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MMS: 18.5% of OCS incidents in 2005-08 involve lifting
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Government to auction offshore oil leases despite legal uncertainty
Chicago Tribune, July 16, 2009; http://www.chicagotribune.com/news/nationworld/la-na-offshore-leases17-2009jul17,0,4214037.story

MMS outlines its Idle Iron program
Oil and Gas Journal, July 15, 2009; http://www.ogj.com/index/blogs/health-safety-environment/s-blogs/s-OGJ/s-health-safety-environment-blog/s-post987_2668795038418085630.html

Peterson returns to the OCS battle
Oil and Gas Journal; July 15, 2009; http://www.ogj.com/index/blogs/washington-pulse/s-blogs/s-OGJ/s-washington-pulse/s-post987_4571192562256985582.html

Bishop, Chaffetz blast Obama over oil exploration delay
Deseret News, July 14, 2009; http://www.deseretnews.com/article/705316900/Bishop-Chaffetz-blast-Obama-over-oil-exploration-delay.html

Anniversary of moratorium's end brings comments
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Boxer planning Sept. 8 rollout for cap-and-trade bill
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OBAMA BLOCKS NEW ENERGY EXPLORATION
Town Hall, July 14, 2009;
http://townhall.com/columnists/DocHastings/2009/07/14/obama_blocks_new_energy_exploration

The 'Cap And Tax' Dead End
Washington Post, July 14, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/07/13/AR2009071302852.html

Senate panel to ponder effects of $150-per-barrel oil
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Happy Anniversary! OCS bid revenue to government all but dried up
Examiner, July 13, 2009; http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/Happy-Anniversary-OCS-bid-revenue-to-government-all-but-dried-up-50673552.html

Alexander to Unveil GOP Climate Change Plan
Roll Call, July 13, 2009; http://www.rollcall.com/news/36717-1.html

Drilling activity at 5-year low – API
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Royalty reform: USA deserves better
Politico, July 13, 2009; http://www.politico.com/news/stories/0709/24787.html

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The way to a new energy future
Denver Post, July 19, 2009; http://www.denverpost.com/headlines/ci_12856634

By Ken Salazar

Just north of the Colorado-New Mexico border, in the sunny expanses of my native San Luis Valley, America's clean energy future is taking root.

Under President Obama's leadership, four tracts of land in southern Colorado and two dozen tracts across six Western states may soon be supplying American homes with clean, renewable electricity from the first large-scale solar power projects on our nation's public lands.

The 24 Solar Energy Study Areas that Interior is evaluating for environmentally appropriate solar energy development could generate nearly 100,000 megawatts of solar electricity, enough to power more than 29 million American homes.

The West's vast solar energy potential — along with wind, geothermal, and other renewables — can power our economy with affordable energy, create thousands of new jobs, and reduce the carbon emissions that are warming our planet.

As President Obama has said, we can remain the world's largest importer of oil or we can become the world's largest exporter of clean energy. The choice is clear, and the economic opportunities too great to miss. Will we rise to the challenge?

It is time that Washington step up to the plate, just as states like Colorado and local governments are already doing. Congress must pass strong and effective legislation that will steer our nation toward a clean energy economy that creates new jobs and improves our energy security.

We will not fully unleash the potential of the clean energy economy unless Congress puts an upper limit on the emissions of heat-trapping gases that are damaging our environment. Doing so will level the playing field for new technologies by allowing the market to put a price on carbon, and will trigger massive investment in renewable energy projects across the country.

We are also seeing the dangerous consequences of climate change: longer and hotter fire seasons, reduced snow packs, rising sea levels and declines of wildlife. Farmers, ranchers, municipalities, and other water users in Colorado and across the West are facing the possibility of a grim future in which there is less water to go around.

But with comprehensive clean energy legislation from Congress, sound policies and wise management of our nation's lands and oceans, we can change the equation.

That is why I am changing how the federal government does business on the 20 percent of the nation's land mass and 1.75 billion acres of the Outer Continental Shelf that we oversee. We are now managing these lands not just for balanced oil, natural gas, and coal development, but also — for the first time ever — to allow environmentally responsible renewable energy projects that can help power President Obama's vision for our clean energy future.

American business is responding to these new opportunities. Companies are investing in wind farms off the Atlantic seacoast, solar facilities in the Southwest, and geothermal energy projects throughout the West.

We need comprehensive legislation that will create new jobs, promote investment in a new generation of energy technology, break our dependence on foreign oil, and reduce greenhouse gas emissions.

Let us rise to the energy challenges of our time.

Interior Department asks Supreme Court to force energy companies to pay royalties on Gulf of Mexico energy
Times-Picayune, July 17, 2009;
http://www.nola.com/business/index.ssf/2009/07/interior_department_asks_supre.html

by Jen DeGregorio

Fearing the loss of billions of dollars in revenue, the Interior Department has asked the Supreme Court to review an appeals court decision that could ultimately exempt energy companies from paying royalties on oil and gas produced from the Gulf of Mexico.

Kerr-McGee Corp., bought by Anadarko Petroleum Corp. in 2006, had refused to pay the Interior more than $36 million in royalties the department said it owed for oil and gas produced from eight federal leases during 2003 and 2004. Affirming a decision by the U.S. District Court for the Western District of Louisiana, the Fifth-Circuit Court of Appeal sided with Anadarko, saying the Texas energy company was protected by a royalty-relief program enacted by Congress in 1995.

If allowed to stand, the decision would set a precedent for other leases covered by the Outer Continental Shelf Deep Water Royalty Relief Act. The United States could lose "$19 billion in forgone or refunded royalties under several dozen leases," the Justice Department wrote in its petition to the Supreme Court.

The royalty relief act was supposed to encourage domestic fuel production at a time of low commodity prices, granting a royalty holiday for federal leases of drilling tracts in the deep waters of Gulf of Mexico. Companies with leases issued between 1996 and 2000 do not have to pay royalties until oil and gas production reaches a volume outlined in the act.

