

Week in News: January 25-31, 2010

Virginia's roads need revenue that's less iffy and far off than money from offshore drilling

Virginia Daily Press, January 31, 2010; http://www.dailypress.com/news/opinion/dp-ed_offshore_edit_0131jan31_0.1244329.story

US: Seismic Shoot is Key to Opening Atlantic

Energy Intel, January 28, 2010; http://www.energyintel.com/DocumentDetail.asp?document_id=656334

Salazar tries to cool heated rhetoric over leasing

E&E News PM, January 28, 2010; <http://www.eenews.net/eenewspm/2010/01/28/4>

Va. officials upset by report that feds will delay sale of offshore oil leases

The Virginian-Pilot, January 28, 2010; <http://hamptonroads.com/2010/01/va-officials-upset-report-feds-will-delay-sale-offshore-oil-leases>

Everyone, take a deep breath and think

OGJ, January 28, 2010; http://www.ogj.com/index/blogs/washington-pulse/blogs/OGJ/washington-pulse/post987_6620198875474587857.html

McDonnell concerned about a new possible delay in offshore oil drilling

Washington Post, January 27, 2010; http://voices.washingtonpost.com/virginiapolitics/2010/01/post_557.html

Interior fires back at API chief

Greenwire, January 27, 2010; <http://www.eenews.net/Greenwire/2010/01/27/4>

Government to initiate oil drilling discussion

iStockAnalyst, January 27, 2010; <http://www.istockanalyst.com/article/viewiStockNews/articleid/3813704>

House Dems offer bill to recoup royalties

E&E Daily, January 27, 2010; <http://www.eenews.net/EEDaily/2010/01/27/3>

API's Gerard hopes Obama's speech heralds improved relations

OGJ, January 26, 2010; http://www.ogj.com/index/article-display/2116500701/articles/oil-gas-journal/general-interest-2/government/2010/01/api_s-gerard_hopes.html

US Govt pushes any drilling off Virginia past 2011

Reuters, January 26, 2010; <http://www.reuters.com/article/idUSN2610221420100126?type=marketsNews>

ConocoPhillips, Statoil eye Alaska's OCS

UPI.com, January 26, 2010; http://www.upi.com/Science_News/Resource-Wars/2010/01/26/ConocoPhillips-Statoil-eye-Alaskas-OCS/UPI-71281264523800/

Comments sought on Sound's historic value

Cape Cod Online, January 26, 2010; <http://www.capecodonline.com/apps/pbcs.dll/article?AID=/20100126/NEWS/1260312/-1/INFO>

U.S. to Review Oil Exploration in Atlantic Ocean (Update1)

BusinessWeek, January 25, 2010; <http://www.businessweek.com/news/2010-01-25/u-s-to-review-impact-of-oil-exploration-in-atlantic-ocean.html>

Platts Energy Podium: DOI Chief Says Atlantic OCS Seismic Studies Near

Platts, January 25, 2010; <http://www.prnewswire.com/news-releases/platts-energy-podium-doi-chief-says-atlantic-ocs-seismic-studies-near-82641997.html>

Interior to announce extensive plan soon – Salazar

E&E News PM, January 25, 2010; <http://www.eenews.net/eenewspm/2010/01/25/1>

Greenpeace calls for a ban on Arctic oil drilling

The Ecologist, January 25, 2010;

http://www.theecologist.co.uk/News/news_round_up/404281/greenpeace_calls_for_a_ban_on_arctic_oil_drilling.html

Salazar's first year brought controversy, change

Greenwire, January 25, 2010; <http://www.eenews.net/Greenwire/2010/01/25/22/>

Virginia's roads need revenue that's less iffy and far off than money from offshore drilling

Virginia Daily Press, January 31, 2010; http://www.dailypress.com/news/opinion/dp-ed_offshore_edit_0131jan31_0,1244329.story

Exploring and eventually drilling off Virginia's shores for gas and oil makes sense as energy policy.

But if Gov. Bob McDonnell and state legislators are looking for the financial savior the state's transportation system needs now, offshore drilling isn't it. There are too many big "ifs" about this venture.

- If it's going forward any time soon.
- If there's enough oil or gas to make drilling economically feasible.
- And if Virginia will get any money out of it.

Virginia's on the fast track, but it's not all that fast. After the moratorium on drilling off the nation's coasts lapsed, the Interior Department decided to focus first on waters off Alaska, on the Gulf of Mexico — and on an area of about 3 million acres 50 miles off of southeastern Virginia.

But now the feds say the lease may not go forward until 2012, rather than in 2011, as planned. They may delay to do an environmental assessment and to formulate specific rules for the exploration technique that is the first step — using sound-bouncing technology to locate oil and gas reserves.

Once that hurdle is crossed, the second big "if" comes into play: If an energy company finds enough oil or gas to make drilling worthwhile. The feds estimate that the site could yield 130 million barrels of oil and 1.14 trillion cubic feet of natural gas. That's a tiny fraction of what the other lease areas hold and a drop in the nation's energy bucket — a six-day supply of oil, 17 days worth of natural gas. After the reserves are plotted, whether getting them makes economic sense is another matter.

History isn't encouraging: When leases were offered off Virginia before the moratorium, there was only one taker, and it never led to drilling.

Which isn't to say there isn't a bonanza waiting to be pumped. Only that it's too soon to count on it.

If drilling does go forward, more time-consuming steps await. Rigs have to be built. Infrastructure has to be in place to get the oil and gas to land and refine the oil. With Virginia's environmentally sensitive coast and reliance on tourism, questions like where to put pipelines get complicated.

All of that adds up to an argument not to delay the leasing any longer than necessary, and to get those wheels turning.

But as for road-building money, that still leaves the big if: If there's real money in this for Virginia.

McDonnell touts that prospect. But the leases are in federal waters and unless Congress changes the rules — as it should — then any direct income, including royalties if oil or gas flows, goes to the federal treasury. On its Web site, the agency in charge answers the big question — Will the lease include any revenue-sharing provisions? — with this: "Not at this time, any revenue-sharing provision has to be enacted into law through Congressional legislation."

