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As Gas Prices Gush, Drilling Debate Flows
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By RUSSELL RAY

The Tampa Tribune

TAMPA - Mike Wyckoff is an unlikely proponent of something Florida politicians and environmentalists have been trying to prevent for decades: The exploration and production of oil and natural gas in the waters off Florida's Gulf Coast.

A 27-year resident of Madeira Beach, the real estate broker lives 150 yards from the beach and manages 16 beachfront properties.

But as $4-a-gallon gas squeezes many consumers and household budgets, Wyckoff says it's time to lift the ban on oil and gas drilling in the eastern Gulf of Mexico, a move that could boost supplies and lower prices.

Wyckoff acknowledges the obvious risk. A major oil spill could ruin Florida's beaches and ground the state's tourism industry. The $65 billion-a-year industry employs nearly 1 million people.

"There's a risk and a reward," Wyckoff said. "At this point, maybe the risk is worth the potential reward."

Hovering around $134 a barrel, crude oil prices have doubled over the past year. In the Tampa Bay area, pump prices have reached budget-busting levels, averaging $3.96 a gallon, according to AAA. Nationally, gas prices are averaging $4.06 a gallon, or 33 percent higher than this time last year.

The tipping point on the debate over drilling off Florida's Gulf Coast may be near, as record high oil and gasoline prices force consumers and policymakers to question decades-old moratoriums against drilling on federal lands and in territorial waters of the United States.

"There is certainly a renewed look at the nation's offshore policy," said Dan Naatz, vice president of federal resources for the Independent Petroleum Association of America. "Attitudes are starting to change and people are starting to look at this in a new light given the current price environment."

Experts Unsure How Much Is There

No one knows for sure how much oil might be found in the waters off Florida's Gulf Coast because geologists have been prevented by federal regulators from gauging the region's oil resources with modern-day seismic technology. The best estimate offered by the U.S. Minerals Management Service is 3.88 billion barrels of oil within 125 miles of Florida's Gulf coastline. That's enough oil to meet U.S. demand for 176 days. The United States consumes about 22 million barrels of oil daily.

But that estimate is based on data from the 1970s. If the industry were allowed to explore the eastern Gulf today, the 1970s estimate probably would be significantly eclipsed by the new research, Naatz contends.

"The initial resource estimates for the western-central Gulf of Mexico were significantly smaller than what's already been produced," Naatz said. "The more you explore, the greater the resource."

A measure to allow oil and gas exploration as close as 50 miles off the U.S. coastline, including Florida's Gulf Coast, was narrowly defeated by a congressional subcommittee this week. But House Republicans said they plan to bring the proposal again when the full House Appropriations Committee meets next week.

The measure's author, Rep. John Peterson of Pennsylvania, said the debate in Congress is far from over and promised to keep raising the issue.

"There is no valid reason for Congress to continue keeping Americans from the energy resources they own and are in dire need of," Peterson said.

More than a quarter of the nation's oil production - nearly 2 million barrels a day- comes from the western Gulf of Mexico.

The eastern Gulf could be just as prolific, Naatz said. "The geology doesn't stop at the boundary line," he said.

In arguing for oil exploration of Florida's coast, drilling proponents often point to a China-Cuba partnership that allows the Chinese to drill for oil just 50 miles off Key West.

But U.S. Sen. Mel Martinez, R-Fla., argued Thursday on the Senate Floor that there is no proof that China and Cuba are planning to drill for oil anywhere offshore.

"China is not drilling off the coast of Cuba," Martinez said. "Reports to the contrary are simply false. They're akin to urban legend."

Jorge Pinon, a senior energy fellow at the University of Miami, said Cuba has awarded offshore leases to six oil companies - none of them Chinese.

Cuba's plans for offshore oil production may be in question, but the debate over oil exploration in the United States rages on.

Activists Say Drilling Would Hurt Tourism

Environmental groups say drilling off the coast of Florida would threaten the state's pristine beaches and its $65-billion-a-year tourism industry.

"These are really special ecosystems," said Holly Binns, a spokeswoman for Environment Florida. "One oil spill could devastate the ecology and the economy of the Florida coastline for decades."

Binns said opening the waters off the Florida Gulf Coast and the East and West Coasts to drilling won't cause pump prices to fall because it will take seven to 10 years before those supplies could be added to the supply chain. Lifting the moratoriums on offshore drilling, Binns said, would only further enrich U.S. oil companies.

"The oil industry and their allies in Congress see this as an opportunity to open up the few areas that remain off limits to them for very good reason," Binns said.

Drilling proponents are using high gas prices "to scare the public into thinking coastal drilling offers a real solution to our dependency on oil," said U.S. Sen. Bill Nelson, D-Fla.

Nelson said there isn't enough oil and gas in the areas off-limits to producers to lower prices.

Instead, Congress should "reign in unregulated oil trading" and focus on conservation and renewable energy technologies.

But drilling proponents disagree, saying if Congress allowed the industry to tap America's offshore oil and gas reserves, energy markets would react and drive down oil prices.

"Anywhere between $20 and $45 a barrel would drop off the price if the U.S. government announced that they would be issuing leases," said Jim King, a Republican candidate for the 5th Congressional District of Florida, which includes, Pasco, Polk and Hernando counties.

King, who favors drilling off Florida's Gulf Coast, said most of the people he has encountered while campaigning would welcome oil and gas drilling off Florida's coast.

About 85 percent of the offshore territory of the United States is off-limits to drilling. That includes the entire East and West Coasts, Florida's Gulf Coast and the waters off northern Alaska.

These restricted areas hold about 86 billion barrels of oil and 420 trillion cubic feet of natural gas, 10 times more oil and 20 times more natural gas than Americans consume in a year. Alaska's Arctic National Wildlife Refuge holds an estimated 10.6 billion barrels of recoverable oil. North Dakota's Bakken oil field, an area not off-limits to producers, is a recent discovery that might contain up to 3.65 billion barrels of unconventional oil.

Jeff Miller, a warehouse manager at an auto body parts business in Plant City, said the United States should be doing more to increase oil production at home.

"The whole continent is floating on oil," Miller said. "We're not getting it because they're afraid of the environmentalists."

Sales are down at the family-run business Miller manages. Customers aren't spending as much on auto parts because of the skyrocketing cost of oil and gasoline, he said.

Bottom line, says Miller: If there's oil off the Florida coast, the United States should go get it.

The Associated Press and reporter Billy House contributed to this report. Reporter Russell Ray can be reached at (813) 259-7870 or rray@tampatrib.com.

'Drinking-straw effect' sets off oil debate
Democrat-Gazzette, June 15, 2008; http://www.nwanews.com/adg/Business/228784/

BY MARLA DICKERSON LOS ANGELES TIMES

Posted on Sunday, June 15, 2008

U. S. GULF OF MEXICO — Eight miles north of the maritime border with Mexico, in waters a mile and a half deep, Shell Oil Co. is constructing the most ambitious offshore oil platform ever attempted in the Gulf of Mexico.

As tall as the Eiffel Tower, the floating production facility will be anchored to the ocean floor by moorings spanning an area the size of downtown Houston. Scheduled to begin operating late next year, this leviathan known as Perdido (or Lost) will cost billions and be capable of pumping 100, 000 barrels of crude a day.

But Perdido's most notable achievement might be to compel Mexico to loosen its 70-year government monopoly on the petroleum sector, thanks to a phenomenon Mexicans have dubbed the "drinking-straw effect."

Mexicans fear that companies drilling in U. S. waters close to the border will suck Mexican crude into their wells. Actor Daniel Day-Lewis' fictional oilman in There Will Be Blood compared the concept to siphoning a rival's milkshake.

"When they take petroleum from the American side, our petroleum is going to migrate," Francisco Labastida Ochoa, head of the Mexican Senate's Energy Committee, told the newspaper Milenio recently.

Oil isn't a simple commodity in Mexico. It's a symbol of national sovereignty. Rancor over foreigners profiting from its hydrocarbons — namely America's Standard Oil — led Mexico to nationalize its industry in 1938. The state-owned oil company Pemex is forbidden by law from partnering with outsiders to exploit a drop of Mexican crude.

But for a growing chorus of Mexicans, sharing a milkshake is preferable to watching your neighbor drink it up. Mexico has no viable deep-water drilling program to match U. S. efforts near the maritime border. And it lacks an ironclad legal means to defend its patrimony. Some Mexicans are urging their government to partner with the U. S. to co-develop border fields or risk losing those deposits.

Mexican Energy Secretary Georgina Kessel has spoken repeatedly of her desire to negotiate such a pact. Cross-border fields are a hot topic in Mexico's Congress. Lawmakers are embroiled in heated debate on how to strengthen Pemex, which provides 40 percent of Mexico's tax revenue but whose slumping output is alarming the nation.

Proposed legislation still would ban partnerships. But consensus is growing to permit some exception in the Gulf as oil companies move closer to Mexican territory. The U. S. has issued drilling rights on dozens of parcels less than 10 miles from Mexican waters. Shell, BP, Chevron and Exxon Mobil, plus independents including Houston's Bois d'Arc Energy, have secured acreage adjacent to the boundary.

It's unclear whether big shared deposits even exist in the Gulf of Mexico. Historically, the region's deep-water finds have been isolated pockets of petroleum, not megafields.

Officials at the U. S. Minerals Management Service, the federal agency that regulates U. S. offshore production, said they had no knowledge that any Gulf reservoirs now under development crossed the international divide.

Shell, which is developing its Perdido platform with Chevron and BP, said the deposits they were targeting were confined to U. S. territory.

Mexicans are skeptical. A recent editorial cartoon showed a greedy Uncle Sam sucking from a straw plunged deep into the Gulf. But Pemex hasn't done the seismic and drilling work needed to determine if there is crude on its side.

All the more reason for Mexico to collaborate with the U. S. to find out what lies near the 470-nautical-mile Gulf border and end the speculation, said David Enriquez, a Mexico City attorney and maritime law expert.

A spokesman for Minerals Management Service said his agency had worked with Mexico before on boundary issues and was open to discussing crossborder fields. "It's the neighborly thing to do," said Dave Cooke, deputy regional supervisor for resource evaluation for the agency in New Orleans.

MODERN REALITIES Oil and gas fields straddle many international borders. Countries typically strike what's known as a "unitization agreement" to share the costs to extract the deposits and split the proceeds based on how much lies in each nation. Britain has partnered with the Netherlands and Norway in the crowded North Sea. Australia and East Timor have a unitization agreement. So do Nigeria and Equatorial Guinea. But the U. S. and Mexico have long skirted the topic, given their prickly history over oil. Until recently, such an agreement wasn't necessary. Both nations had plenty of shallow-water reserves to keep them occupied. Low oil prices didn't justify the exorbitant costs of deep-water drilling, where a single well can cost $ 100 million or more. But exploding crude prices and advances in seismic technology have oil companies pushing into the farthest reaches of the U. S. Gulf. Private operators snapped up a record $ 3. 7 billion worth of leases at Minerals Management Service's March auction, virtually all of them in deep water.

Since 1992, oil companies have drilled more than 2, 100 wells at depths greater than 1, 000 feet in the U. S. Gulf. Pemex has drilled seven deep-water wells since 2004. None is producing petroleum and probably won't for years.

Therein lies the nation's predicament. Mexico is the world's sixth-largest crude producer, but production is in its fourth straight year of decline. Mexico could become a net oil importer within a decade if it doesn't find new reserves fast.

Cantarell, a shallow-water Gulf field in southern Mexico, is drying up. April output averaged just more than 1 million barrels a day, less than half of its peak in December 2003. EXPERTS: DEAL MAKES SENSE

Pemex says there are billions of untapped barrels in Mexico's deep waters. But it lacks the capital and know-how to go after them.

A bill being pushed by President Felipe Calderon's administration would make it easier for Pemex to hire the expertise it needs. But deep-water projects cost billions and can take a decade to come on line. Oil majors typically want a share of any crude that they find — a standard industry practice forbidden by Mexico's Constitution.

It's unclear whether a constitutional change would be necessary to let Mexico forge a unitization agreement with the United States. But industry experts said a deal would make sense for both sides.

Companies working in U. S. waters wouldn't have to worry about Mexico taking legal action if it were determined that Mexican crude was ending up in their wells. International law and commercial custom dictate that communal reservoirs be shared. But the U. S. has not ratified a key United Nations treaty on maritime law, which could complicate Mexico's effort to pursue any complaint over pilfered crude.

Nevertheless, oil companies don't like surprises, said Michelle Foss, chief energy economist at the University of Texas' Bureau of Economic Geology at Austin. "You're not going to put a billion dollars at risk if... you might have to suspend operations because of an international dispute," she said.

A unitization deal would give Pemex a chance to learn from deep-water veterans who have been working the Gulf for decades.

There is pipeline infrastructure on the U. S. side, eliminating the need for Mexico to duplicate such a costly effort.

Yet critics such as Mexican opposition leader Andres Manuel Lopez Obrador claim that border fields are the first step in opening Mexico's energy sector to foreigners and privatizing Pemex. Calderon denies it.

As Mexico considers its next move, the U. S. is hitting the gas. Its Gulf crude production averages 1. 3 million barrels daily and is projected to rise to as much as 2. 1 million barrels a day by 2016 thanks to Perdido and other deep-water projects.

Shaped like a giant tin can, Perdido will be anchored in 8, 000 feet of water, making it the deepest so-called spar in the world. The movable structure, with as many as 150 workers, will tap oil at three fields, Silvertip, Tobago and Great White.

"The easy oil is gone," said Russ Ford, Shell's technical vice president for the Americas.

Oil headed to $150, mogul says
Rocky Mountain News, June 13, 1008; http://www.rockymountainnews.com/news/2008/jun/13/oil-headed-to-150-mogul-says/

Pickens sees China gobbling up supply even if U.S. cuts back
Gargi Chakrabarty

Legendary Texas billionaire T. Boone Pickens, 80, with a net worth estimated by the Forbes magazine at $3 billion, made most of his money betting on oil and natural gas. The Oil & Gas Journal named him one of the "100 Most Influential People of the Petroleum Century."

Now Pickens says oil will hit $150 a barrel by October.

The reason, he says, is that even if Americans reduce oil consumption by car-pooling and shunning SUVs, the Chinese won't stop buying cars - gobbling up extra supply from the global market and pushing up prices.

Pickens will be keynote speaker at the annual Rocky Mountain Natural Gas Strategy Conference & Investment Forum in Denver July 9-11 .

Domestic production of natural gas, used to heat homes and fuel power plants, will be robust in the coming years, and the Rocky Mountains will remain a strong player, said Pickens, who heads BP Capital hedge fund. He also sees upside in ethanol and wind power and is building one of the world's largest wind farms near his Texas ranch.

This week, Pickens spoke to the Rocky about oil prices, the outlook on ethanol as an alternative fuel and his burgeoning interest in harnessing wind for clean electricity.

In December 2007, you'd warned about $100-barrel oil, and that happened a month later. Today, where do you see it going?

It's going to go up, I think we'll see $150 a barrel probably in the third quarter.

The only way to kill demand is with price, and we have already killed demand in this country of 500,000 barrels per day.

But the Chinese picked it up. So it was no gain or loss. Going forward, was no gain or loss. Going forward, you are going to kill demand further if price goes up. But I don't have a real feel what the Chinese are going to do. I am suspecting they are going to subsidize oil. We will kill demand, and they will pick it up. If that happens, it won't impact oil prices.

Today, we have 85 million barrels per day of global supply and 86 to 87 million barrels per day of global demand.

The extra supply is coming from inventory, and that being the case, price should continue to go up.

What about alternative fuels such as ethanol?

I think we need everything we can get our hands on. Ethanol is a serious alternative, approaching 1 million barrels a day. We use 21 million barrels of oil per day in the United States, so ethanol already has occupied a spot.

I'd rather pay for ethanol, which is not the best fuel compared to diesel or gasoline, but what matters is it is our own fuel, not imported.

Oil is the largest import we have, $700 billion a year, five times what the war in Iraq cost.

What is the outlook for natural gas?

Domestic natural gas is going up because of shale basins. We have got that covered pretty well. Operators in the Rockies are having good success, the region has plenty of gas and activity will continue for several years.

That's good because U.S. oil production is declining, and unless we open up the Outer Continental Shelf and more federal land in the West, it will continue to decline.

How could the U.S. production decline be offset?

It's pretty hard to ask Saudis and others to produce more oil when we won't open up our own acreage to be explored. Opening the Arctic Refuge has to be addressed by Congress.

These are huge questions for Congress because they continue to talk about windfall-profit tax on the oil and gas industry, which is not good. It sends a message to corporate America that if they make money, they can be made subject to the same windfall-profit taxes.

What about wind power as an alternative to coal-fired power? You are building a 4000-megawatt wind farm in Texas, one of the largest in the world.

For me, wind is the most promising alternative. The wind farm that's going to be built is about 30 miles south of my ranch. I know the county, I know the landowners, they want me to do this. There's plenty of wind in the U.S., and wind energy will work very well for this country. But I don't think wind will replace coal.

Transcript: Energy Debate on 'FOX News Sunday'
FOX News, june 15, 2008; http://www.foxnews.com/story/0,2933,367192,00.html

"FOX NEWS SUNDAY" HOST CHRIS WALLACE: There is no bigger challenge to the country now than the soaring price of energy. What can be done about it?

Well, for answers we've assembled a roundtable of experts — two of the point people in the Senate on this problem, Byron Dorgan, Democrat of North Dakota, and Kay Bailey Hutchison, Republican of Texas, and Red Cavaney, president of the American Petroleum Institute.

And, all of you, welcome back to "FOX News Sunday."

SEN. KAY BAILEY HUTCHISON, R-TEXAS: Thank you, Chris.

SEN. BYRON DORGAN, D-N.D.: Thank you, Chris.

AMERICAN PETROLEUM INSTITUTE PRESIDENT RED CAVANEY: Thank you, Chris.

WALLACE: Let's start with the most obvious solution, domestic drilling. And as prices soar, public opinion is turning around on this subject. According to a recent Gallup poll, as you can see there, 57 percent now favor drilling in areas that are off-limits.

Senator Dorgan, if we started drilling in ANWR, the Arctic National Wildlife Refuge, if we started drilling offshore, if we started mining shale rock out West, over time we could dramatically reduce the price of energy and our dependence on foreign oil.

Why are Democrats blocking drilling as part of the mix of solutions?

DORGAN: Well, first of all, I don't believe that statement is true. I mean, we have opened up at least 181 in the Gulf of Mexico, substantial oil and gas reserves.

I and Senator Bingaman joined Senator Domenici and then Senator Talent as the four people that offered the legislation to open that up.

You started with ANWR, which everybody always starts with, but even John McCain has voted against drilling in ANWR. He said, "We ought not drill in the Everglades, we ought not drill in the Grand Canyon, we ought not drill in ANWR."

I believe we need to do a lot of things, including additional production, including offshore production, but we also need to move dramatically toward renewable energy as well.

And one final point. In North Dakota we have just had the largest assessment — North Dakota and Montana — in what's called the Bakken shale field, the largest assessment of recoverable oil reserves that was ever issued in the lower 48 — over four billion recoverable barrels of oil.

