

**7/22/2010**

---

## **New Study Finds Independents Responsible for Nearly 50% of Industry GOM Jobs and Revenue**

*Staff Contact: Brendan Bradley*

Earlier today, IHS Global Insight released a new study "The Economic Impact of the Gulf of Mexico Offshore Oil and Natural Gas Industry and the Role of the Independents."

The study shows that in 2009 about half of the nearly 400,000 oil and gas jobs in the Gulf of Mexico were generated by independents leading to \$38 billion in economic value and \$10 billion in federal, state and local revenue. According to Cobalt International Energy, who commissioned the study, if independents are excluded from deepwater activity alone, job losses would total 265,000 by 2020, with a loss of \$106 billion in tax revenue from the four state Gulf region over that same time period.

"Policy that has the effect of excluding independents from the Gulf of Mexico would significantly shrink offshore activity, threaten hundreds of thousands of jobs, and result in billions of dollars in lost economic activity," said Cobalt International in a statement released today.

Independents currently hold majority interests in 81 percent of all producing Gulf of Mexico leases and in 46 percent of the Gulf's producing deepwater leases, according to the study, and independents have drilled 1,298 wells in the deepwater and currently account for the production of over 900,000 barrels a day of oil equivalent.

The study is available online at: <http://www.ihsglobalinsight.com/gulfoileconomicimpact>.

## **Financial Reform Now Law; Crafting of Regulations Begins**

*Staff Contact: Susan Ginsberg*

President Obama signed the far-reaching financial reform bill into law on July 21, and the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) were ready to start the daunting rulemaking process. CFTC Chairman Gary Gensler indicated that the CFTC will actively publish proposed rules in the fall, using regular public Commission meetings. The public comment periods will last a minimum of 30 days, with extensions unlikely because of the tight statutory deadlines.

**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)

The CFTC released a list of 30 areas of rulemaking, divided into eight groups, with most rules to be completed in 360 days. It will be during the rulemaking process that derivatives users can hone issues that may not have been as clear as desired in the legislation. The rulemaking process is equally important because of the need to ensure that legislative wins for end users are captured in the actual regulations. Definitions will be determined for such critical terms as “substantial position,” “commercial risk,” and “substantial counterparty exposure.” The CFTC will be determining the proper notification for end users to provide the CFTC with assurance of financial adequacy to enter into OTC hedges.

IPAA will be working closely with members to review proposed rules and provide comments to the appropriate agency.

## **Thousand Attend Louisiana Rally in Opposition of Offshore Moratorium**

**Staff Contact: Brendan Bradley**

In Louisiana on Wednesday, thousands of people rallied against the ongoing federal moratorium on deepwater oil and gas drilling in the Gulf of Mexico.

Approximately 15,000 people were on hand at the Cajundome on the campus of the University of Louisiana-Lafayette to hear Louisiana Governor Bobby Jindal and others voice their loud opposition to the six-month moratorium declared by the federal government in response to the Deepwater Horizon incident and Gulf of Mexico oil spill.

“We don’t want a BP check, or an unemployment check, our people want to go back to work,” said Jindal echoing the sentiment of the day at the “Rally for Economic Survival.”

Jindal also relayed state Department of Natural Resources data shows permits for shallow water drilling has slowed since the spill began.

For more information about the rally, including video, please visit <http://www.rallyforeconomicsurvival.com/index.html>.

## **Minutes from the IPAA Midyear International Committee Meeting Now Available**

**Staff Contact: Fred Lawrence**

Please contact Fred Lawrence at [flawrence@ipaa.org](mailto:flawrence@ipaa.org) if you are interested in the minutes or would like to volunteer your help on some of our upcoming projects discussed in the minutes.

The next official Committee meeting is likely to take place in Houston in August (evening of 17th) prior to Summer NAPE®. We will also schedule a Committee meeting at the IPAA Annual Meeting in November (8th-10th).