Given the rise in the deficit and national debt, and in the public's unease about them, it's hard to see Congress enthusiastic about giving up income. But getting a revenue-sharing law is a job for Virginia's two senators, who this week joined McDonnell in urging the feds not to delay the leasing beyond 2011.

States also realize revenue from jobs generated by offshore production. Virginia should be getting in gear to compete for those jobs, as every other coastal state will surely be.

Which brings us back to roads.

A revenue source that's "iffy" and down the line isn't the solution for today's transportation needs or the backlog of work begging to be done. Angling to get offshore drilling in motion doesn't relieve the governor and Assembly of the responsibility to come up with a plan that supplies necessary transportation money sooner. The obvious solution combines user fees (tolls and a more realistic and indexed gas tax) and public-private partnerships.

US: Seismic Shoot is Key to Opening Atlantic

Energy Intel, January 28, 2010; http://www.energyintel.com/DocumentDetail.asp?document_id=656334

Lauren O'Neil, Washington

The Obama administration's upcoming review of applications to shoot seismic surveys in the Atlantic is considered a crucial first step toward developing a better idea of the potential scope of oil and gas deposits off the US East Coast.

The gathering and processing of seismic data is viewed as the start of a process that could eventually lead to hydrocarbon production in waters close to major East Coast cities.

Allowing US offshore activity to spread beyond the confines of the Gulf of Mexico is considered another big advantage of opening up the Atlantic to exploration and production.

The US Interior department plans to evaluate seismic testing projects proposed in four "planning areas" along the East Coast, ranging from the Maine coastline to the Florida straits.

The department has received seven seismic applications: from Schlumberger subsidiary WesternGeco; Seabird Exploration; CGG Veritas; GX Technology; TGS Nopec; and two from Spectrum Geo.

Industry leaders have urged the Interior Department to move expeditiously with the applications and many have criticized the Obama administration for moving ahead too slowly with preparations for the next offshore leasing program which is set to begin in 2012 (OD Feb.11,p1).

The department has taken a similar approach for a lease off the Virginia coast which has been penciled in for late 2011. A Minerals Management Service (MMS) official said this week that the Virginia sale will likely be delayed if it does move ahead.

Some firms have proposed to shoot seismic along the entire East Coast. Others hope to concentrate their efforts in the South and mid-Atlantic, where states have tended to voice their support for oil and gas activity (OD Nov.5,p1).

The companies said they will likely conduct their Atlantic operations from bases in Charleston, South Carolina, Norfolk, Virginia, or Southport, North Carolina.

"We're thrilled this decision has finally been made," American Petroleum Institute President Jack Gerard told reporters in a conference call this week.

"From our standpoint, this is a no-brainer. Industry wants to conduct seismic surveys to determine what resources lie beneath federal waters in the Atlantic," he said.

If seismic shoots are indeed conducted, the firms will likely market the results on a multi-client basis to producers, rather than on the basis of exclusivity.

"I'm sure a number of producers will be interested," said Dan Naatz, vice president of federal resources for the Independent Petroleum Association of America. "There hasn't been seismic activity in the Atlantic for almost thirty years. Since then seismic testing has really moved forward."

"These are all still tests, though," he cautioned, "and until you actually put drill bits in the ocean floor, we won't know what's out there."

MMS plans to complete the necessary environmental reviews for the seismic applications by the end of 2010 (OD Jan.26,p4).

"This is the start of a process that ultimately may lead to lease sales in that area, that you've got to go through," National Ocean Industries Association president Tom Fry told Oil Daily. Fry was director of the MMS under President Bill Clinton.

In offshore seismic surveys, ships use streamers to send sound waves down into the rocks that lie beneath the ocean floor. The echoes are recorded to build a map of the subsurface characteristics -- helping explorers to identify likely spots for hydrocarbons.

The companies applying to conduct surveys have proposed gathering a total of nearly 300,000 line miles of data. Spectrum Geo aims to cover the largest area with a 112,500 line-mile project.

"There's a number of different ways to do seismic -- you can do a much larger area if you only have to run a line every five miles as opposed to every one mile," Fry said. "So that's the kind of thing that seismic companies will be considering when they decide how much they want to do, and where."

The seismic firms have assured Interior that tests can be conducted without harm to marine ecosystems. Procedures will be put in place to protect whales and other mammals that are sensitive to sound waves.

"This is a very scientific approach," Naatz said. "We are very confident it can be done safely and responsibly and address all issues -- mammal issues, military issues -- that are handled well in the Gulf of Mexico."

Salazar tries to cool heated rhetoric over leasing

E&E News PM, January 28, 2010; <http://www.eenews.net/eenewspm/2010/01/28/4>

Noelle Straub

Interior Secretary Ken Salazar today tried to downplay a war of words with American Petroleum Institute President Jack Gerard, saying the dispute is not personal and that he has no interest in "tirades" from industry officials.

"He has a job to do, and I have a job to do," Salazar said. "I don't take it personal. The energy needs of this country are huge, and we will continue to have a constructive relationship with the oil and gas industry as a whole, as well as with other industries."

Yesterday, the Interior Department accused Gerard of making several "inaccurate statements" and throwing "political spears" when he charged the Obama administration with slowing development of oil and gas resources. API in turn called Interior's comments "pure dissimulation."

Asked about the exchange today, Salazar tried to move past it.

"I will do my job with respect to oil and gas development both onshore as well as offshore, and I'm going to do it based on the principles of development in the right places at the right time with the right science, and I am not interested in tirades that come from him or others," Salazar told reporters as he left a Senate hearing.

"We welcome the opportunity to sit down with Secretary Salazar for a fact-based discussion of ways to get Americans back to work and generate billions of dollars in government revenue by further development of our nation's vast oil and gas resources," said API spokeswoman Karen Matusic.

During the Environment and Public Works Committee hearing, Sen. John Barrasso (R-Wyo.) asked Salazar about his previous comments that oil and gas companies were "kings of the world" under the Bush administration. Barrasso said the comments were directed at families who rely on oil and gas development for jobs, but Salazar denied that.

