

1/28/2010**IPAA's Encouraged by President's Remarks on Homegrown Offshore Oil, Gas Exploration: *Unlocking more US energy will create jobs, drive down foreign imports; Group urges commonsense tax, regulatory policies*****Staff Contact: *Brendan Bradley***

During his first State of the Union address before a joint session of Congress last night, President Obama highlighted the need for Washington to make "tough decisions about opening new offshore areas for oil and gas development" and the need for "more production."

Barry Russell, president and CEO of the Independent Petroleum Association of America (IPAA), issued the following statement today in response to the President's remarks and in anticipation of his forthcoming budget:

"As the President referenced last night, his Administration will soon present its 2011 budget to the Congress. Last year, the President's budget called for more than \$36 billion in new taxes on American oil and gas production. These punitive taxes would reduce investment in new US production by 20 to 40 percent. And, it could drive down US oil production by 20 percent and natural gas production by 12 percent; potentially killing thousands of jobs. If the President is sincere in his efforts to encourage responsible American energy production and ensuring that job creation is the number-one priority, these damaging tax hikes must be taken off the table.

"With one in 10 Americans still out of work, President Obama was right to say last night that 'Jobs must be our number-one focus in 2010.' We couldn't agree more and are eager to work with his Administration and leaders in Congress to craft commonsense policies that will create good-paying oil and natural gas-related jobs through increasing access to more American energy and ensuring that higher taxes do not discourage US energy production.

"A clear majority of Americans support increasing access to more homegrown energy reserves, especially offshore. And it was heartening to hear the President convey his support of such sound initiatives that will help create tens of thousands of good jobs, drive down foreign imports and stabilize energy prices for struggling families and seniors.

"The US oil and gas industry is responsible for nearly 9 million jobs nationwide. Independent producers – who on average employ only 12 workers – will continue to play a key role in driving economic growth to ensure that America recovers from this generational economic downturn."

IPAA Fires Back at Misinformation on Hydraulic Fracturing as Hundreds in New York Rally in Support of Natural Gas Production

Staff Contact: Brendan Bradley

Last week, a U.S. House Energy and Commerce panel convened a hearing on the pending ExxonMobil and XTO merger. The hearing was designed to examine "the recently proposed merger and the ramifications for U.S. oil and natural gas markets." However members of the panel and some in attendance, including Congresswoman Diana DeGette (D-CO), used the forum as an opportunity to advance what IPAA has identified as "factually incorrect" information about the critical 60-year old energy production technique called hydraulic fracturing.

IPAA President and CEO Barry Russell wrote Congress last week, clarifying the facts on hydraulic fracturing's long and clear record of environmental safety and heavy regulation.

Highlights from the letter include:

"Representative DeGette's comments were factually incorrect. They not only mischaracterized her own legislation but also the hydraulic fracturing process, the Safe Drinking Water Act (SDWA), and how the process is currently regulated.

"[The DeGette-Casey bill] could make it commercially impracticable to drill here in the U.S. for natural gas. This provision could freeze the permitting of shale gas wells.

"Representative DeGette indicated that few states - she mentioned four - regulate hydraulic fracturing. It is a misleading assertion. In fact, states regulate to protect ground water. ... Most states do not list the regulations that protect ground water from hydraulic fracturing risks under a specific "hydraulic fracturing" title, but Representative DeGette is incorrect to imply that the states do not effectively regulate its risks to ground water."

Public support for responsible natural gas production was on display in New York earlier this week as hundreds of local landowners, community leaders, and elected officials descended upon the Capitol building in Albany Monday morning, to show their support for commonsense efforts to leverage the state's abundant energy resources into jobs, revenue and opportunity for New York – and equally determined to separate fact from fiction on the critical technology needed to safely convert that potential into reality.

Lee Fuller, vice president of government relations for IPAA and spokesman, an industry coalition, applauded the group's efforts, and used the occasion to remind lawmakers that New York has been safely producing natural gas for more than 150 years, and has been relying on hydraulic fracturing technology to bring local wells to life for more than a generation.