So there is a lot of drilling going on, and I hope that we see more in the right places.

WALLACE: I just want to follow up with you for a second before I bring in your colleagues here. ANWR — and let's take a look, because we have a map of ANWR.

In a refuge the size of the state of South Carolina, we're talking about drilling in an area the size of Washington's Reagan Airport. ANWR contains 10 billion barrels of oil. Can we really afford to put that off limits?

DORGAN: Well, there's far more oil in the Gulf of Mexico than in ANWR, far more oil there. And I'm someone who believes we ought to be drilling in a portion of that.

But as I said, even Senator John McCain has voted against drilling in ANWR. Don't lay that just at the feet of Democrats. That is a large area set aside in legislation signed by Dwight Eisenhower. To suggest that ought to be the hood ornament for what we do in terms of solving our energy problem is just wrong.

We need additional drilling. We need renewables. We need conservation, efficiency — all of those things in a very aggressive way.

WALLACE: Senator Hutchison, congressional Republicans are pushing for more drilling, but as Senator Dorgan pointed out, your presumptive nominee is against a lot of it.

He is against drilling in ANWR. He says that drilling offshore should be left up to individual states which in most cases, like Florida and California, have banned it. Is he wrong on such an important issue?

HUTCHISON: Well, let me first say that while Byron Dorgan has just said that he would support more drilling as part of a package, in fact, the Democrats are blocking any kind of increase in production. They are.

And if we don't increase the production in this country, we are not going to bring the price of oil down. We're not going to bring the price of gasoline at the pump down. And we're not going to become independent.

Now, Senator McCain has said that he believes ANWR should be off- limits, but he has embraced all of the other production areas, off the coast.

WALLACE: No, in terms of individual states, he says that it should be left up to the states.

HUTCHISON: Well, that's right. And that's what is in the plans. It is an incentive that Republicans put in the last piece of legislation, which many Democrats are trying to withdraw, for states to be able to get royalties if they explore and produce off their shores. It is a great incentive.

Let me just say that what we really must do if we are going to become independent, rely on ourselves, solve this problem and bring prices down, we have to have a myriad of proposals, including drilling in ANWR, drilling off the coasts on the outer continental shelf and the oil shale, which is — all of those have more reserves than all of the oil in the Middle East.

And in addition to that, we can do it environmentally safely. It seems like the environmentalists have gone on vacation since 1950. We have the ability to drill in ANWR, in this very small area that you pointed out, completely environmentally safely, and the same on the coasts.

WALLACE: Mr. Cavaney, Democrats point out that for all the talk of drilling, the big oil companies currently hold leases on 68 million acres of federal land, onshore and offshore, that you're not developing. Why not start there?

CAVANEY: Well, we are developing. And there's a big misunderstanding. If they understood the industry, they would appreciate the fact that we bid for those leases competitively in the open market. We pay the government to get them.

We have to pay annual lease fees on those particular leases. And at the end of the lease term — five years, six years, whatever it may be — if we haven't done anything on those leases, they go back to the government to be bid again.

What's going on is they — the first step in our industry is called exploration. In other words, the creator didn't put oil and gas on every plot of land. So we have to go and explore.

We're willing to put our capital at risk to find out whether or not there's oil and gas there. And there's been very few cases where there is oil and gas in amounts that are commercially usable. And those are the ones that you can develop.

The rest of them, why drill where you know there's no oil or gas? And let those things go back to the government.

WALLACE: Senator Dorgan, let me bring in another part of this equation, because the Democrats' big idea in this area is a windfall profits tax on Mr. Cavaney's employers, the big oil companies, to finance alternative energy as well as more conservation.

How does the government decide what's a reasonable profit and what is a windfall profit? And how do you answer the fact that back when this tax was imposed in the '80s, domestic production dropped and foreign imports increased?

DORGAN: Yeah. Well, let me talk about Exxon just for a moment. Last year, Exxon used $31 billion of profits to buy back their stock and only half as much for drilling and exploration.

I mean, you know, look. With respect to a windfall profits tax, it's constructed so if they're using that money to expand supply by drilling, they wouldn't pay it. I mean, that's the approach that makes sense to me.

But I want to talk about one other thing. This issue of production is a canard. We're producing more in this country. Some Democrats, including myself, have supported additional production as well.

But let me say this. There is nothing at this point that justifies the price of oil or gas in this country with respect to supply and demand. Every month since January our domestic crude supply has gone up. Demand is going down because the economy is slowing. And yet the price of oil and gas are going through the roof.

Why? Because there's an orgy of speculation going on in the futures markets, an unbelievable amount of speculation by hedge funds, investment banks and others, that are driving up prices for the American people.

And that ought to be one area at least where Democrats and Republicans can work together to say let's wring this speculation out of...

WALLACE: Well, let me just follow up directly on that, because there is talk you're blocked on — you want a windfall profits. They want more drilling. You're not going to be able to pass either of those, it appears.

Are you willing to separate out some federal action to stop oil speculation?

DORGAN: Absolutely. Absolutely. I proposed that. I think others have proposed it. We ought to get at this. There's nothing with respect to supply and demand that justifies the current price. This is all about a lot of speculators.

Will Rogers talked about that eight decades ago, people buying things they'll never get from people that never had it, making money on both sides. These are people that don't want to take delivery of oil. They want to speculate in the market, and they've driven up prices in a dramatic way.

WALLACE: Senator Hutchison, how big a problem is oil speculation? And maybe we can work out a deal right here in this studio. Are Republicans willing to agree with Democrats, separate out and go after the oil speculators?

HUTCHISON: Well, let me say that I think all of us would agree that we need transparency. We need to understand this.

But the way that we can stop the speculation is to show that we are going to do what we can, using our own natural resources and our own creativity, to increase the supply of oil and gas and renewables in our country.

And all of the Democratic proposals don't produce one ounce of a barrel of oil.

WALLACE: But to answer my direct question, would you agree to — legislation on oil speculation, separating it out.

HUTCHISON: Well, I think if you are talking about a cartel that speculates and fixes the prices, that is absolutely something that Republicans and Democrats would agree on.

But if you're talking about people going into the market of their own free will, not controlling anything, then it is a market issue. And I think transparency would be a good add, and I would work with Senator Dorgan on that.

I think we need to look at the whole issue and understand it. But if we bring up supply, we will bring down the price.

WALLACE: Mr. Cavaney, let me bring you into this, because Senator Dorgan brought up something that a lot of people talk about, and that is the huge amounts of money that big oil is making — $36 billion, the five oil companies in the first quarter of this year.

And it's not just Democrats who are going after big oil. Let's look at what John McCain said recently. Here it is.

(BEGIN VIDEO CLIP)

MCCAIN: I'm very angry, frankly, at the oil companies not only because of the obscene profits they've made, but their failure to invest in alternate energy to help us eliminate our dependence on foreign oil.

(END VIDEO CLIP)

WALLACE: "Very angry," "obscene profits," and this is the Republican nominee talking.

CAVANEY: Well, there's a couple of facts that need to be entered into this. First of all, if you look at the last quarter, first quarter of this year, the profits the industry made was 7.4 percent. That's return on a dollar of sales. The Dow Jones industrial average made 8.5 percent. If you want to go back five years, 10 years, we make the oil industry average.

Now, our profits are large because over the last 30 years what's happened is the competitors, the publicly held oil companies, are foreign governments and they're national oil companies.

And these companies have to scale up to be the equivalent size to compete with them in order to get the oil on the global market to bring back to this country to run through our refineries. If we had more domestic production, we could reduce our reliance on imports.

And to the point we just discussed earlier, the problem we have right now globally is supply and demand are very, very close. That creates the platform for people to enter into these commodity markets on the expectation that other things are going to happen.

So just solving the speculation isn't necessarily going to take the price of oil where it could be. You need both production, which you get through access and refinery expansions, and then you need to look at the...

WALLACE: Senator Dorgan, let's look at what Barack Obama said last week about — or this week, rather, about the spike in gas prices. Here it is.

(BEGIN VIDEO CLIP)

QUESTION: So could these high prices help us?

OBAMA: I think that I would have preferred a gradual adjustment. The fact that this is such a shock to American pocketbooks is not a good thing.

(END VIDEO CLIP)

WALLACE: Senator Obama's gradual adjustment — he seems to be saying that the rise in gas prices may actually be helping us form a better energy policy.

DORGAN: Well, it certainly forces some conservation for people that can't afford to fill their tank. Let me say this.

WALLACE: So he favors...

DORGAN: No. No, he does not. But let me say this. You just heard him. Let me say this. We've had people testify before the Congress that says there's — excess speculation that's going on in these markets has increased the price of gas and oil by 20 percent to 30 percent.

We've got to wring that out. That's unfair to the American people to be paying this kind of a price because speculators are having a field day.

And one final point. We tap dance around this table talking about everything except that which we have to talk about, and that is change. We've got to address renewables in a very significant way. We can't drill our way out of this.

Yes, we should produce more. We should drill more. But you can't drill your way out of this. We have to have a different energy mix, because 60 percent of our oil now comes from off our shore. This is all about change.

WALLACE: Well, let me ask you about one aspect of drilling, Mr. Cavaney. There's a report this weekend that Saudi Arabia is prepared to start producing a half a million more barrels of oil a day. What would that do to prices?

CAVANEY: We can't say exactly, but clearly, more volumes of production is going to help put downward pressure on prices globally. And that's why increasing our access and production here in the U.S. would also help that equation.

WALLACE: And where do you see the price of gasoline headed over the course of the next year?

CAVANEY: It's difficult to say, but typically gasoline peaks right at the beginning of the driving season which we've just gone through.

And so if we get a regular pattern, hopefully, without any geographical or other problems like hurricanes coming in, we should see it, if it follows usual trends, taper down as we go through the summer.

WALLACE: But do you see it going down below $4 the rest of this year?

CAVANEY: We can't say because we don't control all those other factors.

WALLACE: And just very briefly — we've got less than a minute left — to the two of you, I've got to say, listening to the two of you, it doesn't sound like Congress is going to do anything about this in the rest of this election year.

DORGAN: I don't agree with that. I think that we are going to tackle speculation and get the speculators out of this market. And if we do, I think we will see reduction in prices.

And by the way, the Saudis, I think, are going to announce an 800,000-barrel increase a day. That should put some downward pressure on prices as well.

WALLACE: Senator Hutchison, you get the last word.

HUTCHISON: Well, I would just say if we're going to make a deal right here, it should be a balanced approach.

Yes, let's have more transparency on speculators, but the way to stop speculators is for Congress to act, for Congress to open up our own natural resources to produce. That would stop the speculators and it would bring the price of gasoline down.

WALLACE: Senator Hutchison, Senator Dorgan, Mr. Cavaney, thank you all so much for coming in today.

House approps bill would reverse proposed cuts, address deepwater leases
E&E News, June 12, 2008; http://www.eenews.net/EEDaily/2008/06/12/1/
Eric Bontrager and Ben Geman, E&E Daily reporters
House lawmakers kicked off the appropriations markup season yesterday by approving a $27.9 billion spending bill for the Interior Department, U.S. EPA and Forest Service, more than $2 billion over President Bush's request.

The bill would reverse proposed White House spending cuts for fiscal 2009, providing significant boosts in funding for national parks, fire suppression and wildlife refuges. It also carries Democratic language to address the flawed late-1990s deepwater oil and gas leases that could cost the federal government more than $14 billion.

The Interior Appropriations Subcommittee approved the bill by voice vote; a full committee markup is expected next week.

"I do not believe it is an understatement to say that members on both sides of the aisle were appalled by many of his specific proposals and the impacts they would have had on the public," said subcommittee Chairman Norm Dicks (D-Wash.).

The bill includes $2.6 billion for the National Park Service, including a $158 million increase in funding for operational budgets at the parks, but does not include any funding for matching grants for the Centennial Challenge.

There is also a $175 million increase in funding to jumpstart an initiative to revitalize the deteriorating National Mall.

The Fish and Wildlife Service would get $1.4 billion, a $74 million increase over last year's enacted budget for the agency and $138 million more than what the president requested.

As promised, Dicks and the subcommittee included additional funding for the National Wildlife Refuge system, increasing its funding by $35 million to $469 million. Congress gave a $39 million boost to refuges last year, in light of a funding crisis that threatened to downscale refuge programs and force layoffs.

The Bureau of Land Management and the U.S. Geological Survey would only see minor increases over their current budgets, with the BLM only getting a 0.5 percent increase over its current funding level to $1.013 billion and USGS seeing its budget rise to $1.05 billion.

Indian schools and social services are the biggest beneficiaries of the bill with a proposed $6 billion budget for the Indian Health Service and the Bureau of Indian Affairs, a $350 million increase over the 2008 enacted levels.

The Payment in Lieu of Taxes program would remain at its 2008 level of $229 million.

Interior spokesman Chris Paolino said the department is reviewing the bill but is encouraged by the agency's support of administration priorities. "We will work with them as the process moves along," he said.

The full details of the spending bill will not be available until the full Appropriations Committee takes it up next week, but observers said they are cautiously optimistic about the additional funds.

"We're encouraged by what we've heard so far but we're anxious to see the details," said David Moulton, a budget and appropriations expert with the Wilderness Society.

Targeting royalty relief -- again

The bill seeks to ensure royalty payments from late 1990s Gulf of Mexico leases that currently allow royalty waivers regardless of energy prices. Deepwater leases Interior issued in 1998 and 1999 lack clauses -- called "price thresholds" -- that suspend the royalty waivers when prices exceed certain limits.

The provision from Rep. Maurice Hinchey (D-N.Y.) would prevent companies holding these leases from participating in future lease sales. The provision was also included in last year's House-passed Interior spending bill, and similar measures appeared in other energy bills that House has approved, but never made it to the president's desk.

A Hinchey spokesman said that record energy prices and profits such as Exxon Mobil Corp.'s $40.7 billion haul last year may give momentum to the measure, arguing they make clear that companies are "profiting at the expense of the American people."

"But we are fully aware of the strong lobbying presence by oil and gas companies on the Hill," said spokesman Jeff Lieberson.

A recent Government Accountability Office analysis said the absence of price clauses in the late 1990s leases could eventually cost the government $14.7 billion over 25 years (E&ENews PM, June 5).

Much more is at risk if a 2007 federal district court ruling on royalties is upheld. A federal district court judge last year agreed with Anadarko Petroleum Corp. that Interior did not have the right to impose price thresholds on royalty relief for leases issued in 1996, 1997 and 2000. The Justice Department has signaled that it plans to appeal the decision.

Oil industry officials say measures such as the Hinchey provision would sap the government's reliability as a business partner and could stymie investment in domestic energy. Interior officials also oppose such measures, claiming they could lead to litigation that delayed offshore leasing and production.

Six gulf producers -- including majors ConocoPhillips, Shell Oil Co. and BP -- reached deals with Interior in 2006 to include price thresholds.

Forest Service and fires
The spending bill provides almost half a billion dollars over the president's proposal for the Forest Service, which subcommittee members declared as hopelessly lopsided toward wildfire suppression, but the bill does come with some caveats.

The bill restores almost $400 million in cuts proposed by the administration, providing an increase of $473 million for agency programs, including $70 million for the legacy road program that decommissions unnecessary roads in national forests.

Forest Service fire suppression efforts would get a $148 million increase -- to just under $1 billion -- under the president's plan.

The suppression figure is based on a 10-year average of fire suppression costs, but Dicks and others on the panel have slammed other aspects of the Forest Service proposal, claiming it puts too much emphasis on suppression and not enough on preventive measures such as fuels reduction.

Overall, the subcommittee's bill provides $2.97 billion for the wildland fire accounts of Interior and the Forest Service. The bill also includes language that would prohibit the borrowing of funds from other agency priorities and project to fund wildfire suppression.

"This bill continues to provide more money for fires, but it tries to stop the irrational borrowing of funds from critical projects," Dicks said.

Under the provision, no borrowing will be allowed unless the president submits a formal budget request to Congress to replace the funds. The request must be signed by the president before funds can be allocated.

Failed OCS amendment
On a party line 6-9 vote, the subcommittee rejected an amendment from Rep. John Peterson (R-Pa.) to lift a moratorium on exploring for oil and natural gas on the outer continental shelf.

The amendment would allow for exploration from 50 miles to 200 miles offshore and allow for oil and natural gas preleasing and leasing activities to begin on the outer continental shelf.

Peterson vowed to reintroduce his amendment next week at the full committee markup next week. "I expect that in time, the majority of House Democrats and Republicans will find the courage to do what is right for the American people, and unlock these deep-sea resources," he told reporters.

If the language makes it through the House, it is doubtful the Senate would follow suit. Senate Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.) told reporters yesterday that Congress is unlikely to open more offshore areas to oil production as a result of record prices.

"I would doubt that that is going to happen just because of the difficulty of getting anything done in this political environment," he said.

Drill! Drill! Drill!
WSJ, June 12, 2008; http://online.wsj.com/article/SB121322872046666269.html?mod=googlenews_wsj

WONDER LAND
By DANIEL HENNINGER

Charles de Gaulle once wrote off the nation of Brazil in six words: "Brazil is not a serious country." How much time is left before someone says the same of the United States?

One thing Brazil and the U.S. have in common is the price of oil: It is priced in dollars, and everyone in the world now knows what the price is. Another commonality is that each country has vast oil reserves in waters off their coastlines.

Wonder Land columnist Daniel Henninger says America needs to get serious about its oil and gas resources. (June 11)
Here we may draw a line in the waves between the serious and the unserious.

Brazil discovered only yesterday (November) that billions of barrels of oil sit in difficult water beneath a swath of the Santos Basin, 180 miles offshore from Rio de Janeiro and Sao Paulo. The U.S. has known for decades that at least 8.5 billion proven barrels of oil sit off its Pacific, Atlantic and Gulf coasts, with the Interior Department estimating 86 billion barrels of undiscovered oil resources.

When Brazil made this find last November, did its legislature announce that, for fear of oil spills hitting Rio's beaches or altering the climate, it would forgo exploiting these fields?

Of course it didn't. Guilherme Estrella, director of exploration and production for the Brazilian oil company Petrobras, said, "It's an extraordinary position for Brazil to be in." Indeed it is.

At this point in time, is there another country on the face of the earth that would possess the oil and gas reserves held by the United States and refuse to exploit them? Only technical incompetence, as in Mexico, would hold anyone back.

But not us. We won't drill.

California won't drill for the estimated 1.3 billion barrels of recoverable oil off its coast because of bad memories of the Santa Barbara oil spill – in 1969.

We won't drill for the estimated 5.6 billion to 16 billion barrels of oil in the moonscape known as the Arctic National Wildlife Refuge (ANWR) because of – the caribou.

In 1990, George H.W. Bush, calling himself "the environmental president," signed an order putting virtually all the U.S. outer continental shelf's oil and gas reserves in the deep freeze. Bill Clinton extended that lockup until 2013. A Clinton veto also threw away the key to ANWR's oil 13 years ago.

Our waters may hold 60 trillion untapped cubic feet of natural gas. As in Brazil, these are surely conservative estimates.

AP
While Brazilians proudly embrace Petrobras, yelling "We're Going to Be No. 1," the U.S.'s Democratic nominee for president, Barack Obama, promises to impose an "excess profits tax" on American oil producers.

