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Oil Search Would Be Part of 'Comprehensive Energy Policy' Aimed at Lower Gas Prices

Washington Post, August 1, 2008;

http://online.wsj.com/article/SB121781034632208747.html?mod=opinion_main_commentaries

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USA Today, August 3, 2008; http://www.usatoday.com/money/industries/energy/2008-08-03-offshore_N.htm

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New Orleans Business News, August 3, 2008;

http://www.nola.com/business/index.ssf/2008/08/course_gives_teens_reality_che.html

Oil exploration may be on horizon for Georgia

Atlanta Journal Constitution, August 2, 2008;

http://www.ajc.com/food/content/news/stories/2008/08/01/georgia_offshore_drilling.html

Push to Wrest More Oil From Land, but Most New Wells Are for Natural Gas

NYT, August 3, 2008; <http://www.nytimes.com/2008/08/03/us/03drill.html?ref=business>

It's Boom Time for Oil in the Gulf of Mexico, Despite a Ban on Drilling in Many Areas

US News & World Report, August 1, 2008; <http://www.usnews.com/articles/news/national/2008/08/01/its-boom-time-for-oil-in-the-gulf-of-mexico-despite-a-ban-on-drilling-in-many-areas.html>

Kempthorne starts preparation of next OCS 5-year plan

Oil & Gas Journal, July 31, 2008; http://www.ogj.com/display_article/335884/7/ONART/none/GenIn/1/Kempthorne-starts-preparation-of-next-OCS-5-year-plan/

Pelosi: Save the Planet, Let Someone Else Drill

Washington Post, August 1, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/31/AR2008073102824.html>

Delaware officials approve offshore wind farm

Forbes, August 1, 2008; <http://www.forbes.com/feeds/ap/2008/08/01/ap5279545.html>

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Northwest Florida Daily News, August 1, 2008;

http://www.nwfdailynews.com/news/drilling_9833_article.html/moratorium_gulley.html

Offshore Drilling Claims Are a Political Hoax: John M. Berry

Bloomberg, Aug 1, 2008;

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Feds press Congress to lift oil drilling ban

San Francisco Chronicle, July 31, 2008; <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/07/31/BU2F12289C.DTL&type=printable>

Bush ramps up drilling efforts

Ventura County Star, July 31, 2008; <http://www.venturacountystar.com/news/2008/jul/31/bush-ramps-up-drilling-efforts/>

Oil extraction options weighed for Arctic seas

Anchorage Daily News, July 31, 2008; <http://www.adn.com/money/story/480092.html>

Offshore leasing plan in works

Houston Chronicle, July 31, 2008; <http://www.chron.com/disp/story.mpl/business/5916465.html>

Department of Interior to tee up offshore drilling

St. Petersburg Times, July 31, 2008; <http://www.tampabay.com/news/politics/article749399.ece>

Coalition is seeking more offshore drilling Energy effort bypasses leaders in Congress

Houston Chronicle, July 30, 2008; <http://www.chron.com/disp/story.mpl/headline/biz/5914622.html>

Louisiana touts its off-shore oil drilling

Statesline.org, July 29, 2008; <http://www.stateline.org/live/details/story?contentId=329277>

At Inland Oil Field, McCain Again Offers Support for Offshore Drilling

Washington Post, July 29, 2008; http://blog.washingtonpost.com/the-trail/2008/07/28/at_inland_oil_field_mccain_aga.html?hpid=sec-politics

U.S. and Canada split over Lake Erie drilling

Buffalo News, July 29, 2008; <http://www.buffalonews.com/home/story/401449.html>

Obama Signals Support for Wider Offshore Drilling

Oil Search Would Be Part of 'Comprehensive Energy Policy' Aimed at Lower Gas Prices

Washington Post, August 1, 2008;

http://online.wsj.com/article/SB121781034632208747.html?mod=opinion_main_commentaries

By Jonathan Weisman

Sen. Barack Obama suggested on Friday that he could accept an expansion of offshore oil drilling as long as it was part of a broader package of measures that would free the logjam of energy bills in Congress.

"My interest is in making sure we've got the kind of comprehensive energy policy that can bring down gas prices," Obama, the presumptive Democratic presidential nominee, said in an interview with the Palm Beach Post. "If, in order to get that passed, we have to compromise in terms of a careful, well-thought-out drilling strategy that was carefully circumscribed to avoid significant environmental damage -- I don't want to be so rigid that we can't get something done."

Republicans have consistently said they could craft legislation that would expand oil exploration on the outer continental shelf without jeopardizing delicate shoreline habitats. But Democratic leaders in Congress have been ardently opposed. Environmental groups, a key constituency, have been unyielding in their opposition.

Instead, Democrats crafted a rhetorical answer to the GOP's drilling campaign, calling on companies to begin oil drilling on the millions of acres both on- and offshore that have already been leased to them but remain untapped. Obama has taken up that line as part of his standard stump speech.

But with rising gasoline prices, polls indicate voters increasingly side with the Republicans, even here in Florida, where opposition to offshore drilling has always been strong. McCain switched his own position on the issue earlier this year, as did Florida Gov. Charlie Crist (R), who had also been opposed.

"It's clear that members of both parties are following John McCain's leadership toward an 'all of the above' approach on energy that includes nuclear, alternative energy, and off shore drilling," McCain's campaign said in a statement. "We hope Barack Obama will realize that his ongoing opposition to John McCain's realistic energy solutions and additional off shore drilling is wrong."

Obama said in the Palm Beach Post interview that "the Republicans and the oil companies have been really beating the drums on drilling. And so we don't want gridlock. We want to get something done."

Obama, through his Senate office, issued a written statement welcoming a proposal sent to Senate leaders Friday by 10 senators -- five from each party -- that would lift drilling bans in the eastern Gulf of Mexico within 50 miles of Florida's beaches and in the Atlantic off Virginia, the Carolinas and Georgia, but only if the states agree to oil and gas development along their coasts. The states would share in revenue from the development.

Drilling bans along the Pacific coast and the Northeast would remain in place under the compromise.

The compromise "would repeal tax breaks for oil companies so that we can invest billions in fuel-efficient cars, help our automakers re-tool, and make a genuine commitment to renewable sources of energy like wind power, solar power, and the next generation of clean, affordable biofuels," Obama said.

Pelosi firm: No vote on offshore drilling

USA Today, August 3, 2008; http://www.usatoday.com/money/industries/energy/2008-08-03-offshore_N.htm

WASHINGTON — House Speaker Nancy Pelosi on Sunday ruled out a vote on new offshore oil drilling even as Democratic presidential candidate Barack Obama said he might be open to a compromise that included it. The scramble over expanded drilling off America's coasts — ammunition for a weekend of rat-a-tat-tat by the presidential campaigns — underscores the political power of \$4-a-gallon gas. Though President Bush and other backers of new drilling acknowledge it wouldn't directly affect gas prices for years, they have pounded Democrats for opposing the measure, which is now supported by most Americans.

Obama is scheduled to deliver a speech today in Lansing, Mich., on energy policy, unveiling what spokesman Bill Burton called "new short-term and long-term solutions to the energy crisis that we're facing."

On Tuesday, presumptive Republican nominee John McCain is scheduled to go to the Enrico Fermi nuclear power plant in Newport, Mich., to spotlight his proposal for more nuclear plants.

The latest furor over energy policy began when Obama, campaigning in Florida on Saturday, spoke favorably of a Senate plan that includes new offshore drilling, a step he has long opposed.

"What I don't want is for the best to be the enemy of the good here," he told reporters in Titusville. "If we can come up with a genuine, bipartisan compromise in which I have to accept some things I don't like, or the Democrats have to accept some things that they don't like, in exchange for moving us in the direction of energy independence, then that's something I'm open to."

McCain also would be "open to compromise packages" on energy, aide Nancy Pfotenhauer said Sunday on CNN's Late Edition.

The Senate measure, unveiled Friday by five Democrats and five Republicans, would give states the final say in drilling 50 miles or more from shore on the Outer Continental Shelf. It also would repeal a key tax break for oil companies, expand funding for alternative-fuel vehicles and extend tax credits to promote alternative and efficient energy.

Pelosi called proposals to allow more offshore drilling a deceptive "decoy" rather than a solution and indicated she would bar a vote on any bill that included it. "I'm not giving the gavel away to a tactic ... that supports the oil (companies), big oil at the cost and the expense of the consumer," she said on ABC's This Week.

The House started a five-week summer recess Friday despite Republican demands for a vote on lifting the federal ban on offshore drilling. House Republican Leader John Boehner of Ohio said GOP representatives would be on the House floor today to protest the lack of action.

Pelosi's hard line is good news for Obama, said Thomas Mann, a congressional analyst at the Brookings Institution. Her action "basically cools the passion of environmentalists, knowing it's not going anywhere, while he (is) open to compromise on a comprehensive package that would achieve many other objectives," Mann said. "It allows him to effectively have it both ways."

A USA TODAY/Gallup Poll taken July 25-27 found that Americans by numbers approaching 2-1 would be more likely to support a candidate who backs expanded offshore drilling.

McCain had opposed new offshore drilling but announced in June he would support it because of rising energy costs. Connecticut Sen. Joe Lieberman, an independent and former Democrat who backs McCain, said the switch demonstrated the Arizona senator's decisiveness in responding to a crisis.

In contrast, "Barack Obama says this weekend 'maybe,' 'eh,' and 'if, but,'" Lieberman said on NBC's Meet the Press. "He did not come out with a strong decision."

Massachusetts Sen. John Kerry, an Obama supporter, replied that the Illinois senator was ready to "break America's gridlock by honoring a bipartisan effort."

Shell's new president planning for future

New Orleans Business News, August 3, 2008;

http://www.nola.com/business/index.ssf/2008/08/course_gives_teens_reality_che.html

The new head of Shell Oil Co. sees heightened oil and gas production, increased reliance on alternative forms of energy and conservation as ways of resolving the nation's energy crisis.

Marvin Odum also expects New Orleans, the city in which he started his career, to continue to play an important role in meeting the country's energy needs.

Odum, 49, succeeded the retiring John Hofmeister as president of Shell Oil, the U.S. holding company for Royal Dutch Shell, in June.

In an interview in New Orleans last week, Odum said one of his top priorities will be addressing the energy crisis and the resulting run-up in retail gasoline prices.

"We cannot miss this opportunity to get a real energy strategy for the United States," Odum said. "It's impacting people. It's on the top of the agenda. I think what happens in the next few years will be very important."

Finding solutions

The problem, according to Odum, is one of supply and demand. Global energy demand is accelerating at the same time conventional supplies of oil are in decline.

