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Wanting it both ways on energy
Houston Chronicle, August 21, 2009; http://www.istockanalyst.com/article/viewiStockNews/articleid/3428788

Research spills
Fairbanks Daily News-Miner, August 21, 2009; http://newsminer.com/news/2009/aug/21/research-spills/

US needs balanced offshore energy portfolio-MMS head
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Examiner Editorial: America sits back as others rush for black gold in Gulf
SF Examiner, August 20, 2009; http://www.sfexaminer.com/opinion/Examiner-Editorial-America-sits-back-as-others-rush-for-black-gold-in-Gulf-53736537.html

Gas Industry Girds to Fight in the Senate Over Climate
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Offshore drilling debated
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Energy companies sparse at U.S. offshore auction
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US Gulf lease sale sees $115.5m in bids
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Wanting it both ways on energy
Houston Chronicle, August 21, 2009; http://www.istockanalyst.com/article/viewiStockNews/articleid/3428788

Loren Steffy

If you spend any time on YouTube, you probably know that Secretary of State Hillary Clinton was in Africa last week.

She got angry at a poorly translated question and declared that she was "not going to be channeling her husband."

On the same trip, though, she was channeling her husband's energy policy and that of other previous administrations. In Angola, days before her YouTube moment, Clinton was urging that country's government to be more transparent in reporting oil revenue.

With more accurate reporting, we can get a better idea of the size of Angola's reserves and make sure that the oil keeps flowing our way.

Mixed messages

Meanwhile, here in the U.S., the administration Clinton represents is championing an energy policy that proposes funding initiatives for renewable energy at the expense of conventional fuel sources such as oil and natural gas.

As a nation, we say we want to decrease our dependency on foreign oil, yet our foreign policy sends a different message. Energy secretary Steven Chu, for example, said he was pleased when OPEC decided to maintain its production levels earlier this year, staving off higher prices.

The message was that we want OPEC to keep producing, to keep its crude flowing to our shores, even as we erect roadblocks to production at home. Most of our coastal waters, for example, remain off limits to new drilling.

Nowhere is the irony more clear than off Florida, where U.S. companies are forbidden to drill. Cuba announced earlier this month it signed contracts that would allow Russia to explore for oil and natural gas as close as 45 miles from our shores.

More muddle

The Waxman-Markey energy bill pending before the U.S. Senate only adds to the muddle. That's the bill, rushed through the House, that would create cap and trade, a system that purports to reduce carbon emissions through taxation disguised as a free market.

Cap and trade, as I've written before, is a dangerous combination of Wall Street greed and feel-good green policy, but it also imposes big costs on the domestic energy industry -- in particular U.S. refiners -- while benefiting overseas suppliers.

It requires domestic refiners to buy carbon permits that would cover emissions from all motor vehicles, forcing them to buy the permits on the open market, while putting no such restrictions on imports. Faced with that huge cost differential, guess what oil companies will do?

"You've got an advantage built in for imported products, which is exactly the opposite of what we want," said James Hackett, chief executive of The Woodlands-based Anadarko Petroleum Corp., a supporter of a local rally this week in opposition to the bill. "You're going to be making yourself more dependent on foreign oil as opposed to less dependent."

Hackett is quick to note that he favors investment in alternative fuels and that he believes the U.S. must move away from relying so heavily on foreign imports. He supports development of natural gas as a motor fuel, especially for trucks and fleet vehicles, and is a proponent of nuclear power.

"I'm for anything that helps reduce greenhouse gases in a responsible way," he said.

Unrealistic ideas

But our energy policy trumpets an unrealistic expectation of how rapidly changes will occur.

Converting to "green" energy -- whether it's biofuels, electric cars or even natural gas powered vehicles -- could take years. Using wind and solar to replace generating fuels such as coal could take decades, if it ever happens at all.

In the meantime, we need to encourage the development of what we know works and stop sending our diplomats abroad to channel a policy of crude irony.

Research spills
Fairbanks Daily News-Miner, August 21, 2009; http://newsminer.com/news/2009/aug/21/research-spills/

Study of oil and ice is long overdue

Twenty years ago, the Exxon Valdez oil spill prompted Congress to call for a national research program into ways to handle oil spills, a pernicious side effect of our nation's dependence upon liquid petroleum. The research program never materialized, and now it's needed more than ever as the federal government sells oil leases in Arctic waters.

The chairman of the U.S. Arctic Research Commission is expected to deliver that message at a congressional field hearing in Anchorage today. National leaders should heed his words.

Mead Treadwell, the commission chairman, discussed the idea with federal officials Wednesday during a tour of potential offshore oil-producing areas in the Arctic Ocean. He noted that opposition to leasing such areas arises because some Alaskans have no confidence in the industry's ability to deal with spills. The last big spill cleanup in Alaska didn't go so well. Add some ice, and it becomes far more challenging.

Treadwell noted in a news release Thursday that scientists in Norway already are studying oil spills and ice. "A recent test there, costing over $10 million, showed promising results for a number of technologies, including burning, skimming, dispersants, coagulants and bioremediation," Treadwell said.

Ten million dollars isn't much these days, though. Tens of millions are needed. Treadwell suggested the United States could find it in the Oil Spill Liability Trust Fund, which receives a nickel for every barrel of oil we use.

While such research is necessary and worthwhile, Arctic oil development is not the irresponsible act often portrayed by environmental watchdog groups. They often note that there is no proven way to contain or clean up an oil spill in or under ice. Fair enough. At the same time, they note, spills have been deemed a statistical certainty by government analysts. Also fair enough. So the inevitable result is environmental catastrophe, they assert. Not fair, nor logical.

The effect of a spill depends entirely upon its size and its proximity to something that could be harmed. Oil already seeps into the ocean across the outer continental shelf off northern Alaska. Natural processes handily clean it up. And life is thinly dispersed in the Arctic, so an oil spill would need to be truly gargantuan to damage the ecosystem on any large scale, and the likelihood of such a gargantuan spill is extremely low. Look to the Gulf of Mexico, where hundreds of wells pump oil and major, sustained blowouts are unheard of, even after hurricanes. Transportation accidents — whether from ships or pipelines — have proven to be a more persistent threat. These aren't likely to cause enormous spills, though, so there is no reason for the federal government to shut down offshore leasing in fear of them.

It should instead proceed with more research into the most effective way to contain them. The Arctic Research Commission has a plan to lead the way.

