

## Week in News: August 18-24, 2008

### **We must utilize our domestic resources**

Herald-Journal, August 24, 2008;

[http://www.goupstate.com/article/20080824/NEWS/808240312/1132/OPINION&title=We must utilize our domestic resources](http://www.goupstate.com/article/20080824/NEWS/808240312/1132/OPINION&title=We%20must%20utilize%20our%20domestic%20resources)

### **McCain's Drill Appeal**

NYT, August 23, 2008; <http://www.nytimes.com/2008/08/23/opinion/23blow.html>

### **Bush blames Democrats for high gas prices**

Associated Press, August 23, 2008; <http://ap.google.com/article/ALeqM5j057jBReERcsF-FcZRSWe0h1gaXQD92O1M000>

### **Energy Politics Proving Difficult to Master**

NYT, August 22, 2008;

[http://www.nytimes.com/2008/08/22/us/politics/22energy.html?\\_r=1&sq=energy%20politics&st=cse&adxnnl=1&oref=slogin&scp=1&adxnnlx=1219414685-NvNfmyOA3BZZ5UpvM54jdw](http://www.nytimes.com/2008/08/22/us/politics/22energy.html?_r=1&sq=energy%20politics&st=cse&adxnnl=1&oref=slogin&scp=1&adxnnlx=1219414685-NvNfmyOA3BZZ5UpvM54jdw)

### **California County Weighs Push for Offshore Drilling**

WSJ, August 22, 2008; [http://online.wsj.com/article/SB121936878285762399.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121936878285762399.html?mod=googlenews_wsj)

### **It's Time to Bury the Ban**

Charleston City Paper, August 21, 2008; <http://www.charlestoncitypaper.com/gyrobase/Content?oid=oid%3A50433>

### **Voters Want Everything on Energy**

WSJ, August 21, 2008; <http://online.wsj.com/article/SB121928741734759321.html>

### **Gas Prices Fuel New Views by Democrats on Offshore Drilling**

WSJ, August 21, 2008; <http://online.wsj.com/article/SB121928346659759011.html>

### **All the Oil We Need**

NYT, August 21, 2008; <http://www.nytimes.com/2008/08/21/opinion/21press.html?scp=5&sq=oil&st=cse>

### **Oil and gas work doesn't affect movement of gulf whales -- MMS study**

E&E News, August 21, 2008; <http://www.eenews.net/eenewspm/2008/08/21/1/>

### **Gulf lease sale defies trends, affirms commitment to deep water**

E&E News, August 20, 2008; <http://www.eenews.net/eenewspm/2008/08/20/2/>

### **Gulf lease sale attracts high-dollar attention**

Houston Chronicle, August 20, 2008; <http://www.chron.com/disp/story.mpl/business/energy/5955715.html>

### **Companies bid millions to tap Western Gulf**

Associated Press, August 20, 2008;

<http://ap.google.com/article/ALeqM5gB6bi0EyTozdEPy0KGisTQNaS2PQD92M58AG0>

### **This Time, McCain Knows the Drill**

Washington Post, August 20, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/19/AR2008081903035.html>

### **The Energy Policy End Game**

WSJ, August 20, 2008; [http://online.wsj.com/article/SB121917072807553877.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121917072807553877.html?mod=googlenews_wsj)

### **Drill Already**

National Review Online, August 20, 2008;

<http://article.nationalreview.com/?q=MTU0MTQ4OTZjZDg5NzQ5YWQxYzMyOWQ0ZTMzMmQ3NGU=>

### **Agreement on Drilling Doesn't Yet Mean Action**

Washington Post, August 20, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/19/AR2008081902858.html>

### **Democrats and Drilling**

WSJ, August 20, 2008; [http://online.wsj.com/article/SB121918969072355001.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121918969072355001.html?mod=googlenews_wsj)

### **Markey asks Bush to stop exports**

Politico, August 19, 2008; <http://www.politico.com/blogs/thecrypt/>

### **From an oil platform, McCain touts drilling agenda**

Associated Press, August 19, 2008; <http://ap.google.com/article/ALeqM5jfqkgIGaJzMm-z8hluFPKpCqLkwwD92LHOIG0>

### **Senior House Democrat Wants Ban on U.S. Oil Exports**

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<http://www.cq.com/document/display.do;jsessionid=289849EF7B2EA644381D5BF7556CB8F3.upolu?matchId=64005743>

### **Endangered Process**

The Washington Post, August 19, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/18/AR2008081802053.html>

### **Drilling for snake oil**

The Boston Globe, August 19, 2008;  
[http://www.boston.com/bostonglobe/editorial\\_opinion/editorials/articles/2008/08/19/drilling\\_for\\_snake\\_oil/](http://www.boston.com/bostonglobe/editorial_opinion/editorials/articles/2008/08/19/drilling_for_snake_oil/)

### **As Oil Giants Lose Influence, Supply Drops**

NYT, August 18, 2008;  
[http://www.nytimes.com/2008/08/19/business/19oil.html?\\_r=1&scp=2&sq=oil&st=cse&oref=slogin](http://www.nytimes.com/2008/08/19/business/19oil.html?_r=1&scp=2&sq=oil&st=cse&oref=slogin)

### **Stronger CAFE standards trump offshore drilling, consumer group says**

E&E News, August 18, 2008; <http://www.eenews.net/eenewspm/2008/08/18/1/>

### **Republicans Say Any Drilling Bill Must Move Through Committee**

CQ Today, August 18, 2008;  
<http://www.cq.com/document/display.do;jsessionid=951E189E68F11C7F6DBC5CF490F41F10.upolu?matchId=63977428>

### **Meaning of 1995 law debated as high stakes royalties case proceeds**

Greenwire, August 18, 2008; <http://www.eenews.net/Greenwire/2008/08/18/3/>

### **GOP builds strength for drilling clash**

The Washington Times, August 18, 2008; <http://www.washingtontimes.com/news/2008/aug/18/gop-builds-strength-for-drilling-clash/>

### **Let go of the past and allow offshore oil drilling**

Los Angeles Times, August 18, 2008; <http://www.latimes.com/news/columnists/la-me-cap18-2008aug18.0,5780970.column>

### **Drilling for Oil Way, Way Offshore**

Time Magazine, August 18, 2008; <http://www.time.com/time/health/article/0,8599,1833379,00.html>

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### **We must utilize our domestic resources**

Herald-Journal, August 24, 2008;  
[http://www.goupstate.com/article/20080824/NEWS/808240312/1132/OPINION&title=We\\_must\\_utilize\\_our\\_domestic\\_resources](http://www.goupstate.com/article/20080824/NEWS/808240312/1132/OPINION&title=We_must_utilize_our_domestic_resources)

By GRESHAM BARRETT

People are hurting all over our country because of the price of gasoline, which has caused a rise in the price of groceries, transportation and consumer goods, everything that Americans depend on to live their lives.

I haven't talked to one constituent that is not feeling the financial pressure. In some cases, people are losing a third of their paychecks to pay for gasoline.

While it may seem the effects of high gasoline prices are not getting attention in Congress, rest assured it is echoing loudly through some of the House and Senate offices, and we are listening. People have asked for a solution, and we see now how truly important it is for our nation to become energy independent. I firmly believe the only way we can truly achieve this goal is to take a good, hard look at the resources available to us here at home to solve the problem of high gasoline prices.

Congress needs to look at both short-term and long-term solutions for our gasoline price problem. We should encourage and incentivize, not mandate, the development of alternative energy sources to lessen our dependence on foreign sources of energy for the long term.

In the meantime, we need to utilize accessible resources we have here at home to bridge us to long-term solutions. That's why I worked with U.S. Rep. Steve Buyer and other members to introduce H.R. 6001 - The Main Street U.S.A. Energy Act of 2008. This legislation takes a common-sense approach to the energy emergency facing our nation and recognizes that energy security and energy independence go hand in hand. H.R. 6001 enables American industries and resources to take good care of the American people and bring about long-term solutions.

While we continue groundbreaking research into alternate energy forms, we must have access to the numerous domestic energy supplies, such as oil and natural gas, to get us to long-term solutions. The U.S. Minerals Management Service (MMS) calculated that there are large amounts of undiscovered, technically recoverable federal resources in and around our country. Congress must open up these sources, not only to increase our supply but to make our country safer by being less dependent on foreign energy resources.

Recently, President Bush and Sen. John McCain suggested that we should allow states the right to permit deep-sea exploration for oil and gas by lifting the federal moratorium on offshore drilling, opening up the Outer Continental Shelf (OCS). They share a position I have held for years.

According to the MMS, nearly 85 percent of the lower 48 OCS energy resources remain restricted from domestic exploration. The MMS also found that out of the United States' 1.76 billion-acre OCS, only a mere 3 percent is leased for oil and gas exploration and development. The United States is the only developed nation in the world that forbids safe energy production on its OCS.

We can look to our northern neighbor, Canada, as an example of successful use of domestic resources for fuel. Canada has become the world's largest producer of tar sands, or bitumen, an unconventional fuel source similar to oil shale. It has successfully converted the source into crude oil that may be used to produce diesel and jet fuel. As a side note, there is estimated to be more than 2 trillion barrels of recoverable oil shale in the United States.

Also, according to MMS, there are roughly 633 trillion cubic feet of natural gas resources and 115 billion barrels of U.S. crude oil resources available beneath federal lands and coastal waters. For perspective on these numbers, the world has used 1 trillion barrels of oil since the first oil well was successfully drilled in Pennsylvania almost 150 years ago.

The supply of natural gas could heat approximately 60 million homes for 160 years, and the oil supply could power more than 60 million cars for 60 years, yet most of these resources are off limits to development. The Bureau of Land Management found that only 8 percent of onshore oil (not including oil shale) and 10 percent of onshore natural gas are accessible under standard leasing terms.

American citizens are calling on Congress to lower gasoline prices. As members of Congress, it is our responsibility to lead and to respond effectively. I believe there is no good explanation for why the federal government would not give our states the right to use the resources they have to help our nation become energy independent. Congress could give states the power to decide whether to explore within 100 miles of

their shoreline, and states could set their own restrictions for exploration while also sharing in the revenues.

The answer is a comprehensive approach, finding short-term and long-term solutions using our resources here at home. We need to access what we have on and beneath our soil to become energy independent and less reliant on foreign countries that now supply our energy.

Domestic exploration will release our nation from the continuous burden of high gasoline prices and bridge us to long-term energy solutions.

Gresham Barrett of  
Westminster represents  
South Carolina's 3rd  
Congressional District.

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### McCain's Drill Appeal

NYT, August 23, 2008; <http://www.nytimes.com/2008/08/23/opinion/23blow.html>

By CHARLES M. BLOW

Mr. Obama, I'm stunned.

You've allowed John McCain to use the energy issue to steal your momentum and erase your lead in the polls. McCain told America that we needed to explore all our options to solve the energy crisis, including drilling offshore. He said that you disagreed. He summed up his argument in a powerful little phrase: "Drill here and drill now." Brilliant!

Yes, I know. It's a gimmick. The relatively small amount of oil that we may find by punching more holes in the floor of the Gulf wouldn't be seen for years.

Furthermore, we have to come to terms with the fact that we are running out of oil anyway. We may be able to push back our day of reckoning, but it's coming. According to the Energy Information Administration, our domestic production has fallen 40 percent since 1985, and not for lack of drilling. Since 2000, the number of exploratory and developmental wells has nearly doubled, while crude production has continued to slip.

We have to slake our thirst for crude and invest immediately and aggressively in alternative energy sources.

In spite of all this, people still took the drilling bait. Why? Because it was concise, catchy and positive. That's the formula. I thought that you understood this, you of the "Yes We Can!" slogan and all. But, apparently not.

Lately, you've demonstrated an unsettling penchant for overly nuanced statements that meander into the cerebral. Earth to Barack: to Main Street America, nuance equals confusion. You don't have to dumb it down, but you do have to sum it up.

For example, your performance at Rick Warren's faith forum came across as professorial and pensive, not presidential. McCain was direct and compelling. Your initial response to the crisis in Georgia was tepid and swishy. McCain was muscular and straightforward.

Put the intellectualism on hold and get smart. Concise, catchy and positive: that's the meat you feed the masses.

McCain recently slipped up, joking that it takes \$5 million to make someone rich. A few days later, he couldn't remember how many houses he owns. Jackpot for you, right? Wrong. This is how you played it: "I guess if you think that being rich means that you got to make \$5 million, and if you don't know how many houses you have, then it's not surprising that you might think the economy was fundamentally strong."

Really? Is that the best you can do? Maybe it is.

And that would be the problem.

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## **Bush blames Democrats for high gas prices**

Associated Press, August 23, 2008; <http://ap.google.com/article/ALeqM5j057jBReERcsF-FcZRSWe0h1gaXQD92O1M000>

CRAWFORD, Texas (AP) — President Bush on Saturday blamed the Democratic-led Congress for the high cost of gasoline and renewed his call for expanded offshore drilling to increase U.S. oil supplies.

"To reduce pressure on prices, we need to increase the supply of oil, especially oil produced here at home," Bush said in his weekly radio address.

Congress left for the August recess without a solution to fuel prices. In a bid to force a vote on offshore drilling, Republicans blocked Democratic proposals to use the nation's petroleum reserve, curb oil speculation and require oil companies to drill on already leased federal lands.

The president, who is vacationing at his Texas ranch, said Americans support expanded exploration of oil in areas that include the Outer Continental Shelf. The shelf is the shallow, sloping land that stretches for miles undersea between the coastline and the deep ocean.

New oil drilling is only allowed now in federal waters in the western Gulf of Mexico and off Alaska.

House Speaker Nancy Pelosi, D-Calif., signaled last week the Democrats' position could be shifting. With energy legislation to be introduced after Congress returns, lawmakers will be able to "consider opening portions of the Outer Continental Shelf for drilling, with appropriate safeguards, and without taxpayer subsidies to Big Oil," she said.

But Bush said the Democrats are pushing a plan that would reduce domestic production and drain the country's emergency oil supply.

"Democratic leaders know that these counterproductive proposals will not become law," Bush said. "They need to stop standing in the way of expanding domestic production and take meaningful steps now to address the pain caused by high energy prices."

