

## Week in News: June 30 - July 6, 2008

Demand Energy Independence Action Now

Townhall.com, July 6, 2008;

[http://www.townhall.com/Columnists/TerryPaulson/2008/07/06/demand\\_energy\\_independence\\_action\\_now](http://www.townhall.com/Columnists/TerryPaulson/2008/07/06/demand_energy_independence_action_now)

Oil drilling may help biomedical research

UPI, July 3, 2008;

[http://www.upi.com/Science\\_News/2008/07/03/Oil\\_drilling\\_may\\_help\\_biomedical\\_research/UPI-78251215102844/](http://www.upi.com/Science_News/2008/07/03/Oil_drilling_may_help_biomedical_research/UPI-78251215102844/)

Congressional delegation buoys floating wind plan

Cape Cod Today, July 4, 2008;

<http://www.southcoasttoday.com/apps/pbcs.dll/article?AID=/20080704/NEWS/807040317/-1/rss01>

U.S. can be energy independent without posturing

The Spectrum and Daily News, July 3, 2008;

<http://www.thespectrum.com/apps/pbcs.dll/article?AID=/20080702/OPINION/807020303>

Bush urges Americans to get Congress to allow drilling

The Hill, July 2, 2008; <http://thehill.com/leading-the-news/bush-urges-americans-to-get-congress-to-allow-drilling-2008-07-02.html>

Washington on Gas Prices: All Talk, No Action

Kiplinger, July 2, 2008;

[http://www.kiplinger.com/businessresource/forecast/archive/Washington\\_on\\_Gas\\_Prices\\_All\\_Talk\\_No\\_Action\\_080702.html](http://www.kiplinger.com/businessresource/forecast/archive/Washington_on_Gas_Prices_All_Talk_No_Action_080702.html)

An America First Energy Plan McCain must pound the point home

National Review, July 2, 2008;

<http://article.nationalreview.com/?q=YWMwZWZiYjg0NDkwYmM0OTQwM2Y2ZGU0NzNhMWU2ZDY=>

Why should Gulf Coast bear oil-drilling burden, risk?

Atlanta Journal Constitution, July 3, 2008;

[http://www.ajc.com/opinion/content/opinion/stories/2008/07/02/colemaned\\_0703.html](http://www.ajc.com/opinion/content/opinion/stories/2008/07/02/colemaned_0703.html)

REGION: Quakes, oil don't mix

North County Times, July 3, 2008;

<http://www.nctimes.com/articles/2008/07/02/news/sandiego/zde111f645f4cc95088257478005d1c9e.txt>

Offshore drilling in Texas may not be a quick fix

Austin-American Statesman, July 3, 2008;

<http://www.statesman.com/news/content/news/stories/local/07/03/0703offshore.html>

Americans warm to drilling - Associated Press News

Orlando Sentinel, July 2, 2008;

Natural Gas to Converge With Oil Price, Exporters Say (Update1)

Bloomberg, July 2, 2008; <http://www.bloomberg.com/apps/news?pid=20601087&sid=a180ks5iGSa8&refer=home>

Bolling: Profit on Offshore Drillers

The Street.com; June 30, 2008; <http://www.thestreet.com/print/story/10423799.html>

Don't Blame Ben

Investor's Business Daily, June 30, 2008;

<http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=299718576736886>

The U.S.' Untapped Oil Bounty

Kiplinger, July 1, 2008;

[http://www.kiplinger.com/businessresource/forecast/archive/The\\_U.S.\\_s\\_Untapped\\_Bounty\\_080630.html](http://www.kiplinger.com/businessresource/forecast/archive/The_U.S._s_Untapped_Bounty_080630.html)

NBCC supports offshore energy exploration

Insight News, July 1, 2008; <http://www.insightnews.com/business.asp?mode=display&articleID=4353>

Choice is more oil or more risk to coast

Pittsburg Post, June 30, 2008; <http://www.scrippsnews.com/node/34330>

Oil Speculators Part One: Hurricanes DO Cause Spills

Fox Business News, July 1, 2008; <http://emac.blogs.foxbusiness.com/2008/07/01/oil-speculators-part-one-hurricanes-do-cause-spills/>

IBM's PlayStation 3 Chips Help Repsol Find Deep Oil (Update2)

Bloomberg, July 1, 2008;

[http://www.bloomberg.com/apps/news?pid=20601086&sid=av0nTzqA5UvE&refer=latin\\_america](http://www.bloomberg.com/apps/news?pid=20601086&sid=av0nTzqA5UvE&refer=latin_america)

MMS appoints new leasing program manager

OilOnline, June 30, 2008;

[http://www.oilonline.com/news/headlines/firms\\_faces/20080701.MMS\\_appo.23395.asp](http://www.oilonline.com/news/headlines/firms_faces/20080701.MMS_appo.23395.asp)

Offshore oil drilling comes back to the surface

San Mateo County Times, June 30, 2008;

[http://www.insidebayarea.com/sanmateocountytimes/localnews/ci\\_9749076](http://www.insidebayarea.com/sanmateocountytimes/localnews/ci_9749076)

New Mission Helps Offshore Industries Dodge Swirling Waters

SpaceRef.com, July 1, 2008; <http://www.spaceref.com/news/viewpr.html?pid=25834>

---

Demand Energy Independence Action Now

Townhall.com, July 6, 2008;

[http://www.townhall.com/Columnists/TerryPaulson/2008/07/06/demand\\_energy\\_independence\\_action\\_now](http://www.townhall.com/Columnists/TerryPaulson/2008/07/06/demand_energy_independence_action_now)

There's no tea to dump in the Boston Harbor. Maybe, angry Americans will have to settle for dumping a bunch of irate letters on the desks of politicians who are refusing to act! I'd send out Paul Revere to rally the citizens, but he sold his horse for a Hummer and can't afford to pay for the gas! This "Energy Independence Day" message is short and urgent—Drill Here, Drill Now, Go Nuclear, Incentivize Carbon-free Innovation!

There are many causes for our energy crisis: a weak dollar, the economic expansion in India, China and other developing countries, speculators, inadequate refineries, prohibitions on US drilling where oil reserves are plentiful, and, of course, political posturing in a pivotal election year. No matter what the causes, the energy crisis is impacting every citizen and devastating low-income Americans.

While politicians demand more oil from foreign suppliers, we sit on oil reserves that are the envy of the world. During the recent congressional inquiry, Democrats attacked American oil executives, but Shell CEO John Hoffmeister confronted his inquisitors: "I can promise to the American people because of the inaction of the United States Congress ever increasing prices unless demand goes down. And the \$5.00 will look like a very low price in the years to come if we are prohibited from finding new reserves, new opportunities to increase supplies."

Of course, no plan for energy independence will produce quick results, but President Bush is ready to support any balanced plan. Winston Churchill said: "I never worry about action, but only about inaction." John McCain has called for action—Free states to allow off-shore exploration and drilling, use more clean-coal, speed processing and approval for more nuclear energy plants and refineries, and incentivize alternative energy innovation.

The Democrats keep saying drilling today will take ten years to make a difference. That's what Democrats said twelve years ago. In 1996, President Clinton vetoed a bill that would have opened valuable domestic oil reserves. If not for that veto, recent estimates indicate that we'd have an additional one million barrels of oil per day for at least the last two years! It's going to be 2018 anyway; let's get started drilling now!

Environmentalists shout, "Catastrophe!" But Brazil, Britain, Norway and other countries drill safely offshore. When Hurricanes Katrina and Rita roared through the Gulf's 3,000 offshore oil and gas platforms, no major spills were recorded. As for ANWR, herds of caribou seem to travel past the Alaskan pipeline without even a glance. France generates 80% of its energy needs through nuclear power and safely handles the waste; so can we!

Senator Barack Obama seems not overly concerned about \$5 gas; it's the price of changing our oil dependence! Obama has called for more taxes and more regulations! He wants a rerun of Jimmy Carter's "windfall" profit taxes on our oil companies. According to the Congressional Research Service, Carter's taxes increased the cost of gas and decreased domestic production by 3-6%. It didn't work then and won't work now.

Obama also wants to require auto manufacturers to produce 50 mpg vehicles. If auto companies had any way to produce millions of cars with that kind of mileage, they'd be flying off their lots! Auto companies are already scrambling to create what Obama wants to require! They don't need more regulations; they need targeted incentives to produce cost-effective, carbon-free energy options that work!

Until all-electric or hydrogen-powered cars can be mass produced at a reasonable price, most low-income Americans will need gas. Democrats claim that added US oil production won't significantly decrease the price at the pump, but it could help stabilize future gas prices until we can make gas-powered vehicles obsolete.

Surveys of Americans indicate overwhelming bi-partisan support for increased drilling balanced with investment in innovation. It's time to pass a "No Excuses Energy Act" that supports outer-continental shelf exploration, drilling in ANWR, clean coal production, new refineries, wind and solar power, natural gas, new nuclear power plants and incentives for carbon-free innovation. Not only would we be making important steps towards more energy independence, we'd be creating good-paying American jobs instead of sending hundreds of billions of dollars overseas to prop up countries who often support our enemies. Get those letters, e-mails and calls headed to your favorite politician!

Freed to act, American ingenuity can work for energy independence faster than Democrats predict. John McCain has taken the lead for a balanced plan by moving to the front of the charge! He's for good conservation and environmental stewardship, but he hopes to provide the adult supervision necessary to keep environmentalists from drifting towards anti-capitalism extremes. Support his plan. If gas prices continue to rise and the Democrats refuse to act, you can expect John McCain to ride this energy crisis into the White House.

---

Oil drilling may help biomedical research

UPI, July 3, 2008;

[http://www.upi.com/Science\\_News/2008/07/03/Oil\\_drilling\\_may\\_help\\_biomedical\\_research/UPI-78251215102844/](http://www.upi.com/Science_News/2008/07/03/Oil_drilling_may_help_biomedical_research/UPI-78251215102844/)

WASHINGTON, July 3 (UPI) -- The U.S. Department of the Interior's Minerals Management Service says it has identified three marine organisms that may be useful in biomedical research.

The government agency says University of California-Santa Barbara researchers studied marine organisms collected from offshore oil and gas platforms in California's Santa Barbara Channel.

The scientists found two invertebrate species that contain compounds that inhibit the division of cancer cells grown in the laboratory. Additionally, a compound isolated from algae collected from oil platforms in the Gulf of Mexico has been shown to block cell division and enhance the activity of the cancer drug Taxol.

"This research is an exciting advancement in our understanding of how marine life may hold a key to unlocking treatments to improve our health," said Deputy Secretary of the Interior Lynn Scarlett. "Like the rainforest, our oceans may contain untold biological components that may one day help us in the fight against some of society's most challenging diseases."