We live in a world in which Russia's Vladimir Putin and Venezuela's Hugo Chávez use their vast oil and gas reserves as instruments of state power. Here, Nancy Pelosi and Harry Reid use their control of Congress to spend a week debating a "climate-change" bill. This they did fresh off their subsidized (and bipartisan) ethanol fiasco.

One may assume that Mr. Putin and the Chinese have noticed the policy obsessions of our political class. While other nations use their oil reserves to attain world status, we give ours up. Why shouldn't they conclude that, long term, these people can be taken? Nikita Khrushchev said, "We will bury you." Forget that. We'll do it ourselves.

Putin intimidates Ukraine, Georgia, the Baltic states and Poland with oil and gas cutoffs, while Chávez uses petrodollars to bankroll Colombian terrorists. Cuba plans to exploit its Caribbean oil fields within a long tee shot of the Florida Keys with help from India, Spain, Venezuela, Canada, Norway, Malaysia, even Vietnam. But America won't drill. Democratic Sen. Bill Nelson of Florida said just last month he's afraid of an oil spill. Katrina wrecked the oil rigs in the Gulf with no significant damage from leaking oil.

Some portion of the current $4-per-gallon gasoline may be attributable to the Federal Reserve's inflationary monetary policy or even speculators. But we can wave goodbye to the $1.25/gallon gasoline that in 1990 allowed a President Bush to airily lock away the nation's oil and gas jewels. This isn't your father's world of energy. New world powers are coming online fast, and they need energy. We need to get back in the game.

The goal shouldn't be "energy independence," a ridiculous notion in an economically integrated world. It's about admitting the need to strike a balance between the energy and security realities of the here-and-now and the potentialities of the future. Some of our best and brightest want to pursue alternative energy technologies, and they should be encouraged to do so, inside market disciplines. But let's at least stop pretending the rest of the world is going to play along with our environmentalist moralisms.

The Democrats' climate-change bill collapsed last week under the weight of brutal cost realities. It was a wake-up call. This is the year Americans joined the real world of energy costs. Now someone needs to explain to them why we – and we alone – are sitting on an ocean of energy but won't drill for it.

You'd think the "national security" nominee, John McCain, would get this. He's clueless – a don't-drill zombie. We may mark this down as the year the U.S. tired of being a serious country.

McMoRan Exploration wants to go deeper with its Blackbeard well
Times Picayune, June 12, 2008;
http://www.nola.com/business/index.ssf/2008/06/mcmoran_exploration_wants_to_g.html

Posted by kquillen June 12, 2008 10:27AM
McMoRan Exploration said this morning that it plans to seek permission from the Minerals Management Service to drill as deep as 35,000 feet at its Blackbeard well in the Gulf of Mexico.

The ultra-deep well, which is being closely watched in the energy industry, is currently permitted to a depth of 33,000, and the New Orleans energy company wants to go deeper. The well is currently 31,943 feet deep.

Drilling at Blackbeard began in August 2006 under the jurisdiction of Exxon Mobil Corp. Exxon had hoped to drill the world's deepest well at the site, but the company encountered higher-than-expected pressure and suspended the operation.

McMoRan, which specializes in drilling deep beneath the ocean floor in the shallow waters of the Gulf of Mexico, acquired an interest in the well last year.

McMoRan also announced a fourth successful well at its Flatrock field in the Gulf this morning. The company has been drilling the well since April 9 and has reached 15,315 feet.

Analysts believe the Flatrock discovery could be one of the largest in the shallow waters of the Gulf in recent years.

Cheney Pushes for More Drilling
Washington Post, June 12, 2008; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/11/AR2008061103948.html?wpisrc=newsletter&wpisrc=newsletter&wpisrc=newsletter

Vice President Also Calls for Extension of Bush Tax Cut

Vice President Cheney yesterday called for a substantial increase in domestic drilling for oil and other natural resources, including in environmentally sensitive areas, saying that only increased production -- and not new technology -- will satisfy the nation's demand for energy.

"We are an economy that runs on petroleum. Some 20 million barrels of it a day. That can and will change over time, but it will be a very long time," said Cheney, former head of U.S. oil company Halliburton. "We'd be doing the whole country a favor if more of that oil were produced here at home."

Cheney chided lawmakers for blocking oil companies from drilling off the nation's coasts and in the Arctic National Wildlife Refuge. "On Capitol Hill, many have ignored the obvious and stood in the way of more domestic energy production," he said. "Oil is being drilled right now 60 miles off the coast of Florida. But we're not doing it. The Chinese are, in cooperation with the Cuban government. Even the communists have figured out that a good answer to high prices is more supply."

Cheney's comments before the U.S. Chamber of Commerce, a powerful business lobby, came as record oil prices were hurting Americans at the pump and were threatening economic growth. Democrats failed in their effort this week to impose new taxes on the soaring profits of energy companies, which Cheney called "exactly the wrong way to address carbon issues."

Daniel J. Weiss, senior fellow and director of climate strategy at the left-leaning think tank Center for American Progress, disputed Cheney's prescription. "The only people who would benefit from more oil drilling are the oil companies," he said. Weiss said oil companies already hold thousands of leases to drill for oil in the Gulf of Mexico. "They have an interest in not dramatically expanding domestic supply because that will help keep prices high."

Chamber of Commerce President Tom Donahue said the association is kicking off a $15 million-a-year plan to persuade lawmakers to support more drilling, nuclear power and clean energy technologies. "We're going to push what we think is a reasonable policy that meets the challenge of global warming and $5 dollar-a-gallon gas," he said.

Cheney acknowledged the economy is facing "headwinds," including "turmoil in the credit markets" and "a major correction in housing" in addition to rising oil prices.

To keep the economy strong, he said, Congress must extend the tax cuts -- set to expire in 2010 -- that President Bush signed into law in his first term. "If the Bush tax cuts are allowed to expire, Americans in the lowest tax bracket will take the biggest percentage hit," Cheney said. "Ending the tax cuts . . . would be a staggering burden on the nation's households."

Leonard Burman, senior fellow at the nonpartisan Urban Institute, said Cheney's description of the impact of the tax cuts on the poor was a mathematical trick. He said the impact of the cuts is minimal because low-income people already pay such a small amount in taxes, while higher income people retain a much larger share of their income with the tax cuts in place. "They're basically spinning," Burman said.

Cheney also implored Congress to pass a free trade agreement with Colombia that many Democrats oppose, including presumptive nominee Sen. Barack Obama (Ill.). The Democrats charge that pacts such as the Columbian and North American Free Trade Agreement send U.S. jobs overseas.

"In a time when even NAFTA is being called into doubt . . . candidates can draw cheers by denouncing trade deals with our next-door neighbors," Cheney said. "Protectionism is the refuge of a tired, fearful nation."

GOP resurrects offshore oil drilling plan
TampaBay.com; june 12, 2008; http://www.tampabay.com/news/politics/article619482.ece

By Wes Allison, Times Staff Writer

WASHINGTON — With gas topping $4 a gallon, Republicans on Capitol Hill are reviving an issue that most Florida politicians and environmentalists had considered settled: offshore oil and gas drilling.

On Wednesday, a House subcommittee narrowly defeated a measure to allow oil and gas exploration as close as 50 miles off the entire U.S. coastline, including portions of the eastern Gulf of Mexico protected by a hard-fought 2006 compromise. The amendment is expected to come up again when the full House Appropriations Committee meets next week.

Gas prices are a top concern for voters, and Republicans see political opportunity as well as a chance to reverse the 30-year-old U.S. policy of restricting energy exploration off Florida, most of California and the mid-Atlantic. Republican leaders have begun to refer to the Democrat-led House as the "Drill-Nothing Congress," and members of the House and Senate have proposed revisiting the idea of drilling in Alaska's Arctic National Wildlife Refuge.

Supporters contend that increasing domestic production will help tame prices.

"I believe the energy crisis in America is such that if we don't address it soon, we will face long-term liability to our national security and our national economy," said Rep. John E. Peterson, R-Pa., who offered the drilling amendment Wednesday as part of an Interior Department spending bill.

The subcommittee voted it down along party lines, 9-6, which Peterson said he found surprising. He warned of dire political consequences for those who would block more domestic production.

"The American people understand we now have chosen not to use our energy," he said. "The Democrats will have to tell us why."

The U.S. House passed a similar Peterson-led measure in 2006, but the Senate blocked it. Congress settled instead on a landmark deal that prohibits drilling within 234 miles of Tampa Bay through 2022, in return for opening 8.3-million acres of the Gulf of Mexico farther offshore.

Despite the political pressure, however, Democrats appear to be standing fast, and believe they can make an equally persuasive argument: With only 3 percent of the world's oil supplies, the nation cannot drill its way to independence, and recent efforts to increase domestic production, including opening that area of the eastern gulf, have not brought lower prices. Instead, they are advocating a mix of conservation and alternative energy sources to ease the long-term strain.

In sentiments echoed by Democratic leaders and environmental activists, Sen. Bill Nelson, D-Fla., accused the oil industry and its allies in Congress of using the high prices "to scare the public into thinking coastal drilling offers a real solution to our dependency on oil."

"Even if there were significant supplies in Alaskan wilderness preserves or off the coast of Florida, which there aren't, does anyone think the oil companies would sell it to us for less than the global market price bid up by big investors, traders, speculators and the oil companies themselves?" Nelson added.

Democrats also noted that thousands of permits for drilling on federal lands and waters have been issued but have not yet been used.

The top two Republicans in the House — Minority Leader John Boehner and Whip Roy Blunt — issued statements condemning Wednesday's appropriations vote. But the third-ranking Republican, Adam Putnam of Bartow, says he supports the current protections for Florida. He noted in a recent interview that energy companies have yet to start drilling in the area opened in 2006, so there is no reason to open more of the gulf.

Arizona Sen. John McCain, the presumptive GOP presidential nominee, also supported the Florida protections in 2006, and he opposes drilling in ANWR.

The federal Minerals Management Service estimates that about 80 percent of the nation's offshore gas and oil reserves already can be leased for drilling, though experts say those estimates are rough. The MMS also estimates that the waters Peterson's amendment would open may hold 86-billion barrels of oil, though not all of it is immediately accessible.

The United States, which imports about 60 percent of its oil, uses just over 20-million barrels of oil a day, the government says.

If Peterson's amendment fails to pass the full Appropriations Committee next week, he plans to introduce it on the House floor when the spending bill comes to the full House later this summer. Its prospects are mixed in the House, and poor in the Senate — at least for now.

"We're going to be forced to reconsider our preconceived notions," said Rep. Jerry Lewis of California, the top Republican on the House Appropriations Committee. "There is no doubt in the months ahead that Congress will begin taking steps to increase that supply, because the American public will demand it."

Humberto Fontova: The benefits of offshore drilling
Dallas News, June 11, 2008;
http://www.dallasnews.com/sharedcontent/dws/dn/opinion/viewpoints/stories/DN-fontova_11edi.ART.State.Edition1.460b04d.html
Humberto Fontova: The benefits of offshore drilling

12:00 AM CDT on Wednesday, June 11, 2008
Humberto Fontova is the author of four books including "Exposing the Real Che Guevara" and "The Helldiver's Rodeo." His Web site is www.hfontova.com.

Louisiana produces almost 30 percent of America's commercial fisheries. Only Alaska (10 times the size of the Bayou state) produces slightly more. So obviously, Louisiana's coastal waters are immensely rich and prolific in seafood.

These same coastal waters contain 3,200 of the roughly 3,700 offshore production platforms in the Gulf of Mexico. From these, Louisiana produces 25 percent of America's domestic oil, and no major oil spill has ever soiled its coast. So for those interested in evidence over hysterics, by simply looking bayou-ward, a lesson in the "environmental perils" of offshore oil drilling presents itself very clearly.

Fashionable Florida, on the other hand, which zealously prohibits offshore oil drilling, had its gorgeous "Emerald Coast" panhandle beaches soiled by an ugly oil spill in 1976. This spill, like almost all oil spills, resulted from the transportation of oil – not from the extraction of oil.

For fear of oil spills, as of 2008, the U.S. government and various states ban drilling in thousands upon thousands of square miles off the U.S. coast. These areas, primarily on the Outer Continental Shelf, hold an estimated 115 billion barrels of oil and 633 trillion cubic feet of natural gas. This leaves America's energy needs increasingly at the mercy of foreign autocrats, despots and maniacs. All the while worldwide demand for oil ratchets ever upward.

"Environmentalists" wake up in the middle of the night sweating and whimpering about offshore oil platforms only because they've never seen what's under them. This proliferation of marine life around the platforms turned on its head every "environmental expert" opinion of its day.

The original plan, mandated by federal environmental "experts" back in the late '40s, was to remove the big, ugly, polluting, environmentally hazardous contraptions as soon as they stopped producing. Fine, said the oil companies.

About 15 years ago, some wells played out off Louisiana, and the oil companies tried to comply. Their ears are still ringing from the clamor fishermen put up. Turns out those platforms are going nowhere, and by popular demand of those with a bigger stake in the marine environment than any "environmentalist."

Every "environmental" superstition against these structures was turned on its head. Marine life had exploded around these huge artificial reefs: A study by LSU's Sea Grant college shows that 85 percent of Louisiana fishing trips involve fishing around these platforms. The same study shows 50 times more marine life around an oil production platform than in the surrounding Gulf bottoms.

The Flower Garden coral reefs lie off the Louisiana-Texas border. Unlike any of the Florida Keys reefs, they're surrounded by dozens of offshore oil platforms.

These have been pumping away for the past 50 years. Yet according to G.P. Schmahl, a federal biologist who worked for decades in both places, "The Flower Gardens are much healthier, more pristine than anything in the Florida Keys. It was a surprise to me," he admits. "And I think it's a surprise to most people."

"A key measure of the health of a reef is the amount of area taken up by coral," according to a report by Steve Gittings, the National Oceanic and Atmospheric Administration's science coordinator for marine sanctuaries.

"Louisiana's Flower Garden boasts nearly 50 percent coral cover. In the Florida Keys, it can run as little as 5 percent."

In 1986, Louisiana started the Rigs to Reef program, a cooperative effort by oil companies, the feds and the state. This program literally pays the oil companies to keep the platforms in the Gulf. Now some platforms are simply cut off at the bottom and toppled over as artificial reefs; more than 60 have been toppled thus far.

A few years back, Louisiana Wildlife and Fisheries officials were invited to Australia to help them with a similar program. Think about it: Australia, the nation with the Great Barrier Reef, the world's biggest natural reef, the world's top dive destination – they're asking help from what one Florida "environmental activist" calls "the nation's toilet."

America desperately needs more domestic oil. In the process of producing it, we'd also get great fishing, dynamite diving and a cheaper tab for broiled red snapper with shrimp topping.

Humberto Fontova is the author of four books including "Exposing the Real Che Guevara" and "The Helldiver's Rodeo." His Web site is www.hfontova.com.

Fudge or Free Markets
National Review, June 11, 2008;
http://article.nationalreview.com/?q=Yjk3ODBmODViNjAxNWVlMTY1ZTE4NTExMDIwMGMyYmU

The energy-policy choices that we face.

By Iain Murray

The collapse last week of the Lieberman-Warner bill, the enviro-Left's attempt to bribe Senators to impose energy rationing on the nation, shows that we are now left with only two energy-policy choices: We can adopt fudging issues as a policy, which will achieve nothing, hurt many, and satisfy no one; or we can pursue a free-market policy that will anger green activists and alarmists but actually do some good. Chances are that fudge is on the menu.

How did we get here? To answer that question, a look at the recently failed policy proposal is instructive. The Boxer Amendment — all 490 pages of it — to the Lieberman-Warner Climate Security Act sought to reduce U.S. greenhouse-gas emissions by instituting a "cap-and-trade" regime to make energy use more expensive. Leaving aside the folly of proposing this at a time when Americans are hurting from steeply rising energy prices, Senate Environment and Public Works Committee Chair Barbara Boxer (D., Calif.) and her well-funded environmental-movement allies realized that they could not sell this scheme without massive bribery.

The Act would have raised about $7 trillion in new government revenues and funded over $4 trillion in new government programs (yes, that's trillion, with a "t"). Some of that money would have paid for the support of special interests that might be hurt most by the Act. Other portions of it would go toward new handouts to the rapidly growing environmental-industrial complex of rent-seeking "green" businesses and their consultants from the advocacy movement.

However, even with those provisions, Sen. Boxer and Majority Leader Harry Reid (D., Nev.) could not find 50, never mind 60, votes to compel an up-and-down vote on Lieberman-Warner. Of the 48 votes they managed to scrape together, several senators said after the vote that, while they supported voting on the bill, they would not have voted for it as it stood because it directly harmed their constituents. This shows that there is little political will for any policy with a large price tag on it for consumers. This is likely to hold true even if Democrats increase their majorities on Congress in this year's elections.

So what are we left with? If there is an appetite to "do something" about global warming, what could get through Congress? There appear to be two options.

First is the classic governmental approach of fudging the issue. The Boxer amendment would have created a cap-and-trade scheme that would auction emission permits to businesses, which would then trade the permits, selling if they could achieve emissions reductions and buying if they could not. Without the auction element-that is, with permits simply allocated for free-big business would be more likely to support such a scheme, as economies of scale would allow for reductions that cost less than the market price of a permit. The losers would be smaller-scale institutions, such as hospitals, as has been the case in Europe, where just such a scheme operates.

Moreover, the “cap” of cap-and-trade is a politically imposed mechanism, so politicians will ensure that no big constituency is penalized by getting too small an allocation. This political pressure practically guarantees that any cap would be set too high to reduce emissions, while at the same time increasing costs to consumers. In the end, all it will do is transfer wealth to the carbon emitters. Again, this is exactly what has happened in Europe. (Given the current political importance of gas prices, a scheme that exempts transportation could be politically viable, yet such a compromise would establish an infrastructure that could, with a couple of regulatory tweaks, turn into the vast wealth redistribution engine that the Boxer Amendment sought to impose.)

There is another way. A free-market energy and global warming policy would benefit the economy and American consumers, not penalize them. It would secure short-term energy supplies by removing regulatory obstacles that prevent us from utilizing the considerable energy resources currently locked up in Alaska, the Rocky Mountains, and the Outer Continental Shelf. It would encourage technology development and deployment for the medium term by removing regulatory barriers to energy innovation, redeploy resources to fund research via prizes at no net cost, and focus on making alternative energy cheaper, not traditional-source energy more expensive.

It would also seek to promote means of adapting to a warmer world by, for instance, tackling directly existing problems that warming might exacerbate, rather than attempting to fine-tune the atmosphere.

Finally, it would promote trade measures that have helped make developing nations wealthier, thus making them more resilient to any changes in climate.

Such a package of measures, correctly marketed, could prove to be not just popular, but effective in tackling the twin problems of energy security and global warming. Sadly, it is unlikely to be adopted. Given the current political climate in Washington, we are far more likely to end up stuck in the fudge of a European-style cap-and-trade scheme, and see our energy and climate woes worsen.