Bush said offshore drilling can be done in an "environmentally responsible" way. Experts believe production from below the ocean can produce nearly 10 years' worth of America's current annual oil output, he said.

"When Congress returns they should remove this restriction so we can get these vast oil resources from the ocean floor to your gas tank," Bush said.

The president also said Congress should lift a ban that blocks access to oil shale on federal lands. Oil shale, a sedimentary rock, can be mined and processed to produce oil.

And lawmakers should extend tax credits to encourage the development of alternative sources of energy such as wind and solar, Bush said.

"This Congress has been one of the most unproductive on record. They've failed to address the challenge of high gas prices," the president said. "They need to send me a bill next month that I can sign so we can bring relief to drivers, small business owners, farmers and ranchers and every American affected by high prices at the pump."

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## **Energy Politics Proving Difficult to Master**

NYT, August 22, 2008;

[http://www.nytimes.com/2008/08/22/us/politics/22energy.html?\\_r=1&sq=energy%20politics&st=cse&adxnln=1&oref=slogin&scp=1&adxnlnx=1219414685-NvNfmyOA3BZZ5UpvM54jdw](http://www.nytimes.com/2008/08/22/us/politics/22energy.html?_r=1&sq=energy%20politics&st=cse&adxnln=1&oref=slogin&scp=1&adxnlnx=1219414685-NvNfmyOA3BZZ5UpvM54jdw)

By KIRK JOHNSON and MONICA DAVEY

CHEYENNE WELLS, Colo. — The politics of energy are convoluted and volatile in Congressional campaigns across the United States this summer, as candidates search for a Goldilocks approach that is neither too hot nor too cold, and that voters will believe is sincere.

In Nebraska's Second Congressional District, Representative Lee Terry, a Republican, this week began airing an advertisement in which he points to the images of three Saudi officials and gruffly says, of rising gasoline prices, "these guys benefit."

In Kansas's Third Congressional District, Nick Jordan, a Republican, has a "Dennis Moore's Vacation From Energy Solutions Clock" ticking away at the top of his Web site, referring to the Democratic incumbent there.

Here in Colorado, where Democrats gather next week for their convention, candidates have sparred relentlessly over energy. By most accounts, it is the No. 1 issue in the Fourth Congressional District, a mostly rural area that sprawls across Colorado's boundary with the Great Plains.

In the small towns and wind-swept farms of the Fourth District, it is easy to find people like Rod Diekman. Mr. Diekman is outraged about the particulars of the energy crunch, including the prices for fuel and fertilizer that are battering his 3,500-acre wheat and millet farm just north of Cheyenne Wells, and the lack of electricity-transmission capacity that is blocking construction of a wind-turbine plant on his property.

But like many voters, Mr. Diekman also has plenty of scorn left over for the politicians.

"They're all just saying what they think I want to hear," said Mr. Diekman, 53, standing at the door to the repair shed where he rebuilds tractor-trailer rigs as a sideline to make ends meet.

The fierce tactical positioning of candidates here and elsewhere — some call it pandering and waffling — is producing a convergence of sorts around the idea that more is better, that an expansion of energy production from all sources and places will somehow fix things, lower prices and restore stability to the economy.

"It's a very fine line to walk," said Betsy Markey, a Democrat who is challenging Representative Marilyn Musgrave, a Republican, here in the Fourth District.

Ms. Markey opposes drilling for oil in the Arctic National Wildlife Refuge, for example; Ms. Musgrave heads there this week to decide for herself. Both candidates support expansion of renewable energy like wind, but Ms. Markey says that Ms. Musgrave's long record on the issue — voting against renewable energy standards in Congress as recently as last August and against tax credits for the wind industry this year — tells a different story.

In Minnesota — where the Republicans will gather for their convention next month — the race in the Sixth Congressional District also tells the tale of an energy-policy free-for-all that is challenging candidates and voters alike.

In the district, a traditionally conservative-leaning region that hugs the northern suburbs and exurbs of the Twin Cities, the positions of the major candidates on energy have begun to appear not so far apart. Each side seems to be stretching beyond ground traditionally staked out by its party, onto terrain long occupied by the opposing one.

Along the campaign trail, Representative Michele Bachmann, a Republican seeking a second term, emphasizes that she supports widening exploration for gas and oil in places like the Arctic National Wildlife Refuge (which she toured this summer, in addition to an oil rig in the Gulf Coast), but also speaks highly of renewable energy sources, like the solar shingles she saw in a laboratory.

Meanwhile, El Tinklenberg, Ms. Bachmann's Democratic opponent, trumpets an alternative energy tour he took through the district in recent weeks — to a wind-turbine contractor, a waste-to-fuel plant, a group working to make algae into biodiesel, a park-and-ride lot — but also says he favors more domestic exploration for oil (though he stops short of expansion in the Arctic wildlife refuge).

Of this newly and awkwardly shared ground, each side expressed deep skepticism of the other. In both the Colorado and Minnesota races, the candidates say they want to look at all approaches in this moment of crisis, but doubt their opponents truly do.

At a gasoline station in Stillwater, Minn., last week, Mrs. Bachmann wandered up to drivers as they watched the numbers at the pumps flip higher and higher. In recent weeks, aides said, she has made several appearances at gasoline stations in her district, a place that — with some 30-mile and longer commutes to the Twin Cities for work — knows all too well the woes of gasoline prices.

What, she asked each voter, should she tell her colleagues in Washington about what to do about gasoline prices?

“Start drilling, that’s what we need to do,” said Roger Aho, 65, as Mrs. Bachmann nodded. “Alternative energy is O.K., but we have to keep looking for oil. It’s been around for a long time, and it’s going to be around a long time.”

At the next pump, Daniel Ohl, 23, told Mrs. Bachmann that her colleagues should pursue alternative energy sources. She nodded. She told him about the solar shingles.

Afterward, both men said they were impressed with Mrs. Bachmann’s thoughts on energy. Mr. Aho voted for her before and is likely to again, he said. Mr. Ohl, who said he and his girlfriend were now spending more on gasoline (\$300 a week) than on rent, food or anything else, said he usually favored Democratic candidates. But, he added, “She is one of the only ones I’ve ever heard talking seriously about renewable fuel sources.”

In Colorado, Ms. Markey, the Democratic challenger in the Fourth District, said she has sometimes found that Republican voters like much of her message on energy, but plan on voting for Ms. Musgrave anyway.

On a recent swing through the town of Sterling, Ms. Markey stopped in to visit with John C. Wray II, owner of Marsau’s, an auto parts supply shop. They sat down in his office. Mr. Wray, a Republican, asked Ms. Markey about her energy positions and she said that drilling had to be expanded, but that some areas should remain off limits for environmental reasons or wildlife protection. He asked about nuclear power and she said that it should be looked at, too, but that disposal issues for spent nuclear fuel remained unsettled and had to be addressed first.

“Energy is the No. 1 issue,” Mr. Wray said.

(Ms. Musgrave’s office did not respond to repeated e-mail and phone requests for comment about the energy debate in her district.)

Gov. Bill Ritter Jr. of Colorado, a Democrat who was elected in 2006, has pushed to make the state a national headquarters for renewable energy research, manufacturing and production, with Ms. Musgrave’s district — if only by dint of geography, because that is where the wind is in Colorado — front and center. Of the nearly 1,200 megawatts of wind-power turbines in the state as of the end of last year, almost all are in Ms. Musgrave’s district.

“We’re building a new economy,” Mr. Ritter said in an interview in his office in Denver. “This is not a conversation of desperation; this is a conversation of opportunity.”

But there is a deep well of discontent as well about where that “new energy economy,” as Mr. Ritter calls it, has delivered on its promise.

Here in Cheyenne Wells, a struggling community of just over 1,000 people that has lost about 10 percent of its population since 2000, many people say the future hinges on renewables. But unlike areas to the north and south in the Fourth District, where high-voltage transmission lines are already in place to ship the energy out, Cheyenne Wells’s wind-powered future is just a frustrating, and, for now, unattainable vision.

“It’s the next boom waiting to happen,” said the mayor, Monte Baker, a wheat farmer and Republican. “But based on the numbers being thrown to me, it’s 10 years before a viable wind farm can be built locally, before it’s on the grid.”

Meanwhile, the more complex components of the energy debate, from climate change to conservation, often get mostly lost in the drumbeat of simplified answers, leaving some voters more confused, or torn, than ever.

Mr. Diekman, for example, the Colorado wheat farmer, rails against environmentalists. But then a few minutes later, he conceded that environmentalists and their political allies might also be more likely to push for expanded transmission lines into the rural areas like eastern Colorado that would allow wind energy to expand.

“I don’t know,” he shrugged. “I’m just trying to look out for No. 1.”

In Minnesota’s Sixth District, Keith Bogdan, 50, admitted his confusion, too.

"I'm not sure what they can do; I'm not sure what the answers are," Mr. Bogdan said. "But I wish they could find a way to make the price of gas O.K., or at least consistent."

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## California County Weighs Push for Offshore Drilling

WSJ, August 22, 2008; [http://online.wsj.com/article/SB121936878285762399.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121936878285762399.html?mod=googlenews_wsj)

By BEN CASSELMAN

SANTA BARBARA, Calif. -- Almost 40 years ago, a major oil spill off the coast here helped launch the environmental movement. Now, some in this wealthy seaside community are trying to sway the energy debate again -- this time in favor of offshore drilling.

A 1969 Santa Barbara oil spill helped begin the environmental movement.

On Tuesday, the county Board of Supervisors will decide whether to urge California Gov. Arnold Schwarzenegger to "consider a change in policy that would allow expanded oil exploration and extraction in our county." Supporters and opponents expect the board to approve the measure on a 3-2 vote.

The county board doesn't have jurisdiction over offshore drilling, which is banned by the state and federal governments. But the vote could have a symbolic impact at a time when offshore drilling is gaining favor because of high gasoline prices.

"It's a sea-change," said Brooks Firestone, the county supervisor who is expected to cast the deciding vote. Last year, he voted to oppose drilling, but has since changed his mind.

Tucked in a valley and surrounded by hills that swoop to the ocean, Santa Barbara looks like a Mediterranean village, with red-tiled roofs and white stucco walls lining the tourist-clogged downtown streets. Along the coast, waterfront mansions attract the wealthy and famous.

But some of the county supervisors represent inland areas to the north that tend to be more conservative and pro-oil than the picture-postcard south coast.

Environmentalists are concerned about the symbolic value of a pro-drilling vote here. "This being Santa Barbara, people will pay attention," said Linda Krop, chief counsel for the Environmental Defense Center, a local nonprofit, which opposes drilling.

City Councilor Helene Schneider is planning a resolution reaffirming the city government's opposition to drilling, in part because of the economic impact another spill would have on the local tourism industry. "I don't want to give the impression that Santa Barbara has changed its mind," she said.

The national debate on energy production is playing out in smaller battles across the country. Authorities in Pennsylvania are concerned about the millions of gallons of water needed for natural-gas production there. Residents in Fort Worth, Texas, are clashing over pipelines being built in neighborhoods. Western states have seen fights over drilling in environmentally sensitive areas.

But there are few places where the debate is felt as keenly as in Santa Barbara. Tourists on Stearns Wharf can still see the oil platform that caused the 1969 oil spill -- and is still operating under a grandfather provision of the federal drilling ban.

Since the spill, the city has become one of the environmental movement's most secure strongholds; the City Council is considering a plan to make the city government carbon neutral by 2020.

Proponents of drilling argue the area has never been as one-sided as its liberal reputation suggests: 43% of county residents' federal campaign contributions go to Republicans, according to the Center for Responsive Politics. A recent poll, paid for by an oil company, found that 61% of county residents support offshore drilling, compared with 51% statewide.

On a recent Monday evening, about a dozen drilling advocates gathered for steak and beans at the hilltop Santa Barbara home of Lad Handelman. A former abalone diver who founded two offshore oil-service companies, Mr. Handelman has hung a rusted steel drill bit in his entry hall. Photos of oil rigs line the walls.



Mr. Handelman's guests included a physicist who is writing a book on solar energy, a graying surfer and an engineering student who arrived by motorcycle, as well as the president of an oil-services company.

The group was founded several years ago as Bring Oil Back, a direct challenge to Get Oil Out, a prominent local environmental group. Its members, many of them self-described environmentalists, argue a range of issues to support their view: the improved safety record of the oil industry, the dangers of dependence on foreign oil and the impact of revenue from increased oil production.

Publicly, the group focuses on a particularly local issue: oil seeps, natural emissions that leave a sheen on the ocean surface and balls of tar on the sandy beaches. Now named Stop Oil Seeps California, the group touts a 1999 University of California at Santa Barbara study suggesting that oil production could reduce the emissions by relieving pressure in undersea oil fields.

One of the study's authors, Bruce Luyendyk, says the group is "extrapolating these results in ways that are not justified." But the seeps issue has given drilling supporters an argument they hope will win over locals.

The group's most important convert is Supervisor Firestone, whose district straddles the county's north-south divide. A hybrid-driving former Republican state assemblyman, Mr. Firestone said the county's strained budget is a key argument.

"With potential reserves out there, we might be able to solve our deficit problem," he said.

Opponents accuse Mr. Firestone, who isn't running for re-election, of doing favors to oil-industry supporters on his way out of office, which he denies. The front-runner to replace him, Doreen Farr, opposes offshore production.

Another supervisor and a drilling opponent, Salud Carbajal, plans to bring the issue back before the board in January if Ms. Farr wins, he said. "We locally are involved, whether we like it or not, in national politics."

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### **It's Time to Bury the Ban**

Charleston City Paper, August 21, 2008; <http://www.charlestoncitypaper.com/gyrobase/Content?oid=oid%3A50433>

Offshore Drilling:PRO

By Lewis Gossett

The current debate over exploration and possible recovery of oil and/or natural gas from remote regions of Alaska and the Outer Continental Shelf is remarkable for the simple fact that we are even having the debate in the first place.

Given the fundamental importance of an adequate and affordable supply of energy, the United States should aggressively pursue new sources of oil and natural gas, particularly when those resources can be extracted in an environmentally safe manner. Failure to do so is simply reckless, as our unwillingness to develop our own resources places us at economic risk, jeopardizes our national security, and contributes to environmental damage in other parts of the globe.