US needs balanced offshore energy portfolio-MMS head
Reuters, August 20, 2009; http://in.reuters.com/article/oilRpt/idINN2062809920090820

By Bruce Nichols

HOUSTON,, Aug 20 (Reuters) - The new head of the U.S. Minerals Management Service said on Thursday that all forms of energy should be harvested from the nation's offshore areas -- including wind and waves as well as oil and natural gas.

The nation should continue to develop as much offshore oil and gas as can be produced in an environmentally responsible way, Liz Birnbaum, who became MMS director in July, told Reuters in a telephone interview.

Birnbaum said she also sees an expanded role for renewable sources of energy offshore.

"The agency has already started in this direction," she said, referring to plans for offshore wind and wave power. "But by the time I have left, I hope it will have a comprehensive energy portfolio on the continental shelf," she said.

The continental shelf is the area administered by the MMS offshore, including submerged lands beyond the states' seaward jurisdiction - no more than 10 miles (16.2 km) - out to 200 nautical miles (370 km).

"We clearly need to continue to develop our domestic energy, both onshore and offshore, Birnbaum said. "The goal is to decrease our dependence on foreign sources of energy."

Birnbaum comes to the MMS as a lawyer who has worked on natural resource issues for the federal government and environmental advocacy groups, but she said she does not bring a pro-environment, anti-oil industry perspective to the job.

Birnbaum takes the helm of an agency tarred by a 2008 scandal that came to light when the agency was under the direction of her predecessor, Randall Luthi, where department workers had sex with and took gifts from employees at regulated oil companies.

She said her experience assuring proper use of office accounts by members of Congress as staff director of the House Administration Committee will help.

"My goal is to make the MMS the best energy management agency in the federal government," Birnbaum said. "That means energy for the American public, safe and environmentally sound operations and recovery of economic resources as well," she said. MMS collects royalties on mineral production for the federal treasury.

Birnbaum declined to predict whether her directorship will see expanded drilling for oil and gas anywhere off U.S. shores where it is not now permitted. The next five-year plan is currently open for public comment and no decision can be made until public comment ends in September, she said.

She also said she could not forecast the agency's decision on Shell Offshore Inc's (RDSa.L: Quote, Profile, Research) plan to explore for oil off the north coast of Alaska. A 30-day window for a decision ends in early September.

Examiner Editorial: America sits back as others rush for black gold in Gulf
SF Examiner, August 20, 2009; http://www.sfexaminer.com/opinion/Examiner-Editorial-America-sits-back-as-others-rush-for-black-gold-in-Gulf-53736537.html

August 20, 2009

Major new offshore drilling for oil and natural gas in the Gulf of Mexico will soon be a reality. The big question is whether Americans will be part of it. Brazil, China, India, Norway, Spain and Russia have all signed agreements with Cuba and the Bahamas to initiate exploration and production in the Gulf of Mexico within the next two years. So the prospect of seeing Russian oil rigs 45 miles off the Florida Keys — where American oil companies are now forbidden to drill — is a very real possibility.

The U.S. Geological Survey estimates that the eastern Gulf region contains 3 billion barrels of oil and more than 11 trillion cubic feet of natural gas. Last summer, President George W. Bush lifted the executive branch moratorium his father signed in 1990 on new drilling in 85 percent of America's territorial waters.

The Democratic Congress then wisely let the congressional ban expire. So the only thing keeping U.S. firms from drilling off our own continental shelf is President Barack Obama and his Secretary of the Interior, Ken Salazar, who is slow-walking the approval process that must be cleared before work can begin. Meanwhile, foreign nations are jockeying for the best spots.

The Obama administration, incredibly enough, is giving Brazil a $2 billion loan from U.S. taxpayers to finance its development of offshore energy resources in the Atlantic Ocean.

According to the American Petroleum Institute, the development of America's coastal oil and gas resources would generate more than $1.3 trillion in new government revenue and 160,000 high-paying jobs during the next two decades.

Sens. Lisa Murkowski, R-Ark., and Mary Landrieu, D-La., are bipartisan co-sponsors of a bill that provides coastal states like Florida their fair share of revenue produced by offshore drilling and production. The same thing should be done for states on the East and West coasts. Gov. Arnold Schwarzenegger and California lawmakers hope to tap deposits off Santa Barbara to generate billions in royalties, and front-running gubernatorial candidate Bob McDonnell has made drilling 50 miles off the Virginia coast a key component of his energy plan.

Many environmental objections to deepwater drilling have been overcome. For example, 4-D seismic surveys provide pinpoint accuracy for well location. New technology also enables one drilling platform to reach deposits 40 miles away in water up to 10,000-feet deep. (The same technology could help other nations drill just outside our coastal limits while tapping into resources inside the boundary.)

According to the U.S. Minerals Management Service, less than 0.0001 percent of the 1.4 billion barrels of oil pumped offshore since 1980 has been spilled. That's a remarkable safety record and a tribute to American energy ingenuity.

Gas Industry Girds to Fight in the Senate Over Climate
WSJ, August 20, 2009; http://online.wsj.com/article/SB125072881823644797.html

By BEN CASSELMAN

The U.S. natural-gas industry, disappointed by the climate-change bill passed by the House of Representatives in June, is counting on new Democratic allies and a stepped-up lobbying campaign to push measures through the Senate that will favor gas over coal and oil.

The climate-change debate in the Senate, which is expected to involve several committees after Labor Day, comes at a critical time for the gas industry. It faces a glut that has driven natural-gas prices below $3.20 per million British thermal units, their lowest level since 2002. In addition, huge new gas discoveries in Texas, Louisiana, Pennsylvania and elsewhere have produced a surge in supply.

The House bill, known as the American Clean Energy and Security Act, focuses on "clean coal" research rather than encouraging natural-gas use. Many in the gas industry concede they were caught off guard by both the coal industry's intensive lobbying campaign and the speed with which the House acted.

"We were not prepared for the pace at which the House legislation proceeded," says Jim Hackett, chairman and chief executive of gas producer Anadarko Petroleum Corp.

But Mr. Hackett says the industry won't repeat its mistake with the Senate. He and other CEOs have formed a new lobbying group, America's Natural Gas Alliance, and pledged about $80 million to the effort, which will include a national media campaign in the fall.

The alliance's members include more than two dozen of the top natural-gas producers in the U.S., including Chesapeake Energy Corp., XTO Energy Inc. and Devon Energy Corp.

David Trice, who is chairman of both the Alliance and gas producer Newfield Exploration Co., stepped down as Newfield's CEO in May in part to focus on the lobbying effort. He says he has met with 20 senators since the group was formed in March.

