

1/20/2010

House Energy and Commerce Subcommittee Examines Role that Shale Gas, Hydraulic Fracturing can Play in Delivering Americans Clean, Reliable and Affordable Energy

Staff Contact: Nicole Daigle

Today, the House Energy and Commerce subcommittee on energy and the environment held a hearing about the proposed merger of ExxonMobil and XTO Energy, a leading independent producer of shale gas. Exxon CEO Rex Tillerson and XTO Energy Chairman and CEO Bob Simpson testified at the hearing.

America's abundant reserves of clean-burning, shale-derived natural gas have the potential to create thousands of high-wage jobs and billions in new revenue, all while helping our nation pursue a clean, affordable, and secure energy future. That's the message that members of the subcommittee heard today.

According to *Bloomberg News*, "Tillerson told the House subcommittee that the deal [with XTO] will **expand natural gas production without harming the environment.**"

Subsequent to the hearing, speaking on behalf of the industry's Energy In Depth coalition, IPAA Vice President of Government Relations Lee Fuller said this in a statement to the press, "Certainly today's hearing considered a range of topics that extended well beyond hydraulic fracturing's remarkable record of safety and performance, but when those issues came up, it was clear that support for this commonly used technology was not limited to one end of the dais."

"While different members approached the issue from several unique perspectives, the points on which everyone seemed to agree are that natural gas is critical to our energy future, critical to our economic future, and critical as a means of significantly reducing our dependence on foreign energy. Thanks to the technology available to us today, each and every one of those objectives is well within our reach," he continued.

Among other key elements included in its legislative portfolio, the subcommittee on energy and the environment maintains jurisdiction over the federal Safe Drinking Water Act (SDWA) of 1974, a statute that some lawmakers would like to re-write with an eye on handing EPA regulatory authority over hydraulic fracturing – a process that has been aggressively and successfully regulated by states for the 60 years in which it has been in commercial use.

Although not a member of the subcommittee, Rep. Diana DeGette (D-Colo.) appeared at the hearing today for the purpose of defending her effort to amend SDWA, assuring members of the panel that the FRAC Act would not have the effect of impeding the safe and responsible use of fracturing technology.

Rep. DeGette characterized the bill as a measure that would promote the additional reporting of chemicals. Unfortunately, the actual text of her bill suggests a very different outcome – potentially creating a situation whereby the fracturing process is shut down for several years while EPA develops the regulations needed to execute its new and potentially onerous mandates.

IPAA Files Comments on EPA's National Enforcement and Compliance Priorities

Staff Contact: Ryan Ullman

IPAA was joined by a number of state oil and natural gas associations in filing comments to the Environmental Protection Agency's (EPA) National Priorities for Enforcement and Compliance Assurance.

According to the EPA the goal of this effort is to, "...select priorities based on suggestions that offer the greatest opportunity to achieve lasting environmental and human health benefits for local communities nation-wide through application of compliance assistance, compliance monitoring and enforcement actions. The strongest proposals will focus on environmental and human health problems that occur nation-wide where there are frequent, on-going violations of environmental laws."

IPAA responded to the proposal saying, "IPAA believes that natural gas and oil production facilities do not meet any of these criteria and should not be targeted by EPA."

IPAA concluded its comments by urging EPA to, "...remove natural gas and oil production facilities from its list of candidates for national enforcement priorities. While there may be environmental management issues that would benefit from EPA enforcement efforts, natural gas and oil production is well regulated by existing programs and a new enforcement effort would be disruptive and counterproductive."

Pre-register for NAPE® by January 29

Staff Contact: Fred Lawrence

2010 Winter NAPE® – the world's largest prospect and property expo – will be held in Houston February 10-12. Pre-registration (\$295) ends January 29 and on-site registration (\$325) begins February 10 at 8am.

Please use the following link to view and print the e-book information brochure:
<http://ipaperus.ipaperus.com/RubiconDesign/NAPEexpo2010/>. To register online and to secure housing:
www.napeexpo.com

The E&P Forum, hosted by IHS, has been expanded to include BOTH international and domestic prospects. IHS will provide a morning workshop entitled "Explorers on the Prowl – What's Hot and What's Not." In the afternoon all exhibitors are invited to present a brief overview of the opportunities they will display in their booths and attendees will have the opportunity to choose between international and domestic tracks. The cost is \$125 per person. You must register to attend the NAPE® Expo in order to register for the E&P Forum.

The deadline for scheduling your session is Friday, January 29, but time slots (12 minutes for presentation and Q&A) will be filled on a first-come, first-served basis and you will need to sign up by January 15 to be included in the event program. The goal is to highlight the major features and benefits of your opportunities and encourage the audience to visit your Expo booth to learn more.

The speaker forms (Speaker and Release Forms) can be found here:
<http://napeexpo.com/images/stories/docs/forum%20presentation%20document.pdf> and should be sent to Chelsea Petty at cpetty@napeexpo.com or faxed to 972-993-9191.

For additional information please contact Fred Lawrence at 202-857-4766 or flawrence@ipaa.org.

IPAA Files Comments on Tailoring Rule for Carbon Dioxide

Staff Contact: Ryan Ullman

The Independent Petroleum Association of America (IPAA) along with other national, state and regional oil and natural gas associations filed comments arguing that the Environmental Protection Agency's (EPA) attempt to tailor the Clean Air Act (CAA) to address greenhouse gas (GHG) emissions would be an ineffectual method for addressing the issue.