Like it or not, our society cannot function without substantial supplies of oil and gas. Our prosperity and safety depend upon these resources, and although we may one day have the technology to replace them with other sources of energy, reality for the next decade or so is that we must find and extract more oil and gas.

Unfortunately, American public policy over the past 30 years has ignored this fundamental fact, and as a result, we have become too dependent on foreign supply. Instead of providing for our own needs, we subject ourselves to the whims of global commodity markets, more often than not controlled by individuals and countries that wish us economic or physical harm. What sense is there in that kind of public policy?

The facts speak for themselves. In 1985, only 25 percent of the oil we used was imported while 75 percent was produced domestically. Today, those numbers have flipped as we import nearly 70 percent of our consumption needs. We pay countries with hostile regimes nearly \$700 billion annually for a resource we know is plentiful within our boundaries. These payments represent one of the greatest transfers of wealth in the history of mankind.

Recently, I heard one television commentator say that three days' revenue for either Saudi Arabia or Iran would be enough to buy General Motors. Chilling.

Opponents of drilling have no answer to questions regarding the wisdom of funding our enemies. Instead, they point to environmental concerns and safety. These arguments are disingenuous. Can we argue that the extraction of oil and natural gas is perfectly safe? Not quite — but it is pretty close. Technological advances and a heavy dose of government regulation make the American petrochemical industry the safest and cleanest in the world. Since 1980, drilling in the United States has a .001 percent pollution rate. Other countries and even the Earth herself fall well short of that performance level.

For perspective, Mother Earth is 95 times dirtier than man. According to the U.S. Minerals Management Service (MMS), the earth naturally emits 620,500 barrels of oil every year from North America's ocean floors compared to the average 6,555 barrels that oil companies have spilled annually since 1998. And while storms are always a concern — and some spills did result from hurricanes Katrina and Rita — the fact that 3,050 offshore structures endured these storms without a major spill is a testament to the sound operations of this industry.

When such emergencies arise, lines are capped beneath the ocean floor, effectively sealing oil and gas well below the earth's surface. In fact, the MMS stated that "losses were mostly limited to the oil stored on platforms that were damaged or oil contained in individual segments of pipelines that were damaged," and noted "there were no accounts of spills from facilities on the OCS (Outer Continental Shelf) that reached the shoreline, or oiled birds or mammals, or involved any large volumes of oil to be collected or cleaned up." The MMS further concluded, "due to the prompt evacuation and shut-in preparations made by operating and service personnel, there was no loss of life and no major oil spills attributed to either storm." Such an evaluation should give confidence to the largest of skeptics.

Additionally, no one can dispute that American safety technologies and regulations make it much more environmentally sound to explore and drill here rather than rely on countries with more lax regulations. Just one of our suppliers, Nigeria, is politically unstable, prone to environmental damage from oil operations, and horribly abusive to the workers in the oil fields. It is time to tell it like it is — those who oppose drilling effectively ally themselves with oppressive governments, support environmentally irresponsible drilling, and transportation of oil and gas in those countries, threaten the prosperity of all Americans and prop up foreign regimes who, given the chance, would do grievous harm to this country and her citizens.

The energy crisis is adversely impacting every facet of our lives and economy — transportation, manufacturing, agriculture, tourism, and everything in between. While we agree that conservation and continued research and development of renewable and alternative forms of energy are also essential to becoming more energy independent, this transformation will not happen overnight. Let's start using common sense and take control of our own destiny for a change. It's time to Bury the Ban and lift the moratorium on exploration and drilling.

Lewis Gossett is president/CEO of the S.C. Manufacturers Alliance and serves as chairman of Citizens for Sound Conservation, a non-partisan not-for-profit organization dedicated to improving our environmental and economic quality of life.

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### **Voters Want Everything on Energy**

WSJ, August 21, 2008; <http://online.wsj.com/article/SB121928741734759321.html>

By STEPHEN POWER

WASHINGTON -- Voters are crying out for more solar and wind energy -- but that doesn't mean they are opposed to drilling for more oil at the same time, according to a Wall Street Journal-NBC News poll.

The poll's findings suggest any political advantage Democrats or Republicans hope to get from the national debate over energy policy will depend on how skillfully they package their positions. Democrats have opposed expanded offshore drilling and stressed alternatives to oil. Republicans have called for expanding oil exploration to areas currently off limits. Leaders in both parties have begun scrambling for ground somewhere in the middle, where a big chunk of voters appear to stand.

According to the Journal-NBC poll, 72% of the respondents said developing alternative energy sources could "accomplish a great deal." When the question was asked another way, 61% of respondents chose "developing alternative energy sources" as the step that should receive the most emphasis from policy makers. Twenty-five percent responded that "exploring and drilling for oil" in the U.S. should get the most emphasis, and 12% picked "having Americans conserve and use less oil."

When asked whether expanding areas for drilling for oil off coastal states was a step in the right direction, 63% said it was, with 44% saying it would accomplish "a great deal." Only 27% said that allowing more drilling off coastal states was a step in "the wrong direction."

Asked about building more nuclear plants, 53% said it was a step in the right direction. Thirty-one percent said it was a step "in the wrong direction."

"Voters are telling us they want everything," said Neil Newhouse, a Republican who conducts the poll with Democrat Peter D. Hart. Mr. Hart said the results indicate that the current energy debate between Republican presidential candidate John McCain and his Democratic rival, Barack Obama, "is not the fight that the American public cares about."

The poll found greater levels of skepticism among voters about releasing oil from the Strategic Petroleum Reserve - an idea advocated by Sen. Obama and many congressional Democrats -- and suspending the federal gas tax, an idea championed by Sen. McCain. Less than half of those polled thought those ideas were a step in the right direction.

"What these voters are saying is that there needs to be a whole new way of looking at our problems, and that they don't want the same old fights and the same old divisions," Mr. Hart said.

After weeks of criticizing expanded drilling, Sen. Obama has said he could support an expansion of offshore drilling, as long as it is part of a "genuine bipartisan compromise" that includes other measures to reduce the country's oil dependence.

Similarly, House Speaker Nancy Pelosi (D., Calif.) announced last week that her party is drafting legislation that "will consider opening portions of the Outer Continental Shelf for drilling, with appropriate safeguards, and without taxpayer subsidies to Big Oil."

Many Republicans have dismissed that statement, saying they suspect the Democrats' proposal will contain other provisions unacceptable to their side. Sen. McCain has also continued to attack Sen. Obama on the issue, visiting an offshore oil rig this week to highlight his support for more offshore drilling

"Congressional Democrats are still kind of lagging" public opinion on drilling, Mr. Newhouse said. "They've been extraordinarily slow to pick up on this [issue], and some of their [candidates] may end up paying the price."

Congress is preparing to return to Washington in September to debate whether to pass new legislation that attempts to respond to high oil prices by funding alternative-energy sources and increasing access to domestic petroleum. Focal points in the debate are whether to lift the 27-year-old drilling moratorium that largely covers the Atlantic and Pacific coasts and the eastern Gulf of Mexico, and whether to expand tax credits and other subsidies for alternative energy technology such as wind and solar power.

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### **Gas Prices Fuel New Views by Democrats on Offshore Drilling**

WSJ, August 21, 2008; <http://online.wsj.com/article/SB121928346659759011.html>

By BRAD HAYNES

LAS VEGAS -- Dina Titus launched her general-election campaign for the House seat representing Nevada's third district with a speech straight from the Democratic playbook, pledging an end to the Iraq war and using the word "change" nine times in the span of a minute.

But when she turned to the issue uppermost on voters' minds -- gasoline prices -- she compared her energy plan, which calls for lifting the federal ban on new oil drilling off U.S. coasts, to the policies of John McCain, not Barack

Obama. "Some say my position is more in line with Sen. McCain than Sen. Obama," said Mrs. Titus, who points out that she supported lifting the ban in July, before Sen. Obama shifted in favor of expanded drilling as part of a broader bipartisan energy package.

As gasoline prices have become a focal point for voters' economic concerns, Democratic candidates across the country are rewriting the party line on the issue. Mrs. Titus and many other Democrats new to the national stage were citing their support for more drilling in June, well before recent talk of compromise by a bipartisan Senate coalition and Democratic leadership in the House.

More than a third of the 45 candidates in House Democrats' so-called Red-to-Blue program aimed at capturing seats now held by Republicans have supported lifting the drilling moratorium. The Democratic candidates' support for new drilling spans land-locked and coastal districts alike, though many of them include caveats that further offshore exploration must be environmentally sensitive, or that royalties from the drilling should be invested in researching alternative energy. Several sitting Democrats facing tough races support new drilling, too, including all three representatives elected from conservative districts in special elections this year.

Recent polls show as many as two-thirds of Americans support expanded offshore drilling. In July, President George W. Bush lifted the executive ban on new coastal drilling, a move now supported by Republican presidential candidate Sen. McCain, reversing an earlier position.

Elected Democrats are coming around, too. On Aug. 1, presidential candidate Sen. Obama suggested he would be open to expanded coastal drilling under the proper conditions. House Speaker Nancy Pelosi (D., Calif.) suggested Friday that Democrats would for the first time consider a vote to open some portions of the Outer Continental Shelf to new oil exploration.

In Mrs. Titus's southern Nevada district, hundreds of miles from a coast, the local economy hinges on the affordability of a plane ticket or road trip to Las Vegas. Fuel costs have cut into tourist spending as the once-booming housing market in the Las Vegas suburbs is turning to bust: Nevada has held the nation's highest home-foreclosure rate for 18 consecutive months.

"We're experiencing our own Nevada recession," declared Republican Rep. Jon Porter to a crowd of supporters, while campaigning for re-election in the third district, which he has represented since it was created in 2002. "Our economy has hedged a lot of recessions. Money may be tight, but people still come to Las Vegas because they need that release. But the days of cheap flights and weekend visits are gone."

The energy debate has given Mr. Porter and Republican incumbents like him an opening on the issue of the economy, a traditional Democratic strength, and an opportunity to connect with their financially struggling constituents.

When congressional Republicans held a shadow session in the darkened Capitol this month to protest Speaker Pelosi's adjournment of Congress without a vote on drilling, Mr. Porter flew back to Washington to join the protest. "I think Congress ought to be in session today, solving this energy problem. But Nancy Pelosi sent us on vacation," he said at a campaign event.

Cory Van Aken, a homeowner on the southernmost fringe of the sprawling suburbs, hasn't taken out his economic frustration on his congressman. He bought his home last year, when houses in his neighborhood were selling for more than \$700,000. Now the homes on his half-vacant street are worth less than half a million dollars and he finds himself "upside down" on his mortgage, owing more than his house is worth. Mr. Van Aken has kept up with payments, but half a dozen properties on his block are in foreclosure.

"I'd like to throw them all out of Congress. They've done a terrible job," Mr. Van Aken says. "But I hate voting for a Democrat. I don't trust her on the drilling. Absolutely not."

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### **All the Oil We Need**

NYT, August 21, 2008; <http://www.nytimes.com/2008/08/21/opinion/21press.html?scp=5&sq=oil&st=cse>

By EUGENE GHOLZ and DARYL G. PRESS

WHILE oil prices have declined somewhat of late, the volatility of the market and the political and religious unrest in major oil-producing countries has Americans worrying more than ever about energy security. But they have little to fear — contrary to common understanding, there are robust stockpiles of oil around the globe that could see us through any foreseeable calamities on the world market.

True, trouble for the world's energy supplies could come from many directions. Hurricanes and other natural disasters could suddenly disrupt oil production or transportation. Iran loudly and regularly proclaims that it can block oil exports from the Persian Gulf. The anti-American rhetoric of President Hugo Chávez of Venezuela raises fears of an export cutoff there. And ongoing civil unrest wreaks havoc with Nigeria's output.

Even worse, this uncertainty comes in the context of worrisome reports that oil producers have little spare capacity, meaning that they could not quickly ramp up production to compensate for a disruption.

But such fears rest on a misunderstanding. The world actually has enormous spare oil capacity. It has simply moved. In the past, major oil producers like Saudi Arabia controlled it. But for years the world's major consumers have bought extra oil to fill their emergency petroleum reserves.

Moreover, whereas the world's reserve supply once sat in relatively inaccessible pools, much of it now sits in easily accessible salt caverns and storage tanks. And consumers control the spigots. During a supply disruption, Americans would no longer have to rely on the good will of foreign governments.

The United States alone has just more than 700 million barrels of crude oil in its Strategic Petroleum Reserve. Government stockpiles in Europe add nearly another 200 million barrels of crude and more than 200 million barrels of refined products. In Asia, American allies hold another 400 million barrels. And China is creating a reserve that should reach more than 100 million barrels by 2010.

Those figures only count the government-controlled stocks. Private inventories fluctuate with market conditions, but American commercial inventories alone include well over a billion barrels. Adding up commercial and government stockpiles, the major consuming countries around the world control more than four billion barrels.

Some policy makers and analysts worry that these emergency stocks are too small. For example, they sometimes compare the American strategic reserve to total American consumption, so the reserves appear dangerously inadequate. The United States consumes about 20 million barrels of oil every day, so the Strategic Petroleum Reserve could only supply the country for 35 days. (Furthermore, the United States could not draw oil out of the reserve at anything approaching a rate of 20 million barrels per day.) This is why President Bush in his 2007 State of the Union address called for doubling the strategic reserve.

But this vulnerability is a mirage. The size of plausible disruptions, not total consumption, determines the adequacy of global reserves. The worst oil disruptions in history deprived global markets of five million to six million barrels per day. Specifically, the collapse of the Iranian oil industry during the revolution in 1978 cut production by nearly five million barrels a day, and the sanctions on Iraq after its conquest of Kuwait in 1990 eliminated 5.3 million barrels of supply. If a future disruption were as bad as history's worst, American and allied governments' crude oil stocks alone could replace every lost barrel for eight months.

Current fears about energy security focus on Iran. For example, Tehran could sharply cut its oil exports to drive up global prices. Of course, this would be the economic equivalent of suicide terrorism: oil exports provide more than 80 percent of Iranian government revenues, and a major cutback would wreck Iran's economy.