The gas-industry's goals in the Senate include incentives that will encourage power companies to switch to natural gas from coal and lead truck fleets to convert to natural gas from diesel. Lobbyists will also seek to limit companies' ability to atone for their pollution via carbon "offsets," such as planting trees overseas, which reduce the incentive to switch to cleaner fuels like gas.

At a recent conference on clean energy in Las Vegas, former Vice President Al Gore, Senate Majority Leader Harry Reid and Energy Secretary Steven Chu all spoke positively about using more natural gas.

Following the conference, John Podesta, who co-led President Barack Obama's transition team last winter and who heads the liberal Center for American Progress, co-wrote a paper with former Colorado Sen. Tim Wirth advocating greater use of natural gas.

Environmental groups are also pushing the Senate to embrace natural gas as a "bridge fuel," which would allow the U.S. to move away from coal and oil faster than it could using renewable fuels alone.

"I think people are realizing that instead of gas being an afterthought, gas is a balance wheel of the new market," says Carl Pope, executive director of the Sierra Club, an environmental group.

But the gas industry must overcome major hurdles. Other energy producers are also mobilizing. A major theme of the coal industry has been the relatively stable price of coal compared with volatile natural-gas prices. Meanwhile, major natural-gas consumers, including chemical companies and many utilities, oppose increased use of natural gas because it could drive up costs.

Mr. Trice concedes that the industry was slow to recognize the need to persuade lawmakers that the U.S. can burn more gas without causing price spikes because of the new gas discoveries.

"We weren't up there telling them how things have changed over the last couple years," Mr. Trice says.

"It would've been nice if this organization existed a year ago," he adds. "But we're part of the debate today."

Offshore drilling debated
Myrtle Beach Sun News, August 20, 2009; http://www.thesunnews.com/business/story/1029704.html

Feasibility study expected in coming days

Adva Saldinger

A group of elected officials, business representatives and environmental advocates agreed on little Wednesday at a lively meeting about offshore energy production except that it is a timely issue to discuss.

In October, Congress lifted a moratorium on offshore drilling and then-President Bush advised the Minerals Management Service in the Department of Interior to create a five-year plan for energy production.

"I think it's crucial for the folks around this table to have this conversation, and it's important that the government weighs what they will say," said Michael Whatley, the executive director of the Southeast Energy Alliance at the meeting held at the Myrtle Beach Area Chamber of Commerce.

In the proposed plan's draft, the Minerals Management Service would offer leases in the Atlantic, including off the coast of South Carolina, beginning in 2014.

The South Carolina Natural Gas Exploration Feasibility Study Committee, chaired by state Sen. Paul Campbell, R-Goose Creek, is set to release a report within the next 10 days.

"I think it's an excellent opportunity for the state," said Campbell. "We need to look in South Carolina to open the offshore area for exploration."

Offshore energy production could create jobs for South Carolina, and he said he is confident it could be done responsibly with limited environmental impact. He advocated remaining in the plan for the time being as more information is gathered.

"We've got to be in the plan; we've got to mitigate the environmental impact; we've got to be in the royalty scheme; and we've got to do everything to protect from leakage, then we should open it up," said Campbell.

Hamilton Davis, a project manager for the Coastal Conservation League who also served on the committee, said he agrees with the report but is opposed to drilling and moving forward in the plan. He said the costs and benefits must be weighed carefully.

"We're gambling with this idea that there might be something out there," he said. "It's not a big opportunity but it's a big risk."

The problem with drilling offshore for natural gas is that it is typically found with oil, and oil poses serious risks to tourism and the environment, Davis said.

Steve Chapman, managing partner of the Island Vista Resort in Myrtle Beach, said the beach is a critical asset for the tourism industry.

"Any kind of offshore exploration for energy is a concern for us, so we want to be at the table," he said.

The conversation, which filled the meeting room with competing voices, lasted several hours and reached few conclusions.

Most participants agreed more information on what resources exist off the coast would be useful in making decisions moving forward. Little proof of resources is available and the latest studies are more than 30 years old.

Scott Harris, a geologist at the College of Charleston, said the Carolina Trough - a deep depositional basin - has the right conditions for oil and gas but wells drilled off the coast about 40 years ago found only little pieces of oil.

"[It's about] what is economically retrievable. Those same holes still don't have that economic feasibility at this point," Harris said.

The part of the Carolina Trough off the coast of North Carolina might be a richer environment for natural resources, while the area off the S.C. coast are more barren, he said.

The amount of oil that could be found in wells off the coast would not have a significant impact on South Carolina's energy needs, said Davis.

Lewis Gossett, president and CEO of the South Carolina Manufacturers Alliance, said manufacturing is energy intensive and something must be done to make energy more affordable.

He called for a broad-based policy that develops every opportunity for energy production, and he cautioned that wind and solar power are not going to be enough.

"We want to see wind happen, but, realistically, it's not going to be what powers our plants," he said.

Others at the meeting agreed with his call for exploring all energy options.

Campbell said he is confident that both wind and natural gas could be an important part of the state's energy plan moving forward.

Energy companies sparse at U.S. offshore auction
Miami Herald, August 20, 2009; http://www.miamiherald.com/business/nation/story/1193881.html

Oil and gas companies' interest in snapping up leases for offshore drilling is down sharply from last year. With prices down two-thirds, it's no surprise.

BY ALAN SAYRE

NEW ORLEANS -- A huge glut of natural gas, a recession and an uncertain economic picture led to a largely quiet auction for government offshore leases on Wednesday.

Energy companies bid $115 million for 162 separate tracts in the western Gulf of Mexico, about half the number of leases bid on last year for $483.9 million.

Gas is now trading for a meager $3.11 per thousand cubic feet on the New York Mercantile Exchange, compared with $9.50 a year ago. About 80 percent of the winning bids on Wednesday were for tracts in deep water, where crude can also be found.

The largest single winning bid -- $28.1 million issued for a deep-water tract by BP -- accounted for 24 percent of all sales.

Since the recession hit hard last year, U.S. natural gas backlogs have grown to an estimated to 3.152 trillion cubic feet, 23.1 percent above year-ago levels and 19.6 percent higher than the five-year average, according to the Energy Information Administration.

Producers are also exploiting huge reserves on land, which have only recently been made available through advanced drilling techniques.

As recently as four years ago, 20 percent of all natural gas in the U.S. was pulled from the Gulf. That number has since fallen to about 12 percent, according to the EIA.

Producers only have five years on the shelf to begin either producing or turning the leases back to the government. Deep-water leases carry 10-year terms, and energy companies, facing development costs in the hundreds of millions of dollars for each project, look at their projections of long-term commodity prices.