"Those who are actively fighting to ban hydraulic fracturing in New York today apparently are unaware that operators have been safely deploying fracturing technology in the state for decades," said Fuller. "The only difference now is that we're looking to explore formations that are deeper in the ground, and farther from water aquifers nearer to the surface. If anything, the work we're looking to undertake today is safer and more tightly regulated than anything that's ever been done in the past. To the extent that message was sent today in Albany, it could represent a pivotal change in the dynamics of the current debate."

Barrasso Leads Congressional Opposition to Salazar's "Misguided Policy Changes"

Staff Contact: Brendan Bradley

Yesterday, Senate Western Caucus Chairman John Barrasso (R-WY) and 21 members of the House and Senate sent a letter to Secretary of the Interior Ken Salazar in opposition to the Department of the Interior's (DOI) new oil and gas leasing regulations. Barrasso issued the following statement regarding the letter:

"It's simple. More red tape equals fewer red, white and blue jobs. Our letter is one more step in our fight against Washington's endless effort to increase the bureaucratic burden on American workers and employers. We will continue to call on the Administration to drop these regulations and actually make it easier to create new jobs across our nation."

Highlights from the Letter:

"We are deeply concerned that these misguided policy changes will have a negative impact on job growth and economic recovery in our States and across the West. This is unacceptable at a time when American families are facing ten percent unemployment and rising energy costs. Instead of putting up road blocks to American energy development, we urge you to rethink your proposal with a goal of increasing American energy production, creating jobs and fostering economic development."

“Western states are struggling with budgetary shortfalls in a down economy. The new leasing regulations will only add to this pain. We have already seen a dramatic reduction in the number of oil and gas leases during the first term of this Administration. In 2008, BLM issued 2,778 oil and gas leases, covering a total of 4,469,337 acres, and received \$445,868,338 in bonus bids. Meanwhile, in 2009, BLM issued only 1,273 oil and gas leases, covering a total of 1,097,967 acres, and received \$129,289,399 in bonus bids. The state share from oil and gas revenues for the states of Colorado, Montana, New Mexico, Utah, and Wyoming alone decreased by over \$120 million in the last year.”

“The oil and gas industry is one of the nation's largest employers, supporting over 9 million jobs and generating 7.2% of U.S. gross domestic product. Given that the unemployment rate is at its highest level in 26 years, we would hope that the Department of Interior would do everything in its power to save existing jobs and create new ones. Last week's decision will not help in this regard. Indeed, thousands of jobs in Western states could be jeopardized by the Administration's efforts to impose additional layers of federal bureaucracy on American oil and gas development.”

“Western states have been leaders in responsible energy development for decades. When it comes to meeting America's energy needs, we need it all. This principle should also apply to creating jobs and getting our economy back on track. Unfortunately, the Department's oil and gas leasing reforms will further limit energy production on federal lands, discourage job creation, and encourage litigation. We respectfully request you reconsider these leasing reforms.”

Last Chance to Pre-register for NAPE®

Staff Contact: Fred Lawrence

2010 Winter NAPE® – the world's largest prospect and property expo – will be held in Houston on 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

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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.

Updated presenting companies for the E&P Prospect Preview:

<http://napeexpo.com/images/stories/docs/working%20forum%20schedule%20for%20web%20site.pdf>

To view the NAPE® floor plan and exhibitors:

<http://www.expodweb.com/nap10/ec/forms/attendee/index.aspx?content=floorPlan>

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.

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.



Washington Report

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.

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.

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Washington Report

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

Make Plans to Attend IPAA's Upcoming Meetings/Events

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

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America's Oil & Gas Producers

Washington Report

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.

Rig Count

Staff Contact: Fred Lawrence

| | <u>1/22/10</u> | <u>1/15/10</u> | <u>Year Ago</u> |
|----------------|----------------|----------------|-----------------|
| Land | 1226 | 1194 | 1442 |
| Inland Waters | 14 | 13 | 8 |
| Offshore | 42 | 41 | 65 |
| U.S. Total | 1282 | 1248 | 1515 |
| Gulf of Mexico | 41 | 40 | 61 |
| Oil | 437 | 425 | 318 |
| Gas | 833 | 811 | 1185 |
| Miscellaneous | 12 | 12 | 12 |

Source: Baker Hughes

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