"We're at the point now where, with geopolitical disruptions, those (supply and demand) lines sometimes cross," he said. "That's what drives prices. It's just a plain and simple supply and demand market equation."

Opening up more access to conventional oil and gas would be a step toward bolstering energy supplies, Odum said. Some lawmakers are pushing Congress to lift a ban on offshore drilling in portions of the Outer Continental Shelf.

"That's the type of thing that will get more production," Odum said. And "it can be done in a way that does protect the environment."

Critics of offshore drilling have raised concerns about its impact on the environment, but Odum maintains that drilling can be done safely to prevent spills and contamination even during storms as powerful as Katrina and Rita.

"We didn't spill a drop of oil" during those storms, he said. "Industry needs to do a better job of helping people understand that they don't need to be worried."

Jump-starting production by lifting the ban will not provide immediate relief, because it could take as many as 10 years for energy companies to identify new sources of oil and bring them online, Odum said.

Still, production could get up and running fairly quickly in areas near existing platforms, said John Felmy, chief economist of the American Petroleum Institute.

And the futures market on which oil is traded and priced could react swiftly to a rollback of the ban on offshore drilling.

"If the market suddenly came to the conclusion that the U.S. is changing its policy .¥.¥. you might see impacts on the futures market fairly quickly," Felmy said.

Odum also sees increased reliance on alternative forms of energy -- wind, solar and biofuels in particular -- as a long-term approach to reducing the nation's dependence on oil.

Many of the leading forms of alternative energy are still heavily subsidized. But with the right government policy, it is possible that by the middle of the century, 35 to 40 percent of the world's fuel mix would come from alternative fuels, Odum said.

"We see the full suite of alternative energies being a big part of the future," Odum said. And "as world demand continues to rise, there's a case that can be made that says even with all those (alternative) fuels, we still can't keep up."

Felmy agrees.

"We're going to need all forms of energy," Felmy said. "It's all going to play a role."

But while alternative fuels will reduce the nation's dependence on oil, they will not provide relief at the gas pump.

"These alternatives (generate) electricity .¥.¥. they will have no impact on the (gasoline) market because we don't have electric cars," Felmy said.

The only immediate way to relieve the country's dependence on oil, Odum said, is to take steps as a nation to use less energy.

Louisiana key player

Louisiana and the Gulf Coast will continue to play an important role in the nation's energy system, said Odum, a native Houstonian who spent the first four years of his career working as an engineer for Shell in New Orleans.

Some 25 percent of the nation's domestic energy production comes from the Gulf of Mexico, and Odum expects the Gulf to be a hotbed of exploration activity for years to come.

After Katrina, Shell made a very public commitment to New Orleans when it reopened its offices in the heart of the city's business district and moved 1,000 employees back from a post-storm deployment in Houston.

"We made the distinct choice to come back" after Katrina, Odum said. "We've chosen to be here and develop a workforce here. People said (we) wouldn't be able to get the people here, but we have."

Eric Smith, clinical professor of finance and associate director of the Entergy-Tulane Energy Institute at Tulane University, said Shell's decision to maintain a strong presence in New Orleans even as other energy companies moved jobs to Houston has been important.

"Shell carries a lot of weight," Smith said. "Will (the company's presence) attract another big company? Probably not." But smaller spinoff companies tend to take root around major energy companies like Shell with the intention of exploring territories the larger corporation does not go after.

Shell's presence also gives local energy service and energy supply companies an incentive to stay in New Orleans, Smith said.

But Shell's decision to remain in the city is not just a goodwill gesture. Because of its location, the city has a base of geologists and reservoir engineers who are experts on the Gulf's geology.

"It's in Shell's interest to keep the geophysicists and geologists close to the territory they know best," Smith said. "To take one of these guys out of Louisiana and plunk them down in Colorado" would not make sense.

"We have a tremendous wealth of experience and ability in this state," said Larry Wall, spokesman for the Louisiana Mid-Continent Oil & Gas Association, a group that represents the state's energy industry. "There are supply companies and service companies that can be a major asset for companies working in the Gulf. The infrastructure is here. The people are here."

That said, the pull of Houston, which is increasingly becoming the global headquarters of the energy industry, is hard for many companies in the oil and gas sector to resist.

"Houston has sort of evolved into this machine for doing the oil and gas business," Smith said.

Odum expects there to continue to be a shuffling of energy sector jobs between the two cities.

"(I think you'll) continue to see some back and forth between here and Houston," he said.

But Odum said he plans to maintain Shell's presence in the Crescent City.

"We've found it to be an advantage, because we look different than other energy companies," he said. "We think we made a very good decision."

Oil exploration may be on horizon for Georgia Bipartisan Senate effort would let several states allow drilling 50 miles off shores

Atlanta Journal Constitution, August 2, 2008;

http://www.ajc.com/food/content/news/stories/2008/08/01/georgia_offshore_drilling.html

By MARILYN GEEWAX, STACY SHELTON

With the Senate at an impasse over oil drilling, five Democrats and five Republicans led by Sen. Saxby Chambliss (R-Ga.) stepped forward Friday to offer a compromise for solving the nation's energy problems.

[Submit your comments below.]

Their proposal would let Georgia, the Carolinas and Virginia permit drilling on the Outer Continental Shelf off their coastlines and open up parts of the Gulf of Mexico. It also would promote conservation and help pay for the transition to alternative fuels and more efficient technologies.

The bipartisan coalition, calling itself the "Gang of 10," began assembling six weeks ago, said Chambliss, who initiated the effort. Chambliss, who is running for re-election this year, said he reached out to key Democrats because "it was pretty obvious there are a lot of common areas we agree on."

Congress must find a way to pass legislation to reduce energy prices, because "we are certainly in a crisis," Chambliss said at a news conference.

The Gang of 10 wants Congress to relax the federal moratorium on seeking and producing oil and natural gas offshore while making a far greater effort to move the country away from oil dependence.

The 10 senators did not offer specific legislation, but rather a framework for compromises. They want staffers to hammer out legislative language for what they dubbed the "New Energy Reform Act" during the five-week congressional recess, which began Friday.

When they return in September, the senators plan to hold a summit where lawmakers can plan a quick way forward for the bill, rather than rely upon the slow committee process.

"We're open for discussion" about what to include in the legislation, Chambliss said. "We're very hopeful" it could get done this year, he said.

Gang of 10 member Sen. Johnny Isakson (R-Ga.) said lawmakers will be motivated once they spend time talking with constituents about gasoline prices. "The driving force is the price of gas," he said.

In the House, a similar plan for bipartisan cooperation on energy was unveiled Thursday by Rep. Neil Abercrombie (D-Hawaii) and Rep. John Peterson (R-Pa.). Chambliss said he was aware of their efforts, but he has not yet begun trying to work with them.

But as Congress' summer business drew to a close, many senators and House members appeared far from being ready to jump aboard the bipartisan peace train.

In fact, the feuding was so severe in the House that Republicans, including Reps. Lynn Westmoreland of Coweta County and Tom Price of Roswell, refused to leave the chamber.

A small group of disgruntled Republicans kept making speeches, demanding that House Speaker Nancy Pelosi (D-Calif.) hold an emergency session this month to vote on drilling.

"Bring the Congress back," said Minority Leader John Boehner (R-Ohio). "Let's have a real up-or-down vote."

The Gang of 10's Senate proposal has three main components. It would:

- Boost domestic energy production by giving the legislatures of Georgia, the Carolinas and Virginia the power to permit oil drilling 50 miles off their shores. It also would open more of the Gulf of Mexico to drilling and encourage the expansion of nuclear power and other types of energy.
- Provide tens of billions of dollars for research and development of alternative energy technologies. It would help auto companies with retooling and give consumers tax credits for buying fuel-efficient vehicles.
- Boost conservation through new tax credits and research funding.

Sen. Kent Conrad (D-N.D.), a group member who chairs the Senate Budget Committee, said the \$84 billion cost of the proposals would be offset by cutting oil and gas companies' current tax breaks.

Chambliss said the group avoided hot-button issues such as drilling in the Arctic National Wildlife Refuge or cracking down on oil speculation.

Senate Majority Leader Harry Reid (D-Nev.) issued a statement saying the group had put forth "some very good ideas" and praised the "bipartisan spirit."

Still, getting a majority to agree on drilling may be very difficult. Chambliss, Isakson and Georgia Gov. Sonny Perdue all support drilling.

But Sen. Mel Martinez (R-Fla.) issued a statement saying the Gang of 10's plan wouldn't fly in his state because it does not give the Legislature control over the drilling.

"Unfortunately, the proposal would eliminate Florida's 2006 Gulf protections and give Floridians absolutely no voice in determining where exploration could occur," he said.

This week, Secretary of the Interior Dirk Kempthorne announced a new plan to offer offshore drilling leases in currently banned areas, including Georgia, as early as 2012 if Congress lifts the ban. A 45-day public comment period on the proposal started Friday.

According to the Interior Department, the banned areas contain 18 billion barrels of oil and 76 trillion cubic feet of natural gas in "yet-to-be-discovered fields."

But Jim Henry, a semiretired coastal geologist, recently told the Savannah Morning News that surveys and drilling by oil companies in the 1970s, before the activity was banned, didn't turn up anything promising. "They just kind of gave up on finding any quantitative results," Henry said.

Georgia's environmental groups oppose offshore drilling.

Georgia Conservancy Vice President Patty McIntosh, who works on the coast, said there's a "misconception" that offshore means the coastline will be unaffected.

In Louisiana, on-shore and near-shore infrastructure to support drilling rigs has "ripped the marshland to shreds," she said. "We as a state have declared our coastal marshlands and estuaries as valuable resources. Why would we do something that is so short-sighted with the risk of compromising those?"

Lindsay Thomas, senior vice president of governmental affairs for Atlanta-based AGL Resources, parent of Atlanta Gas Light, said the company believes the moratorium should be lifted.

Thomas, a former congressman whose district included the Georgia coast, said individual states should be able to decide whether they want to drill off of the coastline.

But "nobody can do anything as long as you have this monstrous federal moratorium," he said.

— Staff writer Kristi E. Swartz contributed to this article.

A Push to Wrest More Oil From Land, but Most New Wells Are for Natural Gas

NYT, August 3, 2008; <http://www.nytimes.com/2008/08/03/us/03drill.html?ref=business>

By FELICITY BARRINGER

With the advent of \$4-a-gallon gasoline has come a bruising debate in Congress over whether to intensify efforts to drill on federal lands, including part of the Arctic National Wildlife Refuge in Alaska. But while those hoping to lower prices at the pump are clamoring for new oil, most of the new onshore drilling of the past seven years has produced natural gas, not oil.