EPA's comment period for the "tailoring rule" is subsequent to their issuance of an endangerment finding that CO₂ poses a threat to human health and welfare. However, under the CAA guidelines for emissions control the EPA recognized that regulating such a widespread compound would be impossible to

manage. As a result the EPA has proposed tailoring the CAA regulatory structure with respect to CO2 so as to make the program more manageable and less intrusive for stationary sources.

However, IPAA in their tailoring comments filed in December stated, "The clear and overwhelmingly obvious reality that EPA does not want to address is that these issues arise because Congress never intended to use the CAA to address GHG." IPAA pointed out these issues in comments on EPA's proposed endangerment finding as well.

Make Plans to Attend IPAA's Upcoming Meetings/Events

**[REGISTER TODAY](#)
TO ATTEND IPAA's
PRIVATE CAPITAL CONFERENCE**

Thursday, February 25, 2010
The Houstonian Hotel
Houston, TX

**[Sponsor and Attend](#)
IPAA's 16th Annual
Texas Wildcatters' Open**

Thursday, March 25, 2010
Cypresswood Golf Club
Spring, Texas

Please visit www.ipaa.org/meetings for more information.

Date Set for IPAA Member Washington Call-Up

Staff Contact: Cortney Hazen

IPAA has set the date for this year's Washington Call-Up for its members, March 2 - 3, 2010. The Call-Up will be held in conjunction with the IPAA Board Meeting and gives independent producers a valuable opportunity to have their voices heard on Capitol Hill.

As part of the Call-Up, IPAA invites you to attend a Congressional reception hosted jointly by IPAA and the Independent Petroleum Association of Mountain States (IPAMS) on Tuesday, March 2, 2010 from 5:30 – 7:00 pm in the Capitol Visitor Center Atrium.

IPAA would like to work in conjunction with the state and regional oil and natural gas trade associations during the Call-Up to amplify our industry's voice in Washington.

Further details regarding the IPAA Washington Call-Up will follow in the coming weeks. Please let us know if you plan on joining us in Washington by contacting the IPAA government relations staff, 202-857-4722.

Call-Up Details

Date: March 2-3, 2010

Congressional Reception on March 2

Location: Washington, DC

Questions: Contact the IPAA Government Relations Department: (202) 857-4722

See you in Washington!

Passive Loss Exception for Working Interests – Information Needed

Staff Contact: Ryan Ullman

The Obama Administration has proposed to repeal the passive loss exception for working interests in oil and natural gas properties. IPAA is opposing this repeal. In presenting arguments to Congress, members ask about the importance of the issue to operators in their states. IPAA would like to develop a list of companies that value the provision and their states of operation.

Independent Petroleum Association of America

1201 15th Street NW, Suite 300 • Washington, DC 20005 • Phone: (202) 857-4722 • Fax: (202) 857-4799 • www.IPAA.org

In this tax provision, Congress permitted taxpayers to deduct losses from oil and natural gas investments if the investments are made in the form of a working interest. That is, it is an interest that carries with it the obligation to share in the costs to develop the resources on the property. To qualify, the taxpayer must hold the working interest through an entity that does not limit liability with respect to the interest. Thus, a taxpayer who holds a working interest in this prescribed fashion and puts up capital to fund the drilling of oil and natural gas wells is entitled to deduct their share of tax losses resulting from the drilling expenditures. If the passive loss exception is repealed, working interest owners who are not the actual operator of a property- e.g., all other investors - would have to treat the property as a passive investment.

Please contact Ryan Ullman, rullman@ipaa.org, to provide information.

General Liability, Workers Comp, Commercial Auto, Umbrella Liability

Staff Contact: Therese McCafferty

General Agency Services, Inc. (GAS) has designed an insurance program for independent producers, operators, and service contractors that's underwritten by professionals specializing in the oil and gas industry. It allows you to keep your existing agent, if you wish. **IPAA fully endorses this program and encourages membership participation.**

Coverages are written through an A+ XV A.M. Best Rated carrier (ACE USA) and offer **General Liability, Workers Compensation, Commercial Auto, and Umbrella Liability.**

Target Classes:

- Drilling contractors
- Equipment rental
- Independent producers
- Non-operators (working interest)
- Pipeline contractors
- Pipeline operators
- Roustabouts
- Supply or equipment dealers
- Well-service and work-over contractors
- Wireline services

We welcome the opportunity to notify General Agency Services that you're interested in hearing from them. Simply send an e-mail to Therese McCafferty tmccafferty@ipaa.org and type "Insurance

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America's Oil & Gas Producers

Washington Report

Information Request" in the subject field. Include your type of business, state(s) of operation, and name of agent.

Rig Count

Staff Contact: Fred Lawrence

	<u>1/15/09</u>	<u>1/8/09</u>	<u>Year Ago</u>
Land	1194	1167	1488
Inland Waters	13	11	11
Offshore	41	42	69
U.S. Total	1248	1220	1568
Gulf of Mexico	40	41	64
Oil	425	427	324
Gas	811	781	1235
Miscellaneous	12	12	9

Source: Baker Hughes

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