof Koss

After months of on-again, off-again markups, the Senate Energy and Natural Resources Committee appears on the verge of passing an energy bill that makes good on Democrats' pledge to tilt the energy balance heavily in favor of renewables.

But the regional nature of the energy debate will be on full display when the bill moves to the Senate floor, where the key fights will include a controversial first-time national renewable energy mandate as well as provisions to expand nuclear power, and onshore and offshore drilling of oil and natural gas.

Energy Chairman Jeff Bingaman (D-N.M.) before Memorial Day was able to coax enough support from committee Democrats and a lone Republican — Sen. Sam Brownback (Kan.) — to push through the inclusion of a renewable energy standard of 15 percent by 2021 that is the centerpiece of the bill. Bingaman, a five-term Senator from an oil- and gas-producing state, has been the top Democrat on the panel since 1999 and knows his way around energy issues.

The final parameters of the RES have not been set, but in an indication of the diversity of views on the matter, committee staffers spent the recess sorting through 50 amendments proposed by Senators from both parties. The committee may vote on some of the proposed changes this week.

But the difficulty in satisfying a majority of Senators on the issue was on display in the committee markup last month. Sen. Jeff Sessions (R-Ala.) complained the RES would foist disproportionate costs on the Southeast, while Sen. Bob Bennett (R-Utah) called it an arbitrary mandate.

Even supporters complained about the plan. Sen. Bernie Sanders (I-Vt.) called the 15 percent standard, which Bingaman lowered from 20 percent to win votes, "woefully inadequate" and promised to try to increase it during floor debate.

However, the biggest complaint for critics is the exclusion of nuclear power from meeting the targets. Sen. James Risch (R-Idaho) accused Bingaman's RES of only "picking at the edges" of domestic energy needs, calling nuclear "the only thing that's going to generate the electricity we need."

Republicans are vowing a vigorous floor debate on nuclear power, especially in light of President Barack Obama's proposal to kill the proposed nuclear waste repository at Yucca Mountain, Nev. Bingaman's energy bill would create a blue-ribbon commission to study alternative disposal solutions, but GOP Senators want action, not study.

"If there is an issue that has been studied in the United States of America, it is nuclear power," said Sen. John McCain (R-Ariz.), who offered one of several failed nuclear amendments at the markup, although his only failed by a narrow margin.

Sen. Lisa Murkowski (R-Alaska), the ranking member on the Energy panel, last month said Republicans see an opening for nuclear power, which does not produce greenhouse gases, in the climate change debate. Members of both parties are beginning to recognize that if "we're really going to put our money where our mouth is when it comes to a reduction in emissions and provide for a reliable and affordable energy source, that we must put greater focus on nuclear energy," she said.

Another unresolved issue that will likely drag out on the floor is the yet-to-be revealed oil and gas title of the bill. A Bingaman spokesman said the centerpiece of the section will be a "robust" inventory of oil, gas and renewable energy resources in the Outer Continental Shelf. But committee Republicans, as well as some Democrats, have made clear that they would like to see expanded production included in the bill as well.

"If we're going to be energy secure, we've got to do everything," said Sen. Bob Corker (R-Tenn.), who reminded his colleagues last month that an energy bill that met every Senators' approval is "going to have to offend every single one of us."

The timing of the Senate floor debate remains unclear. Majority Leader Harry Reid (D-Nev.) has said only that the Senate will wait to move on energy until after the House passes its bill, which could occur this month.

Reid has also suggested he will follow the House's lead and combine the energy bill with cap-and-trade climate change legislation. While Bingaman and Murkowski have raised concerns that doing so raises the stakes in getting to 60 votes in the Senate, Reid last month said the House bill will serve as a guide for what's possible in the Senate.

"We're going to see what the House can do. If they can do it, we can do it," he said.

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