

2/26/2010

IPAA Members Set for Impressive Slate of Capitol Hill Meetings

Staff Contact: Brendan Bradley

Next week, in conjunction with the Washington Board Meeting, nearly 50 IPAA members will make their way to the nation's capital for an ambitious round of meetings with some of the nation's key policymakers. The annual Member Call-Up is marked this year by a full schedule of more than 65 meetings with both Democrat and Republican leaders in the House and Senate and their staff.

Also making the trip to Washington are members of the Independent Petroleum Association of Mountain States (IPAMS), Oklahoma Independent Petroleum Association, Panhandle Producers and Royalty Owners, Permian Basin Petroleum Association, North Dakota Petroleum Council, Michigan Oil and Gas Association, Illinois Oil and Gas Association, California Independent Petroleum Association, and the Texas Alliance of Energy Producers. Together, those participating in the Call-Up will carry a message reminding Congress of the abundant, affordable and vast domestic resources America already holds that can be used to meet economic, environmental and energy security challenges facing our nation.

"Accessing and safely producing affordable, job-creating homegrown oil and gas reserves has never been more important to the American economy or the families that rely on these resources," said IPAA President and CEO Barry Russell in a press statement announcing the Call-Up. "America's independent producers - who on average employ only 12 workers - will continue to work with Democrat and Republican leaders in Congress to craft policies that encourage job creation and access to more American energy. Punitive taxes and unnecessary regulatory burdens run counter to the nation's goals of new jobs and domestic energy supplies."

The week's schedule also includes an IPAA/IPAMS Congressional reception to be held at the Capitol Hill Visitor Center where IPAA members will have a chance to meet and greet additional members of Congress and their staff.

IPAA Finds Allies as Tax Fight Continues in Washington

Staff Contact: Brendan Bradley

Earlier this month, President Obama released his Fiscal Year 2011 budget proposal which resurrects a series of punitive tax hikes on U.S. producers of oil and natural gas that were first proposed last year, but

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were soundly repudiated by Congress. In response, IPAA has worked actively to remind leadership in Washington and the national media how the proposed tax hike would reduce investment in new U.S. production by 20 to 40 percent and dramatically drive down U.S. oil production by 20 percent and natural gas production by 12 percent; potentially killing thousands of jobs.

And IPAA's message is being heard.

Last week, 17 House Democrats wrote to Budget Committee Chairman John Spratt to voice their opposition to the President's proposed tax hikes:

"Unfortunately, the tax repeals proposed in President Obama's budget would disproportionately penalize America's independent producers and will serve only to discourage companies from investing in additional projects and jobs, such as the new shale gas plays across the nation," read a portion of the group's letter.

IPAA is pleased to note that this message is being shared by many, in various forums across the country. The following are some recent examples:

o Sen. John Barrasso (R-Wyo.) took to the pages of *Politico* in mid-February. Under the headline "Budget will hurt job creation in West," Sen. Barrasso - a member of the Energy and Natural Resources Committee - writes: "The president's new budget includes several measures that will discourage job creation in the West. First, the budget will levy \$36.5 billion in taxes on American oil and natural gas production. This includes removing tax incentives that independent oil and gas producers heavily rely on to invest in their businesses. These producers are my constituents. Many of them are small-business owners or employees. In fact, independent producers - not Big Oil - develop 90 percent of domestic oil and natural gas wells. They also produce 82 percent of U.S. natural gas and 68 percent of U.S. oil."

o In a recent letter to Interior Secretary Ken Salazar, Congressman Dan Boren (D-Okla.) - a key Resources Committee member - writes about the Administration's federal lands policy: "The companies affected by these reforms are not global corporate conglomerates. Rather, they are smaller, independent producers that drill 90 percent of the wells in the U.S. struggling to stay alive in this dwindling economy. To these companies, and the people behind them whose blood, sweat, and tears have helped to build this country, statements such as your 'kings of the world' comment are a profound affront."

IPAA will continue to remind the President, his advisors and members of Congress that America's oil and natural gas industry should be part of a larger national energy strategy that can result in more jobs, more clean American energy, and enhanced national security.

IPAA Joins Fellow Natural Gas Associations in Call For Nat. Gas Inclusion in "Clean Energy Standard" Proposals

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Staff Contact: Jeff Eshelman

IPAA joined a broad group of organizations representing natural gas producers and pipelines yesterday, calling on members of Congress and the Administration to include a place for natural gas in any “clean energy standard” proposal. The energy organizations jointly said that natural gas is essential to meeting the nation’s greenhouse gas reduction goals and that, if a clean energy standard were to be adopted, it should be crafted so that utilities have the option to use natural gas in order to reduce their emissions from power generation.