Officials said the discoveries are the result of a research initiative between the MMS and UCSB involving marine organisms growing on offshore oil and gas structures along California's coast.

The research findings are to be submitted for publication in scientific journals.

---

## Congressional delegation buoys floating wind plan

Cape Cod Today, July 4, 2008;

<http://www.southcoasttoday.com/apps/pbcs.dll/article?AID=/20080704/NEWS/807040317/-1/rss01>

July 04, 2008

A company that wants to build a floating wind farm off the coast of Martha's Vineyard has received a boost from the state's congressional legislators.

In a letter dated June 26, the entire Massachusetts delegation asked the U.S. Minerals Management Service to review an application by Blue H USA, LLC, for a lease to test floating platform technology and collect data at the site for the proposed wind farm.

The company announced the congressional support for its application at its U.S. headquarters in Boston on Thursday.

"I think the entire delegation recognizes the seriousness of our state and nation's energy crisis," Blue H spokesman Martin Reilly said in a telephone interview. "We're confident with this letter that this moves us one step closer to make this demonstration project a reality."

All 10 of the state's members of the House of Representatives and U.S. Sens. Edward Kennedy and John Kerry signed the letter asking that Minerals Management Service "review and consider the application submitted by Blue H USA, which could prove beneficial for developing future renewable energy resources for Massachusetts and the nation."

In March, Blue H applied for the lease under an interim policy by Minerals Management Service for the development of alternative energy on the Outer Continental Shelf.

At the time, the company announced plans to build 120 wind turbines on floating platforms 23 miles south of Martha's Vineyard.

In addition to securing a lease for the project, Blue H must pass an environmental review and receive a series of federal permits before construction can begin. The company hopes to have the demonstration platform in the water by next summer, Reilly said.

Although Blue H did not submit its application in time to be considered during the first round of lease awards in April, Minerals Management Service is reviewing a second batch and expects to announce more leases sometime this summer.

Among the first group of leases awarded were 16 projects in five coastal states that included wind energy, ocean current energy and wave energy projects.

Initially, more than 40 sites were nominated for consideration, according to Minerals Management Service officials. The remainder that were not selected in the first lease awards remain in line for consideration, they said.

While the June 26 letter does not express unconditional support for the proposed wind farm, it is an indication that the legislators are less concerned about the political implications of the project than some of them have been with regard to a proposal to build a wind farm in Nantucket Sound.

The 7-year-old Cape Wind proposal for the sound scored a positive draft environmental review by Minerals Management Service in January but has faced criticism from Kennedy and U.S. Rep. William Delahunt, who represents Cape Cod and the islands.

Kerry has straddled the fence on Cape Wind over the years, in one instance slamming an effort that would have doomed the wind farm and in other cases siding with Kennedy and Delahunt, who have called for more planning before the project is allowed to proceed.

A final environmental review for Cape Wind is due out by the end of the year.

---

U.S. can be energy independent without posturing

The Spectrum and Daily News, July 3, 2008;

<http://www.thespectrum.com/apps/pbcs.dll/article?AID=/20080702/OPINION/807020303>

The unidentified congresswoman who was mentioned in my previous column on "big oil" is Rep. Maxine Waters, D-Calif.. In a congressional hearing, Ms. Waters repeatedly stabbed the air with her finger while proclaiming to be a liberal and threatening to socialize (read nationalize) the oil companies.

Recently, Congresswoman Waters issued a press release to the effect that she was misunderstood. "Taken out of context" or "I was misquoted" is where politicians seek refuge when the sheer stupidity of their remarks are fully realized.

If the United States is going to solve its energy crisis, it is going to take conservation, alternative energy, drilling and regulatory reform. All are within the reach of Congress.

A new national highway speed of 65 or 70 mph would cut fuel consumption by 5 percent to 10 percent. Simply combining trips would save fuel, and commuters could save even more by carpooling or jumping to mass transit.

Develop alternative fuels. Hybrid vehicles improve gas mileage, but we need a quantum leap like vehicles powered by fuel cells or hydrogen, the most abundant element and one that burns cleanly. This requires a national commitment to a fuel-distribution system that will make alternative fuels available to drivers. For example, at the present time there is only one hydrogen fueling facility in all of California.

The Bush administration recently called upon Congress to lift the moratorium on drilling on the outer continental shelf and to lift the ban on exploration in the Alaska National Wildlife Refuge (ANWAR). Naysayers have criticized the president, saying that it will take eight to 10 years to reap any benefit. That sort of thinking has contributed to our present predicament of energy dependence.

Streamline the licensing and approval process for construction of new oil refineries. Until new sources of energy are brought on line, we need more refining capacity. The naysayers have attacked this suggestion as well.

Speculation in the commodities market may be adding 15 percent to 40 percent to the price of a barrel of oil. Hedge funds, government pension funds and investment banks buy futures contracts with as little as 5 percent down. Raising the margin to 50 percent as it is with stock purchases would curtail much of the market speculation and lower the price of oil. Futures contracts are meant to stabilize a commodities market, but speculative buying and selling with no intention of actually taking possession of the commodity has pushed the price of oil to record levels.

As a closing thought, isn't it really foolish to burn petroleum when so many other products can be made from this natural resource? Petrochemicals have a dramatic impact on our food, clothing, shelter and leisure. Synthetic rubber (up to 60 percent of a tire), asphalt, roofing tar, lubricants, plastics, fertilizer and paraffin wax (frozen food packaging) are but a few of the products made from petroleum.

Burning petroleum is almost as dumb as converting corn into subsidized ethanol and causing food shortages around the world.

America can be energy independent, and that goal can best be achieved without grandstanding or posturing.

George Vasconi is a Parowan resident and a member of The Spectrum & Daily News Writers Group.

---

Bush urges Americans to get Congress to allow drilling

The Hill, July 2, 2008; <http://thehill.com/leading-the-news/bush-urges-americans-to-get-congress-to-allow-drilling-2008-07-02.html>

Bush urges Americans to get Congress to allow drilling  
By Klaus Marre

Posted: 07/02/08 11:35 AM [ET]

Americans should contact Congress and tell their elected representatives to open up a part of the Alaskan wilderness and the area off the country's coast to oil exploration, President Bush said Wednesday.

"I fully understand why Americans are concerned about gasoline prices," Bush told reporters. "But I want them to understand fully that we have got the opportunity to find more crude oil here at home in environmentally friendly ways and they ought to write their Congress people about it."

The president said Americans should tell Congress to open up the Arctic National Wildlife Refuge (ANWR) and the Outer Continental Shelf, as well as push for an increase in oil shale exploration.

Bush argued that the Democratic Congress has "refused to budge" on these issues.

"It makes no sense for — to watch these gasoline prices rise when we know we can help affect the supply of crude oil which should affect the supply of gasoline prices," Bush stated.

Both Sens. Barack Obama (D-Ill.) and John McCain (R-Ariz.), the presumptive presidential nominees, oppose drilling in ANWR. However, McCain recently shifted his stance on offshore drilling in the face of average gasoline prices of \$4 per gallon. The Arizona senator now argues that it should be up to the states whether to allow oil exploration of their coasts.

Bush argued that "ultimately, of course, we're going to transition away from hydrocarbons. But we're now just in a transitional period, and we need more oil to be able to do so."

---

Washington on Gas Prices: All Talk, No Action

Kiplinger, July 2, 2008;

[http://www.kiplinger.com/businessresource/forecast/archive/Washington\\_on\\_Gas\\_Prices\\_All\\_Talk\\_No\\_Action\\_080702.html](http://www.kiplinger.com/businessresource/forecast/archive/Washington_on_Gas_Prices_All_Talk_No_Action_080702.html)

Washington on Gas Prices: All Talk, No Action

With voters upset about gas prices, lawmakers don't want to appear powerless, but in the short term, at least, they pretty much are.

By Richard Sammon

July 2, 2008

What to do about high gasoline prices? Many are looking to Washington for some relief, and lawmakers are scrambling to appear responsive.

The list of ideas is long. Several are politically popular but economically useless -- or they are economically sound but politically suicidal. And everything in between. There are about 150 pieces of oil-, gas- and energy-related legislation and dozens more yet being drafted. It's the legislative topic du jour, although many will sit idle.

The list of what is actually doable is short. While politicians of all stripes deplore the high prices, there's an enormous gulf between the parties -- and the party nominees-in-waiting -- on how to lower them.

Here's how we rate the options...

Offshore drilling in more places. Not likely to happen anytime soon, but the odds will increase with time, especially if fuel prices stay high. Democrats say no to lifting the moratorium set in 1981 that bars outer continental shelf oil drilling in all areas except in parts of the western Gulf of Mexico and some parts of Alaska.

Republicans want to drill, and polls say the public is much more open to it than just a short time ago. The problem is it would take a decade or longer to find the oil, build rigs and get production flowing. And then, the U.S. would need more refineries to turn it into gasoline. Despite this, Republicans will keep up the drive for more domestic offshore drilling through the election and into next year. A modest expansion of drilling where it's allowed is not out of the question in a few years, especially if states with tight budgets get to split licensing revenue with the federal government.

Requiring current offshore drilling leases to be used in full. It sounds like a good idea on the surface to require oil companies to drill in areas they already have rights to. But odds of passing legislation are long. Policymakers are being persuaded that not all the leases will pan out and those that do require much initial geological and other studies. Plus the Congressional Budget Office says this will actually delay payments on leases while studies are conducted to comply with a new law.

Drilling in the Arctic National Wildlife Refuge (ANWR). Not a chance, especially with Democrats who oppose upsetting the refuge poised to gain more seats in the House and Senate. Drilling would take 10 years or longer to produce oil. Republicans argue ANWR drilling should have started in the 1990s. Even if it did, though, the overall increase in supply would have been small.

A federal anti-price-gouging law. This is a good bet, but it'll be just be a feel good measure. Congress will set penalties and give the Federal Trade Commission a green light to investigate gasoline, natural gas, heating oil and propane markets for signs of excessive pricing in times of need. But price gouging is tough to prove, and each state already has its own version of anti-price-gouging legislation in place for use by state attorneys general and others.

Taking legal action against the Organization of Petroleum Exporting Countries. This is a pipe dream. The House passed a bill to authorize the Justice Department to take foreign governments to court in the U.S. if there is evidence they are acting in collusion to manipulate price hikes. But the Senate won't go along, concerned by the international fracas it would cause.

