

**3/17/2010****IPAA, NGC Push for Natural Gas Inclusion to Clean Energy Standards****Staff Contact: Brendan Bradley**

Last Friday, the Natural Gas Council (NGC), a group of several natural gas industry associations including IPAA, delivered a strong message to Senator Jeff Bingaman (D-NM), chairman of the Energy and Natural Resources Committee, that "natural gas will be essential to meeting the nation's greenhouse gas reduction goals."

The letter was sent in response to the latest push in the Senate to adapt a nationwide "clean energy" standard, as opposed to a "renewables-only" approach.

"Natural gas located in abundance in shale formations in more than 20 states has led to a 39 percent increase in natural gas supply," read the letter. "This has transformed the ability of the industry to respond more rapidly, with more flexibility and on a larger scale than ever before, enabling greater use of this domestic energy resource. Assuming continued access to our vast resource base, natural gas can and should be used in the power sector to reduce greenhouse gas emissions, and clean energy policies developed by Congress should employ natural gas as a solution."

The Natural Gas Supply Association, the Interstate Natural Gas Association of America, and the American Gas Association are also members of NGC.

Last June, the Senate Energy and Natural Resources Committee approved a renewable electricity standard that would require utilities to supply escalating percentages of electricity from "renewable" sources like wind and solar energy. Now, some lawmakers are instead calling for a more inclusive "clean energy standard" that utilities could meet with new nuclear plants and low-emissions coal projects in addition to renewables.

According to *The Hill*, Bingaman generally opposes the idea of including "non-renewable sources" for the creation of a broader clean energy standard.

"Sen. Bingaman is a long-time supporter of natural gas," said Bingaman spokesman Bill Wicker. "While the chairman is an open-minded fellow, I can report that he is not considering a CES."

## **Dodd Releases Draft of Financial Reform Bill**

**Staff Contact: Susan Ginsberg**

As expected, Chris Dodd (D-CT), chairman of the Senate Banking Committee, released his financial reform bill on March 15. The section on derivatives regulation largely mirrored Dodd's November discussion draft and would require margin for uncleared trades and require central clearing and exchange trading for derivatives that can be cleared. The Securities and Exchange Commission and the Commodity Futures Trading Commission would have the authority (1) to conditionally or unconditionally exempt swaps from clearing requirements if one of the counterparties is not a major financial participant, and (2) upon review, waive the clearing requirement of a swap or class of swaps.

The provisions in Dodd's bill may be a placeholder until Sens. Jack Reed (D-RI) and Judd Gregg (R-NH) agree on the language in the derivatives title on which they've been working. Any compromise language would be debated in markup, which is scheduled to begin March 22. It also is important to keep in mind that the Senate Agriculture Committee, with its jurisdiction over commodity markets, will play the key role in how the commodity derivatives market will be regulated under financial reform legislation. As noted in last week's Washington Report, the Senate Agriculture Committee has indicated strong support of end users and their continued access to the over-the-counter derivatives market.

IPAA will continue efforts to ensure that natural gas and oil producers can continue to use the over-the-counter market to manage risk. Our arguments on behalf of producers appear to have resonated with Senate Agriculture Committee, the primary committee of jurisdiction over commodities.

## **Lawmakers Continue Defense of Hydraulic Fracturing on Capitol Hill**

**Staff Contact: Brendan Bradley**

Last week, U.S. Reps. Dan Boren (D-OK) and Tim Murphy (R-PA) continued their strong support of American natural gas production and the practice of hydraulic fracturing, sending a letter to House Energy and Commerce Committee Chairman Henry Waxman (D-CA) and Edward Markey (D-MA) strongly admonishing the committee's planned investigation on the impact of hydraulic fracturing technology on the environment and public health. Boren and Murphy pointed to a similar study already planned by the Environmental Protection Agency (EPA) that would make the new probe redundant and noted that prior investigations have found that the technique does not harm drinking water.

"It seems likely that much of the information you intend to gather pursuant to your investigation will also be sought, compiled and analyzed by EPA," said the letter. "It's our hope that your work does not in any way interfere with that process."

After reviewing the letter, Lee Fuller, IPAA vice president of government relations and executive director of Energy In Depth, released the following statement:

"With more attention being paid on Capitol Hill to the critical role that shale gas can play in securing our nation's economic and environmental future, it's natural that questions will be raised, and additional information will need to be provided so that lawmakers have access to all the facts, and a full appreciation of the context within which they reside. This letter from Congressmen Boren and Murphy addresses both of those needs, all while filling-in several factual and historical holes that were unfortunately left open subsequent to the release of the Waxman memorandum."

The lawmakers also attacked a pending House bill that would require production companies to disclose the chemicals used in fracking and give the EPA authority to regulate the drilling technique.

"Although its authors continue to insist their legislation will promote additional transparency as part of the fracturing process, its real-world implications suggest a much more complicated and potentially troublesome outcome for this country," the letter said.

Boren and Murphy are co-chairs of the Congressional Natural Gas Caucus. IPAA Chairman Bruce Vincent gave testimony during the caucus's first formal meeting held last fall.

"Natural gas from shale formations truly changes the role natural gas can play in America's future energy picture," said Vincent at the hearing. "Sophisticated hydraulic fracturing frees the natural gas for production. Without it, none of the expectations of shale gas would be realistic."

Boren and Murphy's letter stressed that hydraulic fracturing is well regulated and long considered a safe and valuable tool, "well known to those who regulate the process and are managed in a way that eliminates virtually any risk of those components coming into contact with shallow reservoirs bearing potable water."

"At the time of unprecedented economic uncertainty, and in a year in which four million Americans lost their jobs, shale gas exploration represents a proven and powerful engine of economic growth – and one this Congress idles at the peril of those it represents."

## **IPAA Wildcatter Fund Candidate Profile - Rep. Kathy Dahlkemper (D-PA)**

**Staff Contact: Cortney Hazen**

Rep. Kathy Dahlkemper (D-PA) is a first-term Representative from the 3rd District of Pennsylvania. Born and raised in Erie, Pennsylvania, she holds a B.S. from Edinboro University of Pennsylvania. Prior to her time in Congress, Dahlkemper was a clinical dietician and a co-owner of Dahlkemper Landscape Architects and Contractors. She has been in Congress since 2008.

As a freshman Democrat with Marcellus Shale activity in her district, Dahlkemper has showed her support for the independent oil and natural gas producer. Her “No” votes on Waxman-Markey and derivatives amendments show Dahlkemper as a potential ally for the domestic oil and gas industry.

## **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](mailto: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](mailto: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**

**IPAA's 16th Annual  
Texas Wildcatters' Open**

Thursday, March 25, 2010

Cypresswood Golf Club

**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](http://www.IPAA.org)



America's Oil & Gas Producers

# Washington Report

Spring, Texas

## OGIS New York

April 12, 2010 - April 14, 2010

Sheraton NY Hotel & Towers

New York, NY

Please visit [www.ipaa.org/meetings](http://www.ipaa.org/meetings) for more information.

## Rig Count

Staff Contact: Fred Lawrence

	<u>3/12/10</u>	<u>3/5/10</u>	<u>Year Ago</u>
Land	1341	1339	1073
Inland Waters	15	13	6
Offshore	51	44	47
U.S. Total	1407	1396	1126
Gulf of Mexico	49	42	46
Oil	479	456	228
Gas	927	926	884
Miscellaneous	14	14	14

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](http://www.IPAA.org)

**ipaa**

*America's Oil & Gas Producers*

# Washington Report

Source: Baker Hughes

**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](http://www.IPAA.org)