Recently, Senator Lindsey Graham (R-SC) proposed draft legislation that language that would require electric utilities to supply increasing amounts of electricity from “clean” sources, beginning at 13 percent in 2012 and reaching 25 percent in 2025 and 50 percent in 2050. The language has been put forward as an alternative to renewable electricity mandates: a broader “clean energy” standard that includes nuclear power and low-emissions coal. IPAA and its allies would like to see this plan include natural gas.

“Expanded use of natural gas plants to make electricity would not only cut emissions, but also would create thousands of new jobs in the businesses that produce and supply the nation’s natural gas,” said Barry Russell, IPAA president and CEO in the group’s statement. “Maximizing the use of natural gas power plants would necessitate more natural gas to be produced. In Pennsylvania and New York, tens of thousands of new jobs have been created in the last two years since production of natural gas from shale has flourished.”

“Leaving natural gas out of any clean energy standard is like sending the U.S. hockey team to the Olympics without their skates, fine for getting cold feet, but not making goals. Natural gas is that critical tool that policy makers need in order to achieve clean energy goals,” said R. Skip Horvath, president and CEO of the Natural Gas Supply Association (NGSA).

Donald F. Santa, Jr., president of the Interstate Natural Gas Association of America (INGAA), said “It’s time for policymakers to recognize the new domestic supply reality for natural gas. To get an idea of just how significantly natural gas could contribute to meeting clean energy goals in the near term, the Congressional Research Service calculated that carbon emissions could be reduced by 20 percent simply by making full use of existing natural gas plants that are currently under-used.” According to the January 2010 CRS study, one-third of natural gas combined cycle plants were idle more than 70 percent of the time.

IPAA Wildcatter Fund Candidate Profile - Rep. Dan Boren (D-OK)

Staff Contact: Cortney Hazen

Rep. Dan Boren (D-OK) is the three-term Representative from the Second District of Oklahoma. Born in Shawnee, OK, Boren holds a B.S. from Southern Methodist University and an M.B.A. from the University of Oklahoma. Prior to his time in Congress, Boren worked as a staffer for Rep. Wes Watkins and as a vice president of Robbins Energy Corporation. He also served in the Oklahoma House of Representatives. He has been in the U.S. Congress since 2004.

Boren has been a valuable voice for the oil and gas industry in the Democratic Congress and the House Natural Resources Committee. As a Member of Congress from a producing state, Boren has been a vocal advocate for the independent producer and championed its causes to his Democrat colleagues. He is the co-chairman of the House Natural Gas Caucus and has earned a 100 percent voting record by the IPAA Wildcatter Fund for his efforts in the 111th Congress.

Industry Safety Survey- Responses Needed

Staff Contact: Ryan Ullman

IPAA, along with other industry trade associations, is collecting data on the use and efficacy of fire resistant clothing in the upstream oil and natural gas industries. This survey comes in response to an increase in citations by the Occupational Safety and Health Administration (OSHA) regarding the use of fire resistant clothing in the field and OSHA's subsequent indication of their intent to move forward with a rule. As a result industry is working vigorously to collect data to determine if such a rule is necessary and if a rule would serve the purpose of increasing worker safety. Please take a moment to fill out a short online survey, available online here: <http://www.surveymonkey.com/s/3M5PZ73>. The responses will be of tremendous value in efforts to respond to this issue.

The survey will continue through February 26th and will only use consolidated data. No company names will be used to identify individual sources of information. Contact information is optional, however, to receive a copy of the consolidated data contact information will be added in the survey where requested.

Please visit this site: <http://www.surveymonkey.com/s/3M5PZ73>, to take the survey.

Passive Loss Exception for Working Interests – Information Needed

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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.

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

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- 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

Sponsor and Attend
IPAA's 16th Annual
Texas Wildcatters' Open

Thursday, March 25, 2010

Cypresswood Golf Club

Spring, Texas

OGIS New York

April 12, 2010 - April 14, 2010

Sheraton NY Hotel & Towers

New York, NY

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

Rig Count

Staff Contact: Fred Lawrence

	<u>2/19/10</u>	<u>2/12/10</u>	<u>Year Ago</u>
Land	1288	1288	1241
Inland Waters	12	13	5
Offshore	45	45	54
U.S. Total	1345	1346	1300
Gulf of Mexico	43	43	53
Oil	440	443	269
Gas	893	891	1018
Miscellaneous	12	12	13

Source: Baker Hughes