"I very much appreciate the men and women who work in the oil fields because they're real people whose families very much rely on oil and gas development," Salazar said. "We had a 14 percent increase in oil and gas from our public lands both onshore and offshore over what they were in 2008. The rhetoric that you frankly see not from the men and women in the oil fields but, I would say, from the executives of some of the companies I think is misplaced."

Barrasso also expressed concerns that recently announced oil and gas reforms will be burdensome, create uncertainty and "make it more difficult to get these jobs back on track." He asked when the proposal's specifics will be made public.

Bureau of Land Management Director Bob Abbey said the agency had sent a draft memorandum on the new policy to field offices and this week received their comments on the proposal, which are now being analyzed. No significant changes are expected, but minor modifications may be made, with the final policy ready in two to three weeks, he added.

"The intent of our new guidance to our field offices is to provide greater assurance to everyone that the parcels that are offered for lease are likely to be leased and ultimately developed," Abbey said.

Earlier this month, Interior announced major reform of federal oil and gas leasing, including more detailed environmental reviews, more public input and less use of a provision to streamline leasing (Greenwire, Jan. 6).

On a separate issue, Salazar declined to comment on recent reports that the department may delay the first East Coast drilling project off the coast of Virginia, which was expected to begin in 2011 but may shift to at least 2012. Salazar said the agency will have "a lot more to say" with respect to outer continental shelf drilling in the "very near future."

Va. officials upset by report that feds will delay sale of offshore oil leases

The Virginian-Pilot, January 28, 2010; <http://hamptonroads.com/2010/01/va-officials-upset-report-feds-will-delay-sale-offshore-oil-leases>

By Alicia P.Q. Wittmeyer

Some Virginia politicians reacted with dismay Wednesday to reports that the federal Department of the Interior plans to delay drilling off the commonwealth's coastline for at least a year.

Gov. Bob McDonnell said he would "strongly oppose" any delay on drilling beyond 2011. And U.S. Sens. Mark Warner and Jim Webb sent a letter to Interior Secretary Ken Salazar urging him to move forward with the lease sale for an area off the Virginia coast for drilling "in a more expedited manner."

Reuters news service reported Wednesday that an official with the department's Minerals Management Service told an industry workshop last week that the lease sale will be put off until 2012, and could be delayed past that date.

The workshop was not open to the media. An agency spokeswoman, Eileen Angelico of Minerals Management Service, confirmed the comments to Reuters but said later that a decision had not yet been made to delay the drilling. She said Salazar was expected to make a decision soon.

McDonnell has used anticipated revenues from taxing offshore drilling as a key piece of his plan to raise money for transportation.

Last month, he wrote to Salazar urging him to move forward with the lease sale quickly. It had been tentatively scheduled for November 2011.

McDonnell said he remains "dead serious about trying to make Virginia the energy capital of the East Coast."

"A big piece of that ... is offshore production of oil, natural gas and wind," he said. "We don't need federal government delays; we need cooperation."

Sen. Frank Wagner, R-Virginia Beach, has filed a bill that would require that 80 percent of tax revenue from offshore drilling or oil exploration go into a transportation trust fund.

In their letter, Warner and Webb emphasized that drilling could bring jobs to Virginia and add to domestic energy production.

“Support among Virginia’s political leadership for the development of oil and gas resources is strong,” it read. “Therefore it is understandable that recent media reports highlighting additional delays are a source of frustration to Virginia and to a nation that is looking to turn around the economy while simultaneously addressing energy security.”

The Minerals Management Service estimates that there could be 130 million barrels of oil and 1.14 trillion cubic feet of natural gas in the area that would be leased – some 3 million acres about 50 miles offshore.

President Barack Obama said earlier this year that he wants a comprehensive U.S. energy strategy before moving forward with drilling off the Atlantic coast .

Opponents of drilling have said it could affect the Navy’s training and damage the environment.

Everyone, take a deep breath and think

OGJ, January 28, 2010; http://www.ogj.com/index/blogs/washington-pulse/blogs/OGJ/washington-pulse/post987_6620198875474587857.html

Nick Snow

Relations between US Interior Secretary Ken Salazar and parts of the oil and gas industry have achieved the dynamic of an elementary school playground fight during recess. It’s time for everyone to cool off and remember what’s at stake.

I wonder, for example, if the secretary regrets saying during his Jan. 6 teleconference that producers were “kings of the world” who treated public lands as “the central candy store” where they could take what they wanted. Did he actually think this, or was he simply annoyed that several reporters who phoned in kept asking if he was going to run to succeed Colorado Gov. Bill Ritter who was going to announce a few hours later that he would not run for re-election?

Whether he meant them or not, the remarks brought into the open animosity that has been growing between DOI and the industry. E-mails I’ve received from OGJ readers suggest that many producers believe political appointees at the agency intend to obstruct, instead of encourage, more domestic oil and gas development.

But there also were serious abuses which occurred within at least one DOI agency before Salazar arrived. Two different US Minerals Management Service directors told me, “I don’t know; none of that happened on my watch” when I asked about various problems. That’s unacceptable. It also suggests that the current secretary’s right in wanting to make some major changes.

Matters came to their latest head on Jan. 26 when American Petroleum Institute President Jack N. Gerard told reporters during a somewhat chaotic teleconference that total federal oil and gas leasing during Salazar’s first year as Interior secretary sunk to its lowest level on record.

Salazar’s spokeswoman, Kendra Barkoff, responded a few hours later that production from federal oil and gas leases actually grew from 2008 to 2009. “Mr. Gerard needs to check his facts before making statements that are so far off the mark,” she suggested.

API responded to the response on Jan. 27. It said in a statement that DOI’s “attack on the veracity of Mr. Gerard’s comments is pure dissimulation. It fails to address Mr. Gerard’s point that leased acreage plunged in 2009 and concedes that lease revenues collapsed by more than 90%” during his first year at the Interior Department’s helm.

Production versus leasing. Apples and oranges. What’s annoying is that none of the participants can be sent into a corner for a time-out. They’re supposedly grown-ups.