— Iain Murray is senior fellow in science, energy and technology at the Competitive Enterprise Institute and author of The Really Inconvenient Truths: Seven Environmental Catastrophes Liberals Don’t Want You to Know About - Because They Helped Cause Them, new from Regnery.

Murphy calls for oil exploration in United States
The Almanac.net; June 11, 2008; http://www.thealmanac.net/ALM/Print/06-11-Murphy---oil-prices-B

With average prices topping $4 per gallon and no end in sight, fears of world-wide economic collapse has led to Saudi Oil Minister Ali al-Naimi calling for a meeting among leadership of OPEC oil-producing countries to talk about remedies to the problem.
On June 9, President George W. Bush called for the U.S. to begin drilling at home to create an alternative to Saudi oil. About 80 percent of our oil comes from outside the U.S.

Congressman Tim Murphy (R-Upper St. Clair) said at a hastily-called press event last week that the U.S. needs to "begin drilling immediately in the near term," in addition to vigorously pursuing research and development into alternative fuels, more fuel-efficient automobiles and energy conservation here at home.

"It's as if we are imposing an embargo on ourselves," Murphy said. "We've got Cuba and China drilling in the gulf, Canada drilling near ANWR, and these countries can turn around and sell what they find back to us or use it themselves. We know there's oil under the Dakotas and Colorado, and ANWR as well. The two-decade moratorium on oil exploration on the outer continental shelf must end.

"Having the president go begging the OPEC nations (to release more oil) is not a good energy policy. Having members of Congress say, 'plant more corn for ethanol and get serious about conservation' is a terrible energy policy. There are so many things we can be doing, but the congressional leadership needs to act," Murphy said.

The slowing climbing gasoline and diesel costs are slowly crippling the U.S., and world-wide economy. Countries like Pakistan are asking OPEC to extend a line of credit, and China is stumbling as well.

Here, farmers are planting more corn (for ethanol) and less wheat. The effect is increasing food prices because flour is in short supply. Diesel over $5 a gallon is putting independent truckers out of business, and increasing the cost to deliver goods to market. The devaluation of the U.S. dollar is also causing the price of oil to increase. The devaluation is caused by lower interest rates, and more money being funneled to Wall Street to support the financial markets.

"Families are maxed out as to what they can afford to pay right now," Murphy said. "We certainly have an environmental responsibility in the long term, we can do the research. Hydrogen is a good idea, but we're not there yet. More fuel-efficient cars are being produced."

Murphy said he's not in favor of rolling the speed limit back to 55 miles per hour at this time.

"Driving the posted speed limit would be a start," he said.

Since Democrats control the House, Murphy said the Democratic leadership needs to bring these things to the table. Democrats say the U.S. cannot drill its way to lower gas prices, and that many new drilling permits have been given to the oil companies under the Bush presidency.

While the oil reserves are claimed to exist in ANWR, Colorado, the Gulf and the Dakotas, the oil companies need to find them first. Right now, those reserves are only a "hope."

"We need to move on this now," Murphy said. "Just giving approvals will have an impact at the pump."

Considering all options key to forging long-term energy policy
South Bend Tribune, June 11, 2008;
http://www.southbendtribune.com/apps/pbcs.dll/article?Date=20080611&Category=Opinion&ArtNo=806110418&Template=printart

JOE DONNELLY

The dramatic increase in gas prices this year has hit all Hoosiers very hard. It is clearer than ever before that our country needs a comprehensive energy policy that aims to lower gas prices at the pump right now. We also must increase energy supplies and conserve more in order to achieve energy independence from the Middle East.

While all Americans agree about the need for our country to end its dependence on foreign sources of energy, there are many opinions on the best way to achieve this goal. Some argue we can drill our way to energy security; others argue that conservation is the best strategy for realizing long-term energy independence. I think the best approach is to incorporate solutions from all sides of this important debate.

To give Hoosiers relief at the pump now, I supported temporarily suspending shipments to the Strategic Petroleum Reserve. The SPR was established in the aftermath of the 1970s oil shortages to be our nation's back-up supply in future energy crises. We now face a crisis of a different type: $4 per gallon gasoline that is making it difficult for families to make ends meet.

When the government buys oil for the SPR, it is, in effect, competing with us. Suspending shipments to the SPR would put more supply on the market, and, at worst, knock a few cents off the price of a gallon of gas. At best, it could reduce the price of gasoline by as much as 24 cents a gallon. Additionally, the SPR is more than 96 percent full.

I wrote to the president in late April asking that he suspend shipments to the SPR. Days later, I backed legislation that would do the same. After the legislation passed with veto-proof margins in both the House and Senate, the president dropped his opposition to it and signed it into law. As a result, oil will not be shipped to the SPR for a six-month period beginning July 1.I also support releasing oil from the SPR into the marketplace throughout the next year. Placing additional oil on the market would increase supply, thereby cutting the legs out from under the speculators who are making money for themselves by bidding up the price of a barrel of oil.

Achieving energy independence in the future requires action in the present. It also will require a willingness to seriously examine all possible sources of energy. Therefore, I support investing in renewable sources of energy such as the biofuels made right here in Indiana; advancing wind, solar and hydroelectric alternative energy sources; encouraging greater use of safe nuclear power; and taking advantage of Indiana's most plentiful source of energy, coal, and clean coal technologies.

I also support expanding our domestic production and exploration of oil and gas as a way to achieve energy independence. It has been a long-standing policy of the federal government not to allow exploration for oil and gas off America's coasts in the outer continental shelf (OCS).

Since 1982, a moratorium on new drilling in certain areas of the OCS has been maintained through Republican and Democratic administrations and congresses. In fact, in 1990, the moratorium was greatly expanded by President George H.W. Bush.

Last year, I voted with a bipartisan majority in the House of Representatives against an amendment that would have lifted the moratorium for one year. In light of the recent drastic increases in oil prices, however, I believe now is an appropriate time to allow focused and responsible new oil and gas exploration in the OCS. Further, I have voted to increase oil production from shale on federal lands and I would support responsible exploration of oil reserves in the Arctic National Wildlife Refuge.However, increased domestic production is only one part of a successful comprehensive energy strategy and it will take many years before new exploration delivers significant amounts of oil to the market. That is why it is so important to also take steps now that are aimed at lowering gas prices in the near term.

There are no easy answers, especially as global demand from countries such as India and China consumes more of the world's supply. However, I will continue to work hard to establish a strong and responsible energy policy that is environmentally sound and brings much-needed price relief to hard-working Hoosiers, while also reducing our reliance on foreign sources of oil.

U.S. Rep. Joe Donnelly represents Indiana's 2nd District. He lives in Granger.

Report From Norway: Why They Don't Have an Energy Crisis and We Do
Human Events.com; June 11, 2008; http://www.humanevents.com/article.php?id=26931

by Newt Gingrich (more by this author)

I am writing to you this week from Norway, where Callista and I have witnessed extraordinary natural beauty - and some things America could learn about creating a more sensible balance between protecting the environment and finding more domestic sources of energy.

You see, Norway, unlike the United States, has successfully avoided the "everywhere versus nowhere" trap when it comes to drilling offshore for oil and gas.

The "everywhere versus nowhere" trap results when aggressive energy developers demand the unconstrained right to drill everywhere while environmental extremists assert that drilling can occur nowhere. This is the stalemate we currently have in the United States, with disastrous consequences. Emotion trumps science. Regulation blocks innovation. And sound methods of achieving energy independence are overlooked and underdeveloped. And gas prices go up, up, up.

A Case Study in Green Conservatism
The six days Callista and I have spent traveling around Norway have convinced us that Norway is a case study in Green Conservatism. Norway has struck a remarkable balance between respect for the environment and energy independence; between stewardship of the earth and global economic competition. It is a place of both enduring natural beauty and the third largest oil exporter in the world.

Our cruise on Hurtigruten cruise line has to rank among the most beautiful voyages in the world.

We visited an island with 1.3 million puffins, watched reindeer running five feet away from us through a fishing village (it was startling), saw sea eagles which are enormous and were once endangered but have had a huge comeback. There are now 2,500 pairs of sea eagles in Norway due to ending the use of the pesticides which were decimating them (proving, in good Green Conservative fashion, that there are good environmental causes).

All of this in a country that has made itself the 10th largest oil and gas producer in the world by doing something that is virtually off limits in the United States: Drilling offshore for oil and gas.

The U.S. Was Once a Leader in Offshore Drilling. Today Norway Is

The United States was a leader in the creation of the offshore drilling industry in the 1950s and early 1960s, but today it's countries like Norway that are leaders in the field.

Norway's annual output of 1.6 billion barrels of oil comes exclusively from offshore drilling. Oil and natural gas are transported through a network of sub seafloor pipelines. Norway is the home to the world's largest natural gas drilling platform.

And the truly remarkable fact is that Norway has built this robust offshore oil and gas drilling industry alongside large and thriving fishing and tourism industries.

The Norwegian Model: Trust, Common Sense, and Green Conservatism

Norway has avoided the "everywhere versus nowhere" trap that has paralyzed U.S. offshore drilling through a common sense approach that is textbook Green Conservatism.

In Norway, strong environmental protections were part of exploration, drilling and transportation of oil and natural gas from the outset. This initial environmental emphasis has built the sense of trust necessary to allow Norway to move to a cooperative, performance-based model rather than a regulation-based model like we have in the U.S.

Norway has relatively few laws, regulations and government agencies that govern offshore drilling. Their equivalent of our Supreme Court - the Hoyesterett - reportedly declined jurisdiction over offshore drilling on the grounds that it lacks expertise!

The result is a policy in which environmental concerns are carefully balanced with energy needs. Norwegians have put some areas off-limits to drilling. In some areas, drilling is carefully circumscribed. But the point is that drilling occurs. Environmental concerns have informed - not pre-empted-Norway's oil and gas industry.

The American Model: Distrust, Stalemate and Energy Crisis

Compare that to the United States, where a series of congressional prohibitions and presidential moratoria on offshore drilling - fed by public mistrust and largely unfounded environmental fears - have placed virtually all of the offshore United States off limits to drilling.

The United States is the only country in the world that so dramatically limits the exploration and development of its offshore oil and gas deposits.

The hysteria is so acute that both of our current presidential candidates even voted in 2005 in favor of willful ignorance about our domestic energy resources. Each voted for an amendment that would have removed from the energy bill that ultimately passed a provision for a comprehensive inventory of the oil and natural gas resources in the offshore continental shelf of the United States. Fortunately the amendment failed -- even though one of the two candidates is still the sole sponsor of a bill to repeal the authorization of the inventory. You can read the inventory here that 44 U.S. Senators didn't want you to read and learn that the U.S. Minerals Management Service estimates a mean of 85.9 billion barrels of undiscovered recoverable oil and a mean of 419.9 trillion cubic feet of undiscovered recoverable natural gas in the Federal Outer Continental Shelf of the United States.

I'm not suggesting that the United States adopt the level of government involvement in oil and gas that Norway has (its major petroleum producer, Statoil, is a public-private company). And I'm too much of a realist to think that the U.S. oil and gas industry and the environmental groups are going to suddenly sit down, hold hands together, and forget their differences.

What I am advocating is a more informed public making its demands of energy independence clear to our government.

New Poll Shows Broad, Bipartisan Support for Tapping Domestic Energy Sources, Including Offshore

Last week American Solutions released the results of new survey research dealing with energy security, coal and climate change. The adults surveyed made clear that Congress should prioritize increasing the availability of affordable energy over battling climate change.

In pursuit of the immediate goal of energy security, clear majorities of Americans of every political and ideological stripe advocated the U.S. tap into its voluminous domestic energy resources, including the oil located off its coasts and in Alaska and the coal deep within its grounds. Clean coal was particularly popular and Americans urged the swift building of zero emissions coal plants.

Americans prefer a greater use of domestic energy sources and an innovation-encouraging tax policy that rewards businesses for new energy solutions. While there were some political and ideological differences, for the most part, Americans stood united in favor of a smart, practical energy policy that would allow them to drive to work and power their homes without breaking their bank accounts. For additional information, including the survey results, click here.

A Vote to Watch: The Peterson Amendment to Lift the Offshore Drilling Moratorium
This week, Congressman John Peterson (R-Pa.) will offer an amendment to the Interior Appropriations bill that would lift the congressional moratorium on offshore drilling.

Contact your member of Congress today and urge them to support the Peterson Amendment to restore sanity and common sense to our domestic energy policy.

Every American should keep their eyes on the House Appropriations Committee this week to see whether members vote to support our desire for environmentally responsible increased domestic energy production, or whether they continue to bury their heads in the sand.

The Dictators' Roman Holiday
Now on to a completely different topic.

In a display of arrogance and hypocrisy that was outrageous even for the United Nations, UN food development officials last week accused the United States of raising global food prices by subsidizing ethanol production.

Actually, the outrage began even earlier.

Only the United Nations would invite a dictator who has purposefully starved his own people to a summit on the international food crisis. But that is precisely what happened in Rome last week. Zimbabwe's Robert Mugabe, who has starved his political enemies and channeled food aid to only favored groups, was in attendance, as was the Iranian dictator, Mahmoud Ahmadinejad. It has already been one year since the U.S. Congress voted 411-2 to call on the UN Security Council to punish Iranian President Mahmoud Ahmadinejad for violating the UN Charter and the UN Convention on Genocide for his repeated incitement of genocide against the Israeli people, yet the Iranian dictator is still welcome at UN events.

True to form, Ahmadinejad used the international spotlight to once again predict the demise of the state of Israel and accuse the U.S. of plotting an attack on him.

Mugabe accused the West, not his own genocidal policies, of starving his people.

In other words, it was a typical gathering for the United Nations.

Europe's Resistance to GM Foods, Not America's Support for Biofuels, Has Contributed to the Global Food Crisis
But the infuriating arrogance of UN bureaucrats lecturing the world's largest provider of food aid - and the single greatest contributor to the UN food fund - cannot be allowed to pass without comment.

In fact, it is the Europeans irrational resistance to genetically modified (GM) crops - aided and abetted by extremists on the left -- that is responsible for much of the hunger in Africa and the rest of the developing world.

GM crops that are commonplace in the U.S. - crops that don't need expensive pesticides and even potentially are drought resistance - are banned in Europe. And Europe and the Left's misinformation about the health and safety of these foods has led most African nations to ban them too for fear of being shut out of lucrative European export markets.

South Africa is the only African nation that grows GM crops. And while food production in the rest of Africa is 20 percent per capita less than it was in 1970, South Africa is producing surplus amounts of crops through biotechnology.

The U.S. Should Refuse to Participate in Future UN Charades
The UN food crisis gathering ignored the issue of GM foods, of course, but it did call on member nations to kick in at least $20 billion a year to help ease global hunger.

President Bush, who has tripled U.S. aid to Africa during his presidency, should ignore this demand and publicly refuse to participate in farces with vicious, murdering thugs like Mugabe and Ahmadinejad like the one in Rome last week.

President Bush should transition U.S. assistance to direct, bilateral forms only. Our willingness to allow UN bureaucrats and international dictators to lecture us in public strengthens them and isolates us. Far from feeding hungry people, it consigns them to lives of poverty, desperation and premature death.

For their good, and for our national self-respect, we should stop being a part this charade.

Your friend,

Newt Gingrich

P.S. -- "The pacing of the book can sometimes leave you breathless, and more than once I found myself reading "just one more page" after I'd just finished two chapters. This is a great beach read for people who don't always read beach books." So says one reviewer of historian William Forstchen and my new novel, Days of Infamy. It makes a great Father's Day gift. To get a signed copy by Father's Day, place your order here by 5:00 pm EST Tuesday.

P.P.S. -- I am tremendously gratified to report that our "Drill Here, Drill Now, Pay Less" petition drive has gathered the support of an astounding 450,000-plus Americans. But why stop here? If you haven't signed the petition, do so now here. If you have already signed, send this link to five friends and ask them to become a part of the campaign to lower energy prices by developing our domestic energy resources.

Several elected officials endorsed the DRILL HERE, DRILL NOW, PAY LESS campaign last week along with several radio/television talk show hosts.

Many thanks to these leaders for taking a stand for real change by endorsing the "Drill Here, Drill Now, Pay Less" campaign:

U.S. Rep. Paul Ryan (R-Wis.)

U.S. Rep. John Peterson (R-Pa.)

State Sen. Amy Koch (R-Minn.) - "Feel free to add my name to the list. I think it is simple and clear. Bravo!"

State Rep. Kevin Lundberg (R-Colo.) - "I have been and continue to be a strong advocate for the oil shale development here in Colorado and our nation as a whole."

Treasurer of Indiana, Richard Mourdock - " THIS is the 08 equivalent of the Contract with America if used correctly because everyone 'gets it.' "

President, Arkansas Republican Women Anne Britton

2010 Candidate for Georgia Governor, John Oxendine
Also watch this YouTube video and hear what Americans think of the high gas and diesel prices and what we should do about it.

IHS: Past hurricane damage, disruptions less than expected
O&G Journal, June 10, 2008; http://www.ogj.com/display_article/331310/7/ONART/none/GenIn/1/IHS:-Past-hurricane-damage,-disruptions-less-than-expected/

By OGJ editors
HOUSTON, June 10 -- Despite massive damage from Hurricanes Katrina and Rita in 2005, the average impact on oil and gas production from hurricanes over a 45-year period was relatively modest and the disruption of production was typically short-lived, said officials at Engelwood, Colo.-based information firm IHS Inc.

Based on IHS production data from 1960 through 2005, including Katrina, Rita, and four other major hurricanes in the last decade, an average Gulf of Mexico hurricane season would likely disrupt only 1.4% of annual oil production and 1.3% of annual gas production, the firm said. "While Hurricanes Katrina and Rita were an exception, historically, our data shows the overall impact to be much less than most people might expect," said Steve Trammel, an IHS senior product manager.

Focus on planning
Trammel attributes the historically low impact on production to industry planning. "The oil and gas companies are very focused on the safety of their personnel," he said. "Operators make the decision to pull crews off rigs well before a storm moves into the gulf. Therefore, most disruptions to production are caused by suspension of operations as a safety precaution in the event that an approaching hurricane does threaten offshore production. As a result, average hurricane disruptions are short-lived with full production reestablished within a month," he said.

Hurricane Katrina, a Category 5 storm, achieved 175 mph winds before it dropped to Category 3 and struck Louisiana Aug. 29, 2005, making it the most destructive storm in terms of economic impact ever to hit the US. Hurricane Rita struck the Texas coast Sept. 24, 2005, as a Category 3 storm having achieved sustained winds of 180 mph. Some 3,050 or 75% of offshore platforms, 22,000 miles or 67% of pipelines, and two thirds of the Gulf Coast refineries were in the overlapping paths. Their combined force inflicted record damage on Gulf Coast facilities and production, pushing oil and gas prices to record levels by January 2006 and increasing fears of energy supply shortages.

Yet all personnel were safely evacuated from a total of 748 manned platforms (93% of the manned platforms at that time) and 101 working rigs (75% of the rigs operating in the gulf at that time). There were no oil spills from production wells on federal leases in the gulf and only minimal leakage from platform equipment and damaged pipelines. There was no evidence any of that leakage reached shore or impacted birds or mammals.