In its defense, the Interior pointed to language in the statute that allows the department to "vary" royalty relief after commodity prices reach a certain level. The department set a ceiling of $28 per barrel of oil and $3.50 per million British thermal units of natural gas for leases issued during 1996, 1997 and 2000. The department pointed out that it billed Anadarko only after prices rose above the ceiling.

However, the two courts sided with Anadarko, saying the production requirement in the act supersedes the price threshold set by the Interior.

That would prevent the Interior from collecting royalties from leases covered by the act until they produce the amount of fuel mentioned in the act. The triggers are 17.5 million barrels of oil equivalent for leases in water depths of 200 to 400 meters; 52.5 million barrels for depths between 400 and 800 meters and 87.5 million barrels for depths greater than 800 meters. One barrel of oil equivalent equals one barrel of oil or 5.62 thousand cubic feet of natural gas.

Of the $19 billion in potential royalty losses, Anadarko and its corporate affiliates owe an additional $328 million in royalties that may be unrecoverable, according to the petition. The Interior may also have to return $1.5 billion in royalties already collected from leases covered by the act.

It was unclear on Friday whether any Louisiana companies are affected by the case. Don Briggs, president of the Louisiana Oil and Gas Association, did not know if any of his group's members held leases benefitting from royalty relief.

Eric Smith, associate director of the Tulane Energy Institute, described the case as a high-stakes game for the offshore industry. He said he hoped the Supreme Court would apply the law strictly, regardless of potential losses for the Treasury.

"The fact that it might cost the government some money shouldn't even enter the discussion," Smith said."If the leases say they had a right to drill, that shouldn't obviate the existing lease."

Smith pointed out that the act, and its promises of savings for energy explorers, delivered results. The deepest waters of the Gulf of Mexico are now producing much more oil and gas than in the early 1990s.

"We wanted domestic production and, in that sense, I think it was very successful," Smith said of the act.

MMS: 18.5% of OCS incidents in 2005-08 involve lifting

Penn Energy, July 17, 2009; http://www.pennenergy.com/index/articles/display/0940977739/s-articles/s-oil-gas-journal/s-general-interest/s-hse/s-articles/s-mms_-18_5__of_ocs.html

Paula Dittrick

HOUSTON, July 17 -- US Minerals Management Service statistics show a total of 2,724 incidents were reported during 2005-08 on the Outer Continental Shelf, of which 506 incidents involved lifting operations.

MMS spokesmen outlined the statistics during an Offshore Safe Lifting Conference July 14-15 in Houston sponsored by the American Petroleum Institute.

Phil Smith, manager of regulatory affairs for Shell Exploration & Production Co., helped organize the conference.

“Lifting operations offshore do not come without risk,” Smith said. “It is one of the most dangerous things we do. We have to move heavy things around in difficult conditions.”

Stats come from operators

Joe Levine, senior engineer with the MMS office in Herndon, Va., said that 351 lifting incidents stemmed from production activities while 155 incidents stemmed from drilling activities.

These figures came from information that companies reported to the MMS for 2005-08.

Cranes were involved in 411 of the 506 total lifting incidents while devices other than a crane accounted for the rest. Levine said devices other than a crane include air hoists, tuggers, winches, chainfalls, and come-a-longs.

During 2005-08, a total of 1,128 injuries were reported on the OCS of which 153 were lifting injuries. Of the lifting injuries, 105 were associated with cranes and 48 were associated with other lifting devices.

Thirty fatalities were reported on the OCS of which 13.3% were associated with lifting. There were two fatalities associated with cranes and two fatalities associated with other lifting devices, Levine said.

Consequently, MMS issued 337 total lifting incidents of noncompliance (INCs). MMS issues an INC to an operator upon identifying an infraction from an approved permit, plan, or regulation.

Ninety of the INCs were associated with slings either not correctly identified or improperly store when not in use. Other common lifting INCs issued by the agency included:

-- The crane not being taken out of service when deficiencies were known or failure to strict the crane’s activities to eliminate unsafe conditions.

-- Repairs or replacements of critical components not being made promptly.

-- Not having an annual inspection performed by qualified inspectors with records readily available for 4 years.

MMS to hold Lease Sale No. 210 on August 19

Energy Current, July 16, 2009; http://www.energycurrent.com/index.php?id=2&storyid=19446

NEW ORLEANS: The U.S. Minerals Management Service (MMS) plans to hold the next Federal offshore oil and gas lease sale for the Gulf of Mexico on August 19 at the Royal Sonesta Hotel in downtown New Orleans. The Final Notice of Sale (FNOS) for Western Gulf of Mexico Lease Sale 210 will be published in the Federal Register on July 17.

Sale 210 encompasses about 3,400 unleased blocks covering around 18 million acres in the Western Gulf of Mexico Planning Area offshore Texas. The blocks are located from nine to about 250 miles (to km) offshore in water depths of 16 to more than 10,978 feet (4 to 3,346 meters). MMS estimates the proposed lease sale could result in the production of 242 million to 423 million barrels of oil and 1.64 to 2.64 Tcf of natural gas.

Terms and conditions for Sale 210 are fully outlined in the FNOS information package. In the FNOS, potential bidders are advised that the decision to hold Sale 210 will be subject to further proceedings in the court case, Center for Biological Diversity v. Department of the Interior, Nos. 07-1247, 07-1344.

In April, the U.S. Court of Appeals ruled that the agency officials did not conduct sufficient research to determine the effects of proposed drilling offshore Alaska before scheduling oil and gas lease sales. The court vacated the entire 2007-2012 Outer Continental Shelf leasing program.

The MMS and the Department of Justice have asked the court to clarify its decision, which regarded Alaskan waters, but could effect Gulf of Mexico leasing.

