

3/4/2010

IPAA is Joined by IPAMS, Industry Associations from Across the Country for a Successful Round of Capitol Hill Meetings

Staff Contact: Brendan Bradley

More than 50 IPAA members from across the country gathered in Washington D.C. this week for IPAA's annual Call-Up to Capitol Hill. Virtually doubling the size and reach of last year's successful efforts, the 2010 IPAA Call-Up resulted in meetings with nearly 70 congressional offices over a period of just two days. Like last year, the primary message IPAA members brought to Washington was to remind lawmakers about the dangerous national energy and economic consequences involved with the dramatic industry tax hikes as proposed in President Obama's budget.

"There is no better effective voice than a real live constituent from Midland or from Oklahoma or from Houston or Colorado meeting with their members, or their policy makers, to talk about how these policy proposals . . . could actually play themselves out," said Bruce Vincent, IPAA chairman and president of Swift Energy Co. in the *Houston Chronicle's* coverage of the event.

(please see the story below for a full recap of IPAA's press coverage this week)

IPAA members and leadership met with an impressive list of congressional leadership during the week's meetings, receiving a warm response from nearly all offices, both Democrat and Republican. IPAA leadership also took meetings at the Capitol with House Majority Leader Steny Hoyer (D-MD) and House Minority Leader John Boehner (R-OH).

During the meetings, in addition to discussion of the tax proposals, IPAA members also spoke out against imposing new federal regulations on drilling techniques, like hydraulic fracturing and pressed on the importance of the commodity market structure that allows independents the ability to finance their production and enable the work that drills 90 percent of the nation's wells.

The Call-Up was held in conjunction with the IPAA March Board Meeting on Wednesday, and IPAA members were joined in their advocacy efforts on Capitol Hill by members of the Independent Petroleum Association of Mountain States (IPAMS), the Independent Oil and Gas Association of Pennsylvania, 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.

Tuesday evening, IPAA and IPAMS hosted a Congressional Reception at the Capitol Hill Visitors Center that was attended by members of both organizations along with members of Congress and staff from more than a dozen House and Senate offices. Also attending the reception were staff members from key congressional committees including the House Science & Technology Committee, the Senate Environment & Public Works Committee, the House Energy and Commerce, and the House Resources Committee. Staff from the Federal Energy Regulatory Commission also attended the reception.

From Washington, IPAA Chief Sends the Messages of America's Independent Producers Nationwide

Staff Contact: Nicole Daigle

This week, IPAA kicked off its annual Washington Board Meeting and Call-Up with a media blitz featuring Chairman Bruce Vincent, who is also president of Houston-based Swift Energy Company. A dozen reporters from leading national, regional and trade publications participated in a media roundtable on Monday at the IPAA headquarters. Chairman Vincent discussed the annual D.C. Call-Up and outlined the critical issues facing America's oil and natural gas producers that would be discussed with Congressional leaders. The critical issues outlined included: energy taxes, federal regulations, particularly hydraulic fracturing and climate change, and commodity markets. Articles appeared in the *Energy Guardian*, *San Antonio Express*, *Houston Chronicle*, *Oil and Gas Journal*, *Gas Daily* and *Oil Daily* subsequent to the media roundtable.

Chairman Vincent also took to the air waves and appeared on News Radio KTOK out of Oklahoma City, Okla.; KCRS AM out of Midland/Odessa, Texas; Talk Radio News Service; The Lars Larson Show, the nationally syndicated broadcast out of Portland, Ore.; and WIZM 1410 out of La Crosse, Wis.

Finally, Chairman Vincent appeared yesterday afternoon on a Fox Business segment entitled "Natural Gas: An Overlooked Resource." He discussed the significance of natural gas and how this great American resource can create new jobs, increase domestic supply and strengthen national security.

IPAA, Natural Gas Council Oppose Effort to Repeal FERC Authority Over LNG Terminals

Staff Contact: Brendan Bradley

Yesterday, the members of the Natural Gas Council (NGC), representing all sectors of the natural gas industry from producers, to pipelines, to utilities and consumers, expressed their opposition to S. 3056, legislation that would repeal provisions of the Energy Policy Act of 2005 that deal with the approval and

siting of Liquefied Natural Gas (LNG) terminals. The Natural Gas Council's members said the proposed legislation would strip the Federal Energy Regulatory Commission (FERC) of its existing authority to review, approve and site those natural gas facilities engaged in interstate and foreign commerce.