By mid-December 2005, the cumulative oil shut in by the two storms totaled 101.7 million bbl, 18.5% of annual gulf oil production. Shut-in natural gas production totaled 526.2 bcf, 14.4% of yearly gulf gas output.

Of the other four major hurricanes in the Gulf of Mexico, most of the production shut in by Hurricanes Opal (1995), Georges (1998), and Lili (2002) was restored within a month, said Trammel, although Hurricane Ivan (2004) disrupted 471 million bbl of oil production and 140 bcf of gas production.

Expected 2008 activity
The US National Oceanic and Atmospheric Administration's Climate Prediction Center expects considerable hurricane activity in the Atlantic Basin in 2008 with a 90% chance of an above-normal season. The center's outlook is for a 60-70% chance of 12-16 named storms, including 6-9 hurricanes and 2-5 major hurricanes (in category 3, 4, or 5 on the Saffir-Simpson scale). The center defines an average season as yielding 11 named storms, including 6 hurricanes and 2 major storms.

In response to the increase in major hurricanes striking the gulf in recent years, Trammel said, the petroleum industry has improved evacuation plans as well as shut-in and restart procedures to ensure safety and to mitigate leaks and production loss.

"Within economic limits," he said, "offshore structures are being engineered to withstand Category 5 hurricanes. In addition, the US Minerals Management Service has mandated new design specs for offshore facilities and has issued a series of notices to lessees and operators for rig fitness requirements, platform tie-downs, and ocean current monitoring, which are all tied to hurricane season."

Current gulf production and infrastructure are more widespread than in the past. Consequently, there is greater risk that hurricanes entering the gulf will damage and curtail the critical exploration and production activities.

IHS production data show the US gulf produced 476 million bbl of oil, or 25% of total US production, and 2.8 tcf ft of gas, about 12% of the US total during 2007. Moreover, the deepwater gulf continues to yield world-class oil and gas discoveries. IHS data indicate gulf discoveries yielded 8.5 billion boe during 2000-07. As a result, the US gulf was the seventh leading world source for discoveries during this period. Currently, there are 3,639 producing oil wells in the US sector of the gulf, and 3,788 gas wells, according to IHS data.

Noted improvements
Improvements and upgrades instituted by the MMS in cooperation with industry groups and the American Petroleum Institute after Katrina and Rita included:

-- Installation of global positioning system locators and black box information storage systems on offshore rigs for monitoring on-site conditions after evacuation of personnel and to track the rig if it drifts from its position.

-- Guidance for assessing existing structures for vulnerabilities and applying modifications to minimize damage.

-- Site-assessment guidance for identifying the best seafloor and soil conditions for jack up rigs and determining where a particular jack up rig can be located during hurricane season.

MMS suggested drilling contractors increase the number of mooring lines on offshore structures and required installation of high-strength anchors. In most cases, the required number of mooring lines for mobile drilling units increased 50% from 8 to 12, and in some cases 100% from 8 to 16. MMS also issued guidance to improve tie-down procedures to minimize damage during hurricanes.

Limits on drilling squeeze oil supply
Baltimore Sun, June 11, 2008; http://www.baltimoresun.com/news/opinion/letters/bal-ed.le.drilling11jun11,0,1376684,print.story

The Sun's article "Average gas price hits $4" (June 9) lamented that the price of gas has hit the "once-unthinkable milestone just in time for the peak summer travel season."

The article blamed "soaring demand in Asia and elsewhere," a "tumbling dollar" and "speculators, frustrated by low returns elsewhere, looking to make a quick profit."

Missing from The Sun's list of scapegoats are the Democrats in Congress, who have repeatedly and consistently prevented drilling for oil in the Arctic National Wildlife Refuge.

Of course, Democrats today often suggest that this wouldn't help because it would take 10 years to see anything produced from ANWR.

But if President Bill Clinton had not vetoed legislation in 1995 to permit oil drilling there, we could have an additional 27 million gallons of gasoline and diesel fuel from a million barrels of oil daily, which, as Democratic Sen. Charles E. Schumer noted on May 13 in a speech to the Senate, would cause the price of gasoline to fall "50 cents a gallon almost immediately."

The U.S. Minerals Management Service estimates that ANWR has about 85 billion barrels of oil and 420 trillion cubic feet of natural gas. This is 10 times the amount of oil and 20 times the natural gas that Americans use annually.

ANWR is larger than Massachusetts, Connecticut, Rhode Island, New Jersey and Delaware combined, yet drilling along its coastal plain would occur in a space one-sixth the size of Dulles International Airport.

In addition, The Sun conveniently omits the ban on offshore drilling along the East Coast that most Democrats support.

Today, Cuba and China are drilling 60 miles off the Florida coast, taking oil that Americans are forbidden from tapping.

Concerned about oil spills?

Hurricanes Rita and Katrina damaged or destroyed hundreds of offshore drilling rigs without causing a single large spill, and it has been almost 30 years since a major spill involving an offshore rig occurred.

Marylanders, like the Saudis, can thank the Democratic Party for our high gas prices.

Doug Dribben

With One Eye on Gasoline and the Economy, Congress Keeps the Other on November
NYT, June 11, 2008; http://www.nytimes.com/2008/06/11/washington/11cong.html?th&emc=th

WASHINGTON — Congress is shifting quickly to a general election footing, with lawmakers of both parties intensifying efforts to exploit public alarm about gasoline prices and the economy as a way of making the political case for themselves and their respective White House contenders.

With the presidential field settled, Congressional Democrats put on a show of unity Tuesday while trying to put Republicans on the defensive over soaring energy costs. In the Senate, the majority forced votes on extending tax incentives for alternative power sources and on new taxes on oil companies to pay for energy research.

After Republicans blocked debate on both measures by denying Democrats the 60 votes needed to move forward, Senator Harry Reid of Nevada, the majority leader, did not try to disguise what was shaping the oil and economic fights on Capitol Hill.

"This is framed," Mr. Reid said on the floor, "with the picture of a presidential campaign going on."

Later this week, House Democrats intend to push legislation opposed by many Republicans that would grant additional unemployment benefits to those whose aid is running out, an effort to present Republicans with a choice between helping jobless workers and supporting a potential White House veto.

The legislative maneuvering, conducted as operatives for the two presidential candidates confer daily with their allies on Capitol Hill, is a response to what lawmakers describe as widespread public outrage over the price of gasoline and general anxiety about the economy.

"You know, you cannot walk around America right now without being assaulted by people," said Senator Claire McCaskill, Democrat of Missouri. "As I went to the grocery store this weekend, as I went to the mall with my daughter, people that had no idea for sure who I was but thought I might be somebody because they maybe recognized me confronted me with incredible passion and frustration."

Republicans are pushing back. Deeming the legislation they blocked Tuesday as insufficient and shortsighted, they say that Democrats are proposing nothing that would lower the cost of gasoline in the short term and that by refusing to open more of the American coastline and a strip of the Arctic National Wildlife Refuge to oil production, the majority is thwarting any increase in domestic supplies.

"Let the states have the option of exploring off the coasts," said Senator Jon Kyl of Arizona, the No. 2 Senate Republican. "Let's look at ANWR, which is a grassy plain, 2,000 acres in the middle of an area the size of the state of South Carolina, if that will make us more energy independent. Let's set a goal for America: energy independence in 10 years."

Senator John Cornyn, Republican of Texas, said, "We have a winning argument as long as we keep making it."

In the House, Republicans have undertaken a coordinated effort to remind the public that it is Democrats who have run Congress during the last 17 months as gasoline costs have jumped. Democrats respond that the cost of gasoline has risen to over $4 a gallon from $1.46 at the start of the Bush administration.

At the same time, Republicans have some internal conflicts. Senator John McCain of Arizona, the party's presidential choice, has opposed opening the Arctic refuge to drilling in the past, splitting with many of his colleagues who see production there as the holy grail of new domestic sources of oil. In addition, Mr. McCain indicated on Tuesday that he would favor an extension in unemployment benefits.

And another Republican, Senator Olympia J. Snowe of Maine, was critical of the decision Tuesday to block the extension of tax credits for alternative energy.

"This issue whether to extend critical tax incentives right now should be, frankly, a straightforward decision," Ms. Snowe said. "This country is in an energy crisis, but by the way Congress acts, you wouldn't know."

As the Senate fought over oil, top Democrats gathered down the street at national party headquarters to show that they were rallying together now that Senator Hillary Rodham Clinton of New York had dropped her presidential bid, leaving Senator Barack Obama of Illinois as the party's presidential contender.

The Democratic leaders of both the House and the Senate joined with the party chairman, Howard Dean, and Gov. Joe Manchin III of West Virginia, chairman of the Democratic Governors Association, to make clear that they would be working in concert with Mr. Obama to ensure his election.

Because of the extended primary fight, Congressional Democrats are only now putting together a framework for coordinating their efforts with Mr. Obama, but they intend to be as cooperative as possible.

Mr. Obama has close Illinois colleagues in top slots both in the Senate, where Senator Richard J. Durbin is the No. 2 Democrat, and in the House, where Representative Rahm Emanuel heads the Democratic caucus. Party aides said they would move beginning this week to focus the party's regular strategy conference calls on how better to mesh the messages of the Congressional majority with those of the presidential campaign.

Republicans have been engaged in their own such effort for weeks, with a regular daily conference call involving Republican communications aides, party officials and the McCain campaign, as well as a weekly opportunity for senators to hear from senior party strategists.

With time running out in the Congressional schedule, both sides expect the fight over gasoline prices and the economy to continue, with the bills blocked Tuesday making a reappearance.

"We are going to bring them back," said Senator Max Baucus, the Montana Democrat who heads the Senate Finance Committee. "We are going to bring them back because it is the right thing to do."

Tax Hike On Oil Profits Blocked
Washington Post, June 11; http://www.washingtonpost.com/wp-dyn/content/article/2008/06/10/AR2008061000143.html?wpisrc=newsletter

By Lori Montgomery and Steven Mufson

Senate Republicans yesterday blocked a proposal to tax the windfall profits of the nation's biggest oil companies and eliminate some of the firms' tax breaks, rejecting Democratic claims that the measure would help assuage consumer anger over $4-a-gallon gasoline.

The vote was largely partisan, with each party sticking to long-held positions while striving to connect with frustrated consumers in an election year. Gasoline prices rose another 2 cents yesterday to a nationwide average of $4.04 a gallon for regular, but there appeared to be little prospect of imminent action by Congress or the Bush administration.

The Senate fell nine votes short of the 60 required to proceed to debate on the Democrat-sponsored energy measure, which would have erased $17 billion in tax breaks for oil companies over 10 years and created a levy on "unreasonable" profits collected by the five largest U.S. oil companies. Only six Republicans voted to move ahead.

"Today we had a chance to deal with the issue of high gasoline prices, and the Republican senators sent a resounding no," Sen. Charles E. Schumer (D-N.Y.) said at a news conference after the vote. "Of everything they have done so far in terms of obstruction, this is the politically most damaging."

The bill would have used the revenue to create an Energy Independence and Security Trust Fund, tasked with reducing U.S. dependence on foreign and "unsustainable" energy sources and reducing the risks of global warming.

The bill also would have instructed the Justice Department to pursue members of OPEC for alleged price fixing and required oil traders to put up more cash on futures exchanges to address speculation, which many observers believe is contributing to the unprecedented run-up in world crude oil prices.

Republicans said that the measure, which they dubbed the "no energy bill," would do little to lower gasoline prices, and could have the opposite effect by placing an additional tax burden on oil companies. They said the nation could combat high fuel prices more effectively by increasing domestic oil supplies by permitting new exploration in the Arctic National Wildlife Refuge and in waters on the Outer Continental Shelf. Most congressional Democrats oppose drilling in those areas.

"This bill is not a serious approach to oil and gas prices," Minority Leader Mitch McConnell (R-Ky.) said. "Raising taxes on those who produce something leads to higher prices on the product they sell."

Sen. Kay Bailey Hutchison (R-Tex.) added: "Anyone in America who is filling their gas tank must think that Congress is fiddling while Rome burns. The idea that we would bring up a bill that is called an energy plan, that has no energy production in it, is ludicrous."

Democrats accused Republicans of trying to block debate on "the biggest problem confronting the American people right now," in the words of Sen. Claire McCaskill (D-Mo.), who added that if U.S. consumers' "heads aren't about to blow off their bodies right now, they aren't paying attention. They have a right to be very, very angry."

The vote immediately became campaign material for Sen. Barack Obama (D-Ill.), who issued a statement saying that "Senate Republicans turned a blind eye to the plight of America's working families and our nation's worsening dependence on foreign oil."

The Bush administration said the oil crunch was the fault of years of Democratic opposition to drilling. "There's no question that we're paying a price today for decades of Democratic opposition and regulatory obstacles to increasing domestic oil production," White House spokesman Tony Fratto said. "Instead of populist votes that would do nothing for gas prices, we need to allow domestic oil production in environmentally sensitive ways."

In a separate vote, the Senate blocked a proposal to extend an array of expiring tax breaks for individuals and businesses, and to protect millions of middle-class taxpayers from the alternative minimum tax, or AMT. The House overwhelmingly approved a similar bill, minus the AMT provision, May 21. Senate leaders tried yesterday to bring the House bill to the Senate floor, where they planned to replace it with their version, but failed on a vote of 50 to 44 to get the 60 votes they needed to proceed.

The failure of the tax package was a disappointment for many companies that have been pressing hard for an extension of the tax incentives for research and development as well as wind and solar energy production.

Senate Republicans generally support extending the tax cuts, many of which have been embedded in the tax code for years. But they balked at Democratic plans to replace about half the lost revenue by delaying a planned tax benefit for multinational corporations and forcing hedge fund managers to pay taxes on their compensation immediately instead of storing it in offshore tax havens.

The bill would not replace revenue lost by preventing the expansion of the AMT, which would cost the treasury about $62 billion next year.

Republican leaders said they were taking a stand against pay-as-you-go budget rules that automatically assume federal spending will increase from year to year but force lawmakers to make up lost revenue through tax increases or spending cuts when tax cuts expire.

"We don't believe philosophically that in order to extend existing tax policy you should use that to raise taxes on others," McConnell said.

Senate Finance Committee Chairman Max Baucus (D-Mont.) vowed to bring his bill back to the Senate floor, saying paying for the tax cuts is "the right thing to do."

BP to Start Thunder Horse Oil Field on June 14, Reuters Says
Bloomberg, June 11; http://www.bloomberg.com/apps/news?pid=20670001&refer=&sid=a9wrYLrzU1kY

By Dinakar Sethuraman

June 11 (Bloomberg) -- BP Plc, Europe's second-largest oil company, may begin production at the Thunder Horse field in the U.S. Gulf of Mexico on June 14, Reuters said, citing Caryl Fagot, a spokeswoman at the U.S. Minerals Management Service.

The field, 150 miles southwest of New Orleans, may produce a maximum of 250,000 barrels a day of oil and 200 million cubic feet a day of natural gas when it reaches peak production, Reuters said on its Web site.

BP could delay the scheduled start, the report said, citing Fagot. Thunder Horse will be the largest single oil-producing facility in the U.S. Gulf of Mexico when it begins operations. A BP spokesman declined to comment, the report said.

To contact the reporter on this story: Dinakar Sethuraman in Singapore at dinakar@bloomberg.net.

Saudis Call for Oil Summit
WSJ, June 9, http://online.wsj.com/article/SB121303412231857849.html?mod=dist_smartbrief

RIYADH, Saudi Arabia -- Saudi Arabia will call for a summit between oil producing countries and consumer states to discuss soaring energy prices, Information and Culture Minister Iyad Madani said Monday.

The kingdom will also work with Organization of Petroleum Exporting Countries to "guarantee the availability of oil supplies now and in the future," the minister said following the weekly cabinet meeting, held in the seaport city of Jiddah.

The Saudi announcement comes just three days after the biggest single-day price leap ever, when oil surged more than $11 to surpass $139 per barrel. Retail gas prices rose further above $4 Monday in the U.S., the world's largest oil consumer, following the unprecedented price rally.

The kingdom will work to ensure there will be no "unwarranted and unnatural oil price hikes that could affect international economies, especially those of developing countries," said Mr. Madani. "There is no justification for the current rise in prices."

On Monday, light, sweet crude for July delivery fell $2.39 to $136.15 a barrel in volatile trading on the New York Mercantile Exchange.

The world's leading economies and largest oil consumers have urged oil producers to boost output, which has stalled at about 85 million barrels a day since 2005. Energy experts say most producers have little ability to expand output. The exception is Saudi Arabia, which is producing about 9.4 million barrels a day and has the ability to increase production by about two million barrels a day, but has not done so.

"The Saudi cabinet has instructed Oil Minister Ali al-Naimi to call for a meeting in the near future that will include representatives of oil-producing countries, consumers and companies that work in extracting, exporting and selling oil to look into the price hike, its causes and how to deal with it," said Mr. Madani.

The current OPEC president, Chakib Khelil, has said that the cartel will make no new decision on production levels until its Sept. 9 meeting in Vienna.

Lands already open for drilling Rahall committee report counters pro-oil complaint
The Charleston Gazette, June 10, http://sundaygazettemail.com/News/200806091186

By Ken Ward Jr.
Staff writer
The vast majority of oil and gas resources on federal lands are already open for drilling, according to a new report from the House Natural Resources Committee.

A little more than one-third of oil resources and 16 percent of natural gas reserves on public lands are off-limits to industry, according to the report issued by the committee's Democratic staff. Those are closed to drilling largely because they are underneath national parks or wilderness areas, the report found.

The 10-page report responds to continued arguments by Republicans and energy companies that opening more public lands to oil and gas production would help lower gasoline prices.

"The evidence is compelling that we cannot drill our way to lower prices at the pumps," said Natural Resources Chairman Nick J. Rahall, D-W.Va.

The report notes, for example, that since the 1990s, the federal government has consistently encouraged the development of its oil and gas resources. Drilling on federal lands has steadily increased during this period, from 3,800 five years ago to nearly 7,600 in 2007.

Between 1999 and 2007, the number of drilling permits issued for development on public lands increased by more than 361 percent. But gasoline prices have also risen dramatically, "contradicting the argument that more drilling means lower gasoline prices," according to the report.

The Rahall staff report also concludes that energy companies are not using federal lands that are already open to energy development.

In the last four years, the Bureau of Land Management has issued nearly 29,000 permits to drill on public land. Yet during that same period, less than 19,000 wells were actually drilled.

"Even if increased domestic drilling activity could affect the price of gasoline, there is yet no justification to open additional federal lands because oil and gas companies have shown that they cannot keep pace with the rate of drilling permits that the federal government is handing out," the report said.

Last month, the Interior Department issued a report that Rahall's committee said the "administration is using to delude Americans into believing that vast tracts of federal land with large concentrations of oil and gas are off-limits to oil and gas development."

Actually, the Interior report shows 40 percent of oil reserves on federal lands are currently open to leasing. Another 22 percent of oil reserves on federal lands are undergoing required environmental reviews before being opened to leasing. That leaves 38 percent of oil reserves on federal lands actually listed as off-limits.

For natural gas, the Interior report shows 16 percent of reserves are off-limits to production. Another 22 percent are undergoing environmental reviews before being opened to leasing.