Birnbaum sworn in as director of MMS
Energy Current, July 16, 2009; http://www.energycurrent.com/index.php?id=2&storyid=19441

WASHINGTON: S. Elizabeth (Liz) Birnbaum, former Staff Director for the Committee on House Administration and the Department of the Interior's Associate Solicitor for Mineral Resources, has assumed her duties as the 10th Director of the U.S. Minerals Management Service (MMS).

Birnbaum will be responsible for an annual budget of US$323 million and 1,600 employees.

"I'm excited to join Secretary Salazar's team and continue his initiative to push our nation toward a new energy frontier," Birnbaum said.

The MMS managed the development of oil, natural gas and other mineral resources on the Outer Continental Shelf, as well as the U.S. offshore Renewable Energy Program. The agency also collects, accounts for and disburses more than US$13 billion per year in revenues from Federal offshore mineral leases and from onshore mineral leases on Federal and American Indian lands.

Government to auction offshore oil leases despite legal uncertainty
Chicago Tribune, July 16, 2009; http://www.chicagotribune.com/news/nationworld/la-na-offshore-leases17-2009jul17,0,4214037.story

A federal court had thrown out a Bush-era leasing plan on environmental grounds. But it's not clear whether the ruling applies to tracts in the Gulf of Mexico.

By Jim Tankersley

The Obama administration will auction off a new batch of oil-drilling leases in the Gulf of Mexico next month, in spite of a court ruling this year that threw out the nation's offshore leasing plan.

Officials from the Minerals Management Service, an arm of the Interior Department, gave notice Thursday that they would take bids for drilling on 18 million acres off Texas. The leasing tracts are as close as nine miles from shore and as far as 250.

The decision comes three months after the U.S. Court of Appeals in the District of Columbia Circuit vacated the 2007-2012 offshore leasing program, developed under the George W. Bush administration. The plan included drilling in the Gulf of Mexico and off Alaska.

The court said that Bush officials had not adequately studied the environmental impact of Alaskan drilling. It was silent on whether the effects on the gulf were properly considered.

Two months ago, Interior Secretary Ken Salazar asked the court to clarify whether that meant the new administration could proceed with gulf leasing under the plan.

On Thursday, Salazar spokeswoman Kendra Barkoff said the department would proceed with gulf leasing "pending further guidance" from the appeals court.

Republicans have accused President Obama and Salazar of dragging their feet on offshore drilling, most recently in news conferences this week to mark the one-year anniversary of President Bush lifting an executive ban on drilling on the outer continental shelf.

The Obama administration has not adopted a plan for future drilling, and Salazar has not appealed the court order vacating the Bush plan.

The latest round of leasing drew faint praise from GOP leaders.

"While I appreciate any decision to expand American domestic energy production, today's announcement simply continues the Obama administration's policy of only using the Gulf of Mexico for oil and gas development," Rep. Doc Hastings of Washington, the top Republican on the natural resources committee, said in a statement Thursday.

"Instead of putting all our eggs in one basket," he said, "the department should also offer other parts of America's outer continental shelf so that we can reduce our dependence on foreign oil, grow our economy and create new jobs for the 9.5% of unemployed Americans."

MMS outlines its Idle Iron program
Oil and Gas Journal, July 15, 2009; http://www.ogj.com/index/blogs/health-safety-environment/s-blogs/s-OGJ/s-health-safety-environment-blog/s-post987_2668795038418085630.html

Paula Dittrick

It's hurricane season again. The US Minerals Management Service is completing its review of all hurricane-damaged offshore facilities in the Gulf of Mexico region. A recent tally showed Hurricanes Gustav and Ike destroyed 60 platforms.

In preparation for future tropical storms and hurricanes, MMS is monitoring platforms and offshore structures that have a surface location on expired or terminated leases.

Lars Herbst, MMS regional director of the Gulf of Mexico region, spoke about the MMS Idle Iron program while addressing the Offshore Operators Committee on June 3.

Herbst said MMS enforces regulations calling for the plugging and abandonment of inactive wells and wells considered no longer useful for lease operations. MMS reports 515 such wells.

MMS is meeting with operators to discuss their schedules to complete well abandonment work.

"A schedule needs to be in place and followed," Herbst said in his presentation. "The delay for platform removal will not be allowed to extend indefinitely."

Labels: offshore platforms , Minerals Management Service , hurricanes , oil and gas , wells

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Peterson returns to the OCS battle
Oil and Gas Journal; July 15, 2009; http://www.ogj.com/index/blogs/washington-pulse/s-blogs/s-OGJ/s-washington-pulse/s-post987_4571192562256985582.html

Nick Snow

One year after President George W. Bush lifted the Outer Continental Shelf land withdrawal his father put in place, John E. Peterson was back on Capitol Hill asking why so little has happened on the OCS in the time since.

He was not alone. Former House Speaker Newt Gingrich, now general chairman of the advocacy group American Solutions; Doc Hastings (D-Wash.), the House Natural Resources Committee's ranking minority member, and Institute for Energy Research President Thomas J. Pyle asked the same question at a July 14 event commemorating Bush's action.

But Peterson, who did not run for re-election to the House last year after six terms, clearly relished being back. “This nation is broke. There’s nothing better Congress and the Obama administration could do economically than to start producing more domestic energy resources, onshore as well as offshore,” he told me after the rally.

I first wrote about Peterson in OGJ in 2006 when he was a lone voice in Congress calling for an end to OCS leasing moratoriums and withdrawals. He’d been at it for five years. This flew in the face of conventional wisdom, which stated that it just wasn’t going to happen.

But the Republican from Oil City, Pa., soon found an ally in Rep. Neil Abercrombie (D-Ha.), and the two of them began cosponsoring bills and amendments. They also formed a bipartisan coalition of House members that quietly developed legislation late last summer which, among other things, would have used future federal OCS revenues to help address coastal impacts and fund alternative energy research and development. The bill attracted more than 170 co-sponsors by mid-September.