Curbing market speculation. Additional federal oversight is very likely, but probably not until next year. And if the speculative bubble has burst by then, lawmakers may even lose interest. Look for the Commodity Futures Trading Commission to gain authority to govern oil futures, requiring more transparency, reporting of trades and possibly limiting the number of contracts any entity can hold.

Banning oil market speculation outright. No way. Wall Street and hedge funds will prevail, arguing reasonable speculation is needed to ensure markets function. Economists say speculation is necessary when considering that world energy demand will expand 60% between now and 2030 with most of the rise coming from developing countries.

Suspending federal gas taxes. A no-go on this one, too. GOP nominee-designate John McCain likes the idea, saying it would provide small but important relief to temporarily suspend the 18.4 cents-per-gallon federal excise tax. But others, including Democratic nominee-in-waiting Barack Obama and many economists, say such a move would have little effect and may actually spur more gasoline use. There's also the question of how to pay for the loss of revenue it would mean for the highway trust fund.

Hiking gas taxes. No chance. Some say it sounds politically untenable, even though it would have the effect of increasing conservation. Voters would be outraged.

Reinstating a 55 mph speed limit. Same odds as hiking taxes: Congress wouldn't dream of it. Still, a 55 mph limit on interstates and elsewhere would indeed save gasoline. Some drivers are doing it voluntarily.

More nuclear power. Yes. Obama and McCain both support it, although McCain's support is considered stronger. More nuclear power will be essential for fueling the widespread growth of plug-in vehicles. Citing new plants, dealing with litigation and finally building plants can take two decades, however.

Easing refinery regulations. Even odds of this happening in next few years. It would be easier to facilitate expansions of existing Gulf Coast refineries than to build new ones. Even so, environmental groups would protest about added pollution.

Publicly owned refineries. Almost no chance. A few Democrats have suggested it as a way to have more industry accountability and ensure steady supply of gasoline to meet consumer demand. Opponents say it would be a disastrous invasion of the private sector and might even hurt the ability of refineries to produce gasoline quickly.

---

## An America First Energy Plan McCain must pound the point home

National Review, July 2, 2008;

<http://article.nationalreview.com/?q=YWMwZWZiYjg0NDkwYmM0OTQwM2Y2ZGU0NzNhMWU2ZDY=>

An America First Energy Plan  
McCain must pound the point home.

By Larry Kudlow

President Bush was on message Wednesday in a Rose Garden news conference when he kept up the pressure on his a drill, drill, drill offensive. He said he knows Americans are worried about gasoline prices, and said he wants them “to understand fully that we have got the opportunity to find more crude oil here at home in environmentally friendly ways.” He specifically mentioned opening up ANWR, the outer continental shelf, and oil-shale exploration. He also took a whack at lawmakers, saying “the Democratically controlled Congress has refused to budge.”

That’s spot-on correct. But it has me wondering. Where in the world is John McCain on this very same issue? It’s simple: Sen. McCain should be pummeling Barack Obama daily on drill, drill, drill. Why? Because oil and gas pump prices are potentially the single-biggest wedge issue in the presidential campaign. Mr. McCain has to pound the point home.

According to a new Rasmussen poll, 48 percent of Americans say lower gas prices are the key to an economic recovery, and 60 percent are in favor of off-shore drilling.

Here’s another one. Rasmussen asked voters about the now-infamous Harry Reid YouTube video, where the senator says coal and oil are making us sick, and that fossil-fueled global warming is “ruining our country” and “ruining our world.” Well, Rasmussen shows that 52 percent of voters reject Reid on coal; 50 percent disagree with him on oil; and 51 reject his idea that we need to stop using fossil fuels.

And all this is McCain’s opportunity. He needs to hammer away on an America First energy policy that will completely deregulate and decontrol this nation’s great energy industry. He needs to mothball his errant statements on “obscene oil profits.” Instead, he needs to support and unleash all of our energy companies and entrepreneurs, allowing them to develop whatever it takes on oil, gas-to-liquid, clean coal, nuclear, offshore, onshore, oil shale, wind, solar, and biofuel.

America First should be the rallying cry. We have the natural resources to become the Saudi Arabia of coal and the Saudi Arabia of oil. Lift the moratoriums. Stop attacking our own businesses. Put technology to work. Put venture capital to work, with rock-bottom capital-gains and corporate tax rates. Stop being mau-maued by the extremist greenies who have prevented energy production for over three decades. America First. Unleash our free-enterprise energy sector: 2 trillion barrels worth of shale; 90 billion barrels of offshore oil; at least 10 billion barrels up in ANWR and more throughout Alaska, both onshore and off.

Politically, Sen. McCain must also understand how Hillary Clinton clobbered Barack Obama in the big state primaries: Blue-collar workers. They can be the key to victory for McCain. Guess who works in the energy business? Blue collar Reagan Democrats. They work on the rigs. They work in the fields. They drive the trucks. And they’re paid high wages – substantially above the average hourly wage.

Or McCain can sell it this way: American workers are worried about jobs going offshore to India, China, Vietnam, and Bangladesh. Well, a drill, drill, drill, America First energy plan would create millions of new domestic American jobs.



Of course, there's also a national security aspect to this. Worried about funding terrorist rogue states? Drill, drill, drill. A complete portfolio of oil energy sources in America – that's the answer.

And while he's at it, Sen. McCain should stop blaming "reckless traders." As soon as you say "end the drilling moratoriums," it is precisely those traders who will start selling oil contracts – long before the first offshore oil barrels are delivered to market. If they see presidential leadership on oil and shale drilling, they will rapidly turn a bull market into a bear market.

Sen. Obama is opposed to drilling. Opposed to nuclear. Opposed to coal. He and Harry Reid believe wind, solar, and ethanol are the answers. They're not. It's doubtful even at full development and commercialization that these alternative technologies will ever power more than 10 percent of our energy needs. We should go down this road as part of a full energy portfolio. But let's not kid ourselves: These sources alone will never be sufficient.

Sen. McCain has to make this case daily. He must contrast his America First energy plan with Obama's declinist American vision. He must argue America First for fuel, power, jobs, wages, and national security. He must enlist the Reagan Democrats who may be out of work and are surely angry at \$4 gas at the pump and \$140 a barrel oil in the world market.

Take a page from Ronald Reagan, Mr. McCain. Be optimistic about our future. Be clear, straightforward, and consistent. We can grow this economy and remain number one. This is how to do it.

---

Why should Gulf Coast bear oil-drilling burden, risk?

Atlanta Journal Constitution, July 3, 2008;

[http://www.ajc.com/opinion/content/opinion/stories/2008/07/02/colemaned\\_0703.html](http://www.ajc.com/opinion/content/opinion/stories/2008/07/02/colemaned_0703.html)

By FRANCES COLEMAN

Published on: 07/03/08

Mobile – I haven't got anything against the residents of Florida and California. They seem like friendly folks.

But as a resident of the central Gulf Coast, I have to ask: Where do they get off insisting that their beaches should be protected from the evils of oil and gas drilling and production?

We enjoy no such exemption on the coast of Alabama. Drilling rigs are a fact of life here as well as off the coasts of Mississippi, Louisiana and Texas.

The rigs provide jobs, tax revenue and assorted other economic activity in the four states. And, of course, they provide oil and gas for the whole country.

In fact, the federal Minerals Management Service says the Gulf of Mexico accounts for about 25 percent of domestic crude oil production and about 15 percent of the nation's natural gas output.

Imagine what a pickle the United States would be in if it weren't for all that drilling. Four-dollar-a-gallon gasoline would sound like a bargain.

Alabama has been well-acquainted with offshore drilling since the late 1970s, when energy companies began tapping natural gas reserves in waters near Gulf Shores and historic Fort Morgan. During those 30 years or so, there have been no major accidents associated with the drilling operations – no lives lost, no beaches despoiled, no tourism industry damaged.

Accidents are always possible, however. Drilling is a dangerous and environmentally challenging business.

We on the Gulf Coast don't like to think about rig or refinery explosions, pipeline leaks or oily beaches, but we understand that even with the best safety measures in place, such things could happen.

What we don't understand is why we are expected to shoulder all the environmental and economic risks of exploration and production, while other coastal states – California, Florida and the entire Eastern Seaboard – get to say "no, thank you" to offshore drilling.

They are supported by a federal moratorium that dates back to 1981, when lawmakers from the East and West Coasts rallied to protect their pristine beaches, delicate wetlands and prized wildlife.

Nobody rallied to halt or lessen the amount of drilling off the Gulf Coast. Are our beaches, wetlands and wildlife somehow less pristine, less delicate, less to be prized?

Where's our guarantee of an uncluttered view of the horizon?

There isn't one. From numerous vantage points, Gulf Coast tourists and residents can see drilling rigs in the distance. God forbid that somebody in Palm Beach or San Francisco would have to endure a similar sight.

Funny how people in other coastal states don't mind using the refined products generated by Gulf of Mexico exploration: gasoline, home heating oil, diesel fuel, plastics, fertilizer, even women's pantyhose.

I guess if you don't have to look at rigs and platforms or run the risk of an environmentally destructive accident, then you don't have to worry about what might happen down on the Gulf Coast. It's not your shoreline, wetlands or tourism industry at stake if something goes wrong.

I might sound like a stereotypical dumb redneck if I were to suggest that the states that won't share the risks associated with offshore drilling shouldn't share in the rewards of oil and gas production.

So I won't suggest it.

But do pardon me if I can't help but take a teensy bit of pleasure at the sight of Floridians and Californians coming to grips with the fact that the Gulf of Mexico can't produce enough oil and natural gas to keep fuel prices low enough to suit them.

As we in the coastal South like to say when hard times befall other folks, bless their hearts.

---

REGION: Quakes, oil don't mix

North County Times, July 3, 2008;

<http://www.nctimes.com/articles/2008/07/02/news/sandiego/zde111f645f4cc95088257478005d1c9e.txt>

REGION: Quakes, oil don't mix

But industry says advances in drilling technology would prevent ocean spill

By DAVE DOWNEY - Staff Writer | Wednesday, July 2, 2008 7:09 PM PDT ∞

5 comment(s) Increase Font Decrease Font email this story print this story President Bush's call to lift restrictions on offshore drilling, including off the San Diego County coast, is raising the specter that a powerful earthquake might trigger an oil spill on the order of the 1969 Santa Barbara disaster.

Neal Driscoll, a geology professor at UC San Diego's Scripps Institution of Oceanography and an Escondido resident, said in an interview this week that perhaps the biggest threat is that a quake would set in motion a fast-moving landslide along the sea floor ---- essentially, an underwater avalanche ---- that would rip up wells and drilling equipment.

"There is great concern for underwater infrastructure if a landslide were to occur," Driscoll said.