It would also be futile because the industrialized world could easily replace Iranian oil. Iran only exports 2.5 million barrels each day. A coordinated release of reserve crude by the United States and its European and Asian allies could replace missing Iranian barrels for a year and a half. Iran is vulnerable; the West is not.

Of course, we are told, Iran might be able to take Saudi, Kuwaiti and Iraqi oil off the market, too, by attacking oil tankers as they pass through the Strait of Hormuz, along Iran's coast. It's conceivable, but not likely.

Significantly impeding oil traffic would require a sustained military campaign. Dozens of tankers carry more than 15 million barrels of crude through the strait every day. The water is so deep that the navigable channel for supertankers is 20 miles wide at its narrowest point. There is simply too much traffic across too much space for the waterway to be easily blocked.

Countries have attacked oil infrastructure before, and the results were underwhelming. During the Iran-Iraq war, Baghdad and Tehran struck each other's oil terminals and tankers repeatedly, but they proved to be very resilient targets. Rugged structures and quick maintenance meant that Iran's Kharg Island terminal kept pumping despite repeated bombings. Tankers, which dwarf aircraft carriers, have thick hulls designed to prevent oil spills and, when attacked, proved to have few sensitive parts where a "lucky" hit could cause serious damage. They managed to keep the oil flowing through Persian Gulf waters throughout the Iran-Iraq war.

Today, Iran has more advanced anti-ship weapons, and it could surely harass commercial tanker traffic. But it would be hard pressed to sustain an anti-shipping campaign sufficient to reduce oil flows drastically for weeks on end, especially in the face of an intense military response. Even if Iran were able to reduce oil flow through the strait by, say, 30 percent, global reserves could replace losses of that magnitude for more than nine months — plenty of time for the Navy to counter Iranian military operations.

Make no mistake, any major disruption — from a war, a terrorist attack or a natural disaster — would make prices jump until markets realized that the pipes feeding crude into refineries were not going to run dry. But recognizing the great capacity of global reserves to weather disruptions will go a long way to minimizing panic.

Emergency reserves have their limits. They cannot free the industrialized world from the underlying economic fundamentals that drive energy prices. As the global economy grows, demand for energy will rise and oil prices may remain high.

Government-controlled stockpiles should not be used to try to smooth out short-term blips in global supplies, the normal variations that companies account for with their inventories and financial hedging. Public inventories are a blunt instrument designed to protect the oil market as a whole from major disruptions — national strikes, hurricane damage, wars and attempts at geopolitical blackmail.

Paradoxically, our exaggerated fears over energy security have some benefits — for example, they may reduce the United States' inclination to attack Iran. But they also have big costs. Politicians could be induced to try costly solutions for problems that don't exist, like President Bush's commitment to double the size of the Strategic Petroleum Reserve. Western leaders may also pay too much heed to an oil producer's saber rattling. And, finally, exaggerated fear may encourage oil-market traders to panic at the first sign of even a small disturbance. When it comes to energy security, let's not let fear get the best of common sense.

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### **Oil and gas work doesn't affect movement of gulf whales -- MMS study**

E&E News, August 21, 2008; <http://www.eenews.net/eenewspm/2008/08/21/1/>

Allison Winter

Seismic sounds associated with the extensive oil and gas exploration in the Gulf of Mexico have no apparent effect on the movement of endangered sperm whales, according to a federal report released today.

The study found that sperm whales spend all year in the industrialized gulf with few signs of seasonal migrations. The Minerals Management Service and Texas A&M Research Foundation coordinated the six-year, \$9.3 million study, drawing on research from 15 federal and state agencies, universities and organizations.

Scientists compared five years of data on the movements of 51 tagged sperm whales and found the whales showed little reaction in movement patterns at a distance of 5 kilometers (3.1 miles) or greater from the source of seismic sounds. The research was inconclusive on the effects on whales 3 miles or closer to the seismic source.

"There was virtually no difference between random sperm whale movement and the movement of whales that were in the vicinity of seismic activities," said Bruce Mate, an Oregon State University scientist who led the satellite-tracking effort.

Mate placed instruments on whales to track their distribution. He couldn't tell if they had other reactions to the seismic activity.

The study comes amid heated debate in Congress and on the presidential campaign trail over whether the United States should open more offshore areas to oil and gas development. The research is not a direct response to drilling or permit requests, but MMS officials said it would provide baseline information to help their agency evaluate

whether whales prefer some locations, what effects human activities have on the creatures and possible mitigation measures.

Scientists and environmental groups have been concerned about the environmental dangers of seismic testing -- which relies on intense blasts of sound to map potential mineral reserves. Sperm whales -- which rank among the world's largest and least understood mammals -- are thought to be highly sensitive to loud noises and have a low rate of reproduction.

As offshore drilling has moved from shallower waters not frequented by whales to deeper water in search of new reserves, environmentalists have called for more protections. The Natural Resources Defense Council blasted the Bush administration six years ago when it weakened proposed restrictions on exploration, intended to protect the whales.

The 323-page report released today estimates a core population of about 140 whales near the mouth of the busy Mississippi River. Genetic testing on the whales showed that those in the Gulf of Mexico are a distinct stock from other sperm whales worldwide.

Within the gulf, the study found that whales moved along areas that could potentially also be prime drilling locations. Most whales moved along the continental slope in waters that were 800 to 1,000 meters deep -- the same depth as most of the new oil wells being drilled near Texas and the Louisiana Delta.

The whales also appear to congregate in areas where there are steep slopes near underwater canyons, which are often rich spots for a major food source, giant squid. Some of those canyon areas have also collected organic material for millions of years that may have created oil and gas deposits.

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### **Gulf lease sale defies trends, affirms commitment to deep water**

E&E News, August 20, 2008; <http://www.eenews.net/eenewspm/2008/08/20/2/>

Katie Howell

Today's western Gulf of Mexico lease sale netted more than \$487 million for the government and brought this year's grand total of federal lease sale high bids to a record \$9.5 billion, Interior Secretary Dirk Kempthorne said.

The sale marked the return of Exxon Mobil Corp. as an active player in gulf lease sales. The company had the largest number of high bids, 130, and it spent the most acquiring those leases, \$127.3 million.

Exxon Mobil, the world's largest publicly traded oil company, has been absent or nonaggressive in lease bidding in recent Gulf of Mexico lease sales, said Lars Herbst, regional director of the Gulf of Mexico region for the Minerals Management Service.

Exxon Mobil's active bidding strategy echoed a trend among the other 52 companies bidding in today's sale. The western sale is not typically as big a sale as the central Gulf of Mexico lease sales in March. But Kempthorne and other Interior officials said technology advances, better data and record high energy prices have pushed companies to explore for hydrocarbons in new areas.

Generally, higher bids are in the central gulf planning area, Herbst said. "There's more drilling activity and more knowledge there," he said.

Last year's western sale brought in nearly \$290 million on 282 tracts. This year's sale earned \$487 million on 319 tracts (Greenwire, Aug. 20).

The bid amounts have crept up as companies push to explore for oil in harder-to-reach areas, such as those with water depths greater than 1,000 feet. Kempthorne said 80 percent of today's high bids came from such deepwater tracts.

And Herbst said companies' bidding on deepwater tracts confirms their commitment to developing domestic resources.

"What's left to look at is deep water," Herbst said. Such leasing "has been the trend over the last few years. The reality is, with the majority of the lower 48 coastlines off limits, it's basically what's left. Companies have got to go deeper and further, which increases costs and time before production. This shows the great commitment that companies are willing to go to, to get home-grown energy."

The two companies that bid the highest amounts for single lease blocks, StatoilHydro USA and Chevron Corp., both focused on deepwater tracts.

StatoilHydro bid the highest for a single block, at \$61.1 million. That block, in the Alaminos Canyon area, is under more than 2,000 feet of water. And Chevron's three bids -- \$52.1 million, \$34.6 million and \$20.1 million -- which were among the top 10 highest per-block bids, were for tracts in 800 to 1,600 feet of water.

"We have built up to be the fourth-largest lease holder," said Kjersti Torgersen, a spokeswoman for the Houston-based subsidiary of Norway's StatoilHydro. "Our assets are only focused on deep water."

#### New frontiers

As new data and technology allow companies to push farther from shore and into deeper water to explore for oil and natural gas, areas that were once considered uninteresting for companies have started to show new luster, Interior officials said.

Each lease sale offers for sale blocks that have always been part of the offshore drilling plan in addition to newly available blocks that were previously held by production or lease. Traditionally, those expired blocks were the big-ticket items in each sale. But Herbst noted a break from that trend in this lease sale.

"We do tract newly available blocks, and traditionally, there is a lot of interest in those blocks," Herbst said. "This sale was a little different. We saw that interest decline, and we saw interest increase in areas that have been available" for several sales. He noted that the race to capitalize on high energy prices and new technology is sending companies into previously unexplored areas.

"People are betting and using the best information they have," said Stephen Allred, Interior's assistant secretary for land and minerals management. "These companies try to figure out which [tracts] are going to have the best prospects ... with the data that we have currently -- and that gets better every time a well is drilled."

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#### **Gulf lease sale attracts high-dollar attention**

Houston Chronicle, August 20, 2008; <http://www.chron.com/disp/story.mpl/business/energy/5955715.html>

By Kristen Hays

Norway's Statoil bet \$61 million that significant oil and gas deposits lie beneath the Gulf of Mexico seafloor more than 160 miles south of Galveston, according to lease sale results released by the federal government today.

The company submitted the highest of 423 bids for leases on 90-square-mile blocks in the western part of the Gulf for the Interior Department's latest lease sale this week.

Interior Secretary Dirk Kempthorne highlighted results of the routine lease sale to push for increased access to explore and drill for oil in federal waters, most of which are off limits under a congressional moratorium in place for more than 20 years.

"Our role is to make accessible resources needed for the country's energy security," he said today in New Orleans.

Last month President Bush lifted an executive ban on drilling in off-limits areas off the west and east U.S. coasts and the eastern part of the Gulf, and called on Congress to lift its moratorium as well.

Today's rundown of \$607 million from 423 bids — \$487 million of which were awarded — came a day after Republican presidential candidate John McCain visited Chevron's Genesis oil and gas platform about 150 miles south of New Orleans.

McCain is pushing to open access to more drilling in off-limits areas, while Democratic presidential hopeful Barack Obama says he would consider more access if it was part of a larger energy policy. Democrats opposed to



expanded offshore drilling say oil companies should drill on 68 million acres of federal lands and waters they already lease, but aren't developing.

Chevron, the largest leaseholder in the Gulf, submitted three of the top five bids announced today: \$52 million and \$22 million for blocks directly south of the Louisiana coast and \$20 million for a block in the same area that generated the highest bid from Statoil. And Statoil also submitted the fourth-highest bid in that area at \$22 million.

Statoil has been increasing its Gulf presence in recent sales, and spent \$136 million on 36 deepwater blocks last August.

Overall, bids were submitted for about 10 percent of the 3,412 blocks available. And of those, 80 percent were for areas in water depths of 1,000 feet or more.

"What's left to look at is deepwater," said Randall Luthi, director of the Minerals Management Service, the arm of the Interior Department that oversees oil and gas activity in the Gulf.

"That's been the trend over the last few years. Basically, what's left is you've got to go deeper, you've got to go out further, you've got to go to places that haven't been explored," he said.

Assistant Interior Secretary Stephen Allred said officials weren't surprised that 10 percent of tracts available brought in bids. The government analysis of all the tracts showed that the leases that generated bids were in blocks most likely to have oil.

"You can't assume that every lease that everybody has is going to produce oil," Allred said.

He added that high-dollar bids could be a product of improved seismic and other exploration technology as well as increased overall deepwater activity that help oil companies get a better idea of what blocks are the best bets.

Royal Dutch Shell submitted a \$105 million bid on a block in the central part of the Gulf — where drilling is more prolific — in a previous sale, he said.

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### **Companies bid millions to tap Western Gulf**

Associated Press, August 20, 2008;

<http://ap.google.com/article/ALeqM5gB6bi0EyTozdEPy0KGisTQNaS2PQD92M58AG0>

By DINA CAPPIELLO

WASHINGTON (AP) — Energy companies placed \$487.3 million in winning bids for the right to drill in the western Gulf of Mexico, knowing they may get a chance later to explore in other areas that have been off limits for decades.

The lease sale Wednesday was the first since President Bush last month lifted an executive ban on oil drilling off the Atlantic and Pacific coasts. Since then, politicians in both parties have signaled they are willing to expand offshore exploration, and the issue has become a hot topic in the presidential race.

Interior Secretary Dirk Kempthorne said the results were a step toward more domestic oil production. He acknowledged, however, that some of the purchased leases may not end up producing oil.

"Much more needs to be done to create the access necessary for the oil industry to do what it does best and develop this country's resources to secure our energy security," Kempthorne said at a news conference after the sale, which was held in a downtown New Orleans hotel.

A total of 53 companies offered \$607 million for leases covering 1.8 million acres in federal waters off Texas. About 90 percent of the tracts the government auctioned off received no bids. The highest bid — \$61 million — came from StatoilHydro USA, followed closely by Chevron USA Inc., which offered \$52 million for a tract.

Republican presidential candidate John McCain made a campaign stop Tuesday on a Gulf of Mexico oil platform owned by Chevron, which is already a big player in the Gulf.

"This is where we have found success and we are the clear leader," said Chevron spokesman Mickey Driver. "We came here to win and we are leaving winners."

Once again, companies were most interested in deeper water. About 80 percent of the bids were for parcels in water 1,000 feet deep or more.

Offshore wells now provide 27 percent of the nation's domestic oil. Areas now off limits to drilling may contain much more than the 18 billion barrels of oil and 73 trillion cubic feet of natural gas now estimated to be there, Kempthorne said. Those estimates are based on exploration done over 25 years ago with now outdated technology.

Those present at the lease sale in New Orleans said there was excitement about other areas opening up, but that likely did not influence how companies bid Wednesday.

"Companies are recognizing a movement afoot, but I'm not sure this sale says much about that," said Tom Fry, president of the National Ocean Industries Association, which follows offshore drilling.