Voter outcry in response to record high crude oil and gasoline prices forced the House’s Democratic leadership to let remaining OCS moratoriums expire on Sept. 30. When I saw Peterson again on July 14, he obviously was disappointed that more has not been done.

“The first thing the Obama administration did was put a five-year OCS leasing plan it inherited from the Bush administration on hold, along with other programs,” he said. “We’re fearful that they’re not going to move. The potential is tremendous, and offshore energy resources are close to population centers, particularly on the East Coast.”

Now that he’s out of Congress, Peterson could be candid about Republicans’ mistakes too. He suggested that there might have been too much deference to the Bushes, including Jeb Bush, who was Florida’s governor. He also thinks that more Republicans should have tried to reach a bipartisan OCS solution.

And he was glad to see Rep. Tim Murphy, another Pennsylvania Republican, step up and start cosponsoring OCS legislation with Abercrombie in 2009. “He’s not new to the game. He’s good. He was helpful when I was working on this issue. He believes in this,” Peterson said.

He conceded that he might not have as big an impact now that he’s a former House member. But he said he feels compelled to speak out because producing more domestic oil and gas, onshore as well as offshore, still matters, and he’d like to see more people paying closer attention to the issue. It was good to see him back in the fight.

Bishop, Chaffetz blast Obama over oil exploration delay
Deseret News, July 14, 2009; http://www.deseretnews.com/article/705316900/Bishop-Chaffetz-blast-Obama-over-oil-exploration-delay.html

By Lee Davidson

Reps. Rob Bishop and Jason Chaffetz, both R-Utah, joined a group a Western Republicans who criticized the Obama administration on Tuesday for not allowing more oil exploration on the Outer Continental Shelf — a year after then-President George W. Bush lifted a moratorium on that.

"The evidence is clear that this administration seems intent on restricting the development of American energy resources," said Bishop, chairman of the Western Caucus.

His comments came on the one-year anniversary of Bush's lifting of the presidential moratorium on offshore drilling on the OCS (although a congressional moratorium remained in place at that time).

Bishop and others in the caucus complained the Obama administration has delayed a new five-year leasing program for the OCS they say could provide access to more oil and gas and create a million new jobs.

"The reality is that America has ample resources to provide for our energy needs, create new jobs and start down the road toward economic recovery," Bishop said.

"The moratorium has been lifted, but the Obama administration has demonstrated the OCS will remain off-limits to the environmentally safe production of American-made energy," Chaffetz said.

"Combined with the 77 canceled oil and gas leases in Utah, the Obama administration has shown it has no energy policy, other than to increase taxes on our current energy consumption," he said.

"With unemployment nearing double digits, and energy prices set to spike again, it is time for the administration to allow for the responsible development of our own resources," Chaffetz said.

Among other Westerners, Rep. Dean Heller, R-Nev., said, "Our nation needs a comprehensive energy plan that promotes conservation, renewable energy development and access to our own natural resources."

Anniversary of moratorium's end brings comments
Energy Current, July 14, 2009; http://www.energycurrent.com/index.php?id=2&storyid=19369

HOUSTON: July 14 marks the one-year anniversary of former President George W. Bush lifting the 18-year executive moratorium on oil and gas drilling on the majority of the U.S. Outer Continental Shelf (OCS). The occasion has prompted remarks from several advocacy groups on the lack of progress towards exploiting OCS resources.

National Ocean Industries Association (NOIA) Tom Fry said "there is still much work to be done" as "a mere 13 percent of the OCS is available for leasing under the current five-year leasing plan."

"As the new administration considers the next five-year leasing plan, the offshore energy industry supports and encourages an expanded approach, which includes new areas consistent with sound science and emerging technologies."

The Consumer Energy Alliance (CEA) said that the American people were no closer to accessing OCS reserves than last July. CEA Vice President Andrew Browning said that, while expanding alternative energy use was the ultimate goal, access to the country's oil and gas resources was needed as it would "reduce our dependence on foreign and unstable regions of the world to keep our economy moving."

Browning added, "American families and small businesses deserve policies from Washington that will actually deliver affordable, efficient, and reliable energy. Opening up the OCS immediately for exploration is a step in that direction, and that's why Consumer Energy Alliance is proud to be part of the fight."

Earlier in the week, the Institute of Energy Research sent a letter to President Obama, pointing out the lack of progress to increased energy exploration offshore and claiming that recent events, such as Secretary of the Interior Ken Salazar's announcements that more time would be taken on a new offshore energy plan and a court decision casting doubt on exploration in Alaska, were "failed policies of the past" that "need to stop."

The letter charged that there is no direct means in place whereby domestic energy can be leased for production in any of the waters in the United States, costing the American people "millions of units of usable energy and potentially billions of dollars in lost wages, revenues and royalties." The lack of leasing in areas of the OCS no longer covered by executive and congressional moratoria was called a "de-facto ban" as severe as previous ones.

The letter said that the group intended to enlist the American people's help to bring about changes in U.S. energy policy and asked for the administration's assistance in opening up the OCS.

The message was signed by Institute for Energy Research Thomas J. Pyle and 18 other representatives from advocacy groups, including Americans for Tax Reform President Grover Norquist, CEA President David Holt, Congress on Racial Equality National Chairman and CEO Roy Innis and Center for Individual Freedom President Jeffrey Mazzella.

Boxer planning Sept. 8 rollout for cap-and-trade bill
E&E News PM, July 14, 2009; http://www.eenews.net/eenewspm/2009/07/14/1

Darren Samuelsohn

Senate Environment and Public Works Chairwoman Barbara Boxer (D-Calif.) plans to unveil a major global warming bill immediately after Congress returns from the August recess, she said today.

"The bill will be introduced when we get back, after we get back, as soon as we get back," Boxer told reporters. "We're going to use the extra time we have to make it the best it can be."