For more info on the IPAA International Primer & Supplements:

<http://www.ipaa.org/issues/international/docs/IPAAInternationalPrimer.pdf>

<http://www.ipaa.org/issues/international/docs/InternatIPetroTaxSupp.pdf>

Other Resources:

EIA International Energy Outlook 2010: <http://www.eia.doe.gov/oiaf/ieo/index.html>

Country Energy Profiles: <http://www.eia.doe.gov/country/index.cfm>

Energy Security: <http://www.eia.doe.gov/emeu/security/Oil/index.html#disruptions>

## **EPA Hydraulic Fracturing Study Meetings Continue**

**Staff Contact: Jeff Eshelman**

The Environmental Protection Agency has concluded two of its four public informational meetings to seek stakeholder input into developing its proposed plan to study the relationship between hydraulic fracturing and drinking water. Earlier this month, a meeting in Fort Worth attracted more than 600 participants, including a vocal amount of anti-fracturing forces, as well as industry and pro-energy representatives. Last Tuesday more than 300 people attended the EPA meeting in Denver, where pro-energy voices outnumbered anti-energy activists by 2-1, according to reports. And tonight a meeting will be held outside of Pittsburgh, PA. Thanks to all of the state and regional cooperating associations, companies and our allied groups for attending.

It is crucial to have industry's voice represented. IPAA is encouraging its members to attend and participate at these events. Anti-industry groups will be mobilizing at all of these meetings. The final two meeting details are listed below.

Stakeholders are requested to pre-register for the meetings at least 72 hours before each meeting at the following website: <http://hfmeeting.cadmusweb.com>. Stakeholders may also register using the toll-free number 1-866-477-3635.

## How to Provide EPA with Comments on the Hydraulic Fracturing Study:

Persons wishing to contribute comments to EPA regarding the proposed Hydraulic Fracturing Research Study may (1) present oral comments at the informational meetings; (2) submit written comments at the informational meeting; (3) submit electronic comments to EPA at [hydraulic.fracturing@epa.gov](mailto:hydraulic.fracturing@epa.gov); or (4) send written comments to EPA at the following address: Jill Dean, 1200 Pennsylvania Ave. NW, Mailcode 4606M, Washington, DC 20460. [return to top]

## IPAA Wildcatter Fund Candidate Profile - Carly Fiorina

### *Staff Contact: Brent Golleher*

Carly Fiorina is the Republican candidate in California's U.S. Senate race. Born in Austin, Texas, Fiorina received her bachelor's degree from Stanford and an MBA from the University of Maryland. Prior to this campaign, Fiorina is best known for being the CEO of Hewlett-Packard from 1999-2005. She also served as an advisor to John McCain's 2008 presidential campaign.

Fiorina is campaigning against cap and trade and has repeatedly recognized the cost this proposal would impose on business and family. She also supports an "all-of-the-above" energy policy that includes exploration and drilling for oil and natural gas. Her campaign website even notes, "We have close to a 100-year supply of natural gas and thanks to improved technologies, it is safe, cheap and available supply of energy."

## Make Plans to Attend IPAA's Upcoming Meetings/Events

### *Staff Contact: Nikki McDermott*

**Summer NAPE®**  
August 18-20, 2010  
George R. Brown Convention Center  
Houston, Texas

**OGIS San Francisco**  
October 12-14, 2010  
The Palace Hotel  
San Francisco, California

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

## 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.

## Rig Count

*Staff Contact: Fred Lawrence*

	<u>7/16/10</u>	<u>7/9/10</u>	<u>Year Ago</u>
<b>Land</b>	1546	1539	877
<b>Inland Waters</b>	13	12	8
<b>Offshore</b>	12	16	35
<b>U.S. Total</b>	1571	1567	920
<b>Gulf of Mexico</b>	12	16	35
<b>Oil</b>	580	592	244



America's Oil & Gas Producers

# Washington Report

<b>Gas</b>	979	964	665
<b>Miscellaneous</b>	12	11	11

Source: Baker Hughes