``Price is probably the thing that motivates many companies,'' said Tom Fry, president of the National Ocean Industries Association. ``But these companies [in deep water] have different views. Some have longer horizons they work with.''

Wednesday's sale closely mirrored -- in terms of money -- the much-larger and oil-oriented central Gulf sale in March that attracted $703 million, compared with $3.67 billion in 2008 when oil prices were pushing $100 per barrel.

For the short term, at least, energy companies showed reluctance to dig deeper into the shallow shelf, putting up only $10.1 million in high bids for gas-related tracts.

Over the past two years, several major shale gas finds on land have added trillions of cubic feet in potential reserves to future production. Although inland producers may have a cost advantage to bringing future gas to market, MMS regional director Lars Hebert said that an economic recovery could quickly hoist the demand for more Gulf gas as backlogs are burned off.

``When the economic situation turns around, all the natural gas resources will come into play,'' he said.

Hebert said many small producers that concentrate on gas near shore were absent Wednesday, while such players as BP, Chevron, ConocoPhillips and Exxon Mobil dominated with deepwater bids.

The MMS will check the bids for fair market value before formally awarding the leases.

US Gulf lease sale sees $115.5m in bids
Upstream Online, August 19, 2009;
http://www.upstreamonline.com/live/article186074.ece?WT.mc_id=rechargenews_rss

By Blake Wright

US Western Gulf Lease Sale 210 attracted $115.5 million in high bids today as the frail economy and commodity price uncertainty kept many operators on the sidelines.

Only 26 companies participated in today's sale, compared to 53 in last year's Western Gulf auction.

Noticeable by their absence were companies including Hess, Statoil, Newfield Exploration, Total and Callon Petroleum to name a few.

In all, Sale 210 attracted 189 bids on 162 tracts.

By comparison, 2008's Western Sale 207 garnered 423 bids on 319 blocks.

Total money exposed during this week's sale was just under $145.2 million, less than a third of the total of all high bids of last year's Sale 207.

Total money exposed at last year's Sale 207 was just over $607 million.

Newly sworn-in US Minerals Management Service director Liz Birnbaum was on hand in New Orleans to read the ceremonial first bid of the sale – a $183,100 offering for North Padre Island East Addition Block 975 by independent Peregrine Oil & Gas.

Birnbaum said the lease sale was part of the continued support for the responsible and safe development of oil and gas resources.

Few tracts – only 23 – in Sale 210 attracted multiple bids.

The high bid of the sale was placed on one of four blocks that attracted three bids.

Supermajor BP placed an apparent high bid of $28.1 million in Keathley Canyon Block 96, besting a $14 million offering from Chevron and a $7.3 million bid from ConocoPhillips.

Oil Industry Backs Protests of Emissions Bill
NYT, August 18, 2009; http://www.nytimes.com/2009/08/19/business/energy-environment/19climate.html?bl&ex=1250827200&en=5ade135d7141b991&ei=5087

By CLIFFORD KRAUSS and JAD MOUAWAD

HOUSTON — Hard on the heels of the health care protests, another citizen movement seems to have sprung up, this one to oppose Washington's attempts to tackle climate change. But behind the scenes, an industry with much at stake — Big Oil — is pulling the strings.

Hundreds of people packed a downtown theater here on Tuesday for a lunchtime rally that was as much a celebration of oil's traditional role in the Texas way of life as it was a political protest against Washington's energy policies, which many here fear will raise energy prices.

"Something we hold dear is in danger, and that's our future," said Bill Bailey, a rodeo announcer and local celebrity, who was the master of ceremonies at the hourlong rally.

The event on Tuesday was organized by a group called Energy Citizens, which is backed by the American Petroleum Institute, the oil industry's main trade group. Many of the people attending the demonstration were employees of oil companies who work in Houston and were bused from their workplaces.

This was the first of a series of about 20 rallies planned for Southern and oil-producing states to organize resistance to proposed legislation that would set a limit on emissions of heat-trapping gases, requiring many companies to buy emission permits. Participants described the system as an energy tax that would undermine the economy of Houston, the nation's energy capital.

Mentions of the legislation, which narrowly passed the House in June, drew boos, but most of the rally was festive. A high school marching band played, hot dogs and hamburgers were served, a video featuring the country star Trace Adkins was shown, and hundreds of people wore yellow T-shirts with slogans like “Create American Jobs Don’t Export Them” and “I’ll Pass on $4 Gas.”

The buoyant atmosphere belied the billions of dollars at stake for the petroleum industry. Since the House passed the bill, oil executives have repeatedly complained that their industry would incur sharply higher costs, while federal subsidies would flow to coal-fired utilities and renewable energy programs.

“It’s just a sense of outrage and disappointment with the bill passed by the House,” said James T. Hackett, chief executive of Anadarko Petroleum, who attended the rally. He defended, as an environmental measure, the use of buses financed by oil companies and Energy Citizens to carry employees to the rally. “If we all drove in cars, it wouldn’t look good,” he said.

While polls show that a majority of Americans support efforts to tackle climate change, opposition to the climate bill from energy-intensive industries has become more vigorous in recent weeks. The Senate is expected to consider its own version of the bill at the end of September.

A public relations firm hired by a pro-coal industry group, the American Coalition for Clean Coal Electricity, recently sent at least 58 letters opposing new climate laws to members of Congress. An investigation by the House Select Committee on Energy Independence and Global Warming found that a total of 13 letters sent by the firm, Bonner & Associates, were forgeries. The committee is currently investigating another 45 letters to determine whether they are fakes. The letters purported to be from groups like the National Association for the Advancement of Colored People and Hispanic organizations.

Bonner & Associates has acknowledged the forgeries, blaming them on a temporary employee who was subsequently fired. The coal coalition has apologized for the fake letters and said it was cooperating with an investigation of the matter by a Congressional committee.

For its part, the oil industry plans to raise the pressure in coming weeks through its public rallies so that it can negotiate more favorable terms in the Senate than it got in the House. The strategy was outlined by the American Petroleum Institute in a memorandum sent to its members, which include Exxon Mobil, Chevron and ConocoPhillips. The memorandum, not meant for the public, was obtained by the environmental group Greenpeace last week.

“It’s a clear political hit campaign,” said Kert Davies, the research director at Greenpeace.

In the memorandum, the president and chief executive of the American Petroleum Institute, Jack N. Gerard, said that the aim of the rallies was to send a “loud message” to the Senate. He said the rallies should focus on higher energy costs and jobs. “It’s important that our views be heard,” Mr. Gerard wrote.