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### **This Time, McCain Knows the Drill**

Washington Post, August 20, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/19/AR2008081903035.html>

Rescheduled Trip to Oil Rig Comes as Campaign Shows Recent Rebound

By Perry Bacon Jr. and Michael D. Shear

IN THE GULF OF MEXICO, Aug. 19 -- Last month, a hurricane and an oil spill derailed Sen. John McCain's visit to an oil rig to tout his support for offshore drilling as a solution to the nation's energy woes.

But on Tuesday, his luck improved. Hurricane Fay stayed well to the southeast, giving McCain clear skies for the hour-long helicopter flight to the Genesis oil platform in the Gulf of Mexico.

Standing on the Chevron-operated oil rig, which produces more than 10,000 barrels of oil per day, the presumptive Republican nominee declared that, as president, he would open the nation's coasts to expanded drilling in a effort to lower gas prices and reduce the nation's dependence on foreign oil.

"When I'm president, there will be a whole lot more like this, not only here in the Gulf but also off of our East and West coasts," McCain said in brief remarks to the media. "We need to drill offshore; we need to do it now."

The success of the elaborately staged photo-op represents something of a turnaround for McCain's campaign, which a few weeks ago seemed dogged by an interminable spell of bad luck. His first attempt at the oil rig visit was postponed after a huge oil spill in the Mississippi River in New Orleans.

But in the weeks since, McCain's campaign has begun to find its sea legs.

The campaign is succeeding at driving a daily message that is more aggressive and often has put Sen. Barack Obama (Ill.) on the defensive, leaving some Democrats publicly fretting about his campaign and pleading for him to respond or get cover. Obama does not share their concerns, telling supporters this week that "I will win" and suggesting he will turn the campaign into a choice between change and a candidate who he argues is like President Bush.

Last week, the conflict in Georgia heightened concerns about Russian aggression and highlighted McCain's experience in foreign policy -- helped by his relentless focus on the growing tensions there.

Over the weekend, McCain emerged from a forum at the Saddleback evangelical church with high praise from conservatives for his answer to the question about when life begins. He said simply, "At conception."

McCain aides were determined to return to the oil rig, convinced that his new enthusiasm for drilling is a winning issue. McCain and aide Brooke Buchanan were joined by eight journalists in a helicopter for the hour-long flight to the rig 150 miles off the Louisiana coast.

Obama, like many experts, has argued that oil drilling will not reduce gas prices in the short term, although the Democrat has said he could support drilling as part of a compromise to pass legislation on the issue.

Democrats on Tuesday were quick to point out McCain's opposition to a bipartisan effort in Congress that would include increased offshore drilling. In a conference call, Iowa Gov. Tom Vilsack accused McCain of being in the pocket of "big oil" companies.

"The reality is that Senator McCain can visit oil rigs and do photo ops all he wants, but it is pretty clear from the policies he's advocating that he's literally over the barrel when it comes to the oil industry," Vilsack said. But McCain is not backing off his support of new drilling, and his visit here was the most striking declaration of that position.

The tour was brief, as officials spent half an hour explaining to him how oil and natural gas are extracted and produced at the rig. He spent more time traveling to the rig than he spent on it, and read his remarks from a sheet of paper an aide had prepared in what was essentially a photo-op at sea.

The candidate seemed to enjoy the event. After walking several flights of stairs to reach one of the platforms on the rig, he offered water to the huffing and puffing reporters but pronounced himself ready to go. He gave his statement, enthusiastically thanked the Chevron employees and squeezed back into the Sikorsky S-76 to head back to New Orleans.

"That was great," he said at the end of the tour, wearing an orange hat and black safety goggles. Then he invited Obama out to visit an oil rig. "I think it would probably change his mind."

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### **The Energy Policy End Game**

WSJ, August 20, 2008; [http://online.wsj.com/article/SB121917072807553877.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121917072807553877.html?mod=googlenews_wsj)

Smart Republicans like Jim DeMint of South Carolina and Jeb Hensarling of Texas are starting to recognize their party holds the ultimate trump card in the current energy debate. In 41 days, the long-imposed moratorium on offshore oil drilling and domestic oil shale production is set to expire -- gone. This happens automatically and can be stopped only if Congress votes to re-establish the ban. Lifting the moratorium might free up as much as 100 years' worth of oil and gas for domestic consumption.

But keeping domestic energy supplies off limits is something Democratic leaders Nancy Pelosi and Harry Reid and their environmentalist allies desperately want to do. Ms. Pelosi has said that stopping new oil production is about "saving the planet." Nevertheless, Mr. DeMint tells me it would be a "tough vote for congressional Democrats to make just weeks before an election."

No kidding, with gas prices at near \$4 a gallon and polls showing voters supporting an America-first drilling strategy by a two-to-one margin. An even bigger headache for Democrats, Mr. DeMint has his hands on a letter signed by only 38 Senators who have pledged to maintain the ban. Democrats would need 60 votes to get a budget passed with the drilling moratorium rider attached.

Can Republicans keep it together? A House Democratic leadership aide says Democrats will accuse Republicans of shutting down the government and preventing seniors from collecting Social Security checks. But Democrats run Congress now, so "it will be difficult for Pelosi and her gang to blame the minority Republicans for a congressional train wreck," answers Mr. DeMint.

Yet some Republicans are gun-shy, recalling the failed shutdown strategy of 1995. There's concern that Republican leaders may not be able to hold the line under pressure and that northeastern Republicans might crack. Newt Gingrich has a more sanguine take: Democrats are going to have a hard time explaining why they "shut down the government to prevent oil drilling," he says.

The consensus among conservatives on Capitol Hill aligns with Mr. Gingrich. A high-stakes showdown is exactly what these Republicans believe the GOP should be seeking. Democrats are on the run on high gas prices, and the only thing that can bail them out is a bad compromise like the bipartisan so-called "Gang of 10" proposal that calls for higher taxes, more subsidies and leaves two-thirds of the outer continental shelf oil off-limits.

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### **Drill Already**

National Review Online, August 20, 2008;  
<http://article.nationalreview.com/?q=MTU0MTQ4OTZlZDg5NzQ5YWQxYzMyOWQ0ZTMzMmQ3NGU=>

By the Editors

Congress suffers from a crude sense of timing when it comes to oil. When it was time to act, it did nothing for decades. Now it's desperate to be seen doing something at the precise moment when the time has come to do nothing.

On October 1, the congressional ban on extracting oil from the 1.76 billion acres of the Outer Continental Shelf will expire. The ban has been renewed annually for decades. If Congress simply does nothing, the ban will expire, uncorking significant new supplies of oil and gas, and sending a message to world energy markets that the game has changed. Unhappily, a bipartisan group of senators calling itself the Gang of Ten is pressing for a different approach, one which will do little or nothing to expand the supply of oil, reduce prices, ameliorate environmental problems, or diminish America's consumption of oil extracted from beneath the boots of despots.

The Gang of Ten has christened its approach the New Energy Reform Act, or New ERA (get it?). But the content of the proposal is decidedly Old Era: billions of dollars in new corporate welfare for automakers and other politically influential industries, new restrictions on oil trading and financial markets, and a gigantic tax increase on oil and natural-gas producers — most of which will be passed on to consumers in the form of higher prices for gasoline and household utilities. What's missing from the Gang of Ten plan is anything that will put more oil on the market.

The plan calls for a permanent ban on drilling in most of the OCS in exchange for allowing four states — Georgia, Virginia, and the Carolinas — the option of approving new oil leases off their shores. Way off, in fact: No drilling would be allowed within 50 miles of the coast. Which is to say, even if the legislatures in those four states approved drilling — and who knows if or when that would happen — most of the OCS would remain off-limits. A little new acreage would be opened in the Gulf of Mexico by reducing Florida's current 125-mile buffer zone to 50 miles — but even that comes at too high a price: a ban on new production in the Pacific. Beyond these crumbs, it's more of the old familiar: biofuel subsidies and ethanol giveaways (leaving us with pork-fed corn instead of corn-fed pork).

How much oil are we talking about here? Conservative estimates put the yield of the OCS at 19 billion barrels of oil — as much oil as we'd import from Saudi Arabia in 35 years at our current rate. Also 84 trillion — that's with a "T" — cubic feet of natural gas, or enough to meet the energy needs of 80 million households for 15 years. Putting a bunch of new oil on the market is a lot more likely to lower prices than is throwing billions of dollars at phantom technologies, as the New ERA plan calls for doing, or slapping oil producers with punitive new taxes. Lifting the drilling ban is a realistic and responsible alternative.

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### **Agreement on Drilling Doesn't Yet Mean Action**

Washington Post, August 20, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/19/AR2008081902858.html>

By Ben Pershing

Republicans are in their third week of House floor protests on the energy issue, and the political terrain appears to have shifted significantly since they launched their efforts Aug. 1.

When the GOP started using the floor of the House, which is in recess, to demand votes on opening new terrestrial and offshore land for oil and gas exploration, Democrats appeared firm in their insistence that such a vote would not happen. That resistance has gradually melted away in recent days, as the top leaders in both chambers signaled a conditional willingness to allow a vote on drilling after Sen. Barack Obama (D-Ill.) made a similar concession earlier this month.

On Friday, Senate Majority Leader Harry M. Reid (D-Nev.) said in a conference call that an energy plan proposed by the "Gang of 10" -- a bipartisan group of senators seeking compromise on the issue -- was "a step in the right direction," indicating that some version of the plan could come up for a vote in September. The group's proposal includes allowing more drilling on the Outer Continental Shelf.

On Saturday, House Speaker Nancy Pelosi (D-Calif.) moved the ball a bit further during her delivery of the Democrats' weekly radio address. In it, she said the party's still-in-the-works energy plan "will consider opening

portions of the Outer Continental Shelf for drilling, with appropriate safeguards, and without taxpayer subsidies to Big Oil."

More offshore drilling wouldn't be the only element of Democrats' energy package. They also would release oil from the Strategic Petroleum Reserve, push for more drilling on land that already has been leased, call for oil companies to pay disputed royalties on past leases and production, repeal their tax breaks, and encourage increased use of natural gas, among other proposals.

That is a list of initiatives the majority has tried to push through before, with some kind of offshore drilling provision tacked on to the measure or at least allowed as an amendment on the floor.

Predictably, Republicans were less than enthusiastic in their response. "While the Speaker now claims to embrace a comprehensive energy plan that includes more conservation, more innovation, and more American energy production, the fact is her new effort appears to be just another flawed plan that will do little to lower gas prices," House Minority Leader John A. Boehner (R-Ohio) said in a statement.

Democrats are unlikely to admit that the GOP's floor show has pushed them into changing their tune on energy, but there has been considerable publicity surrounding the minority's demonstration. More importantly, the oil drilling debate has come to dominate the campaign trail.

The energy issue is at or near the top of the agenda in competitive contests across the country. Many Republican candidates have taken to focusing on energy at the expense of nearly every other issue. And polls continue to show solid majorities of the public favoring more offshore drilling.

Moderate and conservative Democratic incumbents have been pushing their leaders for weeks to allow a vote on drilling. Pelosi, who represents one of the most liberal districts in the country, is a strong ally of environmentalists but has felt pressure to help her party's most vulnerable members.

Democrats will use the comprehensive plan Pelosi discussed Saturday as a defense against charges that they won't allow a vote on drilling. But the measure may contain enough unpalatable items for the GOP -- particularly on taxes -- that most members of the minority will vote against it, and Senate Republicans could decide to block it altogether.

So it still appears unlikely that the House and Senate will be able to agree on an energy package that would pass with bipartisan support and be signed by President Bush. Democratic leaders may prefer to wait until next year, when they expect to have bigger majorities on the Hill and, they hope, Obama in the White House.

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### **Democrats and Drilling**

WSJ, August 20, 2008; [http://online.wsj.com/article/SB121918969072355001.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB121918969072355001.html?mod=googlenews_wsj)

It took a few months, and more than a few polls, but Democrats have concluded that they've lost the debate against more oil-and-gas drilling. The surrender became official on Saturday, when House Speaker Nancy Pelosi announced that even she was ready to "consider opening portions" of the Outer Continental Shelf to oil exploration.

That's great news, assuming she and her fellow Democrats really mean it. It wasn't too many days ago that the anticarbon Speaker lampooned drilling as "a hoax on the American people," while Barack Obama called it "another Washington gimmick." Now the Democratic Presidential candidate has also said he might be willing to change his mind and tolerate the exploitation of domestic energy resources. The good news for converts like Ms. Pelosi and Mr. Obama is that they have immediate opportunities to quiet Republicans and other skeptics and prove their new pro-drilling bona fides.

They can start with the 2008 Democratic Party platform, the policy outline for the election campaign that delegates will endorse at next week's Denver convention. Let's just say the draft now reads as if it was written before Speaker Pelosi's conversion on the road to ExxonMobil.

For example, the platform draft now says that "We know we can't drill our way to energy independence." Then there's the bit about ending "the tyranny of oil," which will require "far more than simply expanding our economic and political resources to keep oil flowing steadily" from overseas and elsewhere. There's also no mention of drilling offshore, much less in Alaska, and nothing about exploiting our vast domestic supplies of oil shale.

Fortunately, Democrats have time to fix these political oversights. If they are serious, surely Democrats will have someone rise on the convention floor next week and offer an amendment that endorses offshore drilling and pledges not to extend the Congressional ban on drilling that expires on September 30. Come to think of it, Democrats should offer this amendment in prime time. How better to steal the drilling issue from Republicans?

Speaking of that moratorium, Congress will return from recess after the conventions and needn't wait until the end of September to act. Both Speaker Pelosi and Majority Leader Harry Reid can allow quick votes to repeal the ban so the feds can immediately open the bidding on more oil-and-gas drilling leases. The longer Congress waits, the longer it will take to get any of those energy resources to consumers.

The fossil-fuel love-in could also extend to oil shale. Abundant on federal lands in the Mountain West, these deposits could yield more than seven times more fuel than Saudi Arabia has crude oil reserves. While extraction technology is still a work in progress, the immediate hitch is that a pilot leasing program was deliberately killed last year in legislation offered by Colorado's Democratic Senator, Ken Salazar. His partner in imposing that exploration ban was none other than House Democrat Mark Udall, who is now running for Colorado's open Senate seat.