McDonnell concerned about a new possible delay in offshore oil drilling

Washington Post, January 27, 2010; http://voices.washingtonpost.com/virginiapolitics/2010/01/post_557.html

By Anita Kumar

Gov. Bob McDonnell told reporters today that he immediately called U.S. Interior Secretary Ken Salazar's office after news broke late yesterday about the federal government's plan to postpone oil and gas drilling off Virginia's coast.

But, McDonnell said, his office has not been able to confirm the delay despite news reports that say the earliest the area would be leased is in 2012.

"Any delay beyond 2011 I would strongly oppose," McDonnell said. "A delay of a year in the lease means yet another delay in the revenue...I am dead serious about trying to make Virginia the energy capital of the East Coast. We have every God-given natural resource that a state could want to make that happen and a big piece of that goal of energy independence is offshore production of oil, gas and wind and we don't need federal government delays. We need cooperation."

McDonnell wants to use some of the royalties from offshore drilling to pay for roads and transit.

McDonnell sent a letter to Salazar last month asking him to allow for the exploration of oil and gas off Virginia's coast.

In the letter dated Dec. 23, McDonnell urged him to avoid any further delay in the lease, now scheduled for 2011. He did not receive a response.

McDonnell's letter came months after former Gov. Timothy M. Kaine (D) sent his own letter to Salazar earlier this year asking for a delay in drilling off the Virginia coast.

The 25-year-old federal moratorium on energy exploration and development off the coast of Virginia expired last year.

The Minerals Management Service, part of the Interior Department, included Virginia in its five-year plan and began soliciting companies to drill off the coast in 2011. It is the only state on the East Coast included in the plan. But Salazar halted the process to review the plan and get input from the public.

Interior fires back at API chief

Greenwire, January 27, 2010; <http://www.eenews.net/Greenwire/2010/01/27/4>

Noelle Straub and Anne C. Mulkern

The Interior Department is firing back at American Petroleum Institute President Jack Gerard, saying he made several "inaccurate statements" yesterday when charging the Obama administration with slowing development of oil and gas resources.

"Mr. Gerard needs to check his facts before making statements that are so far off the mark," said Interior spokeswoman Kendra Barkoff in a statement. "Oil and gas production on federal lands and waters is up -- not down -- from 2008, and under Secretary [Ken] Salazar's leadership the Department has offered more than 56 million additional acres for development."

She added, "Interior's agencies will continue to promote oil and gas development in the right ways, in the right places, and with a fair return for the American taxpayer, regardless of the political spears Mr. Gerard may throw on any given day."

In a conference call with reporters, Gerard sharply criticized Interior's actions that he said have led to a dramatic drop in the leasing of federal land and waters for oil and natural gas development. Since Salazar took office, Gerard said, acreage leased "has shrunk to the lowest level on record." He also said revenues from lease sales in 2009 were less than \$1 billion, compared with \$10 billion a year earlier (Greenwire, Jan. 26).

Interior disputed his claims, saying that last year the administration offered "more acres for lease than several years on record." In fiscal 2009, Interior said, the administration offered more than 8 million more acres for oil and gas development, onshore and offshore, than in fiscal 2006.

The department also said the acreage offered far exceeded the oil and gas industry's demand in 2009. For example, the Bureau of Land Management offered 3.8 million acres in fiscal 2009 for oil and gas production, but industry bid on 1.8 million acres.

Revenues from oil and gas lease sales in 2009 were in line with recent years, the department said. Since 2001, four years showed higher oil and gas bonus revenues, and four years showed lower revenues. The \$10 billion in revenues generated in 2008 by oil and gas lease sales "is an anomaly and is largely due to high prices on world markets," it said.

But API defended Gerard's statements.

"API stands by our facts," spokeswoman Karen Matusic said. "Interior fails to address Jack Gerard's point that leased acreage plunged in 2009. It agrees that lease revenues collapsed by more than 90 percent in 2009, during the first year of its tenure. Oil production did go up in 2009 over 2008. However that had nothing to do with the administration's stance on leasing. This production increase was the result of investments made by companies on acreage it leased under previous administrations."

Matusic added, "The oil and natural gas industry is ready to work with the administration to increase development of U.S. oil and gas resources to create new jobs, generate more revenue for the government and increase our nation's energy security. We just need the opportunity to do so."

API also released a statement saying that Interior cannot rebut Gerard's facts and that the department is not moving forward with leasing. "Interior's attack on the veracity of Mr. Gerard's comments is pure dissimulation," it said.

The back-and-forth statements are the latest in a series of escalating rhetorical conflicts between Salazar and industry groups. Earlier this week, Salazar refused to back down from his recent comments critical of the oil and gas industry, including saying they were "kings of the world" under the Bush administration (E&ENews PM, Jan. 25).

And in November, after API and the Independent Petroleum Association of Mountain States stepped up criticism of the administration and said Interior is not promoting domestic energy development, Salazar accused them of telling "untruths" and playing politics (Greenwire, Nov. 24, 2009).

During the same conference call where he made the controversial statements yesterday, Gerard said he would welcome an opportunity to tone down rhetoric and improve communication with Interior.

Government to initiate oil drilling discussion

iStockAnalyst, January 27, 2010; <http://www.istockanalyst.com/article/viewiStockNews/articleid/3813704>

By Hank Rowland, The Brunswick News, Ga.

Jan. 27--Environmentalists in Brunswick and the Golden Isles say that allowing drilling for oil and natural gas in the Atlantic Ocean off the coast of the United States is a bad idea.

But U.S. Rep. Jack Kingston, R-1, thinks it is an idea that not only needs to be explored, but dug into.

The long standing difference of opinion between pro- and anti-drilling forces is arising again after U.S. Secretary of the Interior Ken Salazar said this week that he is ready to begin an environmental analysis that could lead to drilling in areas up to 200 miles offshore in the Atlantic.

"From a conservation standpoint, from an environmental standpoint, I would have to oppose something like that," said Altamaha Riverkeeper James Holland, who is the top staff member of the environmental watchdog group based in Darien.

Salazar said a 45-day comment period on a planned study to determine how drilling would affect the ocean floor will start soon. He said information the federal government has on the Outer Continental Shelf is outdated because of a long-standing moratorium on oil and gas exploration there. That includes estimates on how much gas and oil might be under water.