Cathy Landry, a spokeswoman for the American Petroleum Institute, confirmed the contents of the memorandum, but said that the rally was not strictly an institute event and that Energy Citizens included other organizations representing farm and other business interests.

The House bill seeks to reduce greenhouse gases in the United States by 83 percent by 2050 through a mechanism known as cap and trade, which would create carbon permits that could be bought and sold. President Obama initially wanted these permits to be entirely auctioned off, so that all industries would be on the same footing, but the sponsors of the bill agreed to hand out 85 percent of the permits free to ensure passage of the legislation.

The power sector, which accounts for about a third of the nation’s emissions, got 35.5 percent of the free allowances. Petroleum refiners, meanwhile, got 2.25 percent of these allowances, although the transportation sector accounts for about 40 percent of emissions. That means oil companies would have to buy many of their permits on the open market, and they contend that they would have to raise gasoline prices to do so.

But Daniel J. Weiss, a senior fellow at the Center for American Progress, a research and advocacy organization, said that refiners would be allowed to keep the value of the free allowances they received, while public utilities would be required to return the value of their permits to customers.

“There is a myth out there that this is a giveaway to utilities,” Mr. Weiss said. “It’s not true. The oil industry’s goal is to block or weaken efforts to tackle global warming.”

The rallies have opened a rift within the industry. Royal Dutch Shell, an initial supporter of climate legislation, said that it had told the institute that it would not participate in the rallies, although its employees would be free to attend if they wanted to. ConocoPhillips, meanwhile, has opposed the bill since its passage and, in a note on its Web site, encouraged employees to attend the rallies.

Since Mr. Obama’s election, the oil industry has lost some clout in Washington. The rally on Tuesday gave voice to the feeling among employees of oil companies that their industry was being battered.

“I experienced Carter’s war against the industry, and I’m tired of being pushed around,” said David H. Leland, a geological map maker for NFR Energy. “We provide a product for a reasonable price, and we’re going to be punished for doing a damn good job.”

Greenpeace turns up heat on oil giants linked to "astroturf" protests
Business Green, August 19, 2009; http://www.businessgreen.com/business-green/news/2248074/greenpeace-turns-heat-oil

Shell and BP distance themselves from lobby groups' "fake rallies"

James Murray

Greenpeace has today stepped up the pressure on energy firms linked to the American Petroleum Institute (API), calling on them to publicly denounce the lobby group's plans for a series of "fake" rallies protesting at the proposed US climate change bill that are intended to create the impression of grassroots opposition to the legislation.

The so-called "astroturf" campaign was revealed last week when Greenpeace obtained a leaked email from API president Jack Gerard urging the group's members to encourage staff, suppliers, contractors and retirees to attend a series of "Energy Citizen " rallies that will be funded by the API and run by "a highly experienced events management company".

The news stoked fears among green groups that the Waxman-Markey bill could face similar protests to those experienced this summer by President Obama's embattled healthcare plan, which is widely believed to have been the victim of similar tactics.

Greenpeace has today launched an email-writing campaign to the chief executives of BHP Billiton, BP, Chevron, Conoco, Exxon, General Electric, Halliburton, Shell and Petrobras urging them to withdraw their membership.

The letter states that the API campaign "would promote misleading and outdated information" and that "as a member of the API, your membership fees are funding this deceptive project".

It calls on the oil chief executives to "demonstrate your disapproval of the continued use of similar tactics by API by publicly withdrawing membership altogether".

The revelations are likely to cause considerable embarrassment to a number of the API's members, several of which such as BP America, ConocoPhillips, General Electric, Shell and Siemens have previously demonstrated their support for the Waxman-Markey bill through their membership of the US Climate Action Partnership (US-CAP) – a business group calling for national carbon legislation.

Shell and BP have said they were not involved in organising the controversial rallies and will not be taking part, although both have so far stopped short of leaving the API.

"We are aware of these rallies, but were not involved in organising them," said a spokesman for BP. "Our views on climate change legislation are well known: we support a transparent, economy-wide system that is based on market mechanisms and treats all energy sources in a fair and equitable manner."

Cindy Baxter of Greenpeace said the contradiction inherent in many oil firms' membership of both the API and the US-CAP group meant the onus was on them to clarify their position on climate change legislation.

"If they do not know what their lobbyists are doing, they need to find out," she said. "There's a contradiction in belonging to both groups. They need to distance themselves publicly from the API's dirty tactics, and if the API no longer represents their views, they need to leave."

Coalition plans anti-cap-and-trade events in next two weeks
Penn Energy, August 19, 2009; http://www.pennenergy.com/index/articles/display/0820179880/s-articles/s-oil-gas-journal/s-weekly-washington-update/s-update/s-coalition-plans_anti-cap-and-trade.html

Nick Snow

A coalition of more than 100 organizations, including at least 15 oil and gas groups, plans to hold rallies in about 20 states to express concerns about proposed federal clean air legislation before Congress returns from its August recess.

The group's plans, which were initially reported in an Aug. 16 Washington Post article, were contained in an e-mail message from American Petroleum Institute President Jack N. Gerard to chief executives of API's member companies which the Greenpeace environmental organization distributed on Aug. 17.

An API spokeswoman verified that the document was genuine but said that the organization was not sponsoring the effort known as Energy Citizens. "It's a number of organizations including trucking, seniors, farmers and other groups which agrees that we need affordable energy and we can't lose American jobs," Cathy Landry told OGJ Washington Pulse.

Gerard's e-mail revealed how seriously the oil and gas industry is taking the possibility that the United States might adopt a carbon cap-and-trade program to address global climate change, however. "The objective of these rallies is to put a human face on the impacts of unsound energy policy and to aim a loud message at those states' US senators to avoid the mistakes embodied the House climate bill and the Obama administration's tax increases on our industry," it said.

The US House approved HR 2454, which has such a provision as its centerpiece, by 219 to 212 votes on June 26. Energy and Commerce Committee Chairman Henry A. Waxman (D-Calif.) and Edward J. Markey (D-Mass.), who chairs the committee's Energy and Environment Subcommittee, co-sponsored the measure. The US Senate is expected to consider the bill next.

'Move aggressively'

"While such efforts are never easy and the risk of failure is never present, we must move aggressively in preparation for the post-Labor Day debate on energy, climate, and taxes," Gerard said in his e-mail. He noted that API has identified 11 states "with a significant industry presence" and 10 other states "where we have assets on the ground" and that the US Chamber of Commerce, National Association of Manufacturers and other non-oil and gas groups had joined the effort.