The Santa Barbara quake of four decades ago left an 800-square-mile oil slick on the Pacific Ocean, fouling 35 miles of beaches, clogging the blowholes of dolphins and soaking diving birds with tar.

The spill of 200,000 gallons of crude wasn't the result of an earthquake, but rather a buildup of natural gas pressure that caused an oil well on the sea floor to burst.

However, the presence of three fault zones in an underwater basin stretching from La Jolla to Dana Point means offshore drilling would introduce at least the threat of an earthquake-induced spill, scientists say.

Industry representatives say the threat would be minor because drilling technology has advanced much in a generation and wells shut down immediately when there are accidents, blocking potential spills.

They also stress that oil companies have managed to operate in earthquake country for decades without a shaker triggering an offshore spill in Southern California.

Driscoll said the 1929 Grand Banks earthquake along the Atlantic coast of Canada provided a vivid picture of what can happen. In that magnitude-7.2 temblor, a submarine landslide knocked out many miles of telephone and telegraph cables.

Driscoll said that drilling also would invoke the potential for a shaker to sever an underwater pipeline at a place where it crosses a fault.

It's automatic

On the other hand, Iraj Ershaghi, professor of petroleum engineering at the University of Southern California, said technology has improved since 1969, and that oil-drilling facilities, much like Southern California buildings, are designed to withstand the force of earthquakes.

Ershaghi said the modern well is designed to halt release of oil in the event of a quake or accident.

"If something goes wrong, it shuts down automatically," he said.

According to the U.S. Interior Department's Minerals Management Service, about 11 billion barrels of oil could be mined from the sea along the West Coast, including 1 billion barrels off the coast of North County. To place that in perspective, the federal Energy Information Administration estimates that the United States consumes 7.5 billion barrels a year.

Three faults cross the North County offshore basin, including the Rose Canyon fault that is nearest the coastline. Rose Canyon runs in a northwestward track parallel to the coast at Oceanside, Carlsbad and Encinitas, migrating offshore at La Jolla and swinging back onshore at Newport Beach.

Running parallel to the Rose Canyon, the Coronado Bank fault is a little farther out and the San Diego Trough fault is farther still. Just beyond the oil basin lies the San Clemente fault that runs to the west of Santa Catalina Island.

The faults are capable of generating an earthquake of greater than magnitude 7. That is a huge amount of shaking capable of toppling buildings and freeways, and killing hundreds of people. The 1994 Northridge earthquake that rocked Los Angeles was measured at magnitude 6.7.

Faults a magnet for drilling

But while capable of producing the kind of quake that could destroy drilling equipment, the faults off North County are relatively quiet. They are far less active than the San Andreas and other faults well to the east in inland San Diego County and Riverside County.

Driscoll said along the San Andreas fault, the Pacific plate under the ocean and the North American plate under the continental shelf grind past each other at an average rate of 50 millimeters a year, and about 90 percent of that movement is accommodated along the San Andreas, San Jacinto and Elsinore faults.

Tom Rockwell, a San Diego State University geologist, said, "The likelihood of an earthquake is not high."

At the same time, it is not terribly unusual to find faults in oil drilling areas. Indeed, the prevailing trend is just the opposite.

"The entire coast of California has active faults along it," said Chris Wills, supervising engineering geologist for the California Geological Survey in Sacramento.

"Active tectonic plates and oil go together," Wills said, saying many of the best oil deposits tend to occur in fault zones.

Consequently, the industry prefers to drill in earthquake-prone regions and is familiar with the challenges of doing so.

"There are existing platforms in California offshore that have been there for many years and have great service records, even during earthquakes," said Andy Radford, policy adviser for the American Petroleum Institute in Washington, D.C.

Radford said offshore platforms are designed to weather earthquakes. And, if they don't, subsurface valves are designed to shut off the oil flow, he said.

Radford said that is what happened when rigs in the Gulf of Mexico were destroyed by Hurricane Katrina as it slammed into New Orleans. As a result, no major oil spills occurred during that enormous storm, Radford said.

A matter of when

Driscoll, Ershaghi and others said they were unaware of offshore spills in California having been triggered by earthquakes.

Still, earthquakes have triggered a few oil spills around the world in recent years.

In a March 2001 earthquake in Washington state, pipes sprung a leak of 600 gallons of gasoline and 700 gallons of diesel fuel on an island in the Seattle area and threatened to spill into Puget Sound, according to the Seattle Post-Intelligencer.

In August 1999, a massive 7.4 quake flattened major pieces of Turkey's largest refinery, along the shore, and spilled oil into Izmit Bay.

And the shaking of the Northridge quake of January 1994 ruptured a pipeline, spilling 190,000 gallons of oil ---- nearly as much as in the Santa Barbara event ---- along a 16-mile stretch of the Santa Clara River and killing fish, birds and other wildlife.

"Pipelines fail all the time," said Richard Charter, government relations consultant for the environmental group Defenders of Wildlife in Northern California.

And just because the drilling industry employs advanced technology does not mean an offshore oil rig won't fail, either, Charter said by telephone recently.

"The newer rigs tend to be pretty stringently engineered to withstand the maximum credible earthquake," he said.

But, he said, eventually a quake occurs on a scale that scientists had not counted on. And Charter said accidents plague even the most sophisticated equipment.

"It just seems like anything human beings build will, sooner or later, have some kind of failure," Charter said. "So, if we're going to play Russian roulette with the California coast, as some people in Congress seem to want to do, we might want to think twice because there inevitably are going to be adverse impacts. It is not a matter of if, it is a matter of when."

---

Offshore drilling in Texas may not be a quick fix

Austin-American Statesman, July 3, 2008;

<http://www.statesman.com/news/content/news/stories/local/07/03/0703offshore.html>

But state officials say drillers have cleaned up their act in recent years

By Jason Embry , Asher Price

Thursday, July 03, 2008

WASHINGTON — In the national debate over offshore oil drilling, the Texas coast can be used to illustrate each side of the argument.

Opponents of expanding drilling point out that oil companies are producing oil and natural gas from only a fraction of the 1,800 leases they already hold off the Texas coast and say that is evidence there is no reason to lift drilling bans in other areas.

Proponents, meanwhile, point out that state officials say drilling for oil off the coast of Texas has inflicted relatively little harm on the environment in recent years.

The question of offshore drilling jumped to the front of the debate over oil and gas prices last month when Sen. John McCain, the presumptive Republican presidential nominee, said he wanted to lift a 27-year-old moratorium on drilling off much of the country's coast in an effort to increase U.S. oil supplies. Lifting the moratorium would not directly affect the Texas coast because drilling is already allowed there.

In the race for a Texas seat in the U.S. Senate, both GOP incumbent John Cornyn and his Democratic challenger, state Rep. Rick Noriega, D-Houston, support lifting the moratorium and letting states decide whether to permit drilling.

Sen. Barack Obama, the presumptive Democratic nominee for president, says oil companies should get more from the leases that are already available to them, and congressional Democrats largely agree. House Democrats tried last week to strip oil companies of the leases they are not using, but fell short of the two-thirds vote they needed.

Of about 1,800 leases — areas that producers have obtained from the government to seek oil — in the western Gulf of Mexico, 273 are producing oil and gas, according to the Minerals Management Service.

According to a recent report by the Democratic staff of the House Natural Resources Committee, 10.5 million of the 44 million offshore acres that have been leased to oil and gas companies are now producing oil and gas.

"The oil industry needs to drill what they have now, drill in those areas available to them, and then we will talk about giving them dessert," said committee Chairman Nick Rahall, D-W.V.

Democrats also point to recent comments by the administrator of the federal Energy Information Administration, Guy Caruso. Reuters quoted him as saying that lifting the offshore moratorium would have a "relatively small" effect on gas prices.

But officials with the American Petroleum Institute, which represents the oil and gas industry, say those who talk about idle leases underestimate how long it takes to produce oil from an offshore site.

It's not that oil companies aren't using the leases, they say, but it can take years before they start extracting oil because they first have to obtain permits, conduct environmental and engineering studies, and build platforms for drilling. Also, they don't know whether an area will have oil until they drill there.

"They've paid millions of dollars up front for the rights to explore these leases, and if they find any oil, they're going to want to get it out of the ground to recoup that investment," said Andy Radford, a policy adviser with the institute.

Offshore drilling has taken place in Texas waters since at least the 1940s, according to Sandra Mourton, executive director of the nonprofit Offshore Energy Center.

But for decades, the state has grappled with how to keep the Gulf of Mexico clean.

The state's General Land Office recorded at least 733 oil spills in 2007, resulting in 2,185 barrels of oil spilled in Texas coastal waters. Only two of the spills amounted to more than 100 barrels. Many of the spills had little to do with offshore rigs, which typically pump to shore by pipe, Mourton said.

Some animal welfare groups and biologists say the 2007 spill numbers are not alarming. If one were to take all the threats posed to wildlife along the Gulf, such as habitat destruction, oil pollution would "rank at the lower end of the scale," said Andy Tirpak, a pollution biologist in the Houston area for the state parks and wildlife department.

He said practices and standards are better than they were decades ago, automated safety redundancies have been built into the system to avoid spills, and drilling is done farther offshore than it once was.

Spilled oil can kill birds by coating their feathers and destroying their ability to control their body temperature. But there has not been a notable "oiling" of birds on the Texas portion of the Gulf Coast in at least two years, said Susan Schmalz, executive director of Houston-based Wildlife Rehab and Education.

That incident, in the Corpus Christi area, affected only a handful of birds, she said.

Texas Land Commissioner Jerry Patterson, who oversees the General Land Office, says oil exploration and transportation do not present the environmental threats they did decades ago

"If you spent time on the beach you used to have to clean tar balls off your feet when you went to the car," Patterson said. "That's not the case anymore."

He credited new technology, such as directional drilling and three-dimensional seismic imaging, with cutting down the amount of oil spilled.

But environmental mishaps related to offshore drilling continue to crop up. In December 2006, at least 21,000 gallons of crude oil spilled into the Gulf about 30 miles off the shore of Galveston. The oil was leaking from a pipeline that went from an offshore rig to land.

"We're seeing a new kind of accident that's caused by – rather than prevented by – new technology," said Richard Charter, a government relations consultant for Washington, D.C.-based Defenders of Wildlife Action Fund.

He cited spills from 2004 and 2005 on oil platforms in California and Canada.

"The common thread is that when computerized technology fails, you have no human eyes watching over that computer, and accidental spills have a longer duration because no one catches them."

3,841

Number of drilling platforms in the Gulf of Mexico

More than 7,500

Number of leases in the Gulf of Mexico

What is a lease?