The Bush administration, in its effort to expand energy production, has issued more than three times the number of well-drilling permits on Western lands as in the Clinton administration's last six years. But oil production in that region during the Bush years is 12 percent below average levels from the Clinton era, according to federal data.

Oil production declined over all to an average of 97.9 million barrels annually from 2001 through 2006, compared with average levels of 111.5 million barrels during the Clinton administration.

Drilling in the West is more likely to provide natural gas. Natural gas production has increased by 34 percent during President Bush's term in office, compared with the annual production levels during President Bill Clinton's term. On federal land in the West, average natural gas production during the first six years of this presidency was 2.4 billion cubic feet annually, up from 1.8 billion, on average, during the previous eight years, federal data show.

The wellhead price of natural gas is about five times higher than it was in the 1990s.

The increased production of natural gas from federal lands, in general, puts downward pressure on natural gas prices because the North American gas market is largely isolated from the larger world market. New oil production usually does not depress prices locally, since oil is shipped by tanker in a worldwide market.

The Energy Task Force convened by Vice President Dick Cheney in 2001 called for expanded production on federal lands and offshore; these figures, drawn from the data of the federal Minerals Management Service and analyzed by the Environmental Working Group, a research and advocacy organization based in Washington, give a partial sense of how the task force's priorities have been carried out, and to what effect.

"You have to start with the recognition that most wells drilled in the Rockies are not oil wells — they are gas wells," said Porter Bennett, the president and chief executive of Bentek Energy, one of the industry's largest research firms. "There would never be an expectation of huge returns on the oil side," he added.

Dusty Horwitt, a senior analyst for public lands at the Environmental Working Group, said that opening more lands to drilling would not bring down the price of natural gas. "We've turned our Western lands into a pincushion and gasoline is \$4 a gallon and the price of natural gas has gone through the roof," he said. "What these data show is that conservation and renewable energy are likely to be the solution to our energy woes."

Mr. Horwitt added, "On the oil side, the data show that there's just not that much oil out there in the West."

More of the nation's oil reserves are located in Texas (23 percent), offshore (19 percent), Alaska (18 percent) or California (16 percent), according to the federal Energy Information Administration. And the biggest onshore discoveries — like the Bakken field in western North Dakota and eastern Montana — are mostly not under federal land.

Last month, Mr. Bush lifted the executive prohibitions on drilling on the outer continental shelf, urging Congress to rescind its ban as well. For the last three years, offshore wells have supplied about 32 percent of the nation's total oil production.

However modest the Rockies' contribution may be, they are the place where the impact of the rapid expansion of energy drilling infrastructure can best be measured, both in terms of energy production and environmental impacts.

Colorado, New Mexico, Utah and Wyoming together contain about 10 percent of the nation's oil reserves and about 30 percent of natural gas reserves. About 90 percent of onshore federal drilling permits were issued there in the 2007 fiscal year, according to federal public lands data analyzed by the Wilderness Society.

The environmental effects have been palpable. The expansion of the energy industry has subdivided parts of western Wyoming and western Colorado into a rabbit warren of wellheads and roads. The Pinedale, Wyo., area had its first ozone alerts last winter, thanks to a combination of factors: natural gas flaring from scores of wells, increased vehicle traffic associated with drilling activities and seasonal temperature inversions. One study showed that the mule deer herd that migrates near Pinedale declined by nearly half from 2000 to 2005.

Brian A. Rutledge, the executive director of Audubon Wyoming, said that in energy-drilling areas around the state sage grouse populations had declined by more than 80 percent in the last seven years.

Industry representatives and their Republican supporters in Congress argue that companies do observe environmental safeguards, like closing some areas to drilling seasonally to protect wildlife. Environmental concerns, environmental reviews and lawsuits can hold up drilling five to eight years after a lease has been awarded, they say.

"If you restrict drilling," said Mr. Bennett of Bentek, "you'll go from a situation where we're growing one billion cubic feet in production a day to a situation where you're flat or declining in two years" — as happened in the Powder River basin six years ago after environmental restrictions tightened.

Industry representatives argue that the high prices, and the technical skills learned in recovering hard-to-retrieve oil in places like Texas, provide an opportunity to find oil and natural gas that would not have seemed worth the trouble a few years ago.

Marc Smith, the executive director of the Independent Petroleum Association of the Mountain States, said that in the last six years more than \$20 billion had been invested in his region to increase energy production.

"Because we are a frontier region," Mr. Smith said, "it's heavier lifting to build the infrastructure to ship energy from where it's produced to where it's needed."

Also, Pete Stark, of the energy analysis firm IHS, said: "It takes an increasing number of wells to be drilled each year to replace lost production. The industry is running very hard just to stay in place."

But for all this activity, the Wilderness Society says, in a state like Colorado, where 4.9 million acres are leased out, just 1.4 million acres are under production. And of 7,124 drilling permits approved on public lands in fiscal year 2007, only 5,343 wells were drilled. Whether the cause of the lag time between leasing federal lands and producing oil and natural gas is due to environmental restrictions or strategy by energy companies, the delays mean that "opening protected areas of the coasts or public lands to new leasing is not going to lower the price of gasoline," said David Alberswerth, a senior policy adviser at the Wilderness Society.

But Richard Ranger, a senior policy adviser with the American Petroleum Institute, takes the long view.

"There is obviously in the Rockies a tremendous amount of industry investment," he said. "It is reasonable to expect that surge will bear fruit with new production over the coming decade."

It's Boom Time for Oil in the Gulf of Mexico, Despite a Ban on Drilling in Many Areas

US News & World Report, August 1, 2008; <http://www.usnews.com/articles/news/national/2008/08/01/its-boom-time-for-oil-in-the-gulf-of-mexico-despite-a-ban-on-drilling-in-many-areas.html>

Even as Republicans clamor for more, it's rarely been busier for offshore oil drilling
By Kent Garber

Voters listening to John McCain and Barack Obama debate the question of offshore drilling might come away with the impression that oil production in the United States depends on a single issue: keeping or removing a congressional moratorium that prohibits new offshore drilling along 85 percent of the Outer Continental Shelf. They might also get the impression that because the moratorium is in place, nothing much new is happening.

Neither conclusion is true.

The Gulf of Mexico, which is responsible for more than a quarter of the country's domestic oil supply, is actually in the midst of a drilling boom.

Oil companies are snatching up a slate of newly available leases. Indeed, three weeks from now, at a planned auction at the Royal Sonesta Hotel in New Orleans, the federal government will accept bids from oil companies on leases to 18 million acres in the Gulf of Mexico. The tracts, according to estimates, could potentially yield more than 400 million barrels of oil. When two similar sales were held back in March, bidders forked over a record \$3.5 billion for drilling rights to more than 30 million acres.

In addition, new technology is allowing them to push further into deeper water. And oil production is up, despite continuing equipment shortages.

Even as McCain campaigns on a pledge to end the moratorium and Obama defends the ban, a bidding war for rights to millions of acres in the gulf is quietly unfolding. Each year, the government holds a handful of lease sales. The leases aren't permanent—many are issued for 10-year periods. As it happens, 1997 and 1998 were big years for leases, so in the past two years, "a lot of those leases were turned back," says Eileen Angelico of the Minerals Management Service, the Interior Department office that handles offshore leasing.

Many of these leases, in fact, became "inactive" over the past 10 years, meaning that oil companies let them idle while pursuing other projects or waiting for exploratory costs to fall or scarce equipment to become available. In 2007, the number of new leases jumped by about 25 percent from the previous two years, to 1,005, according to data compiled by GOMExplorer, which gathers data on the gulf's oil and gas industry.

The leases have also gotten pricier. For a single tract, the average "high," or winning, bid this year has been about \$6 million, compared to \$4 million last year, and less than \$1 million earlier in the decade.

The growing popularity of deepwater drilling has helped to fuel the rising bids. The first deepwater oil field, the Shell Cognac, didn't come online until the late 1970s, and in the 1980s and 1990s, deepwater development was slow.

But new technology, rising oil prices, and the inexhaustible quest for new wells has lit up the pace. A government report, released in May, found that 72 percent of all drilling in the Gulf of Mexico in 2007 took place in deepwater. The number of deepwater projects has more than doubled since 2002. According to estimates from the oil giant BP, only about 2 percent of the nation's domestic oil supply came from deepwater in 1995. Today, almost 20 percent does.

Not surprisingly, oil companies would like to see Congress step in and open up more areas to leasing. "What you have is a scarcity of resources," says Dory Stiles, investor relations manager for Murphy Oil Corp. "Companies are looking for more opportunities to explore."

There are some serious constraints to expanded drilling, however, including labor and equipment shortages. Only a limited number of shipyards, scattered throughout the world, are capable of building the necessary \$700 million-dollar drilling rig, and many of the rigs that are being built are going to Brazil, West Africa, and Southeast Asia, where the oil business is also booming. Though a record number of rigs are under construction, the tight supply of equipment would constrain exploration and drilling even if Congress were to open up more acres.

As many as two thirds of Americans say they are in favor of more drilling in off-limit areas, mainly out of hope that gas prices will fall as a result. Most economists reject this logic, but public sentiment has been a boon to Republican politicians, who have been calling loudly in recent weeks for the removal of the moratorium. Some Democrats, sensing voter revolt, have suggested that Congress open up acres in the eastern Gulf of Mexico, among other places.

But with Congress heading off to its August recess, the debate will continue between Obama and McCain.

Kempthorne starts preparation of next OCS 5-year plan

Oil & Gas Journal, July 31, 2008; http://www.ogj.com/display_article/335884/7/ONART/none/GenIn/1/Kempthorne-starts-preparation-of-next-OCS-5-year-plan/

Nick Snow
Washington Editor

WASHINGTON, DC, July 31 -- Citing dramatically higher prices, US Department of the Interior Secretary Dirk A. Kempthorne started the Minerals Management Service's next 5-year Outer Continental Shelf lease plan preparation 2 years ahead of schedule.

"When our current 5-year plan was launched in July 2007, oil was selling for \$64/bbl. Today, a barrel of oil costs more than \$120, almost double the price a year ago. Clearly, today's escalating energy prices and the widening gap between US energy consumption and supply have changed the fundamental assumptions on which many of our decisions were based," he said July 30.

"Areas that were considered too expensive to develop a year ago are no longer necessarily out of reach based on improvements to technology and safety. The American people and [US President George W. Bush] want action and this initiative can accelerate an offshore exploration and development program that can increase production from additional domestic energy resources," Kempthorne said.