Other oil and gas associations listed as participants at Energy Citizens' website include the Independent Petroleum Association of America, the National Petrochemical and Refiners Association, the National Ocean Industries Association, the Permian Basin Petroleum Association, and the Texas Alliance of Energy Producers. Several states' petroleum associations, and oil product marketing and convenience store groups also are involved.

"At the rallies, we will focus our message on two points: the adverse impacts of unsound energy policy (e.g., Waxman-Markey-like legislation, tax increases, and access limitations) on jobs and consumer costs. And we will call on the Senate to oppose unsound energy policy and 'get it right,'" Gerard said in his e-mail.

"It would logically appear that the 'Energy Citizen' campaign's objective is to defeat climate change regulation," Phil Radford, Greenpeace's US executive director, said in an Aug. 12 letter to Gerard. This would be contrary to several prominent API members' public support for climate action, including BP Plc., Royal Dutch/Shell, and ConocoPhillips Co. which are members of the US Climate Action Partnership (USCAP), he added.

“We support the effort. Some organizations say that API is opposed to any kind of climate legislation. That’s not true. The opposition is to the House legislation, and anything that looks like it in the Senate because it’s hugely discriminatory to transportation fuel consumers and refiners. We support adoption of a bill to reduce greenhouse gas emissions, but in a manner that is transparent, protects jobs, provides affordable energy, and continues to provide for US economic growth,” said Red Cavaney, senior vice president for government affairs at ConocoPhillips.

“At the end of the day, companies should protect the interest of their consumers and shareholders. We expect that the bill which will come out of the Senate will look very different from what came out of the House. From feedback we’ve been hearing, people recognize some of the imbalances in the House legislation,” he told OGJ Washington Pulse on Aug. 18.

MMS changes proprietary term of some geophysical data
Penn Energy, August 18, 2009; http://www.pennenergy.com/index/articles/display/4399153989/s-articles/s-oil-gas-journal/s-exploration-development/s-articles/s-mms-changes_proprietary.html

Nick Snow

WASHINGTON, DC, Aug. 18 -- The US Minerals Management Service published a final rule that enables producers to request extensions to the length of time the agency treats their data as proprietary.

Currently the US Department of the Interior agency treats seismic and other data collected through permitted geophysical operations as proprietary for 25 years. The new rule, which was published in the Aug. 13 Federal Register and goes into effect Sept. 14, will allow companies to request a 5-year extension under certain conditions.

“This new rule will encourage companies to reprocess old data using new technology and modeling systems to gain a better understanding of the resources available on the Outer Continental Shelf,” said Chris Oynes, MMS associate director for offshore energy and minerals management.

The new rule was designed to allow producers sufficient time to market geophysical information that might not have been reprocessed otherwise, he explained.

“The opportunity to apply for an extension to the proprietary term provides greater potential for a company to realize the commercial benefits of the data they’ve analyzed,” Oynes said. “Because the companies are required to share the data with the MMS, it also will give us a better understanding of available resources and will enable us to make more informed decisions regarding offshore energy development.”

The final rule can be found online at http://edocket.access.gpo.gov/2009/pdf/E9-19198.pdf.

Bidding on Western Gulf of Mexico drilling tracts is weaker than usual
Times-Picayune, August 18, 2009;
http://www.nola.com/business/index.ssf/2009/08/bidding_on_western_gulf_of_mex.html

by Kimberly Quillen

The Minerals Management Service said bidding for Wednesday's auction of drilling tracts in the western Gulf of Mexico was the weakest in a decade, in part because of the national recession.

The federal agency said 189 bids were received, the lowest since 1999. The number of energy companies submitting bids was also lower than in previous years.

"The economy certainly would influence the number of bids," said Caryl Fagot, an MMS spokeswoman. Fagot also said the past several drilling tract sales have been large with lots of bidding. As a result, many energy companies already have a large inventory of properties.

"Certainly, you would have reason to believe that a lot of the companies bid on the tracts they preferred the last couple of years. There perhaps aren't as many attractive tracts this time around," she said.

In fact, Fagot said today's sale includes fewer newly available tracts, or tracts that are being opened up for the first time in years.

Eric Smith, clinical professor of finance and associate director of the Entergy-Tulane Energy Institute at Tulane University, also said the location of the tracts could have played a role in the weak bidding.

"If you have a disproportionate amount of shallow water leases up (for sale) and everyone's really interested in deep water, then you would also get an anemic response," Smith said. "Gas prices are low, and that doesn't help."

The bids, made on 162 western Gulf of Mexico tracts, came from 26 companies.

Companies actually bid on the leases to drilling tracts. The bids are sealed until federal officials read them and announce the winners this morning at 9 at the Royal Sonesta Hotel in the French Quarter.

The western Gulf of Mexico sale, which includes tracts off the Louisiana and Texas coastlines, is the smaller of two lease sales held each year. The larger sale for the central and eastern Gulf is in the spring. Leasing is the first step in oil and gas development.

Today's sale will be conducted by Minerals Management Service Director Liz Birnbaum. The MMS, a division of the Interior Department, administers offshore leases in federal waters.

Obama Underwrites Offshore Drilling
WSJ, August 18, 2009;
http://online.wsj.com/article/SB10001424052970203863204574346610120524166.html?mod=googlenews_wsj

You read that headline correctly. Unfortunately, the Obama Administration is financing oil exploration off Brazil.

The U.S. is going to lend billions of dollars to Brazil's state-owned oil company, Petrobras, to finance exploration of the huge offshore discovery in Brazil's Tupi oil field in the Santos Basin near Rio de Janeiro. Brazil's planning minister confirmed that White House National Security Adviser James Jones met this month with Brazilian officials to talk about the loan.

The U.S. Export-Import Bank tells us it has issued a "preliminary commitment" letter to Petrobras in the amount of $2 billion and has discussed with Brazil the possibility of increasing that amount. Ex-Im Bank says it has not decided whether the money will come in the form of a direct loan or loan guarantees. Either way, this corporate foreign aid may strike some readers as odd, given that the U.S. Treasury seems desperate for cash and Petrobras is one of the largest corporations in the Americas.

But look on the bright side. If President Obama has embraced offshore drilling in Brazil, why not in the old U.S.A.? The land of the sorta free and the home of the heavily indebted has enormous offshore oil deposits, and last year ahead of the November elections, with gasoline at $4 a gallon, Congress let a ban on offshore drilling expire.