The Rahall committee report also concluded that on the Outer Continental Shelf, 82 percent of federal natural gas and 79 percent of federal oil is located in areas that are currently open for leasing.

BP chief says government tax grabs 'unsustainable and counterproductive'
Voice of the Times, June 10,
http://www.voiceofthetimes.net/index.php?option=com_content&task=view&id=1367&Itemid=2

By TOM BRENNAN
BP chief executive Tony Hayward gave a speech in Kuala Lumur last week that didn't mention Alaska by name but certainly could have.

Brennan
Hayward told the Asia OIl and Gas Conference that the painful surge in the price of oil, and the economic problems it has created, isn't likely to change direction anytime soon. The problem is caused by low investment

in production and that stems from two causes — low oil prices for several decades and (are you listening Alaska legislators?) rising taxes, with governments taking an increasing share of oil and gas revenue.

He could well have flashed a chart up on the wall showing ACES, Gov. Sarah Palin's cute acronym for "Alaska's Clear and Equitable Share." Palin and a majority of legislators — spooked by the ongoing corruption scandals — hiked Alaska's net profits tax on oil last year from 22.5 percent to 25 percent. With built-in escalators making it even higher when prices are up, Alaska's tax is considered one of the highest in the oil world.

"This is unsustainable and counterproductive," Hayward said (again talking about producing areas in general). "All it means is that we have less money to . . .

(cont'd from front page) invest in new production."

Too bad Hayward passed up the chance to use slides from Alaska, perhaps one of those nice publicity photos of Palin or shots of legislators voting to hike taxes for BP and the rest of Alaska's oil industry. He certainly could have.

* * *

Many so-called energy experts worry that the world will someday run out of oil. They should relax. It'll never happen.

I'm no expert, but you don't have to be a genius to figure out that as the world's easier-to-reach pools of oil are tapped, drillers will have to take on the tougher prospects and oil will become increasingly expensive.

At some point it will just be too valuable to burn. Eventually, oil will only be used for things like plastics, artificial fabrics and medicines. As those things get more expensive, only the higher-value uses will make sense. You might want to just dab a little behind each ear before you go to work in the morning.

So the last drop of oil won't be burned in an SUV — or even in a Toyota Prius. If you could ever afford to produce the last drop, which you couldn't, it's more likely to be used in a medicine or a very expensive pair of suspenders, the kind a man-of-the-people plutocrat like Al Gore might wear.

There are many other sources of fossil fuels, of course, starting with the huge oil and gas prospects in and around Alaska, many parts of the Lower 48, and vast tracts of the Outer Continental Shelf. Then there are vast supplies of lower-quality coal, which can be converted to fuel, at a price, nuclear power generators and all of the renewable energy sources around, above and below us — sun, wind and water.

As Charles Krauthammer noted in his column in this space last week, the American public, at least, is scrambling to dump its gas-guzzlers, buy gas-sipping vehicles and use public transportation where it is available. That tidal change occurred when gasoline hit $4 a gasoline, what he called the motivating price point.

So the last drop of oil is not just years away. It will never be tapped and never brought to market. Poet T. S. Eliot could have been talking about it when he wrote:
This is the way the world ends
Not with a bang but a whimper.

The Drill-Nothing Congress
Investors Business Daily, June 9,
http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=297904745555169

Energy: The average price for regular gas hit $4 a gallon over the weekend. Gas prices have risen 75% since Nancy Pelosi took over. Where's the energy independence Democrats promised two years ago?

In November of 2006, House Speaker-elect Nancy Pelosi issued a press release touting the Democrats' "common-sense plan to help bring down skyrocketing gas prices."

She accused the oil companies of "price gouging." The price of gasoline when the Democrats took control of Congress was around $2.25 per gallon.

The average price of regular gas crept over the $4-per-gallon barrier over the weekend, as measured by AAA and the Oil Price Information Service.

That represents a more than 75% increase in the retail price of a gallon of gasoline on Pelosi's watch. Call it the "Pelosi premium" we're all now paying.

It's a problem driven by domestic supply restrictions imposed by the Democratic Congress in the face of growing worldwide demand. The Democrats preach energy independence while they do everything in their power to prevent it. If the American people truly want change, this would be it.

A Gallup poll released in May showed that 57% of the American people wanted the U.S. to drill in coastal and wilderness areas. The percentage of Americans who bought Pelosi's line about price gouging fell from 34% in May 2007 to 20% in May 2008. It could be a winning issue for the Republicans and John McCain.

More than 15 billion barrels of oil have been sent down the Alaskan pipeline from Prudhoe Bay, some 60 miles to the west of ANWR, over the past three decades, much more than the six months' supply expected in the beginning by those who predicted a similar environmental disaster there.

The local caribou and other critters have thrived. Yet, Pelosi and the Democrats want to to keep ANWR's estimated 10.6 billion barrels of oil off the market and out of our gas tanks.

Buried in a Department of Interior Appropriations bill passed in December 2007 was an amendment proposed by Rep. Mark Udall, D-Colo., passed by a 219-215 vote in June, that prevented the establishment of regulations for leasing lands to drill for oil shale.

The Western U.S. is estimated to have reserves of a trillion barrels (yes, that's the real number) trapped in porous shale rock, an amount three times the oil reserves of Saudi Arabia. On May 15, 2008, the Senate Appropriations Committee in a 15-14 party line vote rejected an amendment by Sen. Wayne Allard, R-Colo., to allow oil shale drilling and overturn the Udall moratorium.

The U.S. Congress has voted consistently to keep 85% of America's offshore oil and gas off-limits, while China and Cuba drill 60 miles from Key West, Fla. The U.S. Minerals Management Service says that the restricted areas contain 86 billion barrels of oil and 420 trillion cubic feet of natural gas.

There are 3,200 oil rigs off the coast of Louisiana. During Katrina, not a single drop was spilled. More than 7 billion barrels have been pumped from these wells over the past quarter-century, yet only one thousandth of one percent has been spilled.

A study by Louisiana's Sea Grant college shows that there's 50 times more marine life around oil platforms that act as artificial reefs than in the surrounding mud bottoms. Some 85% of Louisiana fishing trips involve fishing around these offshore rigs.

The Flower Garden coral reefs lie off the Louisiana-Texas border. They are surrounded by oil platforms that have been pumping for 50 years.

According to federal biologist G.P. Schmahl, "The Flower Gardens are much healthier, more pristine than anything in the Florida Keys. It was a surprise to me. And I think it's a surprise to most people."

We would suggest that John McCain revisit his reservations about ANWR and run against the drill-nothing Congress. Energy development and the environment are not mutually exclusive.

In fact, we would suggest that the first joint town hall meeting with Barack Obama proposed by McCain be held on one of those offshore Louisiana rigs.

Gas woes spur need for energy plan
Daily Local.com; June 10,
http://www.dailylocal.com/WebApp/appmanager/JRC/Daily;!661240813?_nfpb=true&_pageLabel=pg_article&r21.pgpath=%2FDLN%2FOpinion&r21.content=%2FDLN%2FOpinion%2FTopStoryList_Story_2181121

The only thing rising faster than gas prices these days is the blood pressure of American motorists. Understandably, folks are frustrated with pumping more of their paychecks into their gas tanks. Many are looking to Congress for answers.

So far, the response from some in Congress has been to hold show hearings with oil executives and to propose higher taxes. The hearings on Capitol Hill last month were a chance for some politicians to wag their fingers and scold businessmen, but did nothing to slow the steady climb of gas prices. Gas prices hit record highs every day for nearly a month straight.

Current prices are almost $1 per gallon higher than they were a year ago in most parts of southeastern Pennsylvania, according to AAA Mid-Atlantic. That means motorists are paying about $15 more than they did last year to fill up a 15-gallon tank.

Some in Congress believe the solution is imposing higher taxes on oil companies. But that feel-good fix simply would drive gas prices higher because any tax would be passed on to consumers.

While some see the current gas-price spike as a crisis, the nation must view $4-per-gallon gas as a challenge. It should be a challenge that spurs Congress to work together on a National Energy Initiative.

We must act with the same boldness that President John F. Kennedy employed to inspire America to develop a space program that put a man on the moon in a little less than a decade. We certainly do not have to travel to the moon to achieve energy independence.

Some of the solution can be found just off America's shores beneath the Outer Continental Shelf. That's where the U.S. Minerals Management Service reports billions of barrels of oil and natural gas could be tapped in an environmentally responsible way.

Foreign dictators will soon take advantage of these valuable energy resources about 60 miles off the coast of Florida. China is cooperating with Cuba to set up oil and natural gas exploration in the Atlantic.

But America's path to energy independent will remain blocked until Congress lifts 1960s-era bans on responsible development of off-shore energy resources.

The American public seems to understand the need for responsible development of these much-needed fuel supplies. A Gallup Poll released on May 28 showed 57 percent of the people surveyed would support tapping into fuel sources in places such as the Outer Continental Shelf.

I have cosponsored a bill, H.R. 2784, to end restrictions on developing these off-shore energy resources. The legislation would use natural gas royalties paid by energy companies to fund environmental restoration projects and renewable energy and carbon sequestration research.

Programs that help low-income and elderly homeowners pay their heating bills and make their homes more energy efficient also would benefit under the bill. Increasing the supply of American-made energy will reduce our dependence on unstable regimes in the Middle East and other parts of the world.

In addition to additional exploration for oil and natural gas supplies, our National Energy Initiative should encourage innovation.

Throughout this nation's history, we have harnessed American ingenuity to fly to the moon, to nearly rid ourselves of once-incurable diseases such as polio, and to invent computers small enough to fit in your palm. I have faith that we can muster enough ingenuity to eventually find alternatives to fossil fuels.

That's why Congress must pass legislation extending tax credits for entrepreneurs, researchers and others working to develop renewable energy sources. A recent survey by the American Wind Energy Association and the Solar Energy Industries Association found that nearly $19 billion in private investments in wind and solar power projects are at risk if Congress fails to promptly extend these tax incentives. These are clean-energy projects that could produce at least 116,000 American jobs, the survey indicated.

Homeowners also could take advantage of tax incentives to buy more energy-efficient appliances and make other improvements to conserve energy.

The recent spike in gas prices has underscored just how much our economic and national security are tied to energy prices. We need to enact legislation encouraging exploration, innovation and conservation. Because without a National Energy Initiative, gas prices — and our blood pressure — will simply continue climbing higher.

Congressman Jim Gerlach represents the 6th Congressional District, which covers parts of Chester, Montgomery, Berks and Lehigh counties.)

McCain's View on Expanded Oil Drilling Uncertain
CNS News.com, June 10, http://www.crosswalk.com/news/11577105/

Kaitlynn Riely
Correspondent

(CNSNews.com) - Republican presidential candidate Sen. John McCain is "open to the possibility" of tapping America's domestic oil and gas reserves, but it is not clear from his voting record whether he would actively push to expand offshore oil recovery efforts.

On ABC's "This Week -with George Stephanopoulos," Sen. Lindsey Graham (R-S.C), a McCain friend and supporter, said the Arizona Republican would be open to talking about looking for oil and gas "in our own backyard."

"John McCain would allow offshore explorations, if the states consent," Graham said Sunday.

Graham's statement echoed the position McCain took in response to a survey conducted by the League of Conservation Voters last year. The League questioned all the 2008 presidential candidates about whether they supported maintaining current moratoriums on new offshore oil and natural gas drilling.

Congress passed the Outer Continental Shelf (OCS) Moratorium in 1981, which prevented the leasing of coastal waters for the purpose of fossil fuel development.

McCain said he supported expansion of oil recovery in the OCS -- with qualifications.

"I believe there are some OCS areas that can and should be developed for their energy potential but the areas should not be those that are ecologically sensitive to such development," McCain said in the survey.

"I also believe that the will of the people of coastal states like Florida and California on issues related to OCS development off their shorelines must be respected and they should have a say in where moratoria are kept in place as well as the terms of such development that is permitted," he said.

McCain added that if oil retrieval is conducted in the Outer Continental Shelf, it should be done according to strict environmental standards and oversight.

The Interior Department's Minerals Management Service determined in February 2006 that approximately 85.9 billion barrels of "undiscovered technically recoverable" oil could be found on the Outer Continental Shelf.

At a town hall meeting in Michigan last month, McCain said he believed the United States should expand its domestic oil drilling operations, but said the states ought to have the right to make the decision whether to drill or not to drill, Reuters reported.

It is difficult to gauge McCain's past voting record on domestic drilling, mainly because in many instances he did not vote.

In March 2008, McCain did not vote, either for or against, on an amendment to increase spending levels on energy-related programs, including the development of oil and natural gas resources in coastal areas not covered by presidential or congressional moratoria. On the same day, McCain did not vote regarding an amendment to increase spending levels on programs to develop natural gas off the coast of Virginia and to develop oil shale resources on public lands.

In June 2007, McCain did not vote, either for or against, on an amendment to allow the governor of Virginia to petition the secretary of the Interior Department to permit natural gas exploration and extraction off its coast.

But McCain did vote in 2005 in support of an amendment to keep the Arctic National Wildlife Refuge (ANWR) closed to oil drilling.

Phone calls to McCain's Senate office on Monday were not immediately returned.

William Yeatman, an energy policy analyst for the Competitive Enterprise Institute, a conservative group, said it is hard to know what policies McCain would follow regarding domestic drilling should he be elected president in November.

He described McCain's - and many other senators' policies - as contradictory because they support a cap-and-trade policy on emissions, which would raise gas prices, while at the same time they criticize the current high price of gas.

"How long can America, on the one hand, say, 'We're sick and tried of high gasoline prices,' and on the other hand say, 'We're not going to do anything about it; we're not going to tap our own resources?'" Yeatman said. "We're going to be the only industrialized nation that keeps itself from its own resources.'"

Yeatman said if it makes economic sense, the United States should drill for its domestic oil.

"We've got the supply," Yeatman said. "Why not tap into it?"

The American Petroleum Institute also supports domestic drilling, said spokeswoman Cathy Landry.

"The fact of the matter is, we have a lot of resources on our own lands, and off our shores, and if we are able to access those, we could potentially reduce our imports of foreign oil," Landry said.

Landry said she could not speak specifically to either of the candidates' proposals, but said gaining access to the billions of barrels of oil offshore and onshore in the United States could help the country meet its energy demand.

"You have to make the decision and open it, and then get people moving," she said.

The League of Conservation Voters, meanwhile, a major environmental group, issued a statement criticizing McCain's policies after his Michigan speech entertaining the possibility of expanding offshore drilling, describing it as a continuation of President Bush's "drill first, ask questions later" approach.

"We will never break our addiction to oil when the only plan on the table is to find and burn more oil and coal," League President Gene Karpinski said last month.

Fuel Prices Challenge Cars' Reign
Washington Post, June 10, http://www.washingtonpost.com/wp-dyn/content/article/2008/06/08/AR2008060800574_pf.html

$4 Gas Transforms Buying Habits, Affecting Everything From Vacations to Pizza Orders

By Steven Mufson and David Cho

Gasoline prices, which shattered the $4-a-gallon mark on average in the Washington area Friday, ranged as high as $4.39 a gallon for regular yesterday amid signs that cash-strapped Americans are changing vacation plans, consolidating errands, and turning to carpools and mass transit.

The average price of a gallon of gasoline nationally is now almost a dollar higher than it was a year ago, according to the Energy Department. And with crude oil trading at more than $134 a barrel yesterday, more gasoline price increases are probably in the pipeline as refiners and retailers attempt to pass crude oil costs along to motorists, industry analysts warn.

"The fear here is that we've crossed a Rubicon," said John Townsend, a spokesman for AAA. "Normally, prices plateau after Memorial Day . . . But I don't think we're going to get much relief this summer."

In a society nurtured on cheap gasoline, the high fuel prices are having disparate effects: the end of free pizza deliveries at major franchises, a plunge in the sales of sport-utility vehicles, a steep drop in the price of houses that are far from jobs or mass transit.

Federal officials have also reported the first decline in miles driven on U.S. roads since 1979, business at roadside convenience stores has slowed, and the tourism industry is bracing for a downturn this summer. Nationwide, about 8 percent of Americans say they have changed their commuting patterns and are taking public transportation, according to a survey conducted by NPD Group, a market research firm. The same share of respondents said they would vacation closer to home this summer because of rising gas prices.

The biggest U.S. airlines, squeezed by massive fuel costs, imposed domestic fare increases over the weekend, only to roll them back yesterday to avoid losing passengers.

After more than five years of petroleum price increases, American consumers appear to be expecting the worst. A CNN poll taken last week showed that 59 percent of Americans believe it is very likely that they will pay $5 a gallon for gasoline before the end of the year and that an additional 27 percent say it is somewhat likely.

Economists say these expectations make it more probable that people will change behavior rather than simply wait for a turn in the traditional up-and-down cycle of commodity prices. "People now realize that prices may come back down, but they're not going down to where they were," said Mark Zandi, chief economist of Moody's Economy.com. "We're going to have to live with higher energy prices for a while. And that's affecting their behavior and what they buy and don't buy."

For Rusty Davis, a handyman from Arlington, the high cost of gasoline is changing the way he runs his business. He has started to refuse jobs outside the county. When he does travel to jobs, he now takes his fuel-efficient car and leaves behind his work van, which gets only 12 miles to the gallon. He also used to do free estimates in person. Now he does them over the phone.

"Before, you just wanted the client to see your face so they would be more willing to hire you to do the job," he said. "You don't do those anymore. I'm more apt to give them an estimate over the phone to save on gas."

Economists fear that the steadily rising price of gasoline is eating into the money consumers have to spend on other items and that fuel prices could be a drag on an economy already weighed down with concerns about housing prices and the stability of financial institutions.

"It saps people's purchasing power," Zandi said. "If they have to spend more to fill their gas tanks and heat their homes, everything suffers." He added that he worries that "the surge in energy prices overwhelms the economy if we stay here for very long."

Zandi said energy costs -- including electricity, gasoline and heating -- now account for about 6.5 percent of the average household budget. For the poorer half of the nation's households, energy costs are gobbling up close to 10 percent of family budgets.

Although the $4 barrier has symbolic importance, the bite out of household budgets is real. AAA calculates that the gasoline cost of commuting from Washington area suburbs to the District has increased sharply over the past year. The cost of the 44-mile round trip between Fairfax City and downtown Washington has risen to $8.93 a day from $6.78 last year for a commuter driving a car with average fuel efficiency. The cost of the 88-mile round trip between Frederick and the District has risen to $17.86 a day from $13.24.

In the past two days, the highest price for regular in the Washington area was $4.39, at two stations on Virginia Avenue in Northwest D.C. The local average yesterday was $4.09, according to AAA.

As a result, people have been trimming their driving.

According to the Federal Highway Administration, estimated vehicle miles traveled on U.S. roads for March fell 4.3 percent, or 11 billion miles, compared with March 2007. It was the first time that March travel on public roads fell since 1979 and the biggest yearly drop for any month in history.

In recent weeks, MasterCard has been reporting 4 to 5 percent declines in gasoline purchases. The Energy Department's Energy Information Administration has been reporting more modest declines.