He said he directed MMS to take the initial steps by issuing a call for information from all parties on what the next 5-year OCS leasing plan should consider. It is seeking comments to ensure all interest and concerns are considered, Kempthorne said. The governors of all 50 states will be specifically asked for their comments, particularly on issues unique to each state, he indicated. The call for information will appear in the Aug. 1 Federal Register. Comments will be accepted through Sept. 15.

"The president believes coastal states should have a voice in how OCS resources are developed off their shores while ensuring those environments are protected. Also, Congress should provide a way for the federal government and states to participate in revenue sharing from those new leases," Kempthorne said.

'Send a clear signal'

On July 14, Bush lifted the executive OCS withdrawal which his father, President George H.W. Bush, instituted 18 years earlier, but congressional oil and gas leasing moratoriums which have been in place for up to 26 years in some cases remain on 85% of the OCS. "Now, it's up to the United States Congress to make a decision as to whether or not you're going to continue to face high gasoline prices at the pump or whether or not the United States will send a clear signal to the world that we're tired of being dependent on oil from overseas and we're going to find it right here," the current president told an audience in Euclid, Ohio, on July 30.

President Bush said, "The American people must understand that new technologies make it easier to protect coral reefs, for example, when we drill offshore. New technologies enable us to explore for oil and gas in ways that were not possible 20 years ago. You can have one platform and directionally drill from it. So I signed an executive order that said: Why don't we explore for oil and gas offshore? If we've got a problem with not having enough oil, let's go after some right here in the United States of America in environmentally friendly ways."

The current 5-year OCS plan runs from July 1, 2007, through June 30, 2012, and includes 21 lease sales in eight of the 26 OCS planning areas in the Gulf of Mexico, Alaska, and the Atlantic Ocean, according to DOI. It does not include any areas covered by congressional bans with the exception of a single sale in 2011 off Virginia which MMS added after the state included possible OCS activity in a comprehensive energy strategy Gov. Timothy M. Kaine signed into law in early 2006.

Kempthorne noted that the next 5-year OCS plan could consider any part of the OCS although leasing of any area currently covered by a moratorium would require congressional action. Currently banned OCS portions contain an estimated 18 billion bbl of oil and 76 tcf of natural gas, according to DOI.

It said that Kempthorne used authority under the 1978 OCS Lands Act Amendments which allows the Interior secretary to develop "out of cycle" leasing programs and requires various procedural steps, including several public

comment rounds and multiple environmental reviews. The call for information will appear in the Aug. 1 Federal Register. Comments will be accepted through Sept. 15.

Initial reactions

National Ocean Industries Association Pres. Tom Fry, a former director of MMS and the US Bureau of Land Management, said Kempthorne's action will allow DOI "to reverse two decades of poor public policy where we have refused to even consider the energy available on the vast majority of our public submerged lands." Fry said, "It's as if we've been bypassing several large grocery stores with a wide selection to shop instead at a small convenience store with a limited selection."

Fry said the OCS's energy resources are vital to US economic prosperity, and safety records show that they can be produced in an environmentally responsible manner. "Now, with global demand for oil increasing, gasoline prices soaring and an American public looking for relief at the pump, we must consider the entire offshore area that is owned by all the American people," he said.

The Institute for Energy Research (IER) applauded DOI's plan to include OCS areas currently under moratoriums in its next 5-year leasing plan. IER Pres. Thomas Pyle said, "Assuming the congressional ban expires, this decision sets the stage for the opening of hundreds of millions of offshore federal lands that have never been explored for their energy potential. It's the kind of proactive step we rarely see the government take, but given the urgent need to increase domestic energy supplies, it's the right thing to do. The United States has been fighting its economic and energy battles with one hand tied behind its back for too long."

US Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM), said, "This is very good news. The administration has embraced the proposals that Senate Democrats have been calling for all this week. Recently, I praised Secretary Kempthorne for speeding up lease sales in the National Petroleum Reserve-Alaska. Secretary Kempthorne appears to be using his authority wisely."

An 'unworthy' hoax

Other congressional Democrats reacted more to Bush's remarks than to Kempthorne's action. US House Speaker Nancy Pelosi (D-Calif.) called the president's proposals to expand OCS oil and gas leasing "a hoax unworthy of the serious debate we must have to relieve the pain of consumers at the pump and to promote energy independence...." She said, "Americans know that, thanks to the two oilmen in the White House, consumers are now paying \$4/gal for [gasoline]. But what Americans should realize is that what the president is calling for is drilling as close as 3 miles off of America's pristine beaches and in other protected areas."

US Senate Majority Leader Harry M. Reid (D-Nev.), noted: "If the president truly cares about Americans paying record-high energy prices to fill their tanks and heat their homes and wants to make them more secure, he can release oil from the Strategic Petroleum Reserve, accelerate production in the 68 million acres already open for drilling, open up new leases in areas that are not environmentally protected, crack down on greedy oil traders who artificially inflate energy prices, and support efforts in Congress to extend renewable energy tax credits that spur investment in clean energy sources. Unfortunately, he has shown no interest in doing anything but continuing more of the same failed policies that have produced the highest oil and gas prices ever."

Congressional Republicans continued to press Pelosi and Reid (D-Nev.) to allow votes on proposals to remove leasing bans on the OCS and elsewhere before Congress recesses on Aug. 1. House Minority Leader John Boehner (R-Mo.) said, "The American people understand that the only ones standing in the way of lower [gasoline] prices are the Democrats in charge of Congress. Rank-and-file Democrats have a choice this week: Vote to leave town for 5 weeks, or join us in demand a vote."

Senate Minority Leader Mitch McConnell (R-Ky.) said, "The Democrat leadership has already tried to take us off this issue four times in the last five days. About eight in 10 Americans disagree with them. The American people think \$4/gal gasoline is a crisis that must be dealt with now."

After the House formally voted to adjourn a week earlier than originally scheduled, Republican Conference Chairman Adam Putnam (Fla.) said Democrats "should be held in contempt for voting to skip town without dealing with America's energy crisis," adding, "Democrats are out of touch, out of support, out of excuses and out of time."

Washington Post, August 1, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/31/AR2008073102824.html>

By Charles Krauthammer
Friday, August 1, 2008; A17

House Speaker Nancy Pelosi opposes lifting the moratorium on drilling in the Arctic National Wildlife Refuge and on the Outer Continental Shelf. She won't even allow it to come to a vote. With \$4 gas having massively shifted public opinion in favor of domestic production, she wants to protect her Democratic members from having to cast an anti-drilling election-year vote. Moreover, given the public mood, she might even lose. This cannot be permitted. Why? Because, as she explained to Politico: "I'm trying to save the planet; I'm trying to save the planet."

A lovely sentiment. But has Pelosi actually thought through the moratorium's effects on the planet?

Consider: 25 years ago, nearly 60 percent of U.S. petroleum was produced domestically. Today it's 25 percent. From its peak in 1970, U.S. production has declined a staggering 47 percent. The world consumes 86 million barrels a day, the United States, roughly 20 million. We need the stuff to run our cars and planes and economy. Where does it come from?

Places such as Nigeria, where chronic corruption, environmental neglect and the resulting unrest and instability lead to pipeline explosions, oil spills and illegal siphoning by the poverty-stricken population -- which leads to more spills and explosions. Just this week, two Royal Dutch Shell pipelines had to be shut down because bombings by local militants were causing leaks into the ground.

Compare the Niger Delta to the Gulf of Mexico, where deep-sea U.S. oil rigs withstood Hurricanes Katrina and Rita without a single undersea well suffering a significant spill.

The United States has the highest technology to ensure the safest drilling. Today, directional drilling -- essentially drilling down, then sideways -- allows access to oil that in 1970 would have required a surface footprint more than three times as large. Additionally, the United States has one of the most extensive and least corrupt regulatory systems on the planet.

Does Pelosi imagine that with so much of America declared off-limits, the planet is less injured as drilling shifts to Kazakhstan and Venezuela and Equatorial Guinea? That Russia will be more environmentally scrupulous than we in drilling in its Arctic?

The net environmental effect of Pelosi's no-drilling willfulness is negative. Outsourcing U.S. oil production does nothing to lessen worldwide environmental despoliation. It simply exports it to more corrupt, less efficient, more unstable parts of the world -- thereby increasing net planetary damage.

Democrats want no oil from the American OCS or ANWR. But of course they do want more oil. From OPEC. From where Americans don't vote. From places Democratic legislators can't see. On May 13 Sen. Chuck Schumer -- deeply committed to saving just those pieces of the planet that might have huge reserves of American oil -- demanded that the Saudis increase production by a million barrels a day. It doesn't occur to him that by eschewing the slightest disturbance of the mating habits of the Arctic caribou, he is calling for the further exploitation of the pristine deserts of Arabia. In the name of the planet, mind you.

The other panacea, yesterday's rage, is biofuels: We can't drill our way out of the crisis, it seems, but we can greenly grow our way out. By now, however, it is blindingly obvious even to Democrats that biofuels are a devastating force for environmental degradation. It has led to the rape of "lungs of the world" rain forests in Indonesia and Brazil as huge tracts have been destroyed to make room for palm oil and sugar plantations.

Here in the United States, one out of every three ears of corn is stuffed into a gas tank (by way of ethanol), causing not just food shortages abroad and high prices at home but intensive increases in farming, with all of the attendant environmental problems (soil erosion, insecticide pollution, water consumption, etc.).

This to prevent drilling on an area in the Arctic one-sixth the size of Dulles Airport that leaves undisturbed a refuge one-third the size of Britain.

There are a dizzying number of economic and national security arguments for drilling at home: a \$700 billion oil balance-of-payments deficit, a gas tax (equivalent) levied on the paychecks of American workers and poured into the treasuries of enemy and terror-supporting regimes, growing dependence on unstable states of the Persian Gulf and Caspian basin. Pelosi and the Democrats stand athwart, shouting: We don't care. We come to save the planet!

They seem blissfully unaware that the argument for their drill-there-not-here policy collapses on its own environmental terms.

Delaware officials approve offshore wind farm

Forbes, August 1, 2008; <http://www.forbes.com/feeds/ap/2008/08/01/ap5279545.html>

DOVER, Del. - State officials approved an agreement between Delmarva Power and a wind farm developer that could lead to the nation's first offshore wind farm off the Delaware coast.

The agreement between Delmarva, a subsidiary of Pepco Holdings Inc. (otcbb: PMLCP.OB - news - people), and Bluewater Wind LLC was unanimously approved on Thursday by the Public Service Commission and representatives of three other state agencies.