For Holland, drilling for oil off Georgia would pose a danger to the environment and the state's seafood industry.

"I'd hate to see crude oil come spilling up on our beaches right now," he said. "That's my concern. Our fishing, shrimping and crabbing are so fragile, anyway. An oil spill would really do damage to us."

David Kyler, executive director of Center for Sustainable Coast, based on St. Simons Island, is also among those who are against offshore drilling.

"... (S)uch an illusory remedy for oil supply will slow America's urgently needed conversion to energy alternatives, some of which are immediately available and quite practical as investment choices. Prolonging the age of fossil fuels will only serve to constrain our potential as a country and as a species," he said.

Daniel Parshley of the Glynn Environmental Coalition shares that opinion. He said it's time for the nation to adopt a comprehensive energy policy that embraces diversification.

"Other nations are leaps and bounds ahead of us," he said. "They are not economically at the mercy of the price of oil."

With an estimated 18 billion barrels of oil and 76 trillion cubic feet of natural gas untapped under the Outer Continental Shelf, drilling there is something that needs to be done, Kingston said.

Only about 41 million of the roughly 1.8 billion acres of federal offshore lands on the Outer Continental Shelf are currently leased for production.

"I think this is an essential step in energy independence and to stop the flow of dollars to unstable governments and anti-American governments in places like the Middle East and Venezuela," Kingston said. "Going about it cautiously to make sure the environment is not impacted is the proper thing to do."

Kingston said advanced technology would help ensure the safety of the environment.

House Dems offer bill to recoup royalties

E&E Daily, January 27, 2010; <http://www.eenews.net/EEDaily/2010/01/27/3>

Noelle Straub

Two House Democrats yesterday introduced legislation aimed at recovering billions of dollars from oil and gas companies that have not paid royalties under a federal program meant to encourage offshore drilling when prices were low.

The legislation would bar companies from obtaining new leases unless they renegotiate 1990s leases that currently allow royalty waivers regardless of energy prices.

Rep. Edward Markey (D-Mass.), chairman of the Select Committee on Energy Independence and Global Warming, and Rep. Chris Van Hollen (D-Md.) said their legislation could bring in as much as \$54 billion from oil companies.

"Instead of oil companies drilling for free on public land, we should be drilling for deficit dollars by fixing this taxpayer rip-off," Markey said in a statement. "This legislation would protect American taxpayers and reduce our budget deficit."

At issue are certain leases issued from 1996 through 2000 by the Interior Department under a 1995 statute that allowed royalty-free production of large volumes of oil and gas, an incentive for industry to undertake costly deepwater projects in the Gulf of Mexico. The "royalty relief" law was drafted at a time of low oil prices to encourage expensive deepwater projects.

Markey has introduced similar versions of the bill in the past that have won approval in the House before languishing.

The oil and gas industry has opposed Markey's proposals. The American Petroleum Institute has said the 1995 royalty law has worked as intended, helping to boost deepwater Gulf of Mexico production by 50 percent in less than a decade.

The Supreme Court in October decided it would not review an appellate decision blocking Interior from ending the royalty waivers at times of high oil and gas prices. The move likely prevents Interior from imposing price-based limits on the royalty incentives for deepwater producers holding federal leases granted between 1996 and 2000 (Greenwire, Oct. 5).

API's Gerard hopes Obama's speech heralds improved relations

OGJ, January 26, 2010; http://www.ogj.com/index/article-display/2116500701/articles/oil-gas-journal/general-interest-2/government/2010/01/api_s-gerard_hopes.html

Nick Snow
OGJ Washington Editor

WASHINGTON, DC, Jan. 26 -- The US oil and gas industry hopes President Barack Obama's Jan. 27 State of the Union address will begin a shift of administration-industry relations from confrontation to cooperation, American Petroleum Institute Pres. Jack N. Gerard said.

Gerard told reporters in a Jan. 26 teleconference that he expects the president to focus on job creation and on reducing economic pressures on the middle class, and that the US oil and gas industry strongly supports both goals.

"What we seek is not an earmark or stimulus, merely an opportunity to develop the vast US oil and gas resources," Gerard continued. "We specifically do not want the pattern we've seen over the past year from the Department of the Interior when they've lessened our access to domestic resources. In the past year, since Secretary [Ken] Salazar has taken office, the total federal oil and gas leasing program has shrunk to the lowest level on record."

He noted that in New Mexico, where 8% of the total employment is tied to oil and gas and 40% of the state's revenue comes from industry and related activity, the amount of federal leasing dropped 58% from 2008 to 2009. "We believe the best approach is to develop a sound oil and gas policy that recognizes the potential for green job creation, but also the potential for oil and gas development across the United States," he said.

Responding to reports that Salazar plans to announce on Jan. 28 that the US Minerals Management Service will begin to take public comments on a proposed Atlantic Outer Continental Shelf seismic study, Gerard said, "This has been a no-brainer. Industry has wanted to conduct these studies for some time, and we're thrilled the decision has been made. We believe it's long overdue."

'Not as constructive'

Gerard also acknowledged that relations between the secretary and some oil and gas groups have become contentious. "We would greatly appreciate the opportunity to have better communications with him," he said. "We feel at this time they're not as constructive or productive as they could be, and we hope that the president's speech tomorrow night will begin a change toward having an open and honest dialogue."

A spokeswoman for Salazar said later in the day that Gerard's statements about 2009 federal oil and gas development relative to 2008 were inaccurate. "Oil and gas production on federal lands and waters is up—not down—from 2008, and under Secretary Salazar's leadership the department has offered more than 56 million additional acres for development," she said in a statement. "[DOI's] agencies will continue to promote oil and gas development in the right ways, in the right places, and with a fair return for the American taxpayer, regardless of the political spears Mr. Gerard may throw on any given day."

Gerard also said he hopes that the administration's fiscal 2011 federal budget request, when it emerges in a few more weeks, won't have the kind of onerous oil and gas taxes from a year earlier and which fortunately were not included in the final 2010 budget that emerged from Congress.