The NGC includes the American Gas Association, the Independent Petroleum Association of America, the Interstate Natural Gas Association of America (INGAA), and the Natural Gas Supply Association (NGSA). The Center for Liquefied Natural Gas (CLNG) is an associate member

"Consistent with the Commerce Clause of the U.S. Constitution, and with years of precedent, section 311 of the Energy Policy Act clarified that the federal government should have the final say on the approval and siting of natural gas facilities engaged in interstate and foreign commerce," said R. Skip Horvath, president and CEO of the NGSA in a statement released by the NGC. "The states continue to have a role in the permitting of LNG facilities, through such statutes as the Coastal Zone Management Act, the Clean Air Act and the Clean Water Act, and they have the authority to block a specific LNG facility under existing law. Overall approval and siting of these facilities, on the other hand, should remain the exclusive authority of the federal government."

State-by-state determinations of these national energy policy questions could lead to dysfunctional outcomes, says the group.

"The sponsors of S. 3056 would take us back to the days of the Articles of Confederation, which could lead to states enacting conflicting regulations that thwart interstate and foreign commerce, to the detriment of our economy," stated CLNG president Bill Cooper. "That formula didn't work in the eighteenth century, and it sure won't work in the twenty-first century. The nation needs new energy infrastructure to remain globally competitive."

Donald F. Santa, Jr., president of INGAA, said "Natural gas infrastructure of national importance needs a national focus when it comes to approval, siting and regulation. The balkanization of the natural gas industry is a terrible idea. The United States has developed an open, competitive and market-responsive natural gas industry over the last 70 years, in large part because of a regulatory environment that stresses the national public interest. We shouldn't turn away from a policy that has served the nation so well."

Key Member of Senate Finance Committee Presses Obama Administration Regarding Domestic Energy Producers

Staff Contact: Brendan Bradley

Last week, U.S. Sen. John Cornyn (R-Texas), a member of the Senate Finance Committee, sent a letter to OMB Director Peter Orszag following up on questions the Senator asked during a Senate Finance

Independent Petroleum Association of America

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Committee hearing regarding the Administration's proposals to increase taxes on domestic energy producers that are included in the FY2011 budget request:

"Raising taxes on domestic energy producers will only increase our reliance on foreign oil, needlessly forcing more people onto the unemployment line," Sen. Cornyn said. "The last thing small business owners need during these difficult times is more uncertainty and less incentive to hire people."

IPAA Wildcatter Fund Candidate Profile - Sen. David Vitter (R-LA)

Staff Contact: Cortney Hazen

Sen. David Vitter is the first-term Senator from Louisiana. Born and raised in New Orleans, LA, Vitter holds an A.B. from Harvard University and a J.D. from Tulane Law School. Vitter was also a Rhodes Scholar. Prior to his time in the U.S. Senate, Vitter was a business attorney and a professor at both Tulane and Loyola Law schools. He also served as a State legislator. He won a special election in 1999 to the U.S. House of Representatives to replace Rep. Bob Livingston. Vitter won his U.S. Senate seat in 2004.

As a member of the Senate Environment and Public Works Committee, Vitter has recognized the importance of the independent producer and its role in domestic production. He has championed the oil and gas industry and has been a vocal opponent of climate change legislation. Vitter earned an 88 percent voting record by the IPAA for his efforts in the 110th Congress.

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.

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

**[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

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America's Oil & Gas Producers

Washington Report

	<u>2/26/10</u>	<u>2/19/10</u>	<u>Year Ago</u>
Land	1313	1288	1186
Inland Waters	14	12	5
Offshore	46	45	52
U.S. Total	1373	1345	1243
Gulf of Mexico	44	43	51
Oil	456	440	260
Gas	905	893	970
Miscellaneous	12	12	13

Source: Baker Hughes

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