The agreement, which follows months of conflict and negotiations between the two companies, calls for Delmarva to buy up to 200 megawatts of power annually for 25 years from a wind farm about 12 miles off Rehoboth Beach.

"History is being made today," said state budget director Jennifer Davis, whose approval, along with that of state environmental secretary John Hughes and controller general Russ Larson, was required for the project to move forward.

Commission chairwoman Arnetta McRae said the public, who provided a vocal counterpoint to Delmarva's initial opposition, had "a profound influence" in an agreement being reached. That sentiment was shared by Bluewater spokesman Jim Lanard.

"This has been a long process. It's been an education for all of us," Lanard said.

Delmarva had lobbied heavily against a state directive to enter into a power purchase agreement with Bluewater, claiming it would burden its customers with costly premiums and that land-based wind power from other states was more affordable. Bluewater had argued that Delmarva deliberately misstated facts and ignored public sentiment in an effort to kill the proposal.

The dispute led the commission and the three state agencies late last year to postpone a vote on a power purchase agreement.

The revised agreement is a scaled-down version of the proposal presented last year, which called for a 150-turbine, 450-megawatt wind farm. The revised plan calls for about 60 wind turbines initially, with Delmarva buying about half of the amount of electricity suggested under the earlier proposal, and at a lower price per megawatt hour. The price drop is due to a reduction in how much Delaware customers will pay for renewable energy credits. The impact on customers also has been lessened by the spreading the costs among all Delmarva customers, not just standard residential customers.

Lanard said Bluewater hopes to expand the wind farm to 450 megawatts, as initially proposed, by attracting other customers in the region. He noted that Maryland Gov. Martin O'Malley has expressed interest in the project.

Meanwhile, Bluewater is working with regulators in New Jersey and Maryland on separate proposals for wind farms off the coasts of Atlantic City, N.J., and Ocean City, Md.

Bluewater officials also are poring over the federal government's recently proposed rules for regulating alternative energy production activities, such as the proposed wind farm, on the outer continental shelf.

Lanard said Bluewater has initial concerns about proposed royalty payments to the government for leasing production sites, noting that unlike oil, wind can't be depleted.

"There are some challenges there ... but it's not a deal killer," he said.

In approving the Delaware wind farm, state officials decided to begin separate discussions on whether a backup natural gas facility that was part of the original proposal is still needed. Delmarva Power has said no backup is needed, given the project's reduced size and plans for three land-based wind farms in Maryland and Pennsylvania that would supply energy to its customers in Delaware.

Nelson: No offshore drilling

Northwest Florida Daily News, August 1, 2008;

http://www.nwfdailynews.com/news/drilling_9833_article.html/moratorium_gulley.html

Tom McLaughlin

July 31, 2008 - 7:15PM

U.S. Sen. Bill Nelson vowed Thursday to "take whatever action is necessary" to halt the Interior Department from preparing plans to drill for oil and natural gas off the nation's coast.

Under the plan, the U.S. Minerals Management Service would begin plotting areas now protected from drilling to offer for sale under a five-year plan.

The maps would presumably include areas in the eastern Gulf of Mexico now protected by a moratorium.

The moratorium bans drilling within an invisible "military mission line" that extends south from Hurlburt Field to include the entire gulf to Florida's west coast.

Nelson spokesman Bryan Gulley said the Interior Department's announcement - coming a year after the last Mineral Management Service five-year plan was published - is suspiciously timed.

"It is unprecedented for an administration on its way out to embark on a plan for a new drilling plan that wouldn't go into affect until 2012 anyway," Gulley said.

He said Nelson, a Democrat, has called for a meeting with Interior Secretary Dirk Kempthorne.

Gulley said that if Nelson can't change Kempthorne's mind, "no options are off the table, including legislation or legal means" to halt the planning.

Kempthorne told reporters the planning, which assumes existing moratoriums on offshore drilling eventually will be lifted, would give the next presidential administration a two-year head start on putting together a new five-year plan to sell oil leases.

Kempthorne's action comes as congressional Republicans are pushing Democrats to vote to remove an existing congressional moratorium on drilling. Lawmakers must vote by Sept. 30 to retain the moratorium if it is to remain in place.

Gulley said Republicans are threatening to suspend voting on a temporary spending resolution if Democrats don't agree to end the moratorium. That move, Gulley said, could potentially shut down the government before the end of the year.

U.S. Rep. Allen Boyd, a Democrat who represents Florida's second district, said through a spokeswoman Thursday that he supports "responsible" oil drilling "outside of the military mission line."

U.S. Rep. Jeff Miller was not available for comment.

Gulley said even if the moratorium on drilling is removed, a third moratorium sponsored by the Florida congressional delegation in 2006 protects state waters in the eastern gulf within 125 miles of the coast until 2022.

Offshore Drilling Claims Are a Political Hoax: John M. Berry

Bloomberg, Aug 1, 2008;

http://www.bloomberg.com/apps/news?pid=20601039&refer=columnist_berry&sid=air. Othgtuc

Aug. 1 (Bloomberg) -- It's absurd to argue that ending the moratorium on drilling off parts of the U.S. coasts would quickly bring down the high price of gasoline.

This chimera is being touted by President George W. Bush and other Republican politicians, including the party's presumptive presidential nominee, Senator John McCain of Arizona, to deflect blame for what it's costing for a fill-up.

To get around the fact that it would be a decade or more before any oil would be likely to flow, a few partisan analysts have said that the cost of gasoline would fall right away. They argue that the prospect of additional oil supply in the future would lead oil companies to produce more oil immediately because they would expect prices for crude to be lower later on.

Well, wouldn't that depend on whether a producer had the capacity to pump more oil today, and whether it thought lifting the moratorium would add a significant amount of oil to future supply relative to future demand?

There are good reasons to question whether another 1 million or 2 million barrels of crude a day would make much difference in prices when world consumption is running at 85 million barrels a day.

About a fourth of all U.S. oil production is already coming from offshore wells, primarily in the central and western portions of the Gulf of Mexico that aren't covered by the moratorium.

In a May 2007 forecast, the Interior Department's Minerals Management Service, which oversees exploration and drilling on the outer continental shelf, said that oil production in the Gulf was likely to increase from 1.3 million barrels a day last year to about 2 million barrels by 2010.

Ignored Forecast

In other words, production was expected to rise by about 700,000 barrels a day over a three-year period. That would be a gain of about 14 percent over the 5.1 million barrels produced daily last year in the U.S.

Yet somehow that sort of forecast based on industry projections and announced discoveries had no discernable impact on world crude oil prices.

Why would anyone assume that opening other coastal areas -- which may or may not harbor large quantities of oil that might or might not be economic to produce sometime in the future -- will have an immediate impact on today's oil prices?

Nevertheless, the assertions continue: lift the moratorium and gasoline prices will fall. And since McCain's Democratic opponent, Senator Barack Obama of Illinois, is opposed to ending the moratorium, he therefore is responsible for high gasoline prices.

Dry Holes

Drilling proponents point to an estimate from the Minerals Management Service that there are probably about 76 billion barrels of oil waiting to be discovered offshore.

The problem is that little of that oil -- perhaps about 18 billion barrels -- lies in areas subject to the moratorium. A third of the total is off the coast of Alaska, where drilling is extraordinarily difficult and expensive, and most of the rest is in the Gulf of Mexico where drilling is permitted.

Some 3.5 billion barrels in the Minerals Management Service estimate are off the Atlantic coast in the Baltimore Canyon, an ideal geologic formation in which to find oil. It runs from east of Cape Cod all the way to North Carolina.

Beginning in the late 1970s, huge tracts were opened for exploration and oil companies jumped at the chance to drill. About 35 wells were sunk off Cape Cod, New York and New Jersey at a cost, including purchases of the leases, of almost \$3 billion.

The result? Nothing. Neither oil nor gas was found.

Giving Up

Another ideal formation, the Destin Dome, in the eastern Gulf Coast area off Pensacola, Florida, was another major disappointment. Exxon Mobil Corp. spent heavily to acquire leases and found no commercial quantities of oil or gas in what became known as ``Dusty Dome."

Years later, natural gas was found in the Dome. Yet, as a result of political pressure generated by environmental concerns, oil companies were paid to give up their leases. The gas has never been produced.

At a July 15 press conference, Bush said that he had lifted an executive order that had restricted offshore drilling since the early 1980s. Now, he said, ``the only thing standing between the American people and these vast oil resources is action from the U.S. Congress."

Fooling the Public

Republicans are hoping that the public, believing their foolish claims that drilling will lower gasoline prices, will put enough pressure on Democratic opponents during the August congressional recess that begins today to pass legislation to end the moratorium this fall.

Meanwhile, both Bush and congressional Republicans have refused to take a step that really could reduce gasoline prices. That is to release a portion of the light, low-sulfur crude in the U.S. Strategic Petroleum Reserve.

In an earlier column I explained why that action might bring down prices in a way opening more environmentally fragile coastal waters to more drilling can't. Obviously Bush, McCain and their allies would prefer to mislead the American people and escape blame for effects of their past lack of action on the nation's energy problems.

(John M. Berry is a Bloomberg News columnist. The opinions expressed are his own.)

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Feds press Congress to lift oil drilling ban

San Francisco Chronicle, July 31, 2008; <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/07/31/BU2F12289C.DTL&type=printable>

Feds press Congress to lift oil drilling ban
David R. Baker, Chronicle Staff Writer

(07-30) 20:31 PDT -- The U.S. Interior Department ratcheted up the pressure on Congress Wednesday to open more of the country's coastline to offshore oil drilling, a move petroleum companies have sought for decades.

Interior Secretary Dirk Kempthorne said his department will lay the groundwork for selling undersea oil-drilling leases on the outer continental shelf, including areas now protected by a congressional ban. Republicans are pushing hard to end the moratorium, which was imposed in 1982 and covers most of the East and West coasts.

The Interior Department has no authority to lift the ban. But if Congress votes to open the coasts to drilling, the department could hit the ground running, selling leases as early as 2011. Exploratory drilling would probably begin a few years after that.

"Americans continue to struggle with high gas prices, and it's important that we do more to develop domestic sources of energy," Kempthorne said.

As a first step, the Interior Department will solicit comments from oil companies, state governors, environmental groups and others as to which specific stretches of seafloor should be leased for drilling. The department will consider areas that are already open - such as the Gulf of Mexico - as well as those that aren't.

The move pleased oil industry groups as well as politicians who want more offshore oil production.