"Previous proposals have assumed we have too much energy development in the United States. Clearly, no one could believe that now," said Gerard. "We hope the dialogue over the past year will soften some of the rhetoric so we can get down to the realities of creating jobs and improving the national economy. Energy, over time, has become a partisan issue. It should not be. It is something that everyone, regardless of political persuasion, should support."

Gerard said climate-change bills that passed the full US House and the Senate Environment and Public Works Committee in 2009 were a false start. "We believe that we need to consider the reality of the energy sources we have today, and what it will take to fuel the economy today and into the future," Gerard said. "Natural gas is one example. It was not considered in the first proposals. We believe the debate has to mature, and the prospects aren't likely that there will be a climate bill this year. A comprehensive energy bill looks more likely."

He also said he doesn't expect the US Supreme Court's recent decision concerning corporate support of political campaigns to result in a flood of oil and gas industry contributions. "We believe that the best approach in public policy development is to have a good fact-based conversation. We will continue our outreach and education efforts across the country in the same way we always have," Gerard said.

US Govt pushes any drilling off Virginia past 2011

Reuters, January 26, 2010; <http://www.reuters.com/article/idUSN2610221420100126?type=marketsNews>

Earliest date for lease sale off Virginia coast is 2012

- * Offshore lease area may hold 130 million barrels of oil
- * New Virginia governor wants leasing plan to go forward

By Tom Doggett

WASHINGTON, Jan 26 (Reuters) - The federal government's controversial plan to allow oil and gas drilling off Virginia's coast will be delayed, frustrating energy companies who for years have pushed for access to more offshore areas.

The delay also derails a recent request from Virginia's new governor for the U.S. Interior Department to lease the offshore tracts to oil and gas companies as scheduled and creates more uncertainty over whether the drilling plan will ever be carried out.

The federal government's current five-year drilling plan, which was drawn up under the Bush administration, calls for leasing almost 3 million acres in a triangular area located about 50 miles off the Virginia shoreline in November 2011.

The Obama administration put that plan under review when it came into office, and U.S. Interior Secretary Ken Salazar says he will decide by this summer whether the prior Bush plan will go forward.

However, the department's Minerals Management Service, which oversees offshore drilling, said the proposed Virginia leasing plan will be delayed. The department may still decide against any energy exploration in the area.

Lars Herbst, MMS regional director for the Gulf of Mexico, announced the delay last week at an offshore industry workshop held in Texas, according to several people who attended the event, which was not open to the press. MMS spokeswoman Eileen Angelico confirmed Herbst's comments.

Herbst said the MMS staff was still reviewing whether to hold the Virginia lease sale. But if it is cleared, the earliest the area would be leased is in 2012, before the current five-year drilling plan ends on June 30 of that year. The leasing plan could also be delayed past that date.

"They're still analyzing whether they're going to be able to hold the lease sale then or not," said Angelico, who added that more time was needed to study the environmental impact of potential offshore drilling.

The proposed Virginia lease area may hold 130 million barrels of oil and 1.14 trillion cubic feet of natural gas.

Virginia would be the first state on the U.S. Atlantic seaboard to have offshore drilling since a congressional ban and a presidential moratorium against offshore energy exploration in Atlantic waters ended in 2008.

The area was included in the current five-year drilling plan at Virginia's request. The state's new governor, Bob McDonnell, wrote Salazar in late December and urged the secretary to allow drilling off Virginia in 2011 as scheduled.

"Any effort to remove or delay Virginia's participation in the lease sale would significantly hamper our efforts to create jobs, eliminate much-needed new revenue and undermine support for President Obama's stated commitment to make the United States more energy secure," McDonnell said in his letter.

The governor's office could not be reached for comment.

The American Petroleum Institute, the trade group for big oil and gas companies, criticized the department's move.

"This just demonstrates what remains a pattern with the Salazar Interior Department. Delay, delay, delay," said API spokeswoman Cathy Landry. "Instead of moving forward, and conducting environmental reviews so the sale could occur in 2011, Salazar stalled."

In a related matter, Salazar said the Interior Department will publish in the Federal Register this week a proposal on the environmental impact of allowing companies to conduct seismic testing in Atlantic Coast waters, which would help determine available oil and natural gas resources.

The proposal will open for public comment for 45 days.

ConocoPhillips, Statoil eye Alaska's OCS

UPI.com, January 26, 2010; http://www.upi.com/Science_News/Resource-Wars/2010/01/26/ConocoPhillips-Statoil-eye-Alaskas-OCS/UPI-71281264523800/

HOUSTON, Jan. 26 (UPI) -- ConocoPhillips and Statoil announced they teamed up on a deal to work in the outer continental shelf off the north coast of Alaska.

Statoil acquires a 25 percent stake in 50 leases held by ConocoPhillips in the Chukchi Sea off the coast of Alaska.

"The Chukchi Sea in Alaska is a new frontier area for all operators and we believe that companies like Statoil and ConocoPhillips are among the best companies to take on this exciting journey together," said Tony Dore, Statoil's exploration director in North America.

The OCS holds as much as 30 billion barrels of oil equivalent, which is larger than the giant Prudhoe Bay field in Alaska's North Slope.

The U.S. government offered Chukchi Sea oil and gas leases in 2008, creating a swarm of international bidders. Environmental groups complained exploration in the region would cause long-term harm to the regional ecosystem, noting persistent ice coverage would create challenges to cleaning up any potential spills.

ConocoPhillips said its long-term relationship with Statoil put it at an advantage when operating in harsh environments.

"ConocoPhillips has had a long-term business relationship with Statoil in many ventures around the world, particularly in Norway, and welcomes its expertise in this harsh operating climate," said Larry Archibald, the senior vice president for exploration at ConocoPhillips.

Comments sought on Sound's historic value

Cape Cod Online, January 26, 2010;
<http://www.capecodonline.com/apps/pbcs.dll/article?AID=/20100126/NEWS/1260312/-1/INFO>

PATRICK CASSIDY

The U.S. Minerals Management Service is accepting public comment on the proposed Nantucket Sound wind farm until Feb. 12.

Comments are to focus on historic preservation, the latest hurdle faced by Cape Wind Associates LLC in the company's nearly decadelong bid to become the country's first offshore wind farm.