A lease gives the company that bought it the right to explore, develop and produce oil or gas from that property.

The moratorium

There is a moratorium on drilling in all but about 500,000 acres of the eastern Gulf through 2022.

1.57 to 2.78 billion

Number of barrels of oil

the Minerals Management Service has estimated in the eastern Gulf of Mexico

6.95 to 9.2 trillion

Number of cubic feet of natural gas the Minerals Management Service has estimated in the eastern Gulf of Mexico

---

Americans warm to drilling - Associated Press News  
Orlando Sentinel, July 2, 2008;

H. Josef Hebert, The Associated Press 2 July 2008 Orlando Sentinel A2 Copyright 2008, Orlando Sentinel Communications. All Rights Reserved.

WASHINGTON -- High gasoline prices have dramatically changed Americans' views on energy and the environment, with more people now possibly viewing oil drilling and new power plants as a greater priority than energy conservation than they did five months ago, according to a survey.

The poll released Tuesday by the Pew Research Center shows nearly half of those surveyed -- 47 percent -- now rate energy exploration, drilling and building new power plants as the top priority, compared with 35 percent who thought that five months ago.

The Pew poll, conducted in late June, showed the number of people who consider energy conservation as more important declined by 10 percentage points since February from a clear majority to 45 percent. People are now about evenly split on which is more important.

The number of people who said they considered increasing energy supplies more important than protecting the environment increased from 54 percent in February to 60 percent, and the number of people who favor oil drilling in Alaska's Arctic National Wildlife Refuge also increased.

"This shows the real impact of higher gas prices on the public," said Carroll Doherty, associate director for the Pew Research Center for the People & the Press, which commissioned the telephone survey of 2,004 adults from June 18 to June 29. The margin of error was 2.5 percentage points, slightly larger for subgroups.

---

Natural Gas to Converge With Oil Price, Exporters Say (Update1)

Bloomberg, July 2, 2008; <http://www.bloomberg.com/apps/news?pid=20601087&sid=a180ks5iGSa8&refer=home>

July 2 (Bloomberg) -- Natural gas, trading at a 40 percent discount to crude, may rise to reach the record price of oil as demand for cleaner-burning fuels increases, according to energy ministers from Qatar, Algeria and Iran.

U.K. natural gas sells for 71.35 pence a therm, or the equivalent of \$85 a barrel based on its energy content, compared with \$141 for Brent crude. British natural gas rose 38 percent this year, lagging behind the 50 percent advance in oil.

Natural-gas use worldwide rose 3.1 percent last year, almost three times faster than the 1.1 percent increase in oil, according to figures compiled by BP Plc. Gas is cleaner-burning than oil and creates half as much carbon dioxide as coal when used to generate power, helping ease the buildup of greenhouse gases blamed for climate change.

"Gas is clean and it is an alternative to oil," Qatar Oil Minister Abdullah al-Attiyah said in an interview in Madrid this week. "The price should be at least competitive to oil." Qatar holds 895 trillion cubic feet of gas reserves, the world's third-largest, after Russia and Iran.

Rising global energy demand, environmental restrictions and slower progress in expanding nuclear power and wind farms are increasing demand for gas.

Liquefied natural gas may become more expensive than crude oil as demand from Asia and Europe rises faster than supply, Sanford C. Bernstein & Co. said in a report last month.

Winter Prices

``Clearly, global demand for natural gas is racing ahead," Linda Cook, executive director of gas and power at Royal Dutch Shell Plc, the biggest non-government producer of LNG, said at the World Petroleum Congress today in Madrid. ``The question is whether supply can keep pace."

In Japan, utilities paid as much as \$20 a million British thermal units for LNG imports last winter, which equates to an oil price of \$120 a barrel, after an earthquake closed the country's largest nuclear power reactor. U.K. prices for the 2008-2009 winter trade at a similar level.

``Gas prices will follow oil prices; they will converge," said Algerian Energy Minister Chakib Khelil. The country is scaling back oil production growth to concentrate on gas.

``Our efforts are really focused on gas," he said. Exports will rise 37 percent by 2012 to 8.5 billion cubic feet a day, said Khelil, who is also the president of the Organization of Petroleum Exporting Countries. Al-Attayah and Khelil were also among energy officials attending the congress in Madrid.

### Chilled Gas

Global trade in LNG expanded 7.3 percent last year to 226 billion cubic meters, led by increased shipments from Qatar and Nigeria, according to the annual review of world energy by London-based BP. About twice as much gas is imported across national borders by pipelines, where Russia is the biggest supplier, exporting 148 billion cubic meters last year.

LNG is gas that's chilled and condensed to liquid form to make it easier to transport long distance by ship.

``We will need some time to see the convergence of oil and gas," Fatih Birol, the chief economist of the International Energy Agency, said in an interview in Madrid today. ``Not tomorrow," perhaps in a ``few years," he said.

``More LNG needs to come to the market and that seems to be a bit difficult," Birol said. The Paris-based agency is a policy adviser to the U.S., Japan, U.K. and other consuming nations.

Iran halted a gas supply deal to the United Arab Emirates in 2006 to negotiate a higher price than agreed in 2001. Iran hasn't built new liquefaction plants, in part because Western companies including Shell and Total SA are wary of U.S. sanctions.

### Gas to Rise

``There is a natural relation between the price of oil and the price of gas," Iranian Oil Minister Gholamhossein Nozari said today in Madrid. ``Because it is a clean fuel it will increase its role in the energy market and I think the price of gas will increase as well."

Qatar, the biggest shipper of LNG, is diverting some cargoes destined for Europe to Asia, where prices are higher.

Nigerian President Umaru Yar'Adua said in May that gas export agreements will have to be renegotiated to ensure Africa's most-populous nation has enough for its domestic needs.

Algeria took Spain to an international tribunal to raise the contracted prices for gas supplies.

``The gas was sold in 1995, when oil was at \$15 a barrel," Khelil said. ``When oil rose to \$50 a barrel a few years ago, we decided to renegotiate."

Helge Lund, the chief executive of StatoilHydro ASA, Norway's biggest oil and gas company, said coal-fired power stations should be replaced with plants using natural gas because that can reduce carbon dioxide emissions by two thirds. Climate change is one of the ``biggest challenges" for today's energy industry, he said in Madrid.

To contact the reporters on this story: Ayesha Daya in Madrid at [adaya1@bloomberg.net](mailto:adaya1@bloomberg.net)

---



Bolling: Profit on Offshore Drillers

The Street.com; June 30, 2008; <http://www.thestreet.com/print/story/10423799.html>

Bolling: Profit on Offshore Drillers

Eric Bolling

06/30/08 - 10:12 AM EDT

Editor's note: This is part III in a series on oil. Let me just say that this has been an interesting two weeks with this column.

First, I wrote about the emerging problem with the oil supply and potential fixes. I suggested that after talking to big ocean driller Transocean RIG that we should begin the process to push Congress to lift the moratoria on Outer Continental Shelf (OCS) drilling.

After doing some painstaking due diligence, I found out that we may achieve oil independence in as little as a year, and as long as six years, depending on the location, depth and prior infrastructure.

Next, I took the position a step further. I contacted other drillers including another major offshore driller, Diamond Offshore DO. Officers there confirmed the information I had developed during my discussions with Transocean. I have gone on record saying that I believe that these time frames are realistic and attainable.

Since those two columns ran, I have been bombarded with email requesting more information.

Last week, I had the good fortune to interview both Sarah Palin, the Republican governor of Alaska and Ed Rendell, the Democratic governor of Pennsylvania. Both are very important in the world of oil.

Palin came out very much in favor of drilling the OCS and her state's own Arctic National Wildlife Refuge (ANWR) territory in an effort to reduce our dependence on foreign oil. She agreed that the oil reserves of ANWR are in the 10 billion-barrel range. She recognizes the need for that oil if we are ever going to reduce our reliance on foreign producers.

She also agreed with my thesis that the infrastructure already in place in the Alaskan Pipeline could handle many, if not all, of those additional new barrels of production. That is a great point to understand. Many people would have you believe that an additional pipeline would have to be built to handle the additional flow. Not so, says she.

Then last Friday, I had the interview of my career with Rendell. He has been quoted as being open to the possibility of becoming the Secretary of Energy or Transportation for Sen. Barack Obama (D., Ill.) if Obama is elected to the White House in November.

I asked Rendell if he would be open to drilling the OCS. I wasn't surprised when he said that he would have to look at the risks and rewards before making a decision.

However, I was surprised when he stated that he thought it would take a long time to develop the oil fields of the OCS. I offered the information I had gathered and mentioned that I thought the time frame would be much shorter. The good news: Rendell agreed to look at the information I had compiled. This is important now and also if he is in the position to make decisions regarding drilling in the OCS in the future.

I have to give credit to these two governors. For a refreshing change, the party lines faded and solving the current oil crisis became more important than where they reside in the political landscape. Oil is the lifeblood of our economy.

It also happens to be the lifeblood of a number of other countries' economies. As the middle class grows in Asia and other emerging economies, demand for oil will continue. I only hope we have open-minded people like these two governors in place to make those tough decisions, such as drilling, exploring and producing our own supply of oil for our future.

As I was doing this research, I noticed a common theme. While the drillers are very confident they could get to the oil, they caution that the availability of rigs could slow the process. Obviously, they could move rigs in slow-producing wells in favor of higher-producing new wells, given the chance. That rang a bell in my head.

The theme kept recurring that the rig operators were very booked up. They had strong backlogs for future drilling. When I asked Diamond Offshore whether new rigs were being built, they told me that many companies in Korea and Singapore were in the process of building rigs for impending demand for drilling.

All this leads me to believe that even if oil were to drop off to level considered "cheap" now, say \$100/bbl, these drillers would be doing business hand over fist. I have become a true believer in the drilling companies. Whether oil is \$150, \$100, whatever, we will be pushing our driller to their maximum capabilities. Their services will be in demand for a long time.

While I like all the drillers on shore or off, I think the opportunity lies with the offshore specialists for now. I think the OCS is the most likely to receive the green light to drill. The threat of losing the oil to adjacent countries like Cuba and Venezuela may inspire some in Congress to move faster there.

Transocean, Diamond Offshore and Noble NE are the biggest offshore oil platform drilling service providers. They aren't overly expensive either with price-to-earnings ratios of 10, 20, and 13, respectively. And with the prospect of future rigs becoming available, any money they spend in purchasing these rigs will be money well spent (pardon that one).