A Boxer aide said the introduction was expected Sept. 8, the day after Congress returns from the summer recess.

Boxer predicted she would have at least one Republican co-sponsor on her bill, though she would not name names. She also sidestepped questions about key details, including whether her plan would be more aggressive than the House-passed climate bill when it comes to the overall cap on greenhouse gas emissions.

But Boxer did hint that her bill would get into specifics on the distribution of valuable emission allowances, a different strategy compared with that of the House Energy and Commerce Committee leaders, who initially avoided spelling out allocation details as they sought support from reluctant fellow Democrats.

"I think the majority of the allocations will be spelled out," she said.

Six different Senate committees are writing pieces of the climate and energy bill, ultimately leaving it to Democratic leadership to resolve differences, Boxer said, noting that she expects panels to overlap in certain areas. "I think all the committees will put in their opinion on the areas where they think they have some jurisdiction, and then Senator [Harry] Reid will take what he feels are the best parts of the bill," she said.

Commerce Chairman Jay Rockefeller (D-W.Va.) today acknowledged plans for a markup on his pieces of the climate bill. "It is getting in shape," Rockefeller said. "But as everything with the climate bill, we're way -- we're still forming, talking, discussing, options are open. Nothing is final. At all."

Other committees with a stake in the climate bill are Agriculture, Energy and Natural Resources, Finance, and Foreign Relations. The Agriculture and Foreign Relations panels have yet to signal for sure whether they will offer language through a formal markup. Energy and Natural Resources Chairman Jeff Bingaman (D-N.M.) has already passed legislation that includes a nationwide renewable electricity standard and a raft of other energy incentives, including a provision that could bring oil and gas rigs closer to Florida's Gulf Coast.

Finance Chairman Max Baucus (D-Mont.) said last week that he plans to mark up sections of the bill dealing with emission allowances and international trade.

Reid (D-Nev.), the Senate's majority leader, has set a Sept. 28 deadline for the committees to complete any legislation.

Waxman talks to Senate moderates; White House briefing

While everyone waits for the bill, three of the leading authors of the House measure -- Energy and Commerce Chairman Henry Waxman (D-Calif.) and Reps. Rick Boucher (D-Va.) and Jay Inslee (D-Wash.) -- crossed the Capitol to meet for an hour with about eight influential moderate Senate Democrats.

"We'd asked them to really help us get our arms around the bill they passed, to talk about the compromises they reached," said Sen. Tom Carper (D-Del.), one of the organizers of the climate meeting.

"Senator Boxer is going to work from the House bill, so I want to make sure I have a complete understanding of what the House bill is, and I'm not quite there yet," added Sen. Blanche Lincoln (D-Ark.), another one of the meeting's organizers.

Also in attendance: Sens. Evan Bayh of Indiana, Mark Begich of Alaska, Kay Hagan of North Carolina, Jeanne Shaheen of New Hampshire and Mark Warner of Virginia.

Also today, one of President Obama's top legislative aides, Jay Heimbach, briefed about a dozen Senate Democrats on the White House's strategy for handling the climate issue.

Outreach to Senate moderates will be critical if Reid and the Obama administration can pull off a victory on the climate bill, for which winning 60 votes requires compromises across regional and party lines.

Sen. Ben Nelson (D-Neb.), one of the fence sitters on the global warming bill, said he has been hearing from Senate advocates during floor votes, the beginning of what he expects will be a larger lobbying campaign as the debate ripens. "They're talking about the right thing when they recognize that anything that increases utility rates has to be looked at to see if there's a way to avoid that result," Nelson said. "I think that's the right subject. I don't know if they can accomplish their objective."

But Reid and his allies also face pushback from some of their own party members who do not agree with the House approach of wrapping together climate with a broader energy bill.

"Oil and gas or nuclear, all of that stand on its own," said Sen. Byron Dorgan (D-N.D.), explaining that he regularly pushes the separate bill strategy during Senate Democratic leadership meetings.

Democrats also must deal with Republicans who are itching for a fight on the climate bill, especially if it sticks closely to the House-passed measure.

"If it's a vehicle that looks like the House bill, I'm not optimistic at all for any level of success in the Senate," said Sen. Lisa Murkowski (R-Alaska), the ranking member of the Energy and Natural Resources Committee and a past supporter of cap-and-trade legislation.

OBAMA BLOCKS NEW ENERGY EXPLORATION
Town Hall, July 14, 2009;
http://townhall.com/columnists/DocHastings/2009/07/14/obama_blocks_new_energy_exploration

Doc Hastings

With 9.5 percent of Americans out of work and rumors of yet another costly stimulus, President Obama and White House officials regularly say that “nothing is off the table” when it comes to getting our economy back on track. But after six months in office, President Obama should revise his statement to reflect his Administration’s unspoken policy that “nothing is off the table – except for the creation of many types of energy jobs.”

Although the President regularly expresses verbal support for a comprehensive energy plan, his Administration has demonstrated that no matter how many Americans are out of work, it will continue to take steps to proactively discourage certain types of economic development – including the creation of natural gas jobs, oil drilling jobs and nuclear jobs.

Today – July 14, 2009 – epitomizes the Administration’s prejudice against job creation and expanded employment for Americans in the oil and natural gas industry. Exactly a year ago, President Bush issued an executive order lifting the ban on offshore oil and natural gas drilling on the Outer Continental Shelf (OCS) and opened the door for new energy production and the creation of millions of new energy jobs in our country. But today, a defacto ban remains in place only because the Obama Administration has actively blocked the new 5-year leasing program which would open areas for offshore exploration and development.

The Administration’s decision has prevented Americans from enjoying 1.2 million new, well-paying jobs annually across the country and $70 billion in additional wages each year (source: American Energy Alliance). And it also prevents the federal government from receiving over $2.2 trillion in total tax receipts – revenue that would go a long way towards addressing the historic $1.8 trillion deficit that reportedly keeps the President awake at night.