"For 30 years, we've operated under the assumption that there are going to be more cars on the road," said David Portalatin, automotive analyst at NPD Group. "So we've developed drive-through windows, quick lube stations. We've done everything we can do service this on-the-go consumer. The biggest news is we've reached the point where we are starting to see some fundamental changes in consumer driving behaviors."

With consumers cutting back on their driving, many industry groups are worried. The Car Care Council, an association that promotes auto maintenance, has resorted to marketing the benefits of driving, arguing that even if gas hits $5, driving is still cheaper than flying.

"These soaring gas prices shouldn't sour our love affair with our vehicles," said Rich White, the council's executive director. He added that the changes in driving behavior may be temporary. "It's going to take a lot for Americans to give up that freedom of mobility that they cherish," he said.

The high oil prices, although beneficial for oil companies that have their own oil wells, are hurting many companies in the refining and marketing end of the business. Sam Darab, who fled Afghanistan after the Russian invasion, has been an Exxon dealer in Fairfax for 20 years, but he says low profit margins, competition from a big Safeway gas station and rising rents charged by Exxon Mobil are driving him out of business. Darab, a father of seven, plans to close his gas station Sunday.

"I work so hard," he said. "They have been so harsh with me."

Another Exxon dealer, Sohaila Rezazadeh, who was featured on the front page of The Washington Post last month, said yesterday that she can't advance the cash Exxon wants for deliveries and hasn't had any gas for four days. She said high rent and low profit margins had drained her accounts. She plans to close her station by the middle of this month.

Exxon Mobil had no comment on either of the dealers.

MMS awards $18M to restore La. coast
NO City Business News, June 9; http://www.neworleanscitybusiness.com/UpToTheMinute.cfm?recID=17794

MMS awards $18M to restore La. coast

NEW ORLEANS — The Minerals Management Service has awarded an $18 million grant to Louisiana through the Coastal Impact Assistance Program for the Barataria Land Bridge Dedicated Dredging project.

MMS officials said the project will enhance the creation and nourishment of 752 acres of marshland in Jefferson Parish approximately 35 miles south of New Orleans. The project was included in Louisiana’s final CIAP plan approved by MMS in November 2007.

"This is the largest grant to date that we have awarded Louisiana under CIAP," MMS Director Randall Luthi said. "We are very much looking forward to working with Louisiana to award the remaining money allocated for the state’s other projects."

The Barataria Land Bridge project, which was initially engineered, designed and permitted through the Coastal Wetlands Planning, Protection and Restoration Act program, will protect existing marshland and create new marshland by enabling sediment building and inhibiting interior deterioration from rising sea-levels and excessive tidal exchange. The area is mostly shallow, open water with some existing broken marsh and has experienced annual land loss.

The CIAP was created by the Energy Policy Act of 2005. Through the program, MMS will annually disburse $250 million in grants until 2010 to six eligible Outer Continental Shelf oil and gas producing states – Louisiana, Alabama, Alaska, California, Mississippi and Texas.

The funding to Louisiana includes $127.5 million in fiscal years 2007 and 2008. Nineteen coastal political subdivisions will share in the funding for projects outlined in the state’s approved plan.

Court to hear Cobell lawsuit
Missoulian.com; June 9; http://www.missoulian.com/articles/2008/06/09/news/local/news03.txt

By JODI RAVE of the Missoulian

A federal judge on Monday will gavel to a start the trial that will potentially award billions of dollars to Native landowners whose income from natural resources has been mismanaged and misused by the U.S. government for more than a century.

“We're going in for the final leg leading to justice,” said Elouise Cobell, a landowner and lead plaintiff from Browning. “I'm very confident we will be victorious.”

U.S. District Court Judge James Robertson in Washington, D.C., will preside over Cobell vs. Interior Secretary Dirk Kempthorne, in a case pitting a half-million Native landowners against the Interior Department. Indigenous people claim they are owed at least $58 billion in trust funds that never made it into their money accounts managed by the department since 1887.

Justice Department lawyers have argued the shortfall rests somewhere between $3 billion and

$3.6 billion.

Robertson will move the case forward as he acknowledges that Interior and Justice department representatives oppose “any remedy in this case that has a dollar sign in front of it.” He has also noted that Cobell's lawyers have added “considerably more zeros after the dollar sign than the government thinks is possible, or frankly than I think is possible.”

In an April hearing, the judge said he aims to address four major concerns as the trial unfolds over the course of the next two to three weeks. First, he will consider whether individuals in the class action suit can request their own day in court. He will also decide how much money is awarded and how it will be distributed. Finally, he will determine the “time value,” or whether any interest should be applied to the award.

Cobell, a community developer from the Blackfeet Reservation, filed suit against the Interior Department on June 10, 1996. At stake are award claims stemming from money earned by landowners for grazing leases and sales of timber, oil and gas on 11 million acres of individually owned trust lands. The money was either not collected or deposited into Individual Indian Money, or IIM, accounts.

Court documents and transcripts from the 144-month-long case have confirmed a land management system rife with accounting inaccuracies and bureaucratic incompetence in both the Interior and Treasury departments.

Yet despite hundreds of millions of dollars that have been spent to provide an accounting and fix the broken accounting system, the Interior Department's web of bureaus and agencies remain mired in disorder. Those departments that have IIM trust functions include the Bureau of Land Management, Office of Special Trustee, Office of Historical Trust Accounting, Minerals Management Service and the Bureau of Indian Affairs.

“The BIA is a bureaucratic mess that needs to be reorganized and reenergized,” said U.S. Sen. Byron Dorgan, D-N.D., in a June 3 letter to the Interior Department. “If that proves impossible, then maybe it ought to be replaced with an organization that will take effective action to help improve the lives of American Indians.”

Dorgan asked Kempthorne to provide relief to the Three Affiliated Tribes on the Fort Berthold Reservation in North Dakota, where oil and gas development has been hindered by the bureau's lack of staff and expertise.

Fort Berthold is surrounded by 49 active drilling rigs, while only one BIA permit has been issued for a drilling rig on the reservation - and that took three years to complete.

The Interior Department's ineffective management “is harming local, tribal and state economies, as well as our national efforts to produce more domestic sources of energy,” wrote Dorgan.

As Judge Robertson sets out to determine how much money is owed to individual landowners, he will be making a decision based on tens of thousands of trust fund records that are missing, deleted or destroyed.

Some of the most lucrative accounts in the “common trust fund” have historically arisen from oil and gas production on tribal lands. Yet even today, Cobell lawyers argue, the Minerals Management Service relies upon incorrect data on oil and gas distributions for individual trust beneficiary accounts.

Money paid into the system is not tracked; instead, the department has relied upon the honesty of those leasing Indian land.

But only money that has any sort of accounting track record will be considered in Monday's trial.

“Now what benefit did the government, actual benefit, do you think the government retained from the use of monies that it in fact paid but just can't account for?” Robertson asked the plaintiffs' attorney during April's hearing.

Dennis Gingold replied: “If in fact it paid for it and can't account for it, your honor, I don't know how you can make the assumption they were paid.”

Groups say they will sue over polar bears, drilling
Fort Mills Times, June 9; http://www.fortmilltimes.com/124/v-print/story/190049.html

ANCHORAGE, Alaska — Two conservation groups have given the federal government formal notice they intend to sue to protect polar bears from petroleum exploration and drilling off Alaska's coast.

The Center for Biological Diversity and Pacific Environment said Monday they will sue under the Endangered Species Act to protect polar bears, which were listed as threatened last month by Interior Secretary Dirk Kempthorne.

Polar bears are threatened - likely to become endangered - because their sea ice habitat has melted dramatically and computer models predict further losses, Kempthorne said. Summer sea ice last year shrunk to about 1.65 million square miles, nearly 40 percent less than the long-term average between 1979 and 2000.

Polar bears use sea ice for mating, denning and hunting their primary prey, ringed seals.

However, Kempthorne said, the best scientific judgments did not conclude that polar bears were threatened by oil and gas development.

The conservation groups do not agree.

Whit Sheard of Pacific Environment in Alaska said Bush administration officials have been so keen to grant offshore leases, they have not given proper consideration to the potential harm to polar bears.

"Instead of actively seeking to protect polar bears, they've been aggressively seeking to promote oil and gas development in polar bear habitat," Sheard said.

Unilaterally zoning the Arctic for oil drilling is the opposite of sound management, Sheard said.

The groups are not seeking to shut down offshore drilling, he said, but will sue to ensure that the government follows requirements of the Endangered Species Act.

Alaska has two populations of polar bears. The Chukchi and Bering sea population off the state's northwest coast is shared with Russia. The southern Beaufort Sea population off the state's north coast is shared with Canada.

According to the conservation groups, the Bush administration has opened up virtually all of Alaska polar bear habitat to leasing. The most recent lease sale was in February, when the Minerals Management Service took in high bids of nearly $2.7 billion on 2.76 million acres, or about 4,300 square miles, of Chukchi Sea ocean bottom.

The Endangered Species Act requires federal agencies to ensure that any action they carry out does not jeopardize a listed species, said Brendan Cummings, an attorney for the Center for Biological Diversity. All ongoing federally authorized offshore oil-industry actions affecting the polar bear, from exploration plans to seismic surveys, must be re-examined, Cummings said.

Seismic surveys involve loud air guns.

"Safety zones and protections that are theoretically in place simply don't work," he said.

Boats, aircraft and drilling platforms will add to bears' stress by causing them to flee and expend more energy, Cummings said.

"These are animals that because of global warming are food-stressed and they're simply in worse physical condition than they would be in an otherwise intact Arctic," he said.

U.S. Fish and Wildlife Service spokesman Bruce Woods said Monday oil and gas development were not seen as a major factor in the listing decision. Since 1993, when the agency began issuing incidental take permits for petroleum exploration, there has not been a single polar bear or walrus death attributable to oil and gas development, he said.

A 60-day notice of intent to sue is required before a lawsuit can be filed.

The notice was sent to the Minerals Management Service, which oversees offshore leasing, and the U.S. Fish and Wildlife Service, which manages polar bears. Both are agencies of the Interior Department.

Oil Executives Blame Lack of Access, Not Supply for Surge in Crude Prices
WSJ, June 7, http://online.wsj.com/article/SB121285053707854719.html?mod=dist_smartbrief

MOSCOW -- Executives from two of the world's biggest oil producers Saturday cited difficulties in accessing new fields, rather than a lack of oil, for surging crude prices.

"On the supply side, there's still a lot of concern," the chairman of U.S. giant Chevron Corp., David O'Reilly, told a forum in the Russian city of St. Petersburg. "The world isn't running out of resources -- the biggest risk for expanding production is restricting access to new developments."

Crude prices posted their sharpest-ever one-day increase Friday, surging almost $11 a barrel at one stage before eventually settling $10.75 a barrel, or 8.4%, higher at a record $138.54 on the New York Mercantile Exchange.

The weakening U.S. dollar laid the foundation for the spike Thursday, sliding against the euro after European Central Bank President Jean-Claude Trichet suggested the bank could raise interest rates to tame inflationary pressures.

But Friday also saw a prediction by investment bank Morgan Stanley that strong demand in Asia and tight supplies in the developed world could see crude prices hit $150 by July 4, the U.S. Independence Day holiday and the start of the country's summer-driving season.

Fanning the flames were comments by an Israeli cabinet minister, who warned that Israel could launch an attack on Iran's nuclear facilities if Tehran didn't stop developing nuclear weapons.

Mr. O'Reilly said the jump in crude prices was worrying, but wasn't critical. "A challenge -- yes, a crisis -- no," he said.

Restricted access to potential developments in the U.S. had resulted in a drop in production, he added.

Oil prices have more than doubled in the last 12 months, driven by a combination of strong demand from emerging economies like China and India, the softer U.S. currency, concerns over supplies and stagnating global output.

Many also believe speculative money is being channeled into oil futures contracts due to the weakness on global equities markets in the wake of the U.S. mortgage crisis.

The sharp rise in prices is causing chaos around the world, increasing the cost of both gasoline and food and stoking civil unrest.

Rex Tillerson, chief executive of ExxonMobil Corp., told the same conference that in order to combat the rise, consumers need to be more efficient while producers should be given opportunities to put supply to the market.

"We urge governments of the countries that have resources to allow us to develop them. Just a signal that such access will be granted would have an immediate effect on the market," Mr. Tillerson said.

Venezuelan President Hugo Chavez decided last year to nationalize key heavy-oil projects, including one controlled by Exxon.

Other countries, including Russia, have sought to bring large parts of their oil and gas industries back under state control as prices have skyrocketed.

"Energy nationalism is a move in an exactly wrong direction," Tillerson said.

But some focused on the growing hunger for energy around the world, stressing that demand is likely to send oil prices higher still as the $150-a-barrel milestone looms large.

"The fight for resources is intensifying," said Alexei Miller, chief executive of Russian gas monopoly OAO Gazprom.

Others were less eager to try to explain the seemingly unstoppable crude rally.

"If you asked me why oil prices are so high, the answer would be "I don't know,'" said Royal Dutch Shell PLC Chief Executive Jeroen van der Veer.

Leaders Fumble Efforts to Temper Oil Prices As Global Discontent Rises
WSJ, June 9; http://online.wsj.com/article/SB121295915115955415.html?mod=dist_smartbrief

By STEPHEN POWER in Washington, GUY CHAZAN in London, SHAI OSTER in Beijing
June 9, 2008; Page A13

Soaring oil prices are battering businesses and consumers around the world, but political leaders from Washington to Beijing appear unwilling or unable to respond with effective new energy strategies anytime soon.

Reuters
Activists from the Bahujan Samaj Party protested the hike in fuel prices Monday in the northern Indian city of Chandigarh.
Western leaders have little ability to increase global oil supply or temper demand. Most of the rise in world demand is coming not from the rich world, where fuel consumption is in fact falling, but from emerging economies like India and China, where governments are reluctant to raise relatively low fuel prices for fear of social and economic turmoil.

Highlighting the concern about political instability in the developing world, the state-run news service of Pakistan said over the weekend that Saudi Arabia had agreed to consider deferring Pakistani oil payments as the South Asian nation's economy struggles.

Pakistan imports about 250,000 barrels a day from Saudi Arabia, the news service said. Rising oil prices have increased Pakistan's oil bill by more than 40% in some 10 months, it reported.

Friday's record one-day surge in oil prices will intensify drives by politicians in oil-consuming nations to fix blame for rising oil prices. In the U.S., politicians of both major parties feel the heat in this election year from voters frustrated as gasoline prices have nearly doubled in the past year -- albeit to levels that are still low by the standards of Western Europe. AAA, an organization for drivers, said over the weekend that average gasoline prices in the U.S. hit $4 a gallon for the first time, though consumers in many states already have been paying more since late May.

Matthew Power, a car-dealership manager who lives in Lake Hopatcong, New Jersey, and drives a large Lincoln Town Car, says gasoline prices "are killing me." What Washington has proposed so far to deal with the higher oil prices are Band-Aid solutions, he says. And he wants the government to explain to the public why oil prices keep rising.

In Congress, Senate Democrats plan to respond to voters like Mr. Power on Tuesday by advancing legislation that would allow the Justice Department to bring lawsuits against members of the Organization of Petroleum Exporting Countries, raise collateral requirements on oil traders to discourage speculative trading, and slap a windfall-profits tax on oil companies that don't invest in renewable alternative fuels.

Such a measure is unlikely to survive Republican opposition before reaching President Bush's desk. Mr. Bush hasn't taken a formal position on the bill, but he has threatened to veto past congressional proposals singling out oil companies for higher taxes or allowing price-fixing lawsuits against OPEC.

Economists and energy industry executives disagree about the extent to which measures such as a windfall-profits tax or moves to curb speculation will rein in rising oil prices. Most energy industry experts say the fundamental problem is one of too little supply to satisfy quickly rising global demand for oil.

In Europe, officials also are deeply conflicted over how to respond to a growing wave of protests over high fuel prices. With economic growth slowing and their budgets tight, most European Union leaders could face fiscal ruin if they cut fuel taxes. U.K. Prime Minister Gordon Brown has so far refused demands from lawmakers in his own Labour Party to postpone a planned increase in fuel duties and to shelve a plan to increase road taxes on older gas-guzzling cars.

French President Nicolas Sarkozy, meanwhile, has demanded that a value-added tax -- a kind of sales tax -- on fuel products be capped. But that idea has received short shrift from finance ministers of the 15 euro-zone countries, who in a meeting in Frankfurt last week said tax changes would only distort competition.

European finance ministers seem lost for an alternative, talking vaguely of "discouraging speculation" in oil markets and increasing transparency by following the U.S. and Japan in publishing weekly data on oil stocks.

Meanwhile, in China -- whose growing oil thirst is often cited as a major contributor to rising prices -- prospects for a radical policy shift are also dim. The country's leaders worry about inflation galloping at around 8%, and fear that raising fuel prices to control demand could worsen it at a sensitive time. Not only is the country under pressure to finish multibillion-dollar preparations for the Olympics in August, but it must also rebuild housing for five million people left homeless after the May 12 earthquake, described by some of China's leaders as the worst natural disaster since modern China was founded in 1949.

On Sunday, Zhang Guobao, vice chairman of China's National Development and Reform Commission, China's top economic policy-making body, said "detrimental" high oil prices were caused by hedge funds and other speculators investing in oil and could spark instability.

At a meeting in Aomori, northern Japan, over the weekend, Group of Eight energy ministers plus officials from three Asian oil consumers put the spotlight on energy efficiency as the most immediate solution to record oil prices. The G-8 representatives and their counterparts from China, India and South Korea voiced their "serious concerns" at the sharp run-up in crude to a record settlement Friday of $138.54 a barrel and agreed to set up an umbrella body to promote more widespread energy-saving initiatives and to share experience.

The ministers' statement reflects the reality that Western leaders have few short-term levers for boosting supply and bringing down price.

The U.K. government says it will try to squeeze more output out of the North Sea's oil and gas fields, tinkering with the tax regime to encourage exploration of some fields currently considered unviable. But such moves would add only a few tens of thousands of barrels of oil production a day and would fail to arrest the long-term decline of the North Sea, one of the world's biggest oil provinces.

In Washington, meanwhile, Republicans and Democrats are at odds over what is causing the spike in oil prices. Democrats, who control the U.S. Congress, blame a combination of speculative trading and what they view as price-gouging by OPEC members and oil companies.

Republicans, including Bush administration officials, tend to argue that the problem is a shortage of supply needed to keep up with rising demand from industrializing countries like China and India. With encouragement from the oil industry, Republican lawmakers are pushing to allow drilling in areas of the U.S. that have been off limits, including the Arctic National Wildlife Refuge in Alaska.

Although higher prices have meant record profits for oil producers, there was little evidence that industry executives were celebrating Friday's spike. In recent months, representatives of major oil companies have been repeatedly dragged before Congress to answer charges of price manipulation and profiteering.

The companies have consistently said they don't control oil prices -- an argument supported by most experts -- and are using their profits to find and produce more oil. At a forum in Russia on Saturday, executives from major oil companies said they are facing political challenges not just in the U.S. but around the world.

Chevron Corp. Chairman David O'Reilly called restricted access to new developments "the biggest risk in expanding production," while Exxon Mobil Corp. Chairman and CEO Rex Tillerson said concerns about access to new supplies are fueling the surge in prices. "Just a signal that such access will be granted would have an immediate effect on the market," Mr. Tillerson said.