After all, it is possible that China, through China National Offshore Oil CEO, is already either in production or through the lengthy process of accumulating data prior to dropping a drill into the ocean floor. If that is so -- which I wholeheartedly believe -- then we may choose to first lift the moratoria on OCS.

ANWR and western U.S. shale projects can follow. But we should consider getting started in our waters. Remember, Cuba sits 90 miles off the Florida coast, closer than the rigs would be if we open up our own OCS drilling rights. Also of concern: I learned that oil sits in cavernous wells spanning miles and miles.

The oil taken from legal Cuban wells may actually be sitting under our sovereign territory. This is alarming enough, let's just drill before there isn't any left to fight over.

As always.....

Trade with your head, not over it.

---

Don't Blame Ben

Investor's Business Daily, June 30, 2008;

<http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=299718576736886>

Energy: The Federal Reserve and its leader, Ben Bernanke, have taken a lot of hits in recent weeks. Some even suggest that the energy crisis is due more to Fed fumbling than anything else. This is preposterous.

It's one thing to suggest the Fed has erred in setting interest rates. Heck, IBD's been a thorn in its side so long we sometimes feel we do nothing but correct errant central bankers.

That said, the Fed's conduct of monetary policy isn't what's causing our current energy crisis. The energy crunch is a result of two things being out of whack: supply and demand. As always, the basics of energy are a matter of simple economics: When demand rises, supply had better follow suit, or you have price increases. Our Congress seems not to understand this.

Yet, we've heard people trying to blame everyone from unnamed "speculators" to poor Bernanke for our energy woes. The latter, we're told, caused this problem by keeping interest rates low and letting the dollar fall. But judging from slow U.S. economic growth (about 1%) and fairly modest core inflation (2.3%, year over year), Fed policy isn't overly stimulative.

Go back a few years and you'll see the Fed has held growth in its main money supply measure a bit above 5%. This isn't too fast, given the strong U.S. productivity, continued expansion in the work force and ongoing demand for U.S. currency overseas.

As for energy, the facts are clear.

The U.S. uses about 21 million barrels of oil a day, but pumps just 8 million or so of that. Worse, the amount we produce is shrinking, so we're increasingly at the mercy of foreign petrotyrants who've learned how easy it is to make money when their main customer won't lift a finger to ease its own pain.

Countries such as Nigeria, Libya, Venezuela, Mexico, Russia and others do nothing to boost output. Some, like Libya and Venezuela, even threaten to cut crude production. Why? Oil's price goes up and up – it's now above \$140 a barrel, double its level of a year ago – but we refuse to do anything to about it. Why should they?

Couple this with booming demand in countries such as China and India, which account for more than a third of the world's population, and you have the makings of demand-driven price hikes – not just for oil, but virtually every major industrial or food commodity.

As the Institute for Energy Research noted last week, "the U.S. Congress has convened at least 40 hearings on the issue of skyrocketing energy prices in the first six months of 2008. At least 160 witnesses have been sworn in and questioned." And yet, Congress has done nothing to increase our supply of oil other than point fingers and try to stir up anti-business hysteria among the voters.

For the record: Some 86 billion barrels of oil and 420 trillion cubic feet of natural gas can be found in the outer-continental shelf. More than 1 trillion barrels of oil lie in Midwest shale deposits. And another 10 billion, maybe more, await in ANWR, the barren coastal plain on Alaska's North Coast.

We need more energy, but it's not the Fed's job to find it; it's up to Congress to free American companies, the world's most productive and innovative, to satisfy America's energy needs.

Members of this Democrat-led Congress have failed miserably in this responsibility. Worse yet, they don't seem to care. They seem to think that the more pain they inflict, the more likely they are to get one of their own in the White House.

But if they persist, it'll only become clearer our problem does not lie with oil companies or speculators and certainly not with the Fed. It lies with a derelict Congress that won't deserve re-election.

---

### The U.S.' Untapped Oil Bounty

Kiplinger, June 30, 2008;

[http://www.kiplinger.com/businessresource/forecast/archive/The\\_U.S.\\_s\\_Untapped\\_Bounty\\_080630.html](http://www.kiplinger.com/businessresource/forecast/archive/The_U.S._s_Untapped_Bounty_080630.html)

There's enough oil to power the nation for three centuries without OPEC's help -- IF we're willing to go after it.

By Jim Ostroff

June 30, 2008

Think the U.S. is running out of oil? Think again. What is running low, given soaring demand for energy worldwide, is oil in fields that have already been tapped and are in production -- in other words, the relatively easy-to-get stuff, which oil companies have proven exists and can get at with current technology. Those reserves are clearly being drained. The U.S. has around 20 billion barrels now, down from nearly 29 billion barrels a decade ago and about half the 1970 peak of 39 billion barrels. But...

The U.S. is sitting on the world's largest, untapped oil reserves -- reservoirs which energy experts know exist, but which have not yet been tapped and may not be attainable with current technology. In fact, such untapped reserves are estimated at about 2.3 trillion barrels, nearly three times more than the reserves held by Organization of Petroleum Exporting Countries (OPEC) nations and sufficient to meet 300 years of demand -- at today's levels -- for auto, truck, aircraft, heating and industrial fuel, without importing a single barrel of oil.

What's the problem then? Why aren't oil companies jumping to pump the black gold? Contrary to what some conspiracy theorists would have you believe, there is no cabal of oil companies and foreign governments blocking the way, bottling up U.S. oil production. The reality is much more mundane. Those untapped reserves are

located in places that either Uncle Sam has put off-limits for environmental reasons or are too costly to get -- or a combination of both.

Given current sky-high prices for crude oil and the likelihood that oil prices will remain high -- at or above \$100 a barrel -- for the foreseeable future, it is now economically viable to tap some of those reserves. But environmental concerns -- ranging from preservation of pristine lands to worries about increasing the use of fossil fuels and accelerating global climate change -- remain a hurdle.

Here's a look at some of the largest untapped reserves.

**Oil shales:** Oil extracted from shale fields represents the mother lode of untapped reserves, at about 1.5 trillion barrels -- or 200 years worth of supply at current usage levels. Roughly two-thirds of the U.S.'s oil shale fields in Colorado, Wyoming and Utah are in federally-protected areas and closed to development. In addition, getting the oil out of the rock is a challenge, requiring cooking or chemical treatment of rock located as much as half a mile under the earth's surface.

To make oil shale production economically worthwhile, crude oil prices must remain above \$50 a barrel for a protracted period. Given the outlook for continued high prices, oil companies such as ExxonMobil, Royal Dutch Shell Inc., EGL Resources, Brazil's Petrobras and others are gearing up pilot projects on nonfederal lands. The potential is to produce 1 million barrels of oil a day within a decade from lands currently open -- and several times that amount if the lawmakers give the green light to development of lands now off-limits.

**Tar sands:** Around 75 billion barrels of oil could come from tar sands, similar to Canadian fields, which now churn out a million barrels a day. The sands are located predominantly in Utah, Alaska, Texas and California, as well as in Alabama and Kentucky on federal and state lands that, by laws and administrative orders, are closed to mineral and petroleum development.

**The outer continental shelf (OCS):** Something in the neighborhood of 90 billion barrels of oil sit beneath the ocean bed 50 to 100 miles off the Atlantic, Pacific and Gulf coasts. Presidential bans and congressional prohibitions have put the tracts off-limits to oil company exploration at least until 2012, although there's a chance that Congress may lift the moratorium before then. In recent months, several key policymakers, including GOP presidential candidate John McCain and Florida Governor Charles Crist Jr. (R), have reversed their positions on drilling in the OCS. Crist's change of mind may signal a new trend. Concern about potential damage to his state's beaches and Florida's critical tourism industry had dictated his opposition to drilling off the state's coasts. But the state's growing budget woes -- and the prospect of capturing some cash from off-shore leasing -- is proving alluring.

**The Bakken Play:** With up to 100 billion barrels of oil, the reserves locked under rocks buried a mile or more beneath Montana and Saskatchewan, Canada, are more than twice the size of Alaskan's entire oil cache. New drilling and oil recovery technologies are overcoming production obstacles and petroleum companies are rushing to stake their claims. Marathon Oil recently acquired about 200,000 acres in the area and will drill about 300 oil wells within five years. Brigham Exploration and Crescent Point Energy Trust also want a piece of the action. EOG Resources alone figures it can produce 80 million barrels of oil from its Bakken field. But It will take at least five years before the oil starts flowing in large volumes.

**The Alaska National Wildlife Refuge:** About 10 billion barrels of oil are locked away here, with little possibility that federal lawmakers will open the door.

Of course, it isn't enough to simply get at the oil in these and other U.S. reserves. Providing major new supplies to U.S. consumers also requires a significant jump in refining capacity. But existing environmental regulations and community opposition make it tough to build new refineries. The last new domestic refinery was started up in 1976. And even if the technology and political will came together to allow oil companies access to the untapped reserves, they'll be reluctant to do so if the U.S. doesn't also have the capacity to refine the petroleum produced.

For weekly updates on topics to improve your business decisionmaking, [click here](#).

---

NBCC supports offshore energy exploration

Insight News, July 1, 2008; <http://www.insightnews.com/business.asp?mode=display&articleID=4353>

NBCC supports offshore energy exploration

Updated 7/1/2008 3:17:42 PM

PRNewswire-USNewswire -- As Congress recently explored the oil lease plans on the Hill, the National Black Chamber of Commerce Chairman and CEO Harry Alford called on Congress to combat the rising price of fuel by opening the deep waters of the Outer Continental Shelf to active exploration.

"Gasoline now costs \$4 a gallon, and there is a 10-year supply of it under our homeland," Alford said. "That oil belongs to the American people, and Congress has an obligation to absorb it into our national supply. Drilling in the continental shelf will bring down the cost of oil on the global market even before its full competitive effect on the domestic gasoline market. Our domestic supply could save Americans billions of dollars a year. And with the average family annually spending more than \$2,000 on gas, we're not talking about spare change."

Alford further warned about the damaging impact rising gas prices have on minority-owned businesses. "Without the luxury of massive economies of scale, new businesses and small businesses are hurt the most by the rising price of fuel. This issue hits at the heart of the minority business community, which represent many of the youngest and fastest growing businesses in the country. We are disproportionately harmed by the gas spike, and are watching Washington particularly closely to see who is and who is not sincere in their promises to help."

The NBCC is a nonprofit, nonpartisan, nonsectarian organization dedicated to the economic empowerment of African American communities. One hundred and ninety affiliated chapters are locally based throughout the nation as well as international affiliate chapters based in Bahamas, Brazil, Colombia, Ghana and Jamaica.