In addition to obstructing the creation of future American energy jobs, the Administration is also eliminating current energy jobs. On February 4th, the Interior Department withdrew areas offered for 77 oil and gas leases in Utah that thousands of Utah citizens were depending on for employment. When Deputy Secretary of the Interior David Hayes traveled to Utah recently to attempt to explain this decision, he got an earful from local residents. As the Salt Lake Tribune reported on May 27th, “a hostile crowd of about 500 oil and gas field workers and their families gathered in the Western Park Museum auditorium. Their message: Halting those leases on 103,000 acres…meant lost jobs, hungry kids and a lack of commitment to energy independence.”

Environmentalists may cheer the Administration’s obstructionism as a victory against “Big Oil” but the truth is that fewer drilling leases equal lost jobs, higher unemployment, a higher national deficit, and increased dependence on foreign oil.

Unfortunately, after all of these decisions, the Obama Administration's quiet campaign against oil, gas and nuclear jobs hasn't gotten much national press coverage. Instead, Americans read about President Obama's efforts to create new green jobs. I appreciate and support efforts to create more green jobs – but the truth is that the federal government should make it easier for the 14.7 million unemployed Americans to find all kinds of energy jobs - including nuclear jobs, offshore drilling jobs, green jobs and manufacturing jobs. When unemployed moms and dads across our country are trying to put food on the table for their family, they don't have the luxury of waiting for the most politically popular form of employment.

Republicans believe there is a better path forward for our country that will help more Americans get back to work, reduce carbon emissions, protect the environment and make the United States more energy independent.

We have proposed an "all-of-the-above" energy plan that responsibly uses our natural resources to create new energy and make our environment cleaner. In June, we introduced the American Energy Act (H.R. 2846) to encourage development of renewable energy sources, such as wind, solar, hydropower, nuclear and biomass, while also producing more American-made oil and natural gas.

As President Obama and Democrats in Congress consider how to prevent double digit unemployment, they should finally drop their National Energy Tax bill and support a comprehensive energy plan that encourages the creation of all types of American energy jobs.

The 'Cap And Tax' Dead End
Washington Post, July 14, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/07/13/AR2009071302852.html

By Sarah Palin

There is no shortage of threats to our economy. America's unemployment rate recently hit its highest mark in more than 25 years and is expected to continue climbing. Worries are widespread that even when the economy finally rebounds, the recovery won't bring jobs. Our nation's debt is unsustainable, and the federal government's reach into the private sector is unprecedented.

Unfortunately, many in the national media would rather focus on the personality-driven political gossip of the day than on the gravity of these challenges. So, at risk of disappointing the chattering class, let me make clear what is foremost on my mind and where my focus will be:

I am deeply concerned about President Obama's cap-and-trade energy plan, and I believe it is an enormous threat to our economy. It would undermine our recovery over the short term and would inflict permanent damage.

American prosperity has always been driven by the steady supply of abundant, affordable energy. Particularly in Alaska, we understand the inherent link between energy and prosperity, energy and opportunity, and energy and security. Consequently, many of us in this huge, energy-rich state recognize that the president's cap-and-trade energy tax would adversely affect every aspect of the U.S. economy.

There is no denying that as the world becomes more industrialized, we need to reform our energy policy and become less dependent on foreign energy sources. But the answer doesn't lie in making energy scarcer and more expensive! Those who understand the issue know we can meet our energy needs and environmental challenges without destroying America's economy.

Job losses are so certain under this new cap-and-tax plan that it includes a provision accommodating newly unemployed workers from the resulting dried-up energy sector, to the tune of $4.2 billion over eight years. So much for creating jobs.

In addition to immediately increasing unemployment in the energy sector, even more American jobs will be threatened by the rising cost of doing business under the cap-and-tax plan. For example, the cost of farming will certainly increase, driving down farm incomes while driving up grocery prices. The costs of manufacturing, warehousing and transportation will also increase.

The ironic beauty in this plan? Soon, even the most ardent liberal will understand supply-side economics.

The Americans hit hardest will be those already struggling to make ends meet. As the president eloquently puts it, their electricity bills will "necessarily skyrocket." So much for not raising taxes on anyone making less than $250,000 a year.

Even Warren Buffett, an ardent Obama supporter, admitted that under the cap-and-tax scheme, "poor people are going to pay a lot more for electricity."

We must move in a new direction. We are ripe for economic growth and energy independence if we responsibly tap the resources that God created right underfoot on American soil. Just as important, we have more desire and ability to protect the environment than any foreign nation from which we purchase energy today.

In Alaska, we are progressing on the largest private-sector energy project in history. Our 3,000-mile natural gas pipeline will transport hundreds of trillions of cubic feet of our clean natural gas to hungry markets across America. We can safely drill for U.S. oil offshore and in a tiny, 2,000-acre corner of the Arctic National Wildlife Refuge if ever given the go-ahead by Washington bureaucrats.

Of course, Alaska is not the sole source of American energy. Many states have abundant coal, whose technology is continuously making it into a cleaner energy source. Westerners literally sit on mountains of oil and gas, and every state can consider the possibility of nuclear energy.

We have an important choice to make. Do we want to control our energy supply and its environmental impact? Or, do we want to outsource it to China, Russia and Saudi Arabia? Make no mistake: President Obama's plan will result in the latter.

For so many reasons, we can't afford to kill responsible domestic energy production or clobber every American consumer with higher prices.

Can America produce more of its own energy through strategic investments that protect the environment, revive our economy and secure our nation?

Yes, we can. Just not with Barack Obama's energy cap-and-tax plan.