"We've got to get off foreign oil. We've got to use our own domestic production," said Rep. Ken Calvert, R-Corona (Riverside County), who introduced legislation this month to lift the moratorium. He said royalties from oil pumped off the California coast could be a boon to state government.

"I think it's a better solution than raising taxes," Calvert said. "Why don't we take advantage of the resources we know we have and help address the structural deficit problem in California?"

But leading congressional Democrats remain adamantly opposed to lifting the ban. They note that most of the estimated oil reserves on the outer continental shelf - about 79 percent - lie in areas that are already open to drilling.

"This is nothing more than a political stunt to divert attention from the high gas prices that have resulted from having two oil men in the White House," California Sen. Barbara Boxer said Wednesday.

Environmental groups also panned the Interior Department plan. Like the congressional Democrats, they want the nation to invest more heavily in alternative energy sources and start weaning itself off oil.

"There's simply no way, with 2 percent of the world's oil reserves, that you can solve our problems by drilling" on the outer continental shelf, said Jim Presswood, an energy issues advocate for the Natural Resources Defense Council.

Interior Department officials said Wednesday that they also want to increase the development of alternative energy sources offshore. For two years, the department has studied leasing portions of the outer continental shelf to companies that want to build offshore windmills or install buoys that generate electricity as they bob up and down on the waves.

PG&E has proposed two such wave-power projects off the coasts of Humboldt and Mendocino counties.

The Interior Department's alternative energy effort will dovetail with the new push on offshore oil drilling, Kempthorne said.

"Alternative energy development and traditional energy development are not mutually exclusive," he said.

Although the department will ask for comments from governors, that doesn't mean the governors would be able to veto offshore drilling in federal waters near their states. States control the waters within 3 miles of shore, but can't directly control development farther out.

Kempthorne and other Interior Department officials emphasized on Wednesday their desire to work with the governors. But they said Congress would have to determine how much authority to give the states should legislators lift the drilling moratorium.

California Gov. Arnold Schwarzenegger opposes offshore drilling. This week, the Republican governor touted an agreement with his counterparts in Oregon and Washington to work together to protect the coastal environment, an agreement that includes rejecting offshore oil drilling.

"The governor understands that people are frustrated with the soaring price of gas, but in California, we know offshore drilling is not the answer," said Schwarzenegger spokeswoman Lisa Page.

Bush ramps up drilling efforts

Ventura County Star, July 31, 2008; <http://www.venturacountystar.com/news/2008/jul/31/bush-ramps-up-drilling-efforts/>

Successor could have head start
By Michael Collins
Thursday, July 31, 2008

WASHINGTON — The Bush administration ramped up its campaign for more offshore oil and gas production on Wednesday by announcing it is beginning work on a new leasing program that could open the door to drilling in federally protected waters.

Interior Secretary Dirk Kempthorne said the administration's actions would give the next president a two-year head start in expanding energy production in federal waters, including those where a congressional ban has prevented oil and gas development.

Kempthorne acknowledged that drilling could not be permitted in protected waters unless Congress agrees to lift its ban, something congressional Democrats have so far refused to do.

But, he said, the nation's energy situation has changed dramatically in the past year, with the price of a barrel of oil doubling and Americans feeling the sting of higher gas prices every time they fill up their tanks.

"The American people and the president want action, and this initiative can accelerate an offshore exploration and development program that can increase production from additional domestic energy sources," he said.

President Bush has been pushing Congress to open up federal waters to more offshore drilling, arguing that \$4-a-gallon gas prices have left the country with no choice but to tap into its domestic resources.

Earlier this month, Bush lifted an executive ban put in place by his father, former President George H.W. Bush, to prevent oil and gas drilling in large parts of an area known as the Outer Continental Shelf.

The shelf is basically submerged lands, subsoil and seabed that extends about 200 miles off the shores of the east and west coasts, as well as the Gulf of Mexico.

The president also has been campaigning for Congress to lift a separate ban on drilling in parts of the Outer Continental Shelf that lawmakers put in place in 1982 and have renewed every year since.

I've done my part'

"I've done my part," Bush said Wednesday from the Rose Garden. "And that means the only thing now standing between the American people and these vast oil reserves is the United States Congress."

Later Wednesday, Kempthorne said he has directed the Minerals Management Service to begin the initial steps for developing a new five-year oil and gas leasing program for the Outer Continental Shelf.

As a first step, the agency will publish in the Federal Register on Friday a request for information from all interested parties on what areas should be included or excluded from drilling in the new program.

The governors of all 50 states will be asked to comment, particularly on issues in their state, Kempthorne said.

The initial comment period will run for 45 days. A draft program should be ready for review by the end of December, officials said.

The government's current leasing program runs from 2007 to 2012 and includes 21 lease sales in eight of the 26 Outer Continental Shelf planning areas in the Gulf of Mexico, Alaska and the Atlantic. It does not include areas that are covered by the congressional ban.

The new plan, depending on public comment, could include any area, although leasing in a federally protected area would require congressional action, Kempthorne said.

Beginning the process now will enable the next administration to put the plan in place by 2010 instead of waiting for the current program to expire two years later.

The next president could, however, choose to do nothing. Sen. John McCain, the presumptive Republican nominee for president, has spoken out in favor of lifting the ban on offshore drilling and working with states on more offshore oil and natural gas production. His presumptive Democratic rival, Sen. Barack Obama, opposes additional offshore drilling and has called it a "scheme."

If the new plan is in place by 2010, oil and gas production could begin in the Outer Continental Shelf within five to 10 years, Interior Department officials said.

The Outer Continental Shelf currently provides 27 percent of U.S. domestic oil production and 15 percent of domestic natural gas production, most of which comes from the Gulf of Mexico.

Government officials estimate that areas covered under the congressional ban contain an additional 18 billion barrels of oil and 76 trillion cubic feet of natural gas in yet-to-be-discovered fields.

Estimates could be off

But the Interior Department cautioned those estimates are based on current data and noted that estimates tend to increase dramatically with exploration and advances in technology.

Improvements in technology also have made it easier to get to those oil and gas reserves and have provided new safeguards to prevent spills or other environmental hazards, Kempthorne said.

Like President Bush, House and Senate Republicans have demanded a vote on opening new offshore waters to drilling. But House Speaker Nancy Pelosi has refused to allow a vote, arguing that oil companies already have vast areas available for drilling but have chosen not to do so.

Rep. Lois Capps, a Santa Barbara Democrat, said Bush's renewed call for more offshore drilling "essentially asks the oil companies where it is they would like to drill."

"Apparently, the tens of millions of acres off our coasts and in publicly held lands where they already can drill just aren't enough," Capps said. "We need a new direction in energy policy, and President Bush is simply incapable of delivering it."

Oil extraction options weighed for Arctic seas

Anchorage Daily News, July 31, 2008; <http://www.adn.com/money/story/480092.html>

ICE CHALLENGE: Report sees steel platforms as most likely options, but other ideas are considered.

By ALAN BAILEY
Petroleum News

The most recent wave of oil exploration in the Beaufort and Chukchi seas has hardly left the starting block. But finding a viable and environmentally sound means of extracting product from a field located under icy water miles offshore could make or break a development project.

Early this year the U.S. Minerals Management Service published a 365-page report on Arctic offshore development options. In assessing the various development options, the study researchers reviewed the experience of the Northstar, Oooguruk and PanArctic Drake developments in the Alaska and Canadian Beaufort Sea. The researchers also considered offshore developments off the east coast of Canada, off Russia's Sakhalin Island, in the Caspian Sea and in the Barents Sea.

The researchers recognized that the principal factors affecting the design of Arctic offshore facilities include ice loads; the requirement for a platform or island structure to store sufficient consumable supplies for operation in an isolated location; the availability of an adequate foundation or mooring capability; the capability to protect pipelines and subsea equipment; and the practicality of transporting produced hydrocarbons from the offshore site.

And in the Beaufort and Chukchi seas ice loads are an especially important consideration in designing exploration and production structures, says the report prepared by IMV Projects Atlantic. However, research into ice loads has indicated that these loads are likely to be significantly lower than was assessed a few decades ago.

"At the same time, advancements in structural steel research combined with these more realistic ice-load predictions led to improvements in the economic feasibility of Arctic offshore facilities," the report says.

But massive gravity-based structures sitting on the seafloor remain the most likely option for oil and gas production in the challenging ice conditions of the Beaufort and Chukchi seas. And the study says that in Arctic conditions steel is likely to prove to be a more suitable construction material than concrete.

Depending on factors such as the type of sea ice and the water depth at a specific location, a variety of platform designs is possible for northern seas. Designs range from massive vertical cylinders to more tapered profiles.

The researchers found that in areas of multi-year ice, water depths of about 250 feet would likely become an upper limit for the technical feasibility of installing these structures, but that limit would go down to 200 feet where the seafloor foundation properties are weak.

"There are no known bottom-founded platform design solutions for water depths greater than 330 feet that could be deemed workable or proven for multi-year ice areas," the report says.

In more southerly area where multi-year ice is absent, bottom-founded structures in water depths up to 500 feet might be possible.

JACKET PLATFORMS

The lighter-weight, ice-reinforced jacket platforms like those use in the offshore fields of upper Cook Inlet might be suitable for use in areas of the Bering Sea where there is light first-year ice and water depths are less than 200 feet, the report says.

"(And) developments in jack-up technology and the advancement of ice maintenance programs indicate that the operating range and season of jack-up exploration could potentially be extended in the Bering Sea," the report says.

Grounded ice islands have also been used successfully for exploration drilling in the nearshore waters of the Beaufort Sea, the report says. Research has found that ice islands might work for drilling in water depths up to 30 feet, or perhaps 40 feet. But unstable or unreliable landfast ice would render ice islands infeasible in the Chukchi Sea, the report says.

The use of gravel islands is another possibility in shallow water. They've been used for offshore oil fields in Alaska's Beaufort for decades.

However, because no one has ever used a gravel island in the Chukchi Sea -- where oil companies bid \$2.6 billion to acquire leases in federal waters earlier this year -- someone would need to investigate issues relating to dynamic sea ice conditions to determine gravel island feasibility in that region.

FLOATING STRUCTURES

Although various types of floating structures such as drillships and semi-submersible platforms can be used during the summer when the ice is gone in the Arctic outer continental shelf, the only region in which a floating structure might stay on location year round might be the Bering Sea in light ice conditions. A semi-rigid floater concept, with a floating platform moored in place under tension, might operate year-round in first-year ice conditions but would need to be able to disconnect to move away in the event of high ice loads, the report said.