---

Choice is more oil or more risk to coast

Pittsburg Post, June 30, 2008; <http://www.scrippsnews.com/node/34330>

Pumped by consumer shock at gasoline prices flowing hard toward \$5 a gallon, pressure is mounting to end the 1981 moratorium on offshore drilling, which was adopted to protect the environmental and tourism value of the nation's beaches.

President Bush says offshore restrictions have become "outdated and counterproductive" since Congress first banned new leases on the outer continental shelf. Other drilling proponents, including presumptive GOP presidential nominee Sen. John McCain and Republican Florida Gov. Charlie Crist, say technological advances have significantly reduced the risks of offshore rig spills. McCain pointed to oil platforms in the Gulf of Mexico that weathered Hurricane Katrina as proof offshore drilling is safe.

But even if newer offshore drill technologies reduce the risk of environmental degradation, energy experts question if the amount of recoverable oil is worth the risk. Environmental groups charge oil companies with opportunistically using recent gas-pump increases to try to stockpile federally owned land and offshore drilling acreage before developing all the areas that they already have under lease.

Only 10 million acres of the 44 million acres already leased, mostly in the western Gulf of Mexico, are producing oil or gas, although oil companies say some of the other acreage is in development.

Oil producers say that they are not pumping more because drilling equipment is in short supply and that offshore drilling remains expensive.

Guy Cantwell, a spokesman for Transocean Inc., the world's largest ocean drilling company, said environmental safety has improved even as drilling is occurring in deeper and deeper water.

In the years since the moratorium began, drilling technology has advanced.

According to the U.S. Department of the Interior's Minerals Management Service, spills and "blowouts" have declined significantly in recent years. Blowouts occur when drillers lose control of a drilling operation and oil gushes out of the well and into the sea.

From 1985 through 2001, outer continental shelf wells produced more than 7 billion barrels of oil while spilling only about 68,500 barrels. In that period, well-drilling blowouts caused only two spills of more than five barrels - an 11 barrel blowout in 1992 and a 200 barrel blowout in 2000.

But offshore drilling accidents can be devastating. The 10 worst drill-rig accidents dating to 1962 killed more than 770 workers. The five worst well "blowouts" occurred between 1969 and 1980, spilling more than 4 million barrels of oil.

Two of those blowouts blackened beaches in the United States. In 1969, a blowout at Union Oil's Alpha Well A-21 operating in the channel off Santa Barbara, Calif., lasted 11 days and spilled 80,000 barrels of oil, soiling California beaches.

The biggest oil spill in history -- 14 times bigger than the 11 million-gallon Exxon Valdez spill -- occurred in 1979 after a blowout on a drill platform operated by Petroleos Mexicanos in the Gulf of Mexico. More than 3.5 million barrels of oil -- 147 million gallons -- poured into the gulf for nine months and caused extensive damage along the Texas coast.

Rep. Jason Altmire, D-Pa., joined most Democrats in Congress in rejecting President Bush's call to open up the seas for drilling earlier this month. He said oil companies should fully explore their existing leases before additional areas are opened.

The world consumes about 86 million barrels a day. The U.S. share of that is about 20.6 million barrels, 60 percent of it from foreign sources. Current estimates are that the offshore areas covered by the moratorium contain a total of 19 billion barrels, enough to provide about 920 days, or about 2.5 years, of current U.S. consumption.

Rep. John Peterson, R-Pa., is a longtime supporter of extractive industries and leader of House efforts to open offshore drilling. He said there is likely much more oil and gas than we know about offshore.

(E-mail Don Hopey at [dhopey\(at\) post-gazette.com](mailto:dhopey@post-gazette.com))

---

#### Oil Speculators Part One: Hurricanes DO Cause Spills

Fox Business News, July 1, 2008; <http://emac.blogs.foxbusiness.com/2008/07/01/oil-speculators-part-one-hurricanes-do-cause-spills/>

By Elizabeth MacDonald

You've heard the argument that the last time the US saw an oil rig spill was in 1969, when residents of Santa Barbara, California saw a massive spill that coated their beaches with goo.

And you've likely heard the argument, too, that no oil spills occurred offshore due to hurricanes Katrina and Rita in 2005.

The argument is used to shut down the environmentalists now upset that the US may drill offshore on the outer continental shelf to go after the estimated 86 bn barrels and 420 tn cubic feet of natural gas technically recoverable. Some 54% supposedly sits in the Gulf of Mexico, 31% is thought to be off of Alaska, and Florida supposedly has 3.9 bn barrels of oil off its coast, as well as 22 tn cubic feet of natural gas.

But it's wrong to say that Katrina and Rita did not create oil spills.

Just as it's wrong to say that oil speculators are largely to blame for high oil prices.

Just as it's wrong to take as gospel facts and statistics in recent testimony from dubious experts about oil speculation.

Just as it's wrong to sit tight when someone tosses down a lightening bolt of a data point about oil spikes at you from on high, especially when there are bigger, macroeconomic factors involved, so conveniently left out of these arguments, don't let the truth ruin a good narrative.

Because it's hard to coalesce into this polluted stream of oil consciousness the weakening dollar, strong demand from emerging world economies, shoddy and corrupt oil supply data, Mideast political unrest, Nigerian conflicts, detrimental weather and ethanol mandates.

It's easier in this irksome political season, one that likely has you feeling like you are chewing aluminum foil, to scapegoat and deflect the blame, especially when you are responsible for crafting legislation that could help American consumers.

On May 1, 2006, the US Government's Minerals Management Service issued a release saying Hurricanes Katrina and Rita destroyed 113 oil platforms and 457 oil pipelines in the Gulf of Mexico. It also said these hurricanes created six spills of 1,000 barrels of oil, condensate, or chemicals, spills reported in federal offshore waters, with a total of 146 spills of one barrel or greater reported as well.

The report also said that no shoreline or wildlife impacts "were noted" from these spills, with an emphasis on "were noted," as the government can't have bureaucrats trolling round the clock through spill-damaged waters, so leave that as an open-ended question.

Note, too, that the report admitted that underwater damage assessments "have been delayed because of overwhelmed support resources, such as diving equipment, support vessels, and remotely operated vehicles."

An apt correction in light of the recent news that the US Supreme Court reduced the fines owed by Exxon Mobil over its disastrous oil spill in Alaska. Though Exxon has paid dearly for this environmental crime, I have warned you before that US taxpayers are often left to foot the cleanup bill to deal with the oil slob.

And it's left to you and me to clean up after the nonsensical thinking that oil speculators alone are the reason why we may see \$10 a gallon of gas soon, thinking that comes from certain precious media pundits, typically self serving and lazy, who have not done the needed rooting around to find out what is really going on with oil price spikes.

For instance, you've likely seen that the total value of index funds and other similar investments has grown exponentially to \$225 bn. But that figure is still far less than the tens of trillions of dollars worth of trades in oil markets each year. Barclays Capital says the influence in commodity markets from investment in oil index funds is vastly overrated.

A conclusion is where the mind comes to rest, a smart person once said. But not for readers of this blog. More on oil speculators coming. Stay tuned.

---

IBM's PlayStation 3 Chips Help Repsol Find Deep Oil (Update2)

Bloomberg, July 1, 2008;

[http://www.bloomberg.com/apps/news?pid=20601086&sid=av0nTzqA5UvE&refer=latin\\_america](http://www.bloomberg.com/apps/news?pid=20601086&sid=av0nTzqA5UvE&refer=latin_america)

By Melita Marie Garza

July 1 (Bloomberg) -- Repsol YPF SA, Spain's largest oil company, is using chips that International Business Machines Corp. designed for video-game consoles to find oil in deep water as much as six times faster.

Supercomputers outfitted with IBM's PowerXCell 8i chips are helping analyze undersea rock formations in the search for untapped reserves, Madrid-based Repsol said today in a statement. The chips are an updated version of a product IBM, Sony Corp. and Toshiba Corp. designed for the PlayStation 3 game machine.

IBM is retooling consumer technology to handle supercomputer tasks more affordably, pitching the approach to everyone from candy makers and film producers to oil companies. The strategy may help boost hardware sales, which sagged 6.7 percent last quarter. The company increased its share of the supercomputer market to 46 percent last year, from 26 percent in 2002, according to the Top500 Project, a supercomputer-tracking group.

"Seventy-five percent of reserves are underwater and there are significant barriers because it is very hard to predict rock structures," said Srini Chari, an analyst with New York-based Cabot Partners, a research firm. The IBM technology lets companies survey regions that weren't accessible before, he said.

Working with the Barcelona Supercomputing Center, Repsol is using so-called reverse time migration, a technique for mapping subsurface rock structures, to study the Gulf of Mexico.

The area's deep waters -- 30,000 feet (9,144 meters) -- may hold the equivalent of 56 billion barrels of oil. If recoverable, this would meet the entire U.S. demand for oil and gas for about five years, according to the U.S. Interior Department's Minerals Management Service.

The updated video-game chips run on the BladeCenter QS22 computer, which Armonk, New York-based IBM introduced in May.

IBM rose 74 cents to \$119.27 at 4 p.m. in New York Stock Exchange composite trading. The shares have climbed 10 percent this year. Repsol, little changed this year, fell 64 cents, or 2.6 percent, to 24.39 euros in Madrid.

To contact the reporter on this story: Melita Marie Garza in New York at mgarza4@bloomberg.net

---

#### MMS appoints new leasing program manager

OilOnline, July 1, 2008; [http://www.oilonline.com/news/headlines/firms\\_faces/20080701.MMS\\_appo.23395.asp](http://www.oilonline.com/news/headlines/firms_faces/20080701.MMS_appo.23395.asp)

New Orleans, LA ... The Minerals Management Service (MMS) Gulf of Mexico Region has announced the appointment of Meryl T. Andry as Leasing Program Manager, Office of Leasing and Environment. Andry will be in charge of leasing policy, planning, adjudication and sales for the Gulf of Mexico and Atlantic offshore areas.

Ms. Andry is a native of New Orleans. She earned a BA from Loyola University and a JD from Loyola University College of Law. She has worked in private practice in the field of oil and gas law and has also worked with Shell, Dominion, and more recently, with XTO Energy, Inc.

---

#### Offshore oil drilling comes back to the surface

San Mateo County Times, June 30, 2008;

[http://www.insidebayarea.com/sanmateocountytimes/localnews/ci\\_9749076](http://www.insidebayarea.com/sanmateocountytimes/localnews/ci_9749076)

After decades in hibernation, the idea of drilling off the nation's coasts has awakened both sides of the issue.

By Janis Mara

Contra Costa Times

Article Created: 06/30/2008 09:26:57 PM PDT

With gas prices reaching deeper into motorists' pockets, attitudes about offshore oil drilling are shifting even in normally greener-than-thou California, with many individuals and at least one elected official advocating its expansion.