There is some evidence that the industry's arguments are having an impact on public opinion. A recent Gallup poll showed 20% of Americans blamed oil companies for high gasoline prices -- down from 34% a year earlier.

Democrats in Congress have shown little indication that they are ready to open up large new areas for drilling, at least in the short term. They point out that drilling on federally owned lands has increased steadily during the Bush administration. Some also contend that not enough is being done to encourage development of already-leased federal lands.

"The nation simply cannot drill its way to lower prices at the pump," the Democratic staff of the House Committee on Natural Resources said in a report last week. "Even if increased domestic drilling activity could affect the price of gasoline, there is yet no justification to open additional federal lands because oil and gas companies have shown that they cannot keep pace with the rate of drilling permits that the federal government is handing out."

Industry officials say a number of factors limit their ability to quickly ramp up production in those areas. "If it's not under development, it means it's not economic, or technologically we just haven't figured out how to do it yet," Exxon Mobil's Mr. Tillerson told The Wall Street Journal last month.

Global fleet rises by one
Upstream, June 6, http://www.upstreamonline.com/live/article156639.ece

Global offshore contracted rig count rose by one this week due to a new submersible contract, while the total global offshore rig fleet size grew by one due to a jack-up delivery.

This week, global offshore rig fleet utilisation is at 90% with 624 of the world's 691 mobile offshore drilling units are under contract, said ODS-Petrodata Group.

US Gulf fleet utilisation stands at 85% this week with 104 out of 123 rigs available under contract.

The South American offshore rig count was unchanged with 70 rigs out of 94 available under contract, fleet utilisation stays at 75%.

European offshore rig fleet utilisation is 100%.

In West Africa, the offshore rig fleet size remains the same, while the number of rigs under contract dropped by one with 56 out of 59 rigs available under contract, utilisation remains at 95%.

In the Asia/Australia region, total offshore fleet size rose by two while the number of rigs under contract grew by one with 104 out of 108 available offshore rigs under contract, fleet utilisation in the region is 96%.

Big Oil Is Owed Some Love
NYT, June 7, http://www.nytimes.com/2008/06/07/business/07values.html?ref=yourmoney

WHO says everyone loves a winner? Big diversified oil companies are reporting enormous profits but they are receiving what seems to be a record amount of grief.

Consumers curse them when they pay close to a hundred bucks to fill up their S.U.V.'s. For politicians at home and abroad, attacking Big Oil is useful for scoring points with the electorate and adding revenue to the treasury.

Then there are investors, who have shown little enthusiasm lately for the three American supermajors. Crude oil is up 42 percent since the year began, but the best the supermajors are able to manage is an 8.1 percent gain for Chevron. ConocoPhillips is up 5.5 percent, and the biggest of the big oils, Exxon Mobil, is down 6.6 percent, barely beating the performance of the broad stock market.

Shareholders might have expected to do better from three companies that combined to produce net profits of $20 billion in the first quarter alone. Several factors could account for the stocks' mediocrity:

¶The shares have flattened out only recently after rising sharply for several years. Investors may just be taking money off the table.

¶Crude prices and profits for diversified oil companies do not move in lock step. Margins on refining and selling gasoline and other finished products can fall as crude becomes more expensive.

¶Investors perceive a risk that with oil this expensive, the global economy could tank, sending crude lower and keeping it there.

¶It is hard for big oil companies to increase production significantly, and new sources of supply tend to be in places that are expensive to reach. The high price of crude also drives up the cost of drilling for and transporting oil as service providers demand a bigger slice of an expanding pie.

¶Political hostility — most recently calls for a tax on "windfall" profits — raises concern that companies will benefit less from major discoveries or more efficient operations.

"There are some heavy headwinds facing the majors," said Mark Freeman, a portfolio manager with the Westwood Holdings Group, who has turned neutral on them after being heavily invested in them since 2003. "At this level," he said, "they are not overly cheap or outrageously overvalued."

Mr. Freeman prefers smaller yet still diversified companies with stronger growth profiles than the supermajors, like Apache, which has interests in natural gas as well as oil, and Occidental Petroleum, which produces oil, gas and chemicals.

John Buckingham, chief investment officer at Al Frank Asset Management, is a contrarian who is drawn to companies and industries that others may shun. He holds a number of energy stocks, from pure plays on the price of crude, like the drillers Transocean and Rowan, to the much safer supermajors.

"If you're concerned about the high price of oil and think we're in a bubble, the Exxons and Chevrons are going to be low-risk ways to invest, although you're not going to get rich on them," he said.

TINA VITAL, an oil analyst at Standard & Poor's, finds the supermajors' shares sufficiently enriching to recommend buying all three, especially ConocoPhillips. She wishes people would give oil executives a break. "Every time crude prices go up, they haul these oil guys in front of Congress," she said.

She also thinks investors should show the stocks more love, too. They do not have the growth profile of a tiny exploration enterprise, Ms. Vital conceded, but she expects the supermajors' production to pick up soon. She forecasts 2 percent to 3 percent annual growth in the next few years, compared with just 1 percent a year for the industry as a whole.

"The supermajors are still a great place to be because they're starting to bring large projects on line that have been years in the making," she said. "The supermajors are uniquely positioned to negotiate internationally and take part in technologically advanced projects in deep water and the Arctic, and they benefit from economies of scale. There is value to be had in them."

U.S. Gulf drilling activity lags
Offshore Oil & Gas News; June 6; http://www.energycurrent.com/index.php?id=2&storyid=11048

Drilling plan filings with the U.S. Minerals Management Service (MMS) are lagging behind year-ago numbers, according to ODS-Petrodata's weekly Gulf of Mexico Newsletter.

Year-to-date, Gulf of Mexico operators have filed 139 drilling plans for programs in the U.S. Gulf's federal waters, compared to the 181 plans filed during the same period in 2007. Offshore well permits are also down compared to last year. The MMS has issued 253 permits so far in 2008, compared to 309 permits issued over the same period last year.

The consequences are reflected in the "active locations" and contracted rig count reported weekly in the Gulf of Mexico Newsletter.

On a cumulative, year-to-date basis, rigs have been active on 100 exploration locations and 66 development locations, whereas over the same period last year, 130 exploration locations and 80 field development locations had been recorded.

The average monthly rig count between January and May of last year, including both mobile and platform rigs, ranged from 131 to 141, and generally declined over the period. This year, the range has been from 122 to 133, and the count has generally trended upward.

ODS-Petrodata forecasts that the U.S. Gulf rig count will remain flat or increase only modestly as the rest of the year unfolds, as little increase is expected in jackup demand and supply constraints hamper growth in the floating rig market.

Surf And Turf And Oil
Investor's Business Daily, June 6;
http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=297645188487872

Energy: Mexico and the United States engage in an energy dispute in the Gulf of Mexico. So why does Mexico want to protect and develop its offshore oil but we don't?

On May 13, Sen. Chuck Schumer, D-N.Y., rose on the Senate floor to demand that arms sales to Saudi Arabia cease unless that kingdom "increases its oil production by one million barrels a day" — coincidentally the amount that would be flowing from the Arctic National Wildlife Refuge today had President Clinton not vetoed drilling in its frozen tundra in 1995.

In arguing that Saudi Arabia "holds the key to reducing gas prices in the short term," Schumer showed that even Democrats recognize the law of supply and demand.

As for the long term, Schumer et al. have no interest in drilling in ANWR or anywhere else. They say the added supply would take 10 years to reach our gas tanks, something they've been arguing for at least the last 10 years.

Well, Shell Oil is busy trying to increase our oil supply by drilling in the deep waters of the Gulf of Mexico. Oil companies are forced to go farther and deeper as abundant oil and natural gas reserves are placed off-limits by a Congress that rails against high prices and profits.

Shell is now spending millions of those "windfall" profits to build and deploy an oil drilling platform known as Perdido. It's as tall as the Eiffel Tower and will be anchored to the seabed by moorings spanning an area the size of downtown Houston. Set to begin production next year, Perdido is expected to yield 100,000 barrels of badly needed crude a day.

The problem is that undersea pools of oil do not respect geographical boundaries, and Perdido is just eight miles north of a maritime boundary defined by a Carter-era treaty dividing the Gulf for purposes of resource development into areas controlled by the U.S., Mexico and Cuba.

Shell, partnering in the project with BP and Chevron, believes the oil is pooled solely on the U.S. side. Mexico claims Perdido will siphon oil from the Mexican side. Mexico could join the group, but its state-owned oil company, Pemex, is forbidden by law from participating with foreigners in developing its crude. As a result, its isolated oil industry is atrophying and needs foreign help. So both situations may soon change.

The irony here is that while we drill for oil close to Mexico, we can't drill for oil close to the United States. And we turn a blind eye while others do.

Cuba's state-run oil company, Cubapetroleo, has inked a deal with China's Sinopec to explore for oil in its half of the Florida Strait, and is using Chinese-made drilling equipment to conduct the exploration. The U.S. Geological Survey estimated the North Cuban Basin contains 4.6 billion barrels of oil.

Since 1992, oil companies have drilled more than 2,100 wells in the Gulf at depths greater than 1,000 feet. Each can cost $100 million or more. Not all hit pay dirt. One that did was Jack No. 2, a joint venture by two oil companies. In deep water 270 miles southwest of New Orleans, Jack tapped a field with perhaps 15 billion barrels of oil.

The U.S. Minerals Management Service says that, all told, offshore areas that are off-limits to drilling contain upwards of 86 billion barrels of oil and 420 trillion cubic feet of natural gas.

In sum, the oil is there, and oil companies are willing to go after it if we let them. Just think of it: American oil creating American jobs while lowering gas prices! Deep wells such as Perdido and Jack No. 2 can help solve our energy and economic woes. But when it comes to energy, Democrats don't know Jack.

Miller: Be wary of 'going green'
Pensacola News Journal, June 7; http://www.pnj.com/apps/pbcs.dll/article?AID=/20080607/NEWS01/80607013

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

As Discovery Channel launches its “Planet Green--All Green TV” channel this week, you won’t find the channel telling you about the economic costs associated with implementing a green society.

The U.S. Senate is considering a Climate Change bill this week that contains more than 300 new regulations and mandates a cost of more than $6 trillion to the U.S. economy.

And while gas prices at the pump are at an all-time record high, this legislation is expected to add an additional 53 cents a gallon by 2030. Now is not the time to be adding additional costs to gasoline as Americans’ pocketbooks are already stretched too thin.

Last week while I was home, the number one concern people spoke to me about were high gas prices. Today I want to reiterate my support for and the importance of opening up our domestic energy sources to help reduce our dependence on foreign oil and help lower prices at the gas pump.

As you well know, the Artic National Wildlife Refuge (ANWR) is currently one of the most promising U.S. onshore oil and gas exploration and development prospects. Congress set this section of ANWR aside in 1980 so that it could be studied for its oil and gas potential. A provision in H.R. 6, The Energy Policy Act of 2005, that would have allowed oil and gas exploration on only 12,000 surface acres of the refuge, less than one percent of the coastal plain, was stripped from the final bill. The drilling language was once again added into the 2006 Department of Defense Appropriations bill, but unfortunately the Senate stripped the language from the bill before final passage. Opening up ANWR would save Americans an estimated $0.70 - $1.60 per gallon at the pump. Of House Republicans, 91 percent have voted in favor of opening up ANWR for oil and gas exploration. Of House Democrats, 86 percent have voted in opposition to this exploration.

Furthermore, Congress needs to open up leases for oil and gas exploration in areas of the Gulf of Mexico that do not encroach on the military mission. Eglin AFB and Tyndall AFB use a great portion of the eastern Gulf from Mary Esther to Key West . However, if we can work with the Department of Defense to identify areas that can be drilled and explored without impacting the mission, I would support opening up portions of the Gulf of Mexico's Outer Continental Shelf (OCS) that are currently closed to drilling. America cannot place all of the blame on OPEC for high gas prices if we continue to uphold the restrictions placed on U.S. oil drilling. Opening up the OCS would save Americans an estimated $0.90 - $2.50 per gallon at the pump. Again, of House Republicans, 81 percent have voted in favor of opening up the Outer Continental Shelf for oil and gas exploration. Of House Democrats, 83 percent have voted in opposition to this exploration.

Some in Congress claim that the way to reduce gas prices is by expanding the government's power to regulate prices and control the supply of gasoline. However, Soviet-style price fixing is not a quick solution to the energy pinch. Instead of further regulating the oil and gas market, I believe one solution to lowering consumer gas prices is for the U.S. to invest in new oil refineries. Most people do not realize that building a new refinery requires billions of dollars in capital investment and can take years just to obtain all the necessary federal permits. In 1982, there were 324 oil refineries around the U.S. and today there are only 132. Because of this cumbersome permitting process and high capital investment we have not invested in new refinery construction since 1976. South Dakota may reverse this trend as the town of Elk Point voted this week to allow a new refinery to start the permitting process. Bringing new oil refineries online would save Americans an estimated $0.15 - $0.45 per gallon at the pump. There is no better time than now to consider building new oil refineries.

The time has come for our nation to develop a comprehensive national energy policy that recognizes the importance of petroleum while at the same time attempts to balance and stabilize other sources of energy. We must also continue to explore ways to reduce demand through new energy efficiency technologies and alternative fuels. When will the 86 percent of House Democrats who have historically voted against increasing the production of American-made oil and gas realize that the American people can no longer pay the Pelosi Premium at the pump? It is time for this Democratic Congress to pass common-sense energy legislation.

I'm Jeff Miller and that's what I think, what do you think? Email me through my website at www.house.gov/jeffmiller.

U.S. should drill for oil and gas in Arctic, offshore
The Charleston Gazette, June 8; http://wvgazette.com/Opinion/Op-EdCommentaries/200806070659

The United States could and should increase domestic oil production. Our country has extensive oil and natural gas reserves. The U.S. Outer Continental Shelf contains an extraordinary 112 billion barrels of recoverable oil and 656 trillion cubic feet of natural gas, enough to keep our country in affordable energy for decades, according to estimates made by the Department of Interior.

Astonishingly, 85 percent of the Outer Continental Shelf is off-limits to drilling, as is a large part of the mountain West and the Alaskan wilderness. These areas will remain closed to energy development unless and until Congress opens them up.

I believe that the United States should adopt a new national energy policy aimed at responsibly using these oil and natural gas reserves. Such a policy would stimulate massive growth in jobs and greatly reduce our dependence on foreign oil. The states that border the offshore reserves or contain the onshore reserves are anxious to benefit from the jobs and economic development that producing this oil would provide. What is needed is a U.S. national energy policy which will allow individual states to make an informed choice to allow offshore and onshore drilling for oil and natural gas.

The most often voiced objection to offshore drilling is that it harms the marine environment. That's wrong. Advanced technologies such as four-dimensional seismic imaging and horizontal drilling are enabling companies to find and produce oil and natural gas in ways that are environmentally safe. Studies by the National Research Council show that the amount of oil spilled from offshore drilling in U.S. coastal waters is less than the oil that seeps naturally from the ocean floor.

Producing offshore oil and natural gas would allow money to start flowing to states under revenue-sharing with the federal government. And a real boost in domestic oil and gas production would go a long way toward keeping hundreds of billions of dollars in the United States and out of the hands of foreign governments.

Just as energy development was the engine for economic growth in the Gulf region, it could do the same for states on the Atlantic and Pacific coasts.

America's oil and gas industry isn't the problem. It's part of the solution. The president and Congress should forge an agenda to increase domestic energy production. Every state should be given the option of deciding whether they want offshore drilling. If domestic production stalls and oil prices continue to rise, our dependence on imports will soar even higher. U.S. oil and gas resources can't provide jobs or help repair the economy if they remain buried in the ground.

Lyons is a professor of mechanical and aerospace engineering at West Virginia University.

Domestic production is the answer
Roanoke Times, June 8; http://www.roanoke.com/editorials/commentary/wb/164986

Jessee Ring

Ring is a full time investor living in Pulaski County.

Gasoline prices at around $4 a gallon are a national crisis. The entire economy is affected. For example, trucking companies have to charge more. Since almost everything is on a truck somewhere along the line, prices go up everywhere. Also, people tend to stay home instead of going somewhere on vacation, so the travel and tourism industry is seriously affected. People cut down spending elsewhere, so the overall economy is hurt.

We need to understand how and why these high gas prices are happening in order to be able to figure out what to do about it.

First of all, let's get past the "evil oil companies" bugaboo. The net profit margin at Chevron, for example, is about 7 percent, in line with many other industries. Some industries, such as the cosmetics industry have profit margins as high as 90 percent. If you go to the theater to see a movie and, while there, you buy a bag of popcorn, you will pay about $4 even though it cost in the range of 25 cents to make. Who is price-gouging?

The average net profit to the oil company on a gallon of gas is about 8 cents. The combined state and federal tax on a gallon of gas averages about 45 cents. This means that out of that $4, the oil company gets to keep 8 cents and the government gets 45 cents. Who is greedy?

Now, let's get back to the cause of the high prices.

Gasoline, like everything else on the market, follows the law of supply and demand. As everyone knows, the higher the demand and/or the lower the supply of something, the higher the price for it goes. Demand is increasing for gasoline worldwide because many more people in China and India can now afford to buy a car. This trend is unstoppable; demand for gasoline will continue to increase worldwide, meaning ever more upward price pressure.

The solution is not for us all to drive less, or to drive tiny cars, or government rationing, or bashing the oil companies, or to ride bicycles, or to pay a big fine if our car gets less than 30 miles per gallon. The solution is to get more oil and gas.

Yes, the only viable solution to $4-a-gallon gas is to increase the supply of gas, which means increasing the supply of oil.

The U.S. has vast known reserves of oil in the Arctic National Wildlife Refuge, the outer continental shelf, and the Gulf of Mexico. Yet all of this oil is off limits due to the direct action of Congress. By thus keeping the supply restricted, Congress is directly responsible for high gas prices.

Congress' response to this issue has been to push ethanol made from corn, thereby causing food prices to go up.

Now we have Congress to thank for both higher gas prices and higher food prices.

The answer is to increase the supply of domestic oil by drilling in all areas, which can be done in an environmentally friendly way nowadays. We can also develop oil shale. One thing is for sure: We cannot bring down the price of oil and gas by turning more corn into ethanol, for crying out loud. Also, we need to encourage the building of more refineries so we can turn all of that additional oil into gasoline. There hasn't been a new refinery built in this country for 25 years because of the difficulty of getting all of the government approvals.

There are many additional benefits that would ensue from increasing the supply of domestic oil. We would be spared the humiliation of seeing the president of the United States having to go to places such as Saudi Arabia and beg for more oil. We would stop sending billions of dollars to thugs and dictators in Venezuela and elsewhere who hate us and wish us harm. We would keep all of that money at home in U.S. oil companies who would pay more U.S. taxes, hire Americans, stimulate our economy and who have our country's best interest at heart.

I urge Congress to start being part of the solution instead of part of the problem. We must develop all of our domestic oil reserves in an environmentally friendly way. This is the only realistic solution to the problem of dependence on foreign oil and high gas prices.