Mr. Udall recently had his own pro-drilling epiphany, after weeks of getting pounded on the issue by his Republican opponent, Bob Schaffer. Mr. Udall's lead in the polls has vanished. "We've got to produce our own oil and gas here in our country," he now says in a new TV spot. But a campaign ad isn't enough. Surely, Mr. Udall will now want to acknowledge his mistake of a year ago and fight to lift the oil-shale ban on the House floor next month. That is, unless his new pro-drilling rhetoric is merely campaign triangulation that he doesn't really believe.

We'll know Democrats are not serious if they limit their drilling support only to the so-called Gang of 10 proposal in the Senate. The bipartisan Gang would allow drilling only offshore of four states -- Virginia, Georgia and the Carolinas -- and only if it is farther than 50 miles out. It would leave the most promising areas off limits, especially in the Arctic and the Gulf of Mexico.

And in return for this de minimis drilling, the Gang wants to spend \$84 billion more in subsidies for ethanol and other "alternatives," while hitting the oil industry with a \$30 billion tax increase. This proposal is a trick designed to give Democrats political cover while opening up very little new land or offshore area for drilling.

**No doubt any or all of these three actions would enrage the green lobby, but politics is about choosing. In this case, the Democratic choice is between sticking with an anticarbon theology that opposes all new drilling, or siding with American consumers who want more energy supplies so they don't have to pay \$4 for gas and blow their family budget to keep the lights on. We'll soon find out whether Democrats have found religion on drilling, or if they're merely doing an election-year incantation.**

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### **Markey asks Bush to stop exports**

Politico, August 19, 2008; <http://www.politico.com/blogs/thecrypt/>

By Patrick O'Connor

A prominent House Democrat asked President Bush on Tuesday to determine whether his administration has the authority to suspend oil exports from the U.S. to other countries.

Massachusetts Rep. Edward J. Markey, who chairs the House Select Committee for Energy Independence and Global Warming, sent Bush a letter on Tuesday asking the president "to determine whether [he has] the authority to take action to immediately halt all exports of U.S. oil, and if not, to work with Congress to give the Executive Branch authority to protect America's vital resources."

The letter comes days after House Speaker Nancy Pelosi (D-Calif.), who created Markey's select committee last year to combat global warming, signaled her intent to allow a vote on legislation opening more federally protected water for oil and gas exploration. Citing Department of Energy figures, Markey argues the estimated 200,000 barrels-a-day that could be pumped from the Outer Continental Shelf by 2030 represents a fraction of the 1.8 million barrels of oil that drillers are currently exporting from the U.S. each day, as of this past May .

Markey argues that those exports represents nearly 10 percent of the country's daily oil consumption at a time when gas prices remain high - and lawmakers are scrambling to address that increase before the November election.

"Sending America's vital energy resources overseas during our time of need should stop," Markey told Bush in the letter. "Continuing to allow oil companies to export domestically produced oil at a time of near record gas prices is only exacerbating our current energy crisis. It is imperative that action be taken to immediately halt all shipments of domestically produced oil overseas to protect American consumers."

UPDATE: Asked about Markey's request, Republican Rep. Thaddeus McCotter of Michigan argued that a dearth of refineries has forced drillers to export their oil to other countries, telling reporters Tuesday that Markey's constituents should get extra copies of his letter to Bush so they can burn it when home heating costs rise.

In the letter, Markey acknowledges that Bush might not have the authority to stop these exports, so, at the very least, this latest missive introduces a new figure — 1.8 million barrels-a-day — into an energy debate that already has quite a few stats — 68 million acres, anyone?

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### **From an oil platform, McCain touts drilling agenda**

Associated Press, August 19, 2008; <http://ap.google.com/article/ALeqM5jfkgIgaJzMm-z8hluFPKpCqLkwwD92LHOIG0>

By PHILIP ELLIOTT

ABOARD THE CHEVRON GENESIS (AP) — Republican presidential candidate John McCain visited this oil platform in the Gulf of Mexico on Tuesday to call for increased offshore drilling that he claims would lower the cost of food and heating homes.

McCain traveled 130 miles by helicopter to tour the massive facility, which produces 10,000 gallons of oil each day. He criticized his Democratic rival, Barack Obama, for not supporting such a plan.

"He says it won't solve our problem and that it's, quote, not real. He's wrong and the American people know it," McCain told reporters.

Obama's campaign, meanwhile, called the four-hour excursion nothing more than a stunt. Obama supporter and former Iowa Gov. Tom Vilsack compared McCain's position to the "Beverly Hillbillies" television program where the main character — Jed Clampett — stumbles onto an oil gusher. McCain, he said, has "a Jed Clampett energy policy."

McCain and his aides believe the pocketbook approach can connect with voters — and, in turn, suggest that Obama wants people to pay more for gas, food and heating.

"Americans across our country are hurting, as we all know, because of the cost of energy," McCain said aboard the rig. "Gas prices are through the roof. Energy costs have seeped into our grocery bills, making it more expensive to feed our families. Now as we prepare for the winter, it's time for us to be more serious about our home heating oil needs. ... And that means we need to start drilling offshore, at advanced oil rigs like this one."

As gas prices approached \$4 a gallon, both McCain and Obama tempered their past opposition to increased offshore drilling. McCain cited high prices for the turnabout, and Obama said he would consider more offshore drilling only if it were part of a comprehensive energy package.

During an hourlong tour that took him up and down the mobile factory, McCain visited with workers and was shown how it collects fuel, separates the natural gas from the oil, and ships it back to the mainland through pipes.

"We need to drill offshore and we need to do it now. If I were president, I would call Congress back into session and tell them to get to work," he said.

Congress left the latest version of its energy bill hanging before taking its summer vacation.

New domestic oil and gas production has been the mantra of the McCain and congressional Republican energy agenda. McCain has called repeatedly for lifting the drilling bans covering the federal Outer Continental Shelf off the Atlantic and Pacific coasts and the eastern Gulf of Mexico for the past 27 years.

Experts note that lifting the offshore drilling bans, even if accomplished early in a McCain presidency, would not produce any oil for five to seven years.

McCain himself acknowledged drilling "will not solve this problem alone." He also emphasized need for other technologies, such as nuclear, wind and clean coal.

McCain's visit came a day ahead of the Minerals Management Service's lease sale in New Orleans to auction off 18 million acres of the western Gulf of Mexico for oil and gas drilling. The tracts could potentially yield as much as 400 million barrels of oil, but that amount would only meet the nation's oil needs for about 19 days, and it would be at least seven to 10 years until oil started flowing.

Democrats, meanwhile, used the visit to return a snipe. After Obama suggested drivers inflate their tires to increase gas mileage, the Republican National Committee sent reporters tire gauges. The Democratic National Committee on Tuesday sent reporters stress balls in the shape of oil barrels and bumper stickers touting Exxon-McCain.

And liberal MoveOn.org's political action committee announced a \$500,000 television ad buy in North Carolina to link Republican Sen. Elizabeth Dole of North Carolina with McCain, noting both received donations from those in the energy sector.

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### **Senior House Democrat Wants Ban on U.S. Oil Exports**

CQ Today, August 20, 2008;

<http://www.cq.com/document/display.do;jsessionid=289849EF7B2EA644381D5BF7556CB8F3.upolu?matchId=64005743>

By Coral Davenport and Edward Epstein

The head of the House Select Committee on Energy Independence and Global Warming is calling on the White House to halt all exports of U.S. oil.

"Sending America's vital energy resources overseas during our time of need should stop," wrote Edward J. Markey, D-Mass., to President Bush on Tuesday.

The letter comes in response to repeated calls by Bush and Republicans in Congress to lift longstanding bans on offshore oil drilling, an idea gaining political traction in a time of record energy prices. Markey is part of a core of Democrats, including House Speaker Nancy Pelosi of California, who adamantly oppose lifting the drilling bans.

Last year, the United States sent an average of 1.433 million barrels a day of oil and petroleum products to foreign nations. That number jumped to 1.806 million barrels a day in May.

"That export level amounts to nearly 10 percent of all the oil the United States consumes every day," Markey wrote. "Rather than being shipped overseas, that oil should remain here at home to help American consumers who are facing record energy prices."

Markey said the oil exports far exceed projected production from new offshore drilling. He cited an Energy Department report which found that if the drilling ban were repealed, the height of production would not come until 2030, and even then, would produce only 200 barrels per day, or "one-ninth the amount of oil we currently send to foreign countries every day."

House Republicans, who on Tuesday were continuing their rump House sessions to press for a vote on pro-drilling energy legislation, said Markey's idea wouldn't affect gasoline prices because of the lack of domestic refining capacity.

"We have to export oil because we can't refine it," said Sam Graves, R-Mo. "We export oil and import gasoline and diesel because we don't have the refining capacity."

Greg Walden, R-Ore., said Markey is talking about another piecemeal approach to the energy issue while the GOP wants a broad approach. "He's talking about little bits here and there. We're talking about enormous resources," Walden said.

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## **Endangered Process**

The Washington Post, August 19, 2008; <http://www.washingtonpost.com/wp-dyn/content/article/2008/08/18/AR2008081802053.html>

Proposed rule changes to the Endangered Species Act could do lasting harm in the natural world.

IN MAY, the Bush administration reluctantly listed the polar bear as "threatened" under the Endangered Species Act. The facts left it with little choice: the bear's Arctic Sea ice habitat is melting because of global warming. But the administration wasn't happy, because the Endangered Species Act was never intended to be an instrument for coping with climate change. Our sympathy was limited, since President Bush spent his entire time in office resisting the adoption of laws that would have been better suited to combating greenhouse gas emissions. But we agreed that the Endangered Species Act was the wrong tool for the problem.

Now, however, in what is ostensibly an attempt to deal with this polar bear mismatch, Interior Secretary Dirk Kempthorne has proposed a rules change that would undermine the law's fundamental work. Mr. Kempthorne suggests far-reaching changes to the consultation process between the Fish and Wildlife Service or the National Marine Fisheries Service and other agencies. The changes would render the process meaningless and put all protected species at risk. Currently, an agency building a highway has to consult with the Fish and Wildlife Service to determine whether the project is "likely to adversely affect" a listed species. If a determination is made that such harm is likely, the service conducts a more rigorous review of the project and issues a detailed opinion on its effects. It is in this give-and-take between the various agencies and services that modifications are made that allow projects to go forward while minimizing the harm to animals and to trees and other plants.

Under Mr. Kempthorne's plan, agencies would be able to decide for themselves whether a project is likely to harm a species, and not just polar bears. If an agency decided to consult on the possible impact, the Fish and Wildlife Service would have 60 days (with the possibility of a 60-day extension) to issue an opinion. If it didn't meet that deadline, the other agency could end the consultation and proceed. The Fish and Wildlife Service already can't meet the deadlines established in the Endangered Species Act and is practically being run by judges and lawyers because of litigation stemming from blown deadlines. So we don't hold out much hope that Mr. Kempthorne's new deadlines would be met, either. The impact could be devastating.

The department contends that other government agencies have had years of experience with the law and know as much as the Fish and Wildlife Service and the National Marine Fisheries Service about how to protect listed species. This is doubtful. The services are there for a reason -- to safeguard threatened and endangered species and to act as a check against the ambitions of agencies that want to complete projects. The rigor that the current consultation process fosters would be lost.

A 30-day comment period on the new rules has begun. So, here's our comment: Reissue the proposed regulations with a specific, targeted policy on how greenhouse gas emissions should be taken into account on federal projects under the Endangered Species Act. Gutting the consultation process, with all the unintended consequences of such an action, could be avoided.

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## **Drilling for snake oil**

The Boston Globe, August 19, 2008;

[http://www.boston.com/bostonglobe/editorial\\_opinion/editorials/articles/2008/08/19/drilling\\_for\\_snake\\_oil/](http://www.boston.com/bostonglobe/editorial_opinion/editorials/articles/2008/08/19/drilling_for_snake_oil/)

HOUSE SPEAKER Nancy Pelosi has joined presidential candidates John McCain and Barack Obama in a flip-flop on the issue of drilling for oil on the Outer Continental Shelf. Until recently, all three had supported Congress's longtime moratorium on the drilling, lest it endanger marine wildlife in productive fishing areas like New England's Georges Bank. But polls showing heavy popular support for exploiting the shelf in the face of rising fuel prices seem to have caused the politicians to reconsider.

The three would not have switched had they just weighed the merits of drilling. If the moratorium ended tomorrow, there would be no oil production from the shelf for a decade. The output then would be a drop in the bucket of global capacity, with little effect on the world price of oil.

Nothing from the Outer Continental Shelf is likely to change the basic math of US energy dependence: Americans use more than 20 percent of world oil production but have just 3 percent of global oil reserves. In the meantime, oil

companies are sitting on leases for 64 million acres of public offshore and onshore sites that they have not bothered to explore.

Pelosi's plan is to combine in one bill an end to the moratorium with other energy-related proposals, such as increased mass-transit subsidies and a requirement that utilities get more of their power from renewable sources. While these would be steps forward, another wrongheaded part of her package is a policy much favored by her fellow Democrats in Congress: release of supplies from the Strategic Petroleum Reserve. But the reserve is meant to be tapped in genuine emergencies caused by war or natural disaster, not to bring down the price of gasoline in an election year.

Pelosi also wants to require energy companies to pay higher royalties for oil and gas production from leased federal land. This and similar proposals will cost her plan Republican support in the House and spur a guaranteed GOP filibuster if it makes it to the Senate. As far as Pelosi is concerned, that may be just as well - she would rather wait until after the election, in hopes of bigger Democratic majorities in Congress and a Democrat in the White House, before taking serious action on energy.

For Pelosi, giving ground on the drilling moratorium is a way to let her party's members cast a vote in favor of a popular proposal. But her maneuver will only feed public cynicism about elected officials and give undeserved respectability to a so-called solution to the energy crisis - one that would likely worsen the global crisis in declining fish stocks.

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### **As Oil Giants Lose Influence, Supply Drops**

NYT, August 18, 2008;

[http://www.nytimes.com/2008/08/19/business/19oil.html?\\_r=1&scp=2&sq=oil&st=cse&oref=slogin](http://www.nytimes.com/2008/08/19/business/19oil.html?_r=1&scp=2&sq=oil&st=cse&oref=slogin)

By JAD MOUAWAD

Oil production has begun falling at all of the major Western oil companies, and they are finding it harder than ever to find new prospects even though they are awash in profits and eager to expand.