The National Park Service has found Nantucket Sound eligible for listing on the National Register of Historic Places, a move that raises the bar for any projects planned for the area.

Interior Secretary Ken Salazar, who oversees both the National Park Service and the Minerals Management Service, said Jan. 13 he expects to make a decision on whether to approve Cape Wind by the end of April if no compromise can be reached on the review of the project's effects on historic sites.

Public comments on the project's effect on historic preservation can be sent to: Minerals Management Service, Attention: James F. Bennett, 381 Elden St., Mail Stop 4042, Herndon, VA 20170-4817. To submit comments electronically go to www.mms.gov and click on "MMS Opens Public Comment Period on Cape Wind Energy Project."

U.S. to Review Oil Exploration in Atlantic Ocean (Update1)

BusinessWeek, January 25, 2010; <http://www.businessweek.com/news/2010-01-25/u-s-to-review-impact-of-oil-exploration-in-atlantic-ocean.html>

(Adds Salazar comments in fifth and sixth paragraphs.)

By Daniel Whitten

Jan. 25 (Bloomberg) -- The Interior Department will examine the environmental impact of using seismic testing to explore for oil and gas under U.S. waters of the Atlantic Ocean, a step that could pave the way for drilling in the region.

Congress ordered the review as a part of the agency's 2010 funding. Any seismic testing would be the first in 30 years, and new technology makes it possible to gain more information about how much oil and gas lies beneath the ocean floor, Interior Secretary Ken Salazar told reporters today.

"We do not know a lot about the Atlantic and that's because for 30 years there has been no geophysical information that's been developed in connection with resources out in the Atlantic," Salazar said. "It is a place that has been moribund relative to the development of additional information."

Former President George W. Bush lifted a moratorium on drilling on the U.S. Outer Continental Shelf in 2008, saying it would help bring down prices and provide energy security, and Congress ended a 26-year-old restriction on exploration.

The seismic review wouldn't necessarily lead to new drilling, Salazar said. He said he doesn't know where or when any seismic testing would take place if clearance is granted. The environmental review, known as an environmental impact statement, would help provide those answers, he said.

"We have to go through an environmental impact statement before we actually provide the authorization for anyone to do seismic exploration in the Atlantic," Salazar said.

Separately he said he will issue a decision on how or whether to expand offshore drilling along the entire U.S. coastline in response to the lifting of the drilling restrictions

Six companies have filed applications to do seismic exploration in the Atlantic and three others have expressed an interest, he said. The department will issue an intention to conduct the environmental review, and allow the public 45 days to comment on whether or where seismic exploration should take place, Salazar said.

Platts Energy Podium: DOI Chief Says Atlantic OCS Seismic Studies Near

Platts, January 25, 2010; <http://www.prnewswire.com/news-releases/platts-energy-podium-doi-chief-says-atlantic-ocs-seismic-studies-near-82641997.html>

Process Begins Jan. 27; 1st Step in Considering Crude Oil and Gas Exploration

WASHINGTON, Jan. 25 /PRNewswire/ -- Platts -- The process to allow seismic studies of the Atlantic Outer Continental Shelf (OCS)--the first step in considering crude oil and gas exploration there--will start on Wednesday, Interior Secretary Ken Salazar said Monday.

The U.S. Department of the Interior (DOI) will invite public comment on the environmental impact of such studies this week and allow 45 days for responses, Salazar said during a wide-ranging discussion with reporters at Platts Energy Podium, a Washington newsmaker event.

Based on the public comments it receives, Interior will develop an environmental impact statement, which will determine where seismic studies should be done and start the process of awarding those contracts.

There are at least nine companies interested in doing the seismic studies that will map crude oil and gas resources off the Atlantic coast, Salazar said.

"For 30 years there has been no geophysical information that has been developed in connection with the resources out in the Atlantic," Salazar said.

Virginia officials have recently urged the federal government to consider granting oil and gas leases off the Atlantic coast.

Salazar also said a comprehensive plan for exploration and production in the OCS will be released in the coming weeks that will both deal with the existing five-year plan, which expires in 2012, and lay out a new five-year plan.

"We will see a comprehensive proposal going forward in the coming months, in the very near term," he said. "We will make the decisions regarding the 2007-12 plan; at the same time we will look forward."

Salazar would not comment on any plans for oil and gas tax breaks that may be contained in the Obama administration budget to be released on February 1. Last year, the administration proposed a number of rollbacks in tax breaks previously given to the industry.

But Salazar did hint that he is considering a hike in royalty rates on onshore oil and gas leases, which have stood at 12.5% for years. Salazar compared the federal rate with the 20-30% being charged by the state of Texas.

"Are we getting a fair return for the American taxpayer by having a royalty that is 12.5% that has been in place for a very long time?" Salazar asked. "That's a big question. That is part of what we will be answering with respect to our reforms."

A recording of the Ken Salazar session is available via podcast at the link immediately following (you may be asked to complete a one-time-only cost-free Platts website log-in if you haven't filled one out previously):

<http://platts.com/PodcastsDetail.aspx?xmlPath=EnergyPodium/energypodium.xml>.

Interior to announce extensive plan soon – Salazar

E&E News PM, January 25, 2010; <http://www.eenews.net/eenewspm/2010/01/25/1>

Noelle Straub

The Interior Department will combine two previously separate efforts on offshore oil and gas drilling and announce one broad plan "in the very near term," Secretary Ken Salazar said today.

"We will see a comprehensive proposal going forward with respect to the outer continental shelf oil and gas development in the coming months," Salazar said at a Platts energy forum.

Interior is reviewing a Bush-era draft plan that would greatly expand offshore leasing, including multiple sales off the Atlantic and Pacific coasts. Floated in the final days of the prior administration, the plan would run from 2010 to 2015, supplanting much of the current program.

Separately, Interior also has been reviewing its current 2007-2012 five-year offshore leasing program. The U.S. Circuit Court of Appeals for the District of Columbia found fault last year with an environmental analysis underpinning that plan and sent it back to Interior to conduct a new analysis.

Salazar said he wants to combine the department's efforts on changes to the 2007-2012 plan with decisions on the new 2010-2015 plan it is considering.