Subsea completions, in which wellheads lie at or below the seafloor and are connected to subsea pipelines, are another possibility.

"Improvements in the area of subsea facilities and processing have been made in recent years in the pursuit of resources in harsh and remote environments," the report says. "As a result of these improvements, fields requiring longer, deeper subsea tiebacks are now becoming much more technically and economically feasible. Gas tiebacks have reached 105 miles and oil tiebacks have reached 40 miles."

Offshore leasing plan in works

Houston Chronicle, July 31, 2008; <http://www.chron.com/disp/story.mpl/business/5916465.html>

By KRISTEN HAYS Copyright 2008 Houston Chronicle

The Interior Department is developing a new offshore leasing plan that it said will give the next administration a head start if it considers expansion of oil and gas drilling in federal waters.

Congress still would have to lift a moratorium that bans most offshore drilling to let the industry move into these areas.

Interior Secretary Dirk Kempthorne said Wednesday that he has directed the Minerals Management Service, which oversees offshore oil and gas activity, to start soliciting public and official comments and conduct environmental impact studies as a first step in crafting a plan that includes potential lease sales in areas currently off limits.

A five-year plan in place now through 2012 has no provisions for lease sales in most areas covered by the congressional ban. Kempthorne said that if Congress decides to lift the ban, the revised plan would be in the works, allowing exploration and drilling to start in about three years.

President Bush lifted a presidential ban on offshore drilling in most areas off U.S. shores more than two weeks ago and called on Congress to lift its moratorium, which has been in place since 1982.

The agency will take comments on the public comment system of its Web site, www.mms.gov, or by mail at Five-Year Program Manager, Minerals Management Service (MS04010), 381 Elden Street, Herndon, Va., 20170.

Department of Interior to tee up offshore drilling

St. Petersburg Times, July 31, 2008; <http://www.tampabay.com/news/politics/article749399.ece>

By Wes Allison, Times Staff Writer

WASHINGTON — Interior Secretary Dirk Kempthorne announced Wednesday that his agency will prepare plans for drilling off the entire U.S. coast, including waters off west Florida protected by a 2006 law, in anticipation of Congress ending the long-standing ban on offshore oil and gas exploration.

Kempthorne said he was ordering the U.S. Minerals Management Service to begin creating a new five-year plan for leasing offshore drilling rights in areas now currently off-limits. The plan will be created over the next several months, based on input from coastal state governors, citizens and the oil and gas industry.

"This initiative could provide a significant advantage for the incoming administration, offering options it would not otherwise have had until at least 2010," Kempthorne said during a conference call. "Today's action would provide a two-year head start for the next administration."

The announcement fit into a nasty, partisan fight raging on Capitol Hill this week, as President Bush and his Republican allies in Congress continue pushing Democrats to lift the quarter-century-old moratorium on oil and gas exploration that covers most of the U.S. coast.

So far, Congress hasn't budged, which Republicans believe could be a potent campaign issue this fall. Wednesday at the White House, Bush blamed Democrats for putting jobs and the economy in jeopardy by not embracing more offshore drilling.

"Unfortunately, Democratic leaders in Congress have refused to allow a vote, and now Congress is about to leave for its August recess without taking any action on this vital priority for the American people," Bush said.

Democrats countered that by the Energy Department's own admission, allowing offshore drilling now will not yield lower oil prices for years to come, if ever, and that it's not worth the environmental risk.

"This is just Bush and Kempthorne and their oil-business buddies trying to prod Congress into acting unwisely," said Sen. Bill Nelson, D-Fla.

Coalition is seeking more offshore drilling Energy effort bypasses leaders in Congress

Houston Chronicle, July 30, 2008; <http://www.chron.com/dispatch/story.mpl/headline/biz/5914622.html>

By DAVID IVANOVICH and STEWART POWELL Copyright 2008 Houston Chronicle Washington Bureau
July 29, 2008, 10:38PM

— Frustrated by Washington's election-year failure to address painfully high energy prices, lawmakers from both parties are teaming up to push for more drilling offshore.

Bypassing their own congressional leaders and committee chairs, coalitions in both the House and Senate are cobbling together compromise energy plans they hope will generate a groundswell of public support and force Congress and the White House to take concrete action to address the nation's energy crisis.

"People's frustrations are boiling over," said Rep. Nick Lampson, D-Stafford. "They're getting tired of the finger pointing and saying, 'Where are the solutions?'"

Today, a group of about two dozen House members, led by Rep. John Peterson, R-Pa., and Rep. Neil Abercrombie, D-Hawaii, are expected to unveil a package that would open more areas offshore to drilling.

To win over lawmakers from coastal states, the proposal would turn over to the states a portion of what otherwise would be the federal government's take from offshore oil and gas production. And to entice lawmakers typically opposed to expanding oil and gas drilling, the measure would funnel a portion of the proceeds to alternative energy research, conservation and environmental cleanup.

Gang of 10

In the Senate, a coalition known as the Gang of 10, led by Sen. Saxby Chambliss, R-Ga., and Sen. Kent Conrad, D-N.D., is expected to go public with its package as early as Thursday.

Both groups are responding to the political stalemate that has plagued the energy debate, even as prices at the gasoline pump hit new heights.

With her environmentalist allies vehemently opposed to expanded drilling, House Speaker Nancy Pelosi, D-Calif., has resisted calls to bring to the floor a bill to open more of the Outer Continental Shelf to drilling.

Instead, she has pointed to the huge profits racked up by "Big Oil" and insists producers should drill on acreage they already hold.

Republicans, meanwhile, view expanded drilling as a winning issue for GOP candidates in the November election.

"This is the first time in two years that anybody is listening to us," House Minority Whip Roy Blunt, R-Mo., said last week. "The facts on this issue are with us this time. The popular opinion has changed to our side as well. We need to keep talking about this."

Indeed, House Republicans today plan to reiterate their almost daily call for Pelosi to hold a drilling vote.

Abercrombie said he has been trying to make the case to the Democratic leadership that the high cost of energy "is the only issue the Republicans have going for them, so we ought to take it off the table."

Pelosi noncommittal

Convinced their leadership would be unable to reach a common-sense solution in the midst of a presidential race, the House and Senate coalitions have opted to circumvent the leadership and try to come up with their own solution.

"We're reaching past the leadership of both parties, reaching past the special interests, the private interest, the advocacy groups," Abercrombie said.

Pelosi spokesman Drew Hammill said the speaker will wait to see the House group's package before commenting.

Without the backing of congressional leaders, however, the likelihood of any proposal passing remains remote. Kevin Book, an oil analyst with FBR Capital Markets, estimates such a package has a one-in-five chance of becoming law.

The timing of the effort also is problematic, and not just because of the presidential campaign.

Lawmakers are slated to leave town for their August recess at the end of the week, and will return for only three weeks in September.

At the same time, the worst of the energy price run-up may have passed. Oil prices dropped Tuesday to their lowest level in seven weeks, and prices at the pump are down somewhat from their record highs set earlier this month.

But the two bipartisan groups contend lawmakers will hear so much from their constituents about energy prices over the August break that the leadership will have to give the groups' proposals serious consideration.

Lampson's proposal

The groups have been meeting in secret to hash out ideas. Lampson said the House package will include his proposal to release light, sweet crude oil from the Strategic Petroleum Reserve and replace it with heavy, sour crude, which is harder to refine into gasoline and other products.

Senators have been discussing a proposal to create a new excise tax on the hydrocarbons produced by companies that signed flawed lease agreements with the U.S. Minerals Management Service in 1998 and 1999.

The contracts did not include any provisions for assessing royalty payments when oil and gas prices reached certain levels.

But in crafting their packages, lawmakers tried to avoid the kind of lightning rod issues that would almost immediately sink their proposals.

Among those, Abercrombie said, is opening the Arctic National Wildlife Refuge to drilling — a big priority for the industry and President Bush.

"We didn't want to attract lightning," Abercrombie said.

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Louisiana touts its off-shore oil drilling

Statesline.org, July 29, 2008; <http://www.stateline.org/live/details/story?contentId=329277>

Tuesday, July 29, 2008

Louisiana touts its off-shore oil drilling

By Daniel C. Vock, Stateline.org Staff Writer

NEW ORLEANS — Flying in National Guard Black Hawk helicopters 500 feet above the bayous and marshes along the Mississippi River delta last week, Louisiana officials touted to visiting state lawmakers the benefits of off-shore drilling for oil and gas. (See photo slide show)

The \$70 billion industry employs more than 320,000 people in the state. Low unemployment rates in some coastal parishes hover around 3.5 percent, compared to 5.5 percent nationally. And the oil industry supports both the only deep-sea oil port in the United States and a Gulf of Mexico port handling more vessels than even the Mississippi River.

While coastal states nationwide debate whether to drill for oil and natural gas off their shores, Louisiana and three other Gulf Coast states are offering their off-shore drilling operations as proof that they can mine oil and gas without hurting the environment.

Last week, key state lawmakers in those states joined an agreement with oil companies, environmental groups and academic experts to promote environmentally friendly ways of drilling for oil and gas.

Their top concern is restoring coastal wetlands, especially in Louisiana. The marshes are buffers from hurricanes, homes to exotic species and a base of operations for the oil and gas industries.

"It was interesting seeing the way they developed the oil on the Outer Continental Shelf," where oil is being drilled in the Gulf, said Alaska state Sen. Gary Stevens (R) after the tour, which was offered to attendees of the National Conference of State Legislatures' annual meeting. "It's good to see they can do it safely and without any damage to the environment."

Alaska, like Louisiana, has a large fishing industry that could suffer greatly from oil spills, Stevens said.

A 1982 federal law largely prohibits off-shore drilling in every state but Alabama, Louisiana, Mississippi, Texas and parts of Alaska and California. But with consumers paying around \$4 a gallon for gasoline, tapping new sources of energy has become a popular political rallying cry.

U.S. Sen. John McCain, the presumptive Republican presidential nominee, said in June that states should determine whether to allow drilling off their coasts. Florida Gov. Charlie Crist (R), who, like McCain, once supported the federal ban, quickly joined McCain in calling for its repeal. But California Gov. Arnold Schwarzenegger, another Republican, said politicians who say off-shore drilling will reduce gas prices were "blowing smoke."

President Bush also supports overturning the ban and put pressure on Congress July 14 by rescinding an executive order, issued by his father in the wake of the 1989 Exxon Valdez oil spill in Alaska, that also prohibited additional off-shore drilling.

