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IPAA Joins Industry Allies and U.S. Governors Asking Congress to Reject New EPA Regulations

Staff Contact: Brendan Bradley

On Wednesday, a group of mostly Republican state and territorial governors delivered a letter to Congress urging lawmakers to keep the Environmental Protection Agency (EPA) from creating new and costly regulations on greenhouse gas emissions.

The letter, from 18 Republicans and two Democrats stressed the economic impacts of new regulations that have been proposed by the Obama administration.

"We feel compelled to guard against a regulatory approach that would increase the cost of electricity and gasoline prices, manufactured products, and ultimately harm the competitiveness of the U.S. economy," states the letter to Democratic and Republican leadership on Capitol Hill.

The EPA responded quickly, saying that it "rejects the premise that addressing greenhouse gases threatens the economy," saying that other EPA actions "have led to innovations and the creation of new markets that can spur economic growth." The EPA "will continue to follow the law and the science, which overwhelmingly indicates climate change is a real and growing threat to the American people," said spokesman Brendan Gilfillan in a statement.

IPAA, along with 97 other constituent industry organizations also wrote to each U.S. senator asking them to support a resolution of disapproval of the proposed regulations.

"Members from both sides of the aisle have said throughout the climate change debate that this matter should be decided by Congress, not by the EPA," read the organizations' letter. "We agree. In recent days, bipartisan legislation has been introduced in the House to amend the Clean Air Act to prevent EPA from regulating greenhouse gases. In the Senate, Senator Rockefeller and others are now working on legislation to forestall EPA from moving forward. There clearly is strong, bipartisan support for Congress to intervene in this matter."

Organizations joining IPAA in signing the letter include the American Farm Bureau, NFIB, Ohio Cast Metals Assn, Cotton Warehouses Assn, Alaska Miners Assn, Brick Industry Assn, and the Dairy Farmers of America.

Dodd to Release Senate Banking Financial/Derivatives Reform Bill Monday

Staff Contact: Susan Ginsberg

Senate Banking Committee Chairman Chris Dodd (D-CT) announced today that he will release his financial reform bill on Monday, March 15, with markup to be held the week of March 22. Efforts to reach a bipartisan agreement had waned in the past week, prompting Dodd to move forward without agreement from the Republicans working on the legislation. Dodd acknowledged that he would continue working with Sen. Bob Corker (R-TN), who had stepped up to represent committee Republicans in trying to craft bipartisan legislation.

The derivatives portion of the reform bill has not appeared to be a sticking point in broad financial reform, as Sens. Jack Reed (D-RI) and Judd Gregg (R-NH) were continuing to work on the derivatives portion. But it does not appear that they had come to an agreement on how to regulate derivatives, specifically on how to craft an exception from clearing for end users. IPAA has worked with Banking Committee staff on defining end users in a way to avoid it becoming a loophole for speculation. While we expect there to be some form of exemption, IPAA will continue to efforts to ensure that natural gas and oil producers can continue to use the over-the-counter market to manage risk.

According to Sen. Corker, Dodd was pushed by the need to move financial reform out of the Banking Committee prior to a possible use of reconciliation to get an Administration win on health care. Dodd apparently will be seeking a bipartisan bill within the Banking Committee. "It has always been my goal to produce a consensus package. And we have reached a point where bringing the bill to the full committee is the best course of action to achieve that end."

The Senate Agriculture Committee has jurisdiction over commodity markets and will be presenting its own bill on derivatives regulation. It may be late March or early April before legislative language emerges from Agriculture. IPAA has received assurance from Agriculture Committee Chair Blanche Lincoln (D-AR) and staff that their bill will provide for an end user exemption.

Obama Pushes Senators on Climate Bill

Staff Contact: Brendan Bradley

On Tuesday, President Barack Obama met with several Cabinet members and U.S. senators in an effort to revive a dormant climate and energy bill that has seen little movement in the Senate over the past several months.

President Obama was joined by White House energy adviser, Carol Browner during the closed-door meeting as they pushed the lawmakers in attendance on passing "global warming" and energy legislation this year.

"The president's strong belief is that in order to transition ourselves away from our dependence on foreign oil and into a clean-energy economy, that we need a strong incentive to do that," said White House Press Secretary Robert Gibbs.

Currently, Sens. John Kerry (D-MA), Lindsey Graham (R-SC), and Joe Lieberman (I-CT) are working on crafting a bill that aims to cut emissions of "pollution-causing" emissions by 17 percent by 2020. Their framework abandons the controversial "cap-and-trade" approach to reducing carbon emissions and would instead apply different carbon controls to different sectors of the economy.

"I think putting together a coalition of somebody like Senator Kerry and Senator Graham, who represent obviously different political philosophies, demonstrates that, yes, it is certainly possible to do that," Gibbs said.

With talk of job creation attached to nearly everything done in Washington during the current economic climate, Sen. Sherrod Brown (D-OH), one of those in attendance at the President's meeting, pointed to the current bill as a vehicle to create jobs.

"Climate change is about pricing carbon, and creating a whole new wind, solar panel, fuel cell industry in this country," Brown said.

Also attending the meeting were Kerry, Graham, Lieberman, Democratic Senators Jeff Bingaman of New Mexico, Barbara Boxer of California, Maria Cantwell of Washington state and Jay Rockefeller of West Virginia. Republicans attending included Senators Susan Collins of Maine, Judd Gregg of New Hampshire and Lisa Murkowski of Alaska.

IPAA will continue to monitor any current or future climate and energy legislation and will keep its members aware and up to date on any developments.

IPAA Wildcatter Fund Candidate Profile - Rep. Kevin Brady (R-TX)

Staff Contact: Cortney Hazen

Rep. Kevin Brady is the seven-term Representative from the 8th District of Texas. Born in Vermillion, South Dakota, Brady holds a B.A. from the University of South Dakota. Prior to his time in Congress, Brady served as the president of the South Montgomery County/The Woodlands Chamber of Commerce. His political career includes a stint in the Texas state House of Representatives. He has been in Congress since 1996.

As a senior member of the House Ways and Means Committee, Brady has been a champion for the domestic oil and natural gas industry. He has worked hard to illustrate the negative impacts President Obama's tax proposals would have on domestic production and the independent producer.

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:

Independent Petroleum Association of America

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- 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

	<u>3/5/10</u>	<u>2/2610</u>	<u>Year Ago</u>
Land	1339	1313	1114
Inland Waters	13	14	5
Offshore	44	46	51
U.S. Total	1396	1373	1170
Gulf of Mexico	42	44	50
Oil	456	456	241
Gas	926	905	916
Miscellaneous	14	12	13

Source: Baker Hughes