Part of the reason is political. From the Caspian Sea to South America, Western oil companies are being squeezed out of resource-rich provinces. They are being forced to renegotiate contracts on less-favorable terms and are fighting losing battles with assertive state-owned oil companies.

And much of their production is in mature regions that are declining, like the North Sea.

The reality, experts say, is that the oil giants that once dominated the global market have lost much of their influence — and with it, their ability to increase supplies.

“This is an industry in crisis,” said Amy Myers Jaffe, the associate director of Rice University’s energy program in Houston. “It’s a crisis of leadership, a crisis of strategy and a crisis of what the future looks like for the supermajors,” a term often applied to the biggest oil companies. “They are like a deer caught in headlights. They know they have to move, but they can’t decide where to go.”

The sharp retreat in all of the commodities’ prices over the last month, about 20 percent, reflects slowing global growth and with it reduced demand for more oil in the short term. But over the next decade, the world will need more oil to satisfy developing Asian economies like China. The oil companies’ difficulties suggest that these much-needed future supplies may be hard to come by.

Oil production has failed to catch up with surging consumption in recent years, a disparity that propelled oil prices to records this year. Despite the recent decline, oil remains above \$100 a barrel, unimaginable a few years ago, causing pain throughout the economy, like higher prices at the gas pump and automakers posting sizable losses.

The scope of the supply problem became more clear in the latest quarter when the five biggest publicly traded oil companies, including Exxon Mobil, said their oil output had declined by a total of 614,000 barrels a day, even as they posted \$44 billion in profits. It was the steepest of five consecutive quarters of declines.

While that drop might not sound like much in a world that consumes 86 million barrels of oil each day, today’s markets are so tight that the slightest shortfalls can push up prices.

Along with mature fields, the companies have contracts with producing countries whose governments allocate fewer barrels to oil companies as prices rise.

“It has become really, really difficult to grow production,” said Paul Horsnell, an analyst at Barclays Capital. “International companies have a portfolio of assets in areas of significant decline and no frontier discoveries to make up for that.”

As a result of the industry’s troubles, energy experts do not expect oil supplies to grow this year in countries outside the Organization of the Petroleum Exporting Countries. Global demand for oil is expected to expand by 800,000 barrels a day, mostly because of rising demand in China and the Middle East, despite lower consumption in developing countries.

This imbalance between supplies and demand will be one thing that OPEC ministers will consider when they meet next month to decide whether or not to increase their production. OPEC has about 2 million barrels a day in untapped capacity that its members control.

The new oil order has been emerging for a few decades.

As late as the 1970s, Western corporations controlled well over half of the world’s oil production. These companies — Exxon Mobil, BP, Royal Dutch Shell, Chevron, ConocoPhillips, Total of France and Eni of Italy — now produce just 13 percent.

Today’s 10 largest holders of petroleum reserves are state-owned companies, like Russia’s Gazprom and Iran’s national oil company.

Sluggish supplies have prompted a cottage industry of doomsday predictions that the world’s oil production has reached a peak. But many energy experts say these “peak oil” theories are misplaced. They say the world is not running out of oil — rather, the companies that know the most about how to produce oil are running out of places to drill.

“There is still a lot of oil to develop out there, which is why we don’t call this geological peak oil, especially in places like Venezuela, Russia, Iran and Iraq,” said Arjun Murti, an energy analyst at Goldman Sachs. “What we have now is geopolitical peak oil.”

Western companies are far better than most national oil companies at finding and extracting petroleum, experts say. They have developed advanced exploration technologies and can muster significant financing to develop new fields. Many of the world’s exporting states, however, have spurned their expertise.

Oil company executives see a straightforward explanation: a trend known as resource nationalism. They contend that they have been shut out of promising regions by a rising assertiveness in the Middle East, in Russia, in South America and elsewhere by governments determined to keep full control of their oil.

Even in places where they are allowed to operate, the Western oil companies face growing problems. Countries like Russia, Algeria, Nigeria and Angola have recently sought to renegotiate their contracts with foreign investors to capture a bigger share of the profits.

“The problem with the supply side of the equation is a problem of accessing the resources in the ground so they can be explored and developed,” Rex W. Tillerson, the chairman of Exxon, said in a recent interview. “That’s a political question where governments have made choices.”

This sense of being hemmed in helps explain why the Western oil companies want more offshore drilling in the United States. They see it as one of their few options.

These companies have also tried to diversify. They have turned to natural gas as a profitable source of growth. They are tackling hydrocarbon resources, like deep-water reserves, heavy oil or tar sands. And some companies, like Shell and BP, are investing in renewable fuels.

Unquestionably, the oil companies could have done more. They failed to invest heavily in exploration after the oil-price collapse of the mid-1980s, which lasted through the 1990s.

In 1994, the top five oil companies spent 3 percent of their free cash on share buybacks and 15 percent on exploration. By 2007, they were spending 34 percent of their free cash on buybacks — in effect, propping up their share prices — and a mere 6 percent on exploration, according to figures compiled by a team led by Ms. Jaffe and Ronald Soligo of Rice University. As a result, some experts warn that supplies will fall short of the demand over the next decade, perhaps sending prices well above today's levels.

At a recent conference in Madrid, Christophe de Margerie, the chief executive of the French company Total, said the world would be hard-pressed to raise supplies beyond 95 million barrels a day by 2020. Only a few years ago, forecasters expected 120 million barrels a day by 2030, a level many analysts now view as unrealistic.

The major companies picked up their capital spending around 2005, although much of the increase has been offset by the soaring cost of development. Exxon, for example, expects to spend about \$25 billion annually for the next three years to expand its business, compared with \$15 billion a year from 2002 through 2006.

"It's amazing the difference from the 1970s, where a lot of money went into exploration, development and production of new resources," said Paul Stevens, a senior research fellow at Chatham House, a London policy research organization. "It is happening a little bit now, but it is not going to be enough."

As the power and clout of Western companies erode, the world may become increasingly dependent on government-controlled entities for oil.

While some may be up to the task, like Saudi Aramco, others, like Petróleos de Venezuela, suffer from bureaucratic inefficiencies and political interference.

"We are going to depend on the Venezuelan, the Nigerian or the Iranian oil companies for the future of our oil supplies," said Bruce Bullock, the director of the energy institute at Southern Methodist University. "This is a troubling trend."

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### **Stronger CAFE standards trump offshore drilling, consumer group says**

E&E News, August 18, 2008; <http://www.eenews.net/eenewspm/2008/08/18/1/>

Josh Voorhees

Boosting automobile fuel economy standards based on current gasoline price trends would save 13 times as much oil as lifting drilling bans on the outer continental shelf, an advocacy group said today.

The Consumer Federation of America, a critic of the Bush administration's proposed 25 percent mandatory increase to the corporate average fuel economy (CAFE) standard, argued that the proposal relies on unreasonably low gasoline price forecasts and does not push automakers far enough to meet growing demands for fuel-efficient vehicles (Greenwire, Aug. 4).

The administration proposal would set a CAFE standard of 31.6 miles per gallon by 2015 and force automakers more than halfway toward 35 mpg by 2020, the goal set by Congress in last year's energy law. The mandate would be the first overhaul of the CAFE standards in more than three decades.

Lawmakers have criticized federal rulemakers for relying on the Energy Information Agency's mid-range price forecasts -- \$2.42 a gallon in 2016 and \$2.51 in 2030 -- when calculating what fuel economy standard was achievable by carmakers.

A gallon of regular gas is \$3.74 today, according to AAA and the Oil Price Information Service.

In an attempt to frame the CAFE debate through the lens of current political wranglings over offshore drilling, the Consumer Federation compared the amount of gasoline that would be saved through a fuel economy standard based on current gas prices to the amount of oil EIA estimated would be produced between 2011 and 2030 by expanding offshore drilling.

"It's no contest; fuel economy would make a much larger contribution to lowering imports and reducing the nation's addiction to oil," Mark Cooper, the federation's research director, said in a statement. "While the policy debate has

been fixated on drilling, the administration has failed to fully exploit a much more important opportunity to address the national energy crisis."

According to Transportation Department analysis, using EIA's high-end price forecasts of \$3.14 a gallon in 2016 and \$3.74 a gallon in 2030 would change the cost-benefit equation to make the maximum achievable average nearly 35 mpg by 2015. EIA Administrator Guy Caruso has told lawmakers the department should use the high-end forecasts.

Meanwhile, the world's leading automobile manufacturers say the proposed standards are already too aggressive and risk placing unnecessary stress on the already financially stressed industry.

Toyota Motor Corp., General Motors Corp., Ford Motor Co., Volkswagen AG and others have said the mandate is imprudent because it forces carmakers to "front-load" their fuel-economy increases (E&ENews PM, July 1).

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### **Republicans Say Any Drilling Bill Must Move Through Committee**

CQ Today, August 18, 2008;

<http://www.cq.com/document/display.do;jsessionid=951E189E68F11C7F6DBC5CF490F41F10.upolu?matchId=63977428>

By Coral Davenport and Catharine Richert

House Republicans said Monday they would refuse to consider any energy bill that came straight to the floor from the Democratic leadership's offices, rather than working its way through committee markups — a process that can take weeks or months.

We just want it to run through regular order," said Peter Hoekstra, R-Mich., at one of the daily news conferences the GOP has been holding since the start of the August recess.

Anything negotiated behind closed doors and brought directly to the chamber floor will be out of the question, Hoekstra said.

Republicans want the House to vote on legislation that would end a decades-long ban on energy drilling on the East and West coasts. Pelosi has rejected that idea, but recently signaled that she might move legislation that would open up smaller areas to drilling.

Republicans said they should have the chance to amend such a bill during the markup process. Debating a measure in the Energy and Commerce Committee could be lengthy, forcing the chamber to stay in session in the weeks leading up to the elections. Republicans at Monday morning's news conference said they would be willing to stay as long as necessary.

An energy package that would expand <offshore> <drilling will come to the House floor in September, but it will be bundled with provisions that Republicans oppose, aides to Pelosi confirmed Monday.

Republicans said she is finally feeling pressure from constituents who are tired of higher gas prices and from members of her own party who are vulnerable in this year's election.

Democratic aides say the package being discussed by staff likely would open up a handful of Southeastern coastal states — Florida, Georgia, North and South Carolina and Virginia — to drilling.

Aides also said the drilling proposal would be tied to a host of energy provisions Pelosi has long promoted — and many Republicans have long rejected. The legislation is still being written, aides said, but among the options being considered for inclusion are:

- The repeal of up to \$30 billion in tax breaks for oil and gas developers.
- A provision that would compel oil and gas companies to pay back royalties on faulty leases issued in 1998 and 1999.

- The creation of a federal renewable portfolio standard, which would require a percentage of the nation's electricity be produced by renewable sources, such as wind and solar.
- Releasing oil from the nations' strategic petroleum reserve.

"We don't know exactly what the package is going to be — this a menu of things," a Democratic leadership aide said.

Republicans were quick to slam the proposal.

"While the Speaker now claims to embrace a comprehensive energy plan that includes more conservation, more innovation, and more American energy production, the fact is her new effort appears to be just another flawed plan that will do little to lower gas prices," said House Republican Leader John A. Boehner in a statement.

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### **Meaning of 1995 law debated as high stakes royalties case proceeds**

Greenwire, August 18, 2008; <http://www.eenews.net/Greenwire/2008/08/18/3/>

Ben Geman

Litigation that could decide whether oil-and-gas producers can forgo tens of billions of dollars in federal royalty payments is winding its way through the federal court system.

The Justice Department plans to file its latest brief today in *Kerr-McGee Oil and Gas Corp. v. U.S. Department of the Interior* with the 5th U.S. Circuit Court of Appeals.

At issue: whether a 1995 law that waives royalties on deepwater Gulf of Mexico production allows Interior to impose "price thresholds" that suspend the incentive when oil and natural gas prices exceed certain limits.

The law, written when oil prices were far lower, created incentives for costly deepwater projects by allowing companies to produce large volumes of oil and gas royalty-free.

Kerr-McGee sued Interior in 2006, claiming the department does not have authority under the 1995 law to include price thresholds in leases issued between 1996 and 2000.

The case revolved around leases from 1996, 1997 and 2000. Deepwater gulf leases issued in 1998 and 1999 already lack the price triggers, which Interior calls a mistaken omission, although the department has reached voluntary agreements with some companies that will require future payments on production from the 1998-1999 leases.

While Kerr-McGee is contesting payment of royalties on eight leases issued in 1996, 1997 and 2000, the stakes are far higher.

If the courts decide price thresholds are not allowed for any deepwater gulf leases issued between 1996 and 2000, producers could avoid \$53 billion in royalties over 25 years, according to a June analysis by the Government Accountability Office, although the levels of forgone royalties vary depending on prices.

Round one in the case went to Kerr-McGee -- which was purchased by Anadarko Petroleum Corp. in 2006 -- when a federal district court judge ruled last fall that Interior's Minerals Management Service cannot condition "royalty relief" on oil and natural gas prices.

The Bush administration has appealed the case.

Two briefs filed thus far before the appeals court are, in effect, a detailed argument about the interplay between two key sections of the 1995 law.

The briefs address Section 303, which broadly allows Interior to sell leases that allow royalty relief and "vary" the suspension of royalties based on energy prices, and Section 304, which lays out the amount of royalty-free production allowed from leases sold for the first five years after the law's enactment at various deep water depths.

Kerr-McGee's brief says Section 304 should be read to require royalty relief for these volumes on leases sold during these five years, which range from 17.5 million barrels of oil equivalent to 87.5 million barrels, regardless of prices.

The company says Congress "unconditionally" allowed owners of these leases to produce these volumes royalty-free. "Interior's Price Threshold Requirement reduces Kerr-McGee's royalty suspensions below the minimum volumes that Congress guaranteed for Section 304 Leases," according to the brief filed late last month.

But administration attorneys say the law plainly allows Interior to suspend royalty waivers when prices reach certain limits and that this was the clear understanding of lawmakers who crafted and passed the act.

"There is no indication that Congress intended to remove the authority for price thresholds for all leases Interior issued from 1996 to 2000, a measure that would be unnecessary to achieve the congressional goal of spurring production and would result in an unanticipated windfall to the industry," states the administration's opening brief filed in June.