The Bush Administration's five-year plan (2007-2012) to open the outer continental shelf to oil exploration included new lease sales in the Gulf of Mexico. But in 2007 environmentalists went to court to block drilling in Alaska and in April a federal court ruled in their favor. In May, Interior Secretary Ken Salazar said his department was unsure whether that ruling applied only to Alaska or all offshore drilling. So it asked an appeals court for clarification. Late last month the court said the earlier decision applied only to Alaska, opening the way for the sale of leases in the Gulf. Mr. Salazar now says the sales will go forward on August 19.

This is progress, however slow. But it still doesn't allow the U.S. to explore in Alaska or along the East and West Coasts, which could be our equivalent of the Tupi oil fields, which are set to make Brazil a leading oil exporter. Americans are right to wonder why Mr. Obama is underwriting in Brazil what he won't allow at home.

Rallies, Questions, Opposition Await Obama’s Climate Change Plan
CQ Politics, August 17, 2009; http://www.cqpolitics.com/wmspage.cfm?parm1=5&docID=cqmidday-000003192081

Opponents of President Obama’s climate change legislation are taking some cues from the protesters who have fired up the health care debate at town halls nationwide.

On Tuesday, a coalition of 15 business and conservative groups kicks off a series of rallies throughout the country to decry efforts to enact a “cap and trade” bill aimed at slowing global warming and reducing fossil fuel dependence.

The coalition, known as Energy Citizens, includes industry and interest groups such as the American Petroleum Institute, National Association of Manufacturers, American Farm Bureau, and FreedomWorks, which has helped organize many of the town hall health care protests.

Ahead of the rallies, FreedomWorks — which is led by former House Majority Leader Dick Armey, R-Texas — has sent out talking points on energy and climate change, encouraging attendees to ask pointed questions of lawmakers and congressional staffers.

The coalition hopes to stall progress on a sweeping climate change and energy bill that passed the House in June, claiming it could send energy costs soaring and reduce U.S. manufacturing jobs. Senate staff are now writing their chamber’s version of the bill, which is expected to be introduced in early September.

At the heart of both measures is the cap-and-trade concept, which would set limits on carbon emissions and distribute emissions allowances to polluters, which could be bought and sold.

Senate Majority Leader Harry Reid , D-Nev., has directed six Senate committees to complete work on the bill by Sept. 28 — which means now is the time for interest groups to weigh in.

Many of the Energy Citizens rallies will take place in the home states of senators viewed as key swing votes on climate legislation — especially moderate Midwestern Democrats from coal, farm and manufacturing states who fear that their home industries could suffer under a system that would raise costs for coal, oil and gas use.

Rallies are scheduled for New Mexico, Ohio, Indiana, North Dakota, Missouri, Alaska, Nebraska, Pennsylvania and Michigan.

Oil companies press White House for flexibility on GHG reporting
Greenwire, August 17, 2009; http://www.eenews.net/Greenwire/2009/08/17/2/

Ben Geman

Major oil companies are urging the White House to ensure that U.S. EPA's upcoming greenhouse gas reporting rules do not include what the industry considers burdensome requirements or force disclosure of proprietary information.

Representatives of the American Petroleum Institute and several large companies -- BP America, Exxon Mobil Corp., Shell Oil Co. and Chevron Corp. -- met with Office of Management and Budget and EPA officials last Tuesday.

At issue are draft rules that require annual greenhouse gas reporting from an estimated 13,000 sites, including refineries, other oil and gas sites, power plants, and many other types of industrial operations, such as cement and metals production. Industry data collection under the rule, which was proposed formally in April, would begin in January 2010, with the first reports due to EPA in March 2011.

But according to a list of concerns that API provided to the White House, the compliance date is not feasible, and hence the "best available data" should be allowed for the first year and subsequent years when facilities are unable to install the required monitoring.

"We feel that to make this successful, there needs to be some acceptable lead time for facilities, and that should include allowing for best available data ... until normal scheduled and planned shutdowns or services at our facilities to install the new monitoring devices," said API's Khary Cauthen, who attended the meeting.

Cauthen also noted that defining and gathering data on the upstream -- or exploration and production -- side of the industry is much newer for the industry. "There is not that standard methodology yet," he said.

When it issued the draft rule, EPA had sought comment on allowing use of "best available" data for the initial reporting or delaying the implementation by a year.

The industry also has other concerns with the agency proposal. Among them: API does not want the rule to require data from specific units at a site -- such as a specific catalytic cracker at a refinery -- that could compromise proprietary business information, Cauthen said. These emissions will be counted, regardless, as part of the facility-level reporting, he said.

The group also argues that the draft rule imposes requirements for reporting on petroleum-products supplies that will result in "significant overstatement" of emissions for some facilities, according to comments that API sent in June to EPA.

This is because some products, such as asphalt and lubricants, are not ultimately burned the group wrote. Also, some products, such as naphtha, require further processing or blending.

"The refinery that processes the feedstock and produces the extra volume of product should be the one that reports," API wrote. "If a facility has the ability to determine that the stream will not be combusted they should be able to exclude it from their GHG emissions calculations."

The rules do not require emissions reductions, although EPA said the proposed measure would help with future climate policies. Congress required the rule in an omnibus fiscal 2008 spending bill.

Cauthen said the industry is not against the rule but rather wanted to share with White House officials "the importance of getting this reporting rule right."

Is Natural Gas the Answer to Our Energy Problems?
The Daily Green, August 17, 2009; http://www.thedailygreen.com/environmental-news/blogs/republican/natural-gas-47081701

John Podesta, head of the Anti-Heritage Foundation, also known as the Center for American Progress, had many nice things to say about natural gas at Harry Reid's energy bash in Las Vegas the other day.

So did Harry Reid himself, who announced that he's now a congregant at T. Boone Pickens' church of natural gas.

Even Al Gore, the scourge of all things carbon, allowed that natural gas is welcome in his world.

Meanwhile, there's an affray brewing among the the fossil fuel band of brothers. The gas guys are differentiating themselves in the market. They're taking out ads that, in so many words, say that coal is an environmental problem. Oil is a geopolitical problem. Gas helps solve both. It's clean and 100 percent American. So there.

What gives? A basic rule of politics is that there are no permanentfriends, only permanent interests. The gas game has shifted in the past few years. That has changed the politics of energy. Gas is no longer the polite little brother of oil and coal. Now, the gas industry has something to gain by giving oil and coal the raspberry. Enviros and their political allies have perked up with interest. That might help shift the energy debate in a positive direction.