Senate panel to ponder effects of $150-per-barrel oil
E&E Daily, July 14, 2009; http://www.eenews.net/EEDaily/2009/07/14/4

Katie Howell

Remembering the pain of last summer's high crude oil prices, lawmakers this week will meet to discuss the effects of fluctuating energy prices on national security and the economy.

Last summer's record high oil prices sparked a variety of conflicts and could have played a role in causing the global recession (E&E Daily, May 21). A year later, crude prices are hovering at less than half their record high of $147, but the ramifications of the record prices are still being felt.

The Senate Foreign Relations Committee on Thursday will discuss events in the Caucasus, Middle East and Africa and their impact on energy security and fluctuating oil and natural gas prices, a committee aide said.

In particular, the committee will hear from Ambassador Richard Morningstar, special envoy for Eurasian energy, concerning the ongoing discussions in Turkey about a pipeline to reduce Europe's dependence on Russian natural gas, the aide said. Morningstar will have just returned from the talks that yesterday formalized a deal between Turkey and four E.U. nations to construct the 2,050-mile Nabucco pipeline (Greenwire, July 13).

State Department officials with experience in the Middle East and Africa will also testify about events in those regions.

The hearing is the second one the committee has held recently on energy security. In May, the committee heard from former President Jimmy Carter about the similarities between the nation's energy situation during his presidency and today (E&E Daily, May 13).

During that hearing, committee Chairman John Kerry (D-Mass.) said, "The downside of our continued dependence on oil is compelling, well-known and only growing. Economically, it results in a massive, continuous transfer of American wealth to oil-exporting nations and leaves us vulnerable to price and supply shocks.

"Its revenues empower and sustain despots and dictators. And it obliges our military to defend our energy supply in volatile regions at great expense," Kerry added.

Schedule: The hearing is Thursday, July 16, at 9:30 a.m. in 419 Dirksen.

Witnesses: Richard Morningstar, ambassador and special envoy for Eurasian energy, State Department; William Hudson, acting deputy assistant secretary for Near Eastern affairs, State Department; and Phillip Carter III, principal deputy assistant secretary for African affairs, State Department.

Happy Anniversary! OCS bid revenue to government all but dried up
Examiner, July 13, 2009; http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/Happy-Anniversary-OCS-bid-revenue-to-government-all-but-dried-up-50673552.html

By: Mark Tapscott

No, the headline is not a jumble from two separate posts. Tuesday is the one-year anniversary of President Bush lifting the executive branch ban on oil and natural gas exploration and production from the Outer Continental Shelf (OCS) off the U.S. coastline.

Remember the "Drill Here, Drill Now" campaign by House Republicans?

Not much has happened in the year since Bush acted, thanks to the Obama administration's Interior Secretary, Ken Salazar, the President's allies in the environmental movement, and congressional Democrats like House Speaker Nancy Pelosi who appear determined to stop all energy production in the U.S. that doesn't involve windmills or solar panels.

Normally, companies submit "bonus bids" in a competition against each other for federal permits to conduct exploration on the OCS and on federal lands in the West where billions of barrels of oil and even more natural gas are waiting to be produced. The federal government received about $10 billion in revenue from such bonus bids last year. So far this year, however, the total is a mere $750 million. The end of the fiscal year is near, so the the total revenue this year is likely to be less than 10 percent of what it could have been.

Between the $10 billion from bonus bids and another $13 billion in royalties received from production in existing OCS and western lands areas, Washington cleared a pretty penny in 2008. But not this year. Salarzar is slow-walking the OCS process, a federal panel has put the existing OCS/western lands bidding on hold pending court challenges, and the Obama White House is pushing the Waxman-Markey cap-and-trade anti-global warming bill that will further suffocate domestic energy exploration, production and innovation.

As an energy industry insider told The Examiner, "the administration has put the new OCS plan on hold, has lost in court on the existing one so that we actually have no OCS leasing program, and is presiding over a devastating set of threatening proposals which have led companies to decide not to invest here for fear that the government will change the rules of the game on them regarding taxes, regulations and other threats."

Happy anniversary.

Alexander to Unveil GOP Climate Change Plan
Roll Call, July 13, 2009; http://www.rollcall.com/news/36717-1.html

John Stanton

Senate Republicans will float new climate change legislation Monday that leans heavily on the use of nuclear power, calls for more spending on research and development, and promotes an increase in offshore oil and gas drilling.

The GOP proposal, which will be formally introduced by Senate Republican Conference Chairman Lamar Alexander (Tenn), is an alternative to climate change legislation being put together by Democrats and is designed to coincide with hearings starting Monday in the Senate Environment and Public Works Committee.

Alexander will announce the GOP plan later Monday at an event at the National Press Club.

The bill would include significant new expansions in research of renewable energy, investments in electric car technology and an Alexander proposal to build 100 new nuclear power plants over the next 20 years.

Perhaps more significantly, however, Senate Republicans are for the first time taking on the issue of climate change directly. In announcing a plan of their own, they are not only acknowledging a problem exists, but also proposing GOP alternatives to Democrats' plans.

In fact, Alexander and other Senate Republicans are going so far as to argue that their legislation could help the United States meet carbon emissions limits under the Kyoto Protocol.

"Our plan will put the U.S. within the limits of the Kyoto treaty by 2030," Alexander said Friday.

Senate Republicans — all 40 of whom have signed off on the proposal — also hope the bill will serve as the vehicle for another successful energy debate. In one of their rare policy victories last year, Republicans were able to force Democrats to agree to an expansion of offshore drilling.

"What we hope to do is what we were able to do last year with the amendment on offshore oil and gas drilling," Alexander said.

Republicans in the Senate are hoping to tie the climate debate to the broader economic crisis. They hope to make the case that Democrats' legislation will cause significant increases in energy costs, while also arguing that the GOP plan will help create jobs with the construction of new nuclear power plants.