"We'll try to bring all those together here in the next -- very soon," Salazar said.

Atlantic seismic exploration

Salazar also announced that a 45-day comment period will begin Thursday to kick off the scoping process for an environmental analysis of potential offshore drilling in the Atlantic, as Congress recently required.

He said six companies have filed applications to do more seismic exploration in the Atlantic and another three companies that have indicated interest.

"Once an environmental impact statement is in place for the Atlantic, the decisions will be made as to whether or not these applications that have been filed to do seismic information development in the Atlantic are in conformance with that EIS, and at that point, authorizations may be given -- or may not be given -- relative to moving ahead," he said.

Interior does not know much about the Atlantic Coast because for 30 years there has been little information gathered on the resources there.

"What does this all mean for oil and gas exploration and development off the Atlantic?" Salazar said. "I don't know. We do not have the information, basically, to help guide decisions in many places, and one of those places is off the Atlantic. ... We have information that is 30 years out of date."

The bill funding environmental agencies for fiscal 2010 directed the Interior Department to evaluate the potential significant environmental effects of oil and gas drilling off the Atlantic Coast. The conference report accompanying the 2010 Interior appropriations measure required the Minerals Management Service to conduct a programmatic environmental impact statement of activities in the Atlantic outer continental shelf (E&E Daily, Oct. 29, 2009).

Cape Wind

Salazar also announced that he will travel to Boston next week to work on the proposed Cape Wind offshore wind farm project.

He will meet with tribal leaders to look at construction site issues raised by American Indian tribes, fulfilling consultation requirements after the National Park Service found that Nantucket Sound is eligible for listing in the National Register of Historic Places.

NPS had been weighing the claims from two American Indian tribes that Nantucket Sound is vital to their cultural and religious practices. After meeting earlier this month with supporters and opponents of Cape Wind, Salazar said he will make a final decision on the project by the end of April (E&ENews PM, Jan. 13).

Greenpeace calls for a ban on Arctic oil drilling

The Ecologist, January 25, 2010;

http://www.theecologist.co.uk/News/news_round_up/404281/greenpeace_calls_for_a_ban_on_arctic_oil_drilling.html

Immediate moratorium on all activity by oil and gas industries would help safeguard the local community and ecosystem as well as reduce potential carbon emissions

Plans by the EU, US and China to exploit oil and gas reserves in the Arctic have been criticised by Greenpeace as 'unsustainable' and a threat to the region's ecosystem.

Countries have rushed to lay claim to areas of the Arctic Ocean during the past few years, following predictions such as those made by the US Geological Survey that as much as 22 per cent of the world's undiscovered fossil fuel resources could lie there.

Boom and bust

Speaking at the annual Arctic Frontiers conference, Greenpeace's Nordic Executive Director, Mads Flarup Christensen, said oil and gas drilling would bring ecological boom-and-bust to the Arctic.

'In the shorter term there is economic development and jobs, but they do not come with a guarantee that the ecosystem won't be affected and in turn, negatively affect communities.'

He called for an immediate ban on industrial oil and gas exploration to protect ecosystems and the communities that depend on them for their survival.

'We see the moratorium as an immediate measure to address the current governance gap in the Arctic Ocean, and something that will remain in place until a more permanent, overarching treaty or agreement is established to protect this part of the Arctic Ocean from additional damage,' said Christensen.

No whaling or sealing ban

Christensen added that Greenpeace was not seeking a ban on traditional or subsistence activities like whaling, sealing or fishing but only industrial activities.

'It's the oil and gas activities, industrial fishing, shipping, mining and other industrial activities that pose threats to the ecosystem. If such industrial activities are allowed without a proper governance system for the Arctic Ocean as a whole, and even before the environmental values hidden under the sea ice have been mapped or understood, it will be another tragic example of our human inability to respect the precautionary principle.'

Christensen also criticised claims that the oil and gas extraction could be sustainable and said it was not possible because of the, 'routine spills, leaks, emissions to air and water, vessel and air traffic, industrial noise and all manner of disturbance that takes place during the exploration, extraction and transportation of oil and gas'.

Shell opposition

Meanwhile, an alliance of conservation and Alaskan indigenous groups have issued a legal challenge in the US in an attempt to block drilling plans by the oil giant Shell.

The alliance accuses the minerals management service (MMS), part of the federal Department of the Interior, of waving through permission to allow Shell to invest £1.3 billion in Alaskan exploration, disregarding the environmental dangers.

The executive director of Pacific Environment, one of the plaintiff organisations, David Gordon, said: 'Shell's plan for the Arctic is too much, too soon, too fast, especially in light of community concerns and the effects of climate change that we are already seeing in the Arctic.'

Salazar's first year brought controversy, change

Greenwire, January 25, 2010; <http://www.eenews.net/Greenwire/2010/01/25/22/>

A year into his tenure, Interior Secretary Ken Salazar has proven bold and ambitious, willing to challenge critics from the oil and gas industry and staking out terrain as a sweeping reformer.

Salazar has pushed his department, which once focused nearly exclusively on developing fossil fuel energy on public lands, to develop renewable energy on millions of acres. And in the process of reining in the department's oil leasing, he has drawn criticism that he has swapped the past administration's industry clique for environmentalists.

"After a year in the office, it's very clear there is a direction that has been decided, and it's anti-oil and gas," said Jack Gerard, president of the American Petroleum Institute, an industry trade group.

Salazar has cut a larger figure than may have been expected, said Charles Wilkinson, a University of Colorado law professor and expert on the West's public lands.

"We're coming out of the most aggressive oil and gas administration we've ever had. Salazar's No. 1 priority had to be to get oil, gas and coal back into perspective," Wilkinson said.

"He does get branded as divisive, but it's not clear he's done anything extreme," he said.

The department has pursued a balanced approach, Salazar argues.

"I have no apologies to anybody. The fact of the matter is, we've moved forward with a balanced approach," Salazar said. "That principle has made some in the oil and gas industry mad."

"I'm more at peace relative to my job than I have ever been," Salazar added. "I don't mind the fights, and I don't mind the controversies" (Michael Riley, Denver Post, Jan. 24). -- PV