Here's the back story: Podesta and the others at the Vegas energy jamboree talked up shale gas. That's gas found in deep formations that, until recently, wasn't practical to produce. Now it is. Gas producers are effervescing over its abundance in the Lower 48. The Barnett Shale in Texas. The Fayetteville Shale in Arkansas. The Haynesville Shale in Louisiana. The Bakken Shale in North Dakota. And the potentially vast Marcellus Shale in Pennsylvania and neighboring states. From almost nothing 10 years ago, the Barnett has ramped up to where it's now contributing 6 percent of the nation's gas supply. Ask a friend in the Dallas-Fort Worth Metroplex about all the new gas wells that have popped up around town.

At a House subcommittee hearing in June, gas producer Chesapeake Energy estimated that shale gas could account for half of domestic gas production by 2020. Add the burgeoning shale resource to other gas reserves, and the industry thinks that the total domestic supply is equivalent to nearly 120 years' worth of current production levels. Another gas industry report figures that shale gas used to fuel motor vehicles could displace 2.4 million barrels of oil per year by 2025, about 12 percent of current petroleum consumption.

And, the gas ads say, did we mention that burning gas emits half the CO2 of burning coal? Yes, several times.

Podesta said that shale gas is a potential game-changer. In a paper released in time for the energy summit, he and former Colorado Senator Tim Wirth pointed out that gas could serve as a backup power source that would give utilities a deeper comfort level with integrating lots more intermittent wind and solar energy into their systems.

A little-known fact that the paper included is that a significant amount of the gas-fired electricity generating capacity in the U.S. sits idle much of the time for cost reasons. To cut greenhouse gas emissions without investing a lot in new power plants, Podesta/Wirth wrote, back down coal and fire up the underutilized gas plants. To make it work, the paper suggests, use carbon prices to push gas ahead of coal in the order of "dispatch," utility-speak for determining which plants will be used at any given time to meet load.

Like any other energy resource, however, gas is not free of issues. Producing deep shale gas requires "hydro-fracking" -- sending lots of chemicals down the borehole to loosen up the formation and persuade the gas molecules to head for the surface. At the House subcommittee hearing, a former head of the New York City water and sewer system offered pointed comments about the risks of fracking chemicals getting into aquifers used for drinking water in the crowded Northeast, and the heavy water demand that the fracking process would impose on small tributary streams. Drilling operations create air pollution, noise and odors. Gas operations can leak methane, a greenhouse gas more powerful than CO2.

Producers touting shale gas' big potential can count on those issues being raised repeatedly if and when production from the mammoth Marcellus formation scales up.

Advice from this corner is to make haste slowly. The promise of gas is real, but Harry Reid's epiphany notwithstanding, there are no miracle prescriptions for shifting America's energy economy to one with more security and less carbon. Diversification is critical. We need many baskets to hold our energy eggs, not just a few.

No vacation in oil tax battle
Oil and Gas Journal, August 17, 2009; http://www.ogj.com/index/blogs/washington-pulse/s-blogs/s-OGJ/s-washington-pulse/s-post987_5746870226757961669.html

Nick Snow

Lobbyists have told me that the August congressional recess can be one of the most crucial periods in making important points to legislative staff members. There are so many issues affecting oil and gas in 2009 that it's hard to pick one on which to focus, unless you're an independent producer. Then it's relatively easy: the Obama administration's proposals to repeal what it considers tax breaks for the oil and gas industry, and what the industry considers vital incentives.

There are signs of slow, but steady, progress. On Aug. 3, the Independent Petroleum Association of Mountain States reported that Colorado's two US senators, Michael F. Bennet and Mark Udall (both of whom are Democrats), wrote Finance Committee Chairman Max Baucus (D-Mont.) that they oppose the White House's tax proposals, which include repealing expensing of intangible drilling costs.

IDCs are similar to costs which other manufacturing and production industries can expense under federal law, according to IPAMS President Marc W. Smith. "Without the IDC deduction, the domestic natural gas industry would further contract, and capitol which otherwise would be reinvested in American energy will be reduced by 30% to 50%. These tax increases will render many natural gas projects in the Rocky Mountain region uneconomic at today's prices, and will have the perverse effect of destroying thousands of green jobs that already exist in the natural gas industry," he explained.

A new report from Energy Policy Research Foundation Inc. (EPRINC) looks not only at the proposed production tax changes, but also on the greenhouse gas emission reduction plan using a carbon cap-and-trade program which the House approved earlier this summer and the administration's proposal to deny refiners a manufacturing cost exemption available to other industries. (The report can be found online at http://eprinc.org/?p=317.)

EPRINC's conclusions? "Using existing US government evaluations of the financial cost of imported oil, increased tax revenues forecasted from the removal of upstream production incentives will be offset through lost domestic production as a result of lower investment in domestic exploration and development. Much of the production loss occurs from the accelerated closure of marginal wells, which are particularly reliant on free cash flow to sustain operations, as a result of the repeal of percentage depletion.

"The tax proposals will also lead to greater emissions of GHGs as domestic natural gas production is curtailed in favor of greater coal use in the generation of electricity, at least in the very near term.

"Finally, recent reforms in corporate tax treatment to place US manufacturers on a level playing field with foreign manufacturers would be repealed for the petroleum sector only. These new taxes would assist foreign refiners in gaining greater market share of the domestic market. The share of the US gasoline market now claimed by foreign refiners has doubled over the last nine years and likely will continue to grow as refiners face higher costs from the loss of the manufacturers' tax credit."

The National Stripper Well Association said on Aug. 12 that the US Energy Information Administration, the federal government's independent energy analysis and forecasting service, predicted that the Obama administration's tax changes, if enacted, will likely reduce future oil output by 1.32 million bbl a day (15.4%) and natural gas by 8.9% annually by the end of 2012.

"By 2019, EIA predicts that restrictions and new taxes will have reduced the federal tax take from oil and gas production by more than $118 billion, or about four times the expected yield of the new taxes," NSWA continued. "By 2030, EIA predicts these proposed policies will have the effect of lowering oil production in the United States by just over 3 million b/d (approximately 28%) and natural gas by 30%. Also, by 2030 EIA forecasts the cumulative reduction in federal tax take from the oil and natural gas industry will be more than $780 billion, under current administration policies."

One NSWA member, Arlene P. Snyder of Parish Oil Production Inc. in Newton, Ill., put the situation in stark terms: "If I had lost the oil depletion allowance during last fiscal year ending April 30, 2009, my company's federal taxes would have increased by 170%, wiping out most year's profit needed to reinvest in stimulating oil production on existing wells, retooling oilfield/fleet equipment and plans to drill for new oil reserves. Losing the depletion allowance would be a devastating blow to all stripper oil well operators, the 'Mom and Pop' small businesses of the oil and natural gas industry."