"Personally, yes, I believe we need to be drilling in our own reserves," state Sen. Dave Cogdill, R-Modesto, said during a news conference about the budget at the state Capitol last week.

New drilling in coastal waters, which is currently against the law, would "reduce dependence on foreign oil and help drive down the cost of gas," the senator said.

Though other California elected officials, including Gov. Arnold Schwarzenegger, oppose expanding offshore drilling, Cogdill said, "I am a very strong supporter ... of the catch phrase 'Drill here, drill now, pay less.'"

In an informal poll running on Oakland Tribune's Web site, 60 percent of the 523 votes supported expansion. Though 52 percent of state voters opposed new offshore drilling in a Public Policy Institute of California poll last July, that poll was taken before gas prices shot above \$4 a gallon.

"It's time for Congress to open up Alaska and offshore for drilling. I believe that would slow down or even decrease the world price of oil," said Lou Morgan, a Castro Valley resident.

On the national level, a mid-May Gallup Panel survey showed 57 percent of adults approved of offshore oil drilling, and President Bush, Republican Gov. Charlie Crist of Florida and presumptive Republican presidential nominee Sen. John McCain have endorsed the idea.



With crude oil, the main ingredient of gas, closing at \$140 a barrel Monday and gas averaging \$4.57 a gallon in the East Bay and \$4.60 in San Mateo, opening up formerly forbidden areas looks more and more tempting to more and more people.

An estimated additional 10 billion barrels of crude oil are projected to be available off California's coast, according to John Romero of the U.S. Minerals Management Service, as well as about 16 trillion cubic feet of natural gas. The agency estimates that nearly 18 billion barrels could be recovered if new offshore drilling were allowed in areas around the country, including Florida and New Jersey, where reserves exist.

If that's the case, why is such drilling prohibited nationally? Like many things, it started in California.

### Santa Barbara spill

On January 28, 1969, a burst of natural gas in a drilling rig off the shores of Santa Barbara unleashed the worst offshore oil spill in the nation's history.

By the time teams of frantic, round-the-clock workers contained the blowout 11 days later, 3 million gallons of oil had spread in an 800-mile oil slick over the ocean, killing dolphins, seals, birds and fish — and sparking a national environmental movement and a 27-year-old federal moratorium preventing offshore drilling in most coastal waters.

The images of waves black with oil hitting the beach and oil-soaked birds struggling to fly are hard to overcome. But safety measures and government insight have tightened in the nearly 40 years since the Santa Barbara spill, those who favor offshore drilling say.

Advocates point to the safety records of drilling in permitted areas. Most of U.S. offshore drilling is in the Gulf of Mexico; there are a mere 43 offshore drilling rigs currently active in California in areas including off the Santa Barbara coast. The U.S. gets about 25 percent of its natural gas and 24 percent of its oil from offshore drilling.

Since 1975, drilling in permitted areas has had a better than 99 percent safety record, according to the Energy Information Administration. In California, 850 barrels of oil have been spilled since 1970 — about 28 barrels a year, said the U.S. Minerals Management Service.

"The standard practice in the industry is to use smart pigs," said Tupper Hull of the Western States Petroleum Association. "These are devices sent through casings and pipelines under the ocean floor, loaded with diagnostic technologies that measure and test the integrity of underground pipes."

Attention to environmental consequences is rigorous, Hull said. "If a candy wrapper blows off a platform, somebody is sent in a boat to retrieve it."

### Safety first

A former Monterey Bay-area congressman and longtime offshore drilling opponent didn't argue with Hull's claims.

"I have seen their (oil rigs) process in the Caribbean and there's no question they have improved safety with regard to these large operations," said Leon Panetta, who was instrumental in stopping offshore oil drilling after then-Interior Secretary James Watt gave the go-ahead to offshore oil rigs in the mid-1980s.

"The larger question is, even if they've developed safe technology, do you want to have drilling rigs off the coast of Big Sur or Mendocino? Does that argue for drilling in the valley floor of Yellowstone?" Panetta said.

"When we first had this battle with Secretary Watt and his successor, Secretary (Donald) Hodel, in exchange for protecting some areas, we were willing to give them lease tracts off California. At the last minute, the oil companies pressured him not to sign it. They didn't want any areas to be put off limits," Panetta said.

"There are areas off our coastline that ought to be protected and pristine and preserved in their natural state. The one thing they have never said is that there are areas that should be protected in the future," Panetta said.

In response, "As an association, we have always said there are without question areas where drilling should not take place. We have never advocated drilling on the floor of Yosemite. "... We have not ever and don't now advocate for blanket permission to drill anywhere and everywhere," Hull said.

#### Effect on prices

"The Energy Information Administration in D.C. is saying even if we opened up our coasts today we would not see any drop in (gas) prices until 2030," said Laura Kasa, executive director of Santa Cruz-based Save Our Shores, a 30-year-old nonprofit organization that has long battled oil drilling off the California coast.

Kasa was referring to a report from that agency that said, in part, that access to the Pacific, Atlantic, and eastern Gulf regions would not have a significant impact on domestic crude oil and natural gas production or prices before 2030.

"There is no quick-and-easy answer. We are not going to see an impact right away. We believe in conserving more and getting off oil," Kasa said.

"There isn't a quick fix to a situation it has taken us a long time to get into," Hull said in response. "It will require thought, resolve and patience to get out of it. We believe it's worth beginning that process now. At the same time, we do everything we can to conserve our available energy, to diversify our energy portfolio."

Panetta responded, "There ought to be leased areas that give them that opportunity and there ought to be a process established that allows for how you approach the areas rationally, looking at the areas that ought to be protected and how much of a resource is there."

Dwindling supplies, not just nationally but on the state level, are making offshore drilling more attractive. State oil production has fallen to its lowest level in 67 years, despite bringing idle wells back into production and increasing exploration, the California Department of Conservation said last week.

As efforts continue to squeeze the last available drops of oil from possible sources, Jim Mathers of Livermore, a retired mechanical engineer, said he is "in between" about offshore drilling "because I am something of an environmentalist. But, Mathers concluded, "I think it's inevitable."

---

#### New Mission Helps Offshore Industries Dodge Swirling Waters

SpaceRef.com, July 1, 2008; <http://www.spaceref.com/news/viewpr.html?pid=25834>

Hurricanes aren't the only hazards spinning up in the Gulf of Mexico -- they have a liquid counterpart in the waters below called ocean eddies. Offshore industries, such as oil and gas companies, have to keep a weather eye on both. In a worst-case scenario, they could find themselves caught between the two. Satellite altimetry is helping government and industry manage those risks.

Satellite ocean observations are a standard part of marine operations around the world. Keeping track of local currents is critical for daily operations. And in the Gulf of Mexico, that means knowing the location of the Loop Current and its dangerous eddies.

The Loop Current, which is part of the Gulf Stream, begins as a large flow of warm water from the Caribbean. It heads up into the eastern part of the Gulf of Mexico, then turns south and finally moves out through the Straits of Florida. Deep and fast moving, the Loop Current often breaks off and forms strong, clockwise rotating eddies called anticyclones that travel westward into the Gulf. The currents along the outer edges of the Loop Current, as well as these eddies, have been clocked at speeds as high as three to four knots (three to five miles per hour), comparable to the fastest ocean currents ever observed.

Because the Loop Current and its eddies are warmer, and thus higher in surface elevation, than the surrounding waters, they are easily spotted by satellite altimeters, such as those aboard the NASA/French Space Agency Jason 1 and Ocean Surface Topography Mission/Jason 2 satellites. To see what the altimeters see, many offshore operators turn to Research Professor Robert Leben and his colleagues at the University of Colorado's Center for Astrodynamic Research in Boulder. They use the latest satellite measurements of sea-surface height from Jason

1 and two other satellite altimeters to create maps showing the location, direction and speed of currents in the Gulf of Mexico. Free and available on the center's Web site, these maps are used by a wide variety of people involved in marine operations, along with scientists, fishermen and sailors. As soon as measurements from the Ocean Surface Topography Mission/Jason 2 are available, they will be included in the data sets as well.

For oil companies, knowing where the Loop Current and its eddies are and are likely to go is critical. "The rate to rent a drilling rig in deep water is about \$300,000 a day," said George Forristall, of Forristall Ocean Engineering, Inc., Camden, Maine. "If you've planned an operation and the current is too strong, you have to shut down and spend that money without accomplishing anything. Once an oil field is found and a permanent facility is built, it floats on the surface and connects to the bottom by pipes called risers. You can protect those risers by streamlining them, but that costs a lot, too. Your riser design has to be appropriate for the currents you expect at your site."

To plan and design rigs and oil platforms for the future, oil companies would like to be able to anticipate the sea conditions a particular facility may encounter in the Gulf of Mexico over its lifetime. A consortium of about 20 different companies, along with the U.S. Minerals Management Service, has asked Leben and Forristall to develop a model to help determine what the risks from strong currents may be.

"We're constructing a 1,000-year-long statistical simulation of the Loop Current and its eddies," said Leben. "While we have only 20 to 30 years of observations, using computer simulation and the right statistical methods, we can figure out how the current and eddies behave and then simulate a longer period of time."

"It's a modeling technique called Monte Carlo simulation," he continued. "For example, even if you don't know exactly how dice work, after a number of throws, you can figure out the probabilities for certain numbers to appear."

"The idea," said Forristall, "is to map the Gulf. There are some places where there have only been a few eddies in the past. With our artificial time series, we'll be able to fill in the gaps. We'll be able to see what is the likelihood of an eddy occurring in a particular spot."

Another goal of the effort is to better understand the relationship between the Loop Current and hurricanes, which grow stronger as they pass over warm water. Leben said results of the 1,000-year Loop Current simulation will be combined with simulations of how the Loop Current's warm surface waters and eddies effect hurricane intensification. "This will give us a way to assess the likelihood of warm Loop Current events and intense hurricanes and plan for them."

"These tandem ocean/atmosphere events are rare, but they do occur," said Leben. "During Hurricane Katrina, when both strong eddy currents and a category-five hurricane hit the oil patch in the north-central Gulf of Mexico, a total of five rigs and 18 platforms were lost and many more were damaged."

Knowing more about the Loop Current and its spinning offspring will help oil companies and other offshore industries plan for the future. "Nothing designed by man will ever be perfectly safe from natural hazards," said Forristall, "but the better we understand the environment, the better we will be able to manage risk at an acceptable cost."

For more information on OSTM/Jason 2, visit: <http://www.nasa.gov/ostm>