Drilling activity at 5-year low – API
Greenwire, July 13, 2009; http://www.eenews.net/Greenwire/2009/07/13/9

Katie Howell

U.S. oil and gas drilling activity plummeted nearly 50 percent since last summer as exploration and production companies moved cautiously in a deep recession, according to a new industry report.

The activity level for drilling is the lowest in more than five years, according to the American Petroleum Institute's quarterly well-completion report for the second quarter of 2009.

The report estimated that 8,038 oil and gas wells and dry holes were completed during the second quarter, down 46 percent from the second quarter of 2008. Exploratory drilling for oil and gas was down 63 percent to 336 wells, compared with 2008 drilling. And development drilling dropped 46 percent to 6,761 wells.

Drilling activity was down in the first quarter of 2009, as well (Greenwire, April 16).

"As the money starts to dry up, these companies have to make decisions about what areas to drill that will have the highest yield, and the best quality," said Hazem Arafa, director of API's statistics department. "As budgets shrink, they make those decisions based on quality versus quantity."

Arafa added that during the downturn, companies are making safer bets on shallower, less risky drilling investments like onshore natural gas.

"While the number of wells went down 46 percent, drilling footage dropped 53 percent," Arafa said. "This indicates the companies are drilling shallower wells without as much risk."

Still, natural gas drilling took a particularly steep decline, as well, although the commodity continues to be the primary target for domestic drilling. The report estimates natural gas drilling activity was down 43 percent from 2008 to 4,225 natural gas well completions. That decline is the steepest quarterly decline for natural gas completions this decade, the report says.

Oil drilling activity is down 53 percent from the second quarter of 2008.

"There was a significant increase in oil wells in 2008 because of the high oil price," Arafa said. "If you go back to 2006, they drilled two gas wells for every oil well. Gas activity has shrunk considerably in 2008, and it's continuing a little in 2009."

Royalty reform: USA deserves better
Politico, July 13, 2009; http://www.politico.com/news/stories/0709/24787.html

By: Rep. Nick Rahall

Every year, American taxpayers are required to file tax returns, and many receive a refund for overpayment during the previous year. While those taxpayers may feel fortunate to receive the unexpected cash, the government is not required to include accrued interest in that refund. Unfortunately, oil and gas companies are faring much better than our hardworking, taxpaying American families.

Thanks to a provision in industry-friendly legislation enacted in 1996, companies that have overpaid the government for the extraction of oil and gas from federal lands and waters are able to get their cash back with interest attached.

This is just one example of an oil and gas royalty system that has become tilted too far in favor of industry and away from ensuring that the American people get a fair return for the extraction of these public energy resources.

Numerous reports, audits and investigations over the past several years — from the Government Accountability Office, the Interior Department’s inspector general and a commission chartered by former Interior Secretary Dirk Kempthorne — have uncovered a royalty collection system riddled with mismanagement, ineffective computer systems and downright mind-boggling rules.

Much to the detriment of the American taxpayer, these weighty but technical issues are often overlooked when it comes to reforming the federal oil and gas program.

These problems have not made headlines like those of last year, when it was revealed that certain employees within the Minerals Management Service — the office responsible for ensuring that these companies pay the royalties they owe to the American people — had shattered government ethics rules by accepting gifts from, and engaging in “cozy relationships” with, oil and gas industry representatives.

This issue also has not earned the intense scrutiny that occurred when it was discovered, several years ago, that the Interior Department forgot to put price thresholds on royalty relief for federal oil and gas leases issued in 1998 and 1999, potentially costing the American people up to $15 billion that should have gone into the Federal Treasury.

But while the technicalities of the royalties rules and regulations are not flashy, we still owe it to the American people to improve the program’s many fiscal flaws so that the government is collecting the money the people are truly owed — money that can help pay for services the American people want and deserve.

In general, the 1996 law gives oil and gas companies the sort of leeway that individual taxpayers would love to have.

Take deductions, for example. On a personal tax return, a taxpayer is liable for all sorts of civil and criminal penalties if he claims a false deduction. But oil and gas companies are under no similar obligation to make sure their deductions are legitimate. Instead, it is up to the government to do that for them. In one 2007 report, an MMS manager explained that “companies paid what they thought they owed MMS, and it was up to MMS to review their payment for accuracy and contact the company if MMS disagreed with the amount.”

Equally disturbing, oil and gas companies have plenty of time — six years — to make changes to their royalty payments. That’s right: A company has six years to make adjustments to what it paid, although a GAO examination of data from 2002 to 2007 found 81,000 adjustments that were made after that six-year window. And even if the companies are caught in error, they have a free pass from MMS to make those corrections, without penalty.

Imagine if the Internal Revenue Service operated in the same manner. The opportunities for fraud would be overwhelming.

This is not to say that all companies take advantage of these opportunities — the vast majority of them, undoubtedly, do not. But, as the inspector general reported earlier this year, “The existing process is heavily reliant upon companies doing the right thing.” And if they do not, millions of dollars that should come into the Treasury can easily slip through the fingers of the royalties system.

This situation is unacceptable. The federal royalty collection system was first put into place in 1982 and then updated to make it more favorable to industry in 1996.

Given the huge profits we have witnessed in recent years, it simply does not take into account how oil and gas companies operate nowadays.

There should be more emphasis on automated data transmission from oil wells directly to the government, so that MMS will have an independent check on what companies are reporting — similar to the W-2 forms the IRS gets from employers.

Companies should also be required to make sure that they are filing their royalties correctly, and there should be more stringent penalties if they attempt to cheat the system. And there certainly should be no interest paid back when companies overpay their royalties.

I have made numerous attempts to fix these problems in recent years. Interior Secretary Ken Salazar has indicated his interest in attending to these serious issues of mismanagement, and I am wholeheartedly committed to supporting and enhancing those efforts as I continue in my role as chairman of the House Natural Resources Committee.

The American people, who own title to each and every acre of the federal lands from which these public resources are extracted, deserve nothing less than their fair share.