Louisiana Senate President Joel T. Chaisson II (D) said his state has demonstrated its commitment to preserving wetlands while allowing oil exploration with the passage of a constitutional amendment in 2006 that dedicates all money the state receives from off-shore oil royalties to coastal restoration. Only after voters passed that amendment — with a record-breaking 82 percent voting for it — did Congress agree to share the royalties with the state.

Louisiana's oil and gas companies are backing state and federal coastal restoration efforts, too. Erosion endangers pipelines that cross the area, as well as the roads and other infrastructure needed to support the industry.

The gradual land loss was apparent during the helicopter tour. Where salt water seeps in, the normally bright green land fades to yellow and then brown before it is submerged. Experts say the sea is swallowing a football field's worth of land every 38 minutes.

Those on tour could "see how much marshland is out there. It's as far as you could see in every direction," said Tennessee Senate President Ron Ramsey (R). "But the pilot showed us the devastation, not only naturally through (Hurricane) Katrina but by manmade canals and manmade means that's allowing salt water to creep in where fresh water used to be."

The lawmakers saw new floodgates under construction, the site where a pipeline brings Mississippi River sediment to the depleted marshes and islands formed by discarded Christmas trees from local communities.

But coastal erosion was only one environmental challenge evident during the 200-mile flight July 23.

Earlier that day, Louisiana's worst fuel spill in nearly a decade stopped all river traffic near New Orleans, halting 100 ships, including coal, grain and oil barges, on the vital transportation artery. The heavy fuel that floated on the river in a blotchy purple-and-green film threatened birds, fish and plant life along the southernmost 100 miles of the waterway.

More than 420,000 gallons of fuel were released into the river, when a tanker collided with a barge transporting the fuel and cut it in half near downtown New Orleans on July 23, according to federal officials.

Although the spill wasn't related to off-shore operations, it showed how thoroughly the oil and gas industries' fates are "interlocked" with the health of the environment, said Rochelle Michaud Dugas, the director of the state agency that oversees the Louisiana Offshore Oil Port, which allows supertankers to unload their oil 18 miles from the coast.

"It is a complex puzzle that no one seems to understand. It seems very simple: Drill. Pump. Get it to the refinery. Get it out to the consumer. It is much more complex," said Dugas, a top aide to then-Gov. Kathleen Blanco (D) during the devastating 2005 landfall of Hurricane Katrina and its aftermath.

But Chris John, president of Louisiana Mid-Continent Oil and Gas Association, a trade group, said the industry's track record during the 2005 hurricane season that brought Katrina and Rita, two Category 5 hurricanes, to the off-shore sites proved that the industry could protect the environment. The hurricanes destroyed 113 offshore platforms and damaged 447 pipelines, according to the Minerals Management Service, the federal agency overseeing offshore drilling.

"With those two systems coming within two weeks of each other there were no — zero — no significant oil spills on the Outer Continental Shelf. I think that in and of itself proves that the industry can go out and drill, produce and explore in an environmentally sensitive area," he said.

At Inland Oil Field, McCain Again Offers Support for Offshore Drilling

Washington Post, July 29, 2008; http://blog.washingtonpost.com/the-trail/2008/07/28/at_inland_oil_field_mccain_aga.html?hpid=sec-politics

John McCain

At Inland Oil Field, McCain Again Offers Support for Offshore Drilling

By Robert Barnes

BAKERSFIELD, Ca. -- Sen. John McCain today dramatized his support for offshore oil drilling by inspecting oil pumps in a brown, dusty field here far from the ocean.

McCain last week was thwarted in his efforts to visit an oil rig off the Louisiana coast by Hurricane Dolly. The chief attribute of the Red Ribbon Ranch oil field, where the senator met with representatives of California oil producers, appeared to be its proximity to the Seven Oaks Country Club, where he held a lunchtime fundraiser.

McCain and his wife Cindy looked at oil pumps that produce about 1,100 barrels a day, and he again criticized Democratic rival Sen. Barack Obama as a "Doctor No" for opposing McCain's agenda of offshore drilling, expansion of nuclear power and a gas tax holiday to help combat the nation's energy woes.

Disputing assertions that any benefits from offshore drilling would be years in the making, McCain said "briefings that I've had with the producers, there are some instances within a matter of months they could be getting" oil, he said, "In some cases, it would be a matter of a year, some cases it would take longer than that, depending on the location and whether you use existing rigs or have to install new rigs."

"Offshore drilling is something we have to do. I'm sorry Senator Obama opposes it," McCain said. "He is the Doctor No of America's energy future."

The Obama campaign had responded before McCain's motorcade reached the country club.

"By handing out \$4 billion in tax breaks to the biggest oil companies and proposing gimmicks like offshore drilling that won't produce a drop of oil for seven years, Senator McCain's energy plan fails to provide short-term relief to consumers or long-term independence from foreign oil," said campaign spokesman Hari Sevugan.

McCain had fundraisers here and in San Francisco today, and will appear on Larry King Live tonight.

U.S. and Canada split over Lake Erie drilling

Buffalo News, July 29, 2008; <http://www.buffalonews.com/home/story/401449.html>

Drilling ban for oil, gas likely to remain in effect for portions within U. S. border
By Jerry Zremski NEWS WASHINGTON BUREAU CHIEF
Updated: 07/28/08 7:47 AM

Petroleum Resources Centre

A Talisman Energy Corp. platform collects and compresses natural gas piped from beneath Lake Erie. More Photos

Related Content

Map of the 480 gas wells on the Canadian side of Lake Erie

BLOG: Add your comments to Drilling Dilemma at Inside the News

WASHINGTON — Offshore drilling has become one of the hot political issues in a new era of \$4-a-gallon gasoline.

But no one is pushing for drilling off the north shore of the United States — except the Canadians.

As it has for many years, a Canadian oil and gas company is pumping natural gas out of 480 wells in Lake Erie, most of them toward the eastern end of the lake.

Congress, meanwhile, has not undertaken any serious discussion of lifting the long-standing ban on oil and gas drilling in the U. S. waters of the Great Lakes.

“I don’t think the Great Lakes has ever even been a discussion item,” said Rep. John Peterson, who is preparing a bipartisan bill to reopen U. S. ocean waters to more drilling.

A ban on drilling in the lakes “makes no public policy sense,” given that the Canadians are already doing it, said Peterson, a Republican from Pennsylvania.

But Peterson is leaving the idea out of his bipartisan energy bill because proposing oil and gas drilling in the lakes makes no political sense.

Fears of potential environmental damage — particularly involving oil leaks — and about preserving the Great Lakes ecosystem keep the idea of lifting the drilling ban far from the political mainstream.

“Opposition on the American side is a lot broader,” said Derek Stack, executive director of Buffalo-based Great Lakes United. “It’s not quite the same on the Canadian side because it’s grandfathered in there. It’s already happening.”

Drilling on the Canadian side of the Great Lakes actually is older than most grandfathers. The first Canadian gas well in Lake Erie was drilled in 1913, and more than 2,000 have followed.

Today’s wells are hidden from view because, after they are drilled, the gas generally is pumped from the lake bed to processing facilities, onshore or on platforms. The wells themselves are noticeable only while being drilled or serviced by a team of divers that arrives by boat.

While natural gas output from the lake has declined slightly in recent years, Talisman Energy Corp. still extracts enough gas from the lake in a year to supply a city of 40,000.

Canada does not permit any oil drilling in the Great Lakes, although Lake Erie and especially Lake Michigan are believed to have reserves.

The only remaining U. S. production from the Great Lakes comes from a handful of wells on Lake Michigan that preceded bans imposed by Congress and the state legislature.

Those bans are likely to remain. While Sen. John McCain of Arizona, the presumptive Republican candidate for president, recently called for reopening ocean drilling, he never mentioned the Great Lakes.

“There is a separate ban on drilling in the Great Lakes, and Sen. McCain has only discussed his support for lifting the ban on outer continental shelf drilling,” said Peter Feldman, a McCain spokesman.

The outer continental shelf receives more attention because it has far more oil and gas. According to the U. S. Geological Survey, 17.84 billion barrels of oil and 76.47 trillion cubic feet of natural gas could be found beneath currently off-limits waters in the Atlantic, Pacific and Gulf of Mexico.

In contrast, federal geologists estimate 430 million barrels of oil and 5.23 trillion cubic feet of gas lie under the U. S. waters of the Great Lakes.

American energy companies still say they wish they had the opportunity to tap into those resources.

“We would love to do it,” said Brad Gill, executive director of the Lake View-based Independent Oil and Gas Association of New York.

But Gill predicted that the ban on Great Lakes drilling — last formalized by Congress in 2005 — never will be lifted. Americans are too worried about the possibility of oil or gas spills.

He called such fears unfounded.

“You’ve had the Canadians doing this for several decades, and we don’t necessarily see oil washing up on our shores,” he said.

A 2005 study by the U. S. Army Corps of Engineers reported only one major oil spill in the Great Lakes basin, resulting from the explosion of a tanker carrying 20,000 gallons of gasoline in the Saginaw River in 1990.

But smaller spills are more common. In 2002, the Public Interest Research Group of Michigan reported 83 oil spills from 1990 to 1995 and 51 natural gas leaks from 1997 to 2001.

That, environmentalists say, proves that larger and far more devastating accidents are possible.

Companies drilling for gas inadvertently could hit oil, said Andy Buchsbaum, director of the National Wildlife Federation’s Great Lakes Office. That has happened, prompting workers to promptly seal up the oil lest it spill into the lake.

“If there were a serious drilling accident in one of the Great Lakes, the results could be devastating and permanent,” Buchsbaum said. “These are closed fresh-water lakes. A major spill could likely permanently kill one of the Great Lakes.”

But nothing even remotely close to that has occurred while the Canadians have been drilling in Lake Erie.

“There’s been nothing to speak of,” Rudy Rybansky, chief engineer for the Petroleum Resources Centre of the Ontario Ministry of Natural Resources, said when asked about accidents.

Talisman Energy, which is extensively involved in drilling in New York and Pennsylvania, has not drilled new wells in Lake Erie in two years simply because the company is investing elsewhere, said Scott Tompkins, superintendent for Ontario operations.

And as a result, natural gas production from Lake Erie totaled 7.74 billion cubic feet in 2006, down from a recent peak of 10.18 billion in 1997, the Ontario Ministry of Natural Resources said.

Some of Talisman’s Lake Erie wells have been producing gas for decades and are are running out — but plenty remains, Tompkins said.

“I would think we’d still be producing 20 years out,” he said.

When asked how much gas could be produced from the U. S. side of the lake, he said: “It’s hard to say, but we know our wells go up to within a kilometer or so of the U. S. border. And there’s no reason to believe the gas stops at the American border.”