Currently, deepwater royalty waivers no longer apply when oil prices exceed about \$36-\$37 per barrel and natural gas prices exceed roughly \$4.60 per million British thermal units. Both commodities are currently trading well above these levels.

In its brief, the administration alleges that the district court judge incorrectly relied on an earlier court case in the 5th Circuit about other aspects of the royalty waiver program -- Santa Fe Snyder Corp. v. Norton -- in concluding that "price thresholds" are not authorized on the 1996-2000 leases.

The Santa Fe case was a successful challenge to MMS rules that had required the amount of royalty-free production allowed in a given "geologic field" to be shared among the leases in that area. The 2004 5th Circuit decision also said MMS rules wrongly disallowed royalty relief for new leases in fields where energy production had already occurred before the mid-1990s law that launched the incentive program (E&ENews PM, Dec. 20).

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### **GOP builds strength for drilling clash**

The Washington Times, August 18, 2008; <http://www.washingtontimes.com/news/2008/aug/18/gop-builds-strength-for-drilling-clash/>

Sean Lenggell

The Senate Republicans who are trying to force Congress to lift restrictions on offshore drilling say they have 38 senators backing their efforts to force a showdown over the critical campaign issue of energy prices — one that could shut down the government.

Democratic leaders in Congress want to extend the moratorium on new offshore oil and gas drilling, which is due to expire Oct. 1, and the most likely route would be to attach the proposal to a catchall spending bill needed to keep the federal government running.

But at least 38 Republicans have signed a letter pledging to "actively oppose" that extension.

Sen. Jim DeMint, South Carolina Republican, began circulating the letter to his colleagues after the Senate adjourned for its summer recess Aug. 2 and said he expects more of them to endorse his proposal before Congress returns in early September.

"There's been a great response already [to the letter], but frankly, every senator should sign on because it's irrational to say 'no' to proven American energy during this [energy] crisis," Mr. DeMint said.

Congress has not passed any of the annual spending bills needed to keep the government running into the next fiscal year, which begins Oct. 1.

Democrats appear poised to pass a resolution continuing funding at current levels until after the November elections, and are expected to try to add an amendment to extend the moratorium.

Republicans could block the legislation by rallying 41 senators to join a filibuster, but some hesitate to threaten a government shutdown during an election year.

"You're going to see a lot of people talk about the possibility of a shutdown, but as to how far it goes it depends a lot on things you can't predict right now," a senior Republican Senate aide said.

A similar ploy backfired in 1995 when House Speaker Newt Gingrich, Georgia Republican, led a government shutdown in a budget showdown with President Clinton. Republicans took the bulk of the public blame for the impasse after a threatened delay of Social Security and Medicare checks.

"It's pretty clear and explicit that they haven't gotten to the end of the game here, that they're not saying if [the drilling ban extension] is in the [budget resolution] that they're going to shut down the government," another senior Republican Senate aide said.

Public opinion polls showing that most Americans support increased offshore drilling have emboldened Republicans to challenge Democrats on the issue. The polls suggest Democrats, not Republicans, would be blamed for the consequences of a government shutdown.

"Republicans don't want to shut the government down; they want to open up American energy so we can lower the price of gas at the pump," said DeMint spokesman Wesley Denton.

The drilling moratorium prohibits oil and gas leasing on most of the outer continental shelf - three miles to 200 miles offshore - and expanded oil shale mining in the West. The moratorium was first enacted in 1982 and has been renewed every year since.

Democrats say it would take more than 10 years for increased drilling to have an impact at the pump, and that the extra supply would lower gas prices by only 2 cents per gallon. They add that oil companies have access to millions of available drilling acres on land and off shore that they're not using.

"If [Republicans] want to threaten to shut down the government in order to push policies such as offshore drilling that won't help until the year 2030, then they should go right ahead," said Jim Manley, spokesman for Senate Majority Leader Harry Reid, Nevada Democrat. "The entire Republican Party will pay a terrible price in [the elections in] November for such a silly and desperate stunt."

Democratic leaders in both houses have refused to allow a stand-alone bill on lifting the moratorium, but have softened their position as public support for expanded drilling increases and as the issue gains traction with voters.

House Speaker Nancy Pelosi, California Democrat, said Saturday that House Democrats intend to push energy legislation that would include opening portions of the outer continental shelf for drilling.

House Minority Leader John A. Boehner, Ohio Republican, responded by reiterating that if congressional Democrats were serious about the issue "they would call Congress back into session immediately."

Sen. Barack Obama, the presumptive Democratic presidential nominee, changed his position this month, saying he would accept limited additional offshore oil drilling if it is needed to enact a comprehensive energy policy that includes measures to foster fuel-efficient automobiles and develop alternate energy sources.

A group of 10 senators — five from each party — this month announced a sweeping compromise energy proposal that included provisions for lifting drilling bans in the eastern Gulf of Mexico off the Florida coast, and in the South Atlantic off Virginia, the Carolinas and Georgia.

"The question is, how far are Reid and Pelosi going to push this? Because the American people don't want the bans extended," Mr. Denton said. "How far are they going to go to appease the far left of their party while ignoring Americans who are suffering from high gas prices?"

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### **Let go of the past and allow offshore oil drilling**

Los Angeles Times, August 18, 2008; <http://www.latimes.com/news/columnists/la-me-cap18-2008aug18,0,5780970.column>



George Skelton

SACRAMENTO — Admittedly I'm biased on offshore drilling. I was born in Santa Barbara, grew up in Ojai and spent many a weekend on the beach.

But that didn't make me an anti-drilling fanatic. Hardly.

I was around lots of oil rigs -- onshore, offshore and some near the beach.

On some beaches around Santa Barbara, you could feel the oozing tar between your toes -- and that was long before a Union Oil platform five miles offshore spilled crud all over 20 miles of coast in 1969. For centuries, the tar naturally had seeped up through the sand, providing the native Chumash with caulking for their canoes.

Oh, another thing: My dad was an oil field roustabout, or driller or whatever job he could fill on a given shift. So were his dad, brother and cousins. They left their Tennessee farms and followed the migration to California for the 1920s oil boom.

My first summer job out of high school was in a Ventura oil field, an experience guaranteed to prod a kid into college if nothing else would. (But the oil job paid better than newspaper work, I soon discovered.)

So "Big Oil" never has been a big bugaboo for me. It was the producer of a vital commodity and provider of working-class jobs. Although oil derricks annoy many people as unsightly, I've always marveled at how they work, especially all lighted up at night.

Like a lot of Californians, however, when the drilling platform fouled our beaches, I became a NIMBY. Get those leaking monstrosities out of our waters. No more drilling. And enough people felt the same that California's coast became off-limits to any additional oil exploration.

That was nearly 40 years ago.

At that point, America was importing only 24% of its oil. Today, it's up to nearly 70% and rising, a ludicrous transfer of American wealth.

Back then, we hadn't yet fought any Middle East wars with one eye on oil pipelines.

And nobody dreamed of \$4 gas.

California is the nation's biggest consumer of gasoline -- 45 million gallons a day, plus 10 million gallons of diesel. That makes us the third-biggest petroleum-consuming entity in the world, behind only the United States and China.

We are the nation's No. 3 oil-producing state, behind Texas and Alaska.

But California produces only 39% of the crude oil it uses. An additional 16% comes from Alaska and the remaining 45% is bought from foreign sources, according to the California Energy Commission.

So there's a gusher of hypocrisy here: The state that is the biggest consumer of gasoline in the nation -- but produces less than 40% of what it uses -- is opposed to drilling for more oil off its shores. We're slackers not pulling our weight.

The continental shelf off California contains an estimated 10 billion barrels of crude oil, according to the U.S. Minerals Management Service.

Offshore exploration opponents point out that if the federal drilling ban were lifted today, there'd be no immediate effect on gasoline prices. It could take 10 years to get any crude to the gas pump. Fine. Most people driving today still will be 10 years from now.

Anyway, the important thing is to produce the fuel ourselves, not be shaping our foreign policy to assure a steady supply from shifty overseas sellers.

It's time to let go of the past -- the past 40 years -- and allow some offshore drilling. It's about the principle as much as the production. And it also could be about principle: California's governor could follow the example of Louisiana's and demand state royalties for drilling in federal waters.

Environmentally, drilling is much safer than in 1969. There are new technologies.

The rigs are ugly? They mar the sunset? That's an elitist attitude we no longer can afford.

And apparently increasing numbers of Californians agree.

A recent poll by the Public Policy Institute of California found that 51% of voters favor more offshore drilling; 45% are opposed. Pollster Mark Baldassare says his past surveys always have found more people opposed than in favor.

Nationally, a recent CNN/Opinion Research poll showed that 69% of Americans want more offshore drilling.

House Speaker Nancy Pelosi of San Francisco obviously has been reading the polls and hearing from other Democratic members of Congress. Last week, Pelosi said she was considering legislation to permit new offshore drilling -- except possibly on the West Coast -- as part of a broad, long-overdue bill that invests in alternative energy.

That brings up another argument for not lifting the drilling ban: Pumping more oil will just feed our addiction to the fossil fuel that is burning up the planet. We ought to be focusing on renewable energy -- wind, solar, geothermal.

"We should be moving toward renewable sources that are free, American and inexhaustible," says Alan Salzman, founder of VantagePoint Venture Partners, a huge Silicon Valley investor in clean tech.

"I can't say it's the end of civilization as we know it if we drill offshore. But we're missing the point. That's looking backward. Why live in the past, burning fossil fuels and living off dead dinosaurs? We don't need to do that. We have been endowed with phenomenal resources. All we have to do is scoop them up."

He adds, "The car industry is going to switch over to electric, and that's a certainty. Hundreds of thousands of electric cars will be on the road in 2011."

Let me know when one is affordable, practical and in the showroom.

People didn't give up their horse and buggy until Henry Ford began making affordable cars. We're anxiously awaiting our next transportation mode. Meanwhile, we'll need to keep pumping gas -- some of it from the Santa Barbara Channel.

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### **Drilling for Oil Way, Way Offshore**

Time Magazine, August 18, 2008; <http://www.time.com/time/health/article/0,8599,1833379,00.html>

By Bryan Walsh

Anyone who ever doubted the centrality of oil and natural gas to the global economy should have been convinced by the political events of the past few months. As petroleum prices have risen to record levels, the spiraling price of gasoline has become issue number one in the American Presidential election. That's prompted Republican candidate John McCain to make expanded offshore oil drilling a focus of his campaign. For years, offshore drilling has been illegal outside parts of the Gulf of Mexico due to environmental concerns, with public support. But that has reversed in recent months, with even green Californians moving in favor of drilling. Barring a sudden national move to adopt alternative fuels, we can expect that reversal to continue — as oil prices rise, so will pressure to "drill here and drill now," as McCain has put it.

Whatever that means for offshore drilling in the U.S., the real victims of the global thirst for petroleum will be overseas — areas that, until the recent price rise, were too remote and forbidding to be worth drilling. Case in point: the vast, impenetrable western reaches of the Amazon. Touching parts of Bolivia, Peru, Ecuador, Columbia and Brazil, the western Amazon has remained relatively unscathed compared to the eastern stretches of the rainforest,

which have been ravaged by logging. With few roads, the western Amazon has remained so undisturbed that there are still new indigenous tribes living somewhere inside the jungle who have never encountered the outside world.

According to a new report by Matt Finer of the green group Save America's Forests, however, the western Amazon could be on the brink of an energy bonanza — and that could be bad news for the rich array of plants and wildlife the forest supports. Finer points out that there are approximately 180 separate zones of development for oil and gas exploration in the western Pacific, run by at least 35 multinational energy companies. The area covers almost 700,000 sq. km. and it's growing fast. In 2003 Peru cut oil and gas royalties in an effort to kick start energy investment; that discount, compounded by the rapidly rising price of oil, sparked a mini-boom in energy exploration. Oil and gas zones now cover some 72% of the Peruvian Amazon, up from a little more than 20% a few years back. The story is much the same in neighboring countries. "Ten new projects were approved last year in Peru alone," says Finer. "We can see the land being eaten up." (Hear Finer talk about the ecological implications of the energy rush in this week's Greencast.)

New oil and gas projects represent a vital source of government revenue for impoverished nations like Peru or Bolivia, but they may come at a high environmental cost. The reason much of the western Amazon remains intact — quite unlike the rainforest to the east — is simply because there are still relatively few roads into the forest. But oil and gas projects will require new roads, and roads destroy forests and damage wildlife habitats. Roads also invite in the most formidable agent of ecological disruption: humans. That means an influx of hunters and loggers, along with the heavy equipment and personnel needed for oil exploration. "Our attention has always been focused on the rainforest in eastern Brazil, because that's where the road network is," says Finer. "But the roads being put into the western Amazon have the potential to open up the area."

There are ways to extract oil and gas without building an extensive network of roads — in fact, Finer points out that the energy company Petrobras plans to use helicopters to transport all personnel and material to and from a site in Yasuni National Park in Ecuador. That move came at the behest of the Ecuadorian government, and it's representative of the sort of smart energy policies that South American governments will need to follow if the western Amazon isn't going to be sacrificed for oil. Just as important are the environmental impact assessments that can accurately gauge just how destructive a new oil or gas project might be, not just to the land that's being drilled, but also to adjacent areas — in Peru, 20 development zones overlap with protected areas. An accident in one zone could easily contaminate neighboring land.

Ultimately, however, the global demand for oil and gas is so great that it is difficult to see any South American country passing up the potential revenue in favor of keeping the Amazon pristine. It's also a reminder that, as we fight over a little offshore drilling in the U.S., rising energy prices will impact far more vulnerable ecosystems overseas, from the Amazon in South America to the vast Arctic stretches of Siberia. For now, the best we might be able to expect — until alternative fuels make oil and gas unnecessary — is adherence to the best safety standards for new exploration. After all, keeping the oil and gas in the ground may be better for the environment and the climate, but it seems unlikely. In April 2007 Rafael Correa, the President of Ecuador, made a bold proposal: to permanently forgo excavation of the country's largest untapped oil reserve, located beneath a national park, if the international community would compensate the country for its lost revenue. No one has taken him up on the offer yet.

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