

7/29/2010

House and Senate both Introduce Major Energy Legislation

Staff Contact: Jeff Eshelman

This week is a critical time for action on energy legislation in the House of Representatives and Senate that could have a lasting impact on both offshore and onshore American oil and gas production.

While IPAA has been working in opposition to bills in both houses and many modifications have been made, the bills that now appear to be moving forward remain unacceptable. And, they are moving quickly as both chambers of Congress prepare to adjourn for the August recess.

Tomorrow and possibly on Saturday, the House is scheduled to consider H.R. 3534, the CLEAR Act, which contains numerous provisions that would impact independent oil and gas producers. The legislation will create new bureaucracy; add new costs and fees and impact jobs and economic growth in our industry. A fact sheet on this legislation can be found on IPAA's homepage. Also, Representatives Diana DeGette (D-CO) and Maurice Hinchey (D-NY) seem prepared to offer amendments, if allowed, that would create new federal regulation of hydraulic fracturing.

Meanwhile, Senate Democrats released their energy and oil spill legislation this week with language that attacked the standard industry practice of hydraulic fracturing, as well as setting unlimited liability caps for economic damages for offshore producers. The Senate will debate its bill sometime next week before leaving for the August recess.

"The problem with this [hydraulic fracturing] provision is that it has the potential to create a series of legal responsibilities that operators, and even service companies, might not be able to fulfill, especially under a scenario where folks are asked to post information that doesn't even belong to them," said Lee Fuller, IPAA vice president of government relations on behalf of the industry coalition Energy In Depth.

"The amazing thing is this provision appears to be moving ahead even as the Environmental Protection Agency and Congress continue to study the issue," Fuller said. "It raises the question of why they're doing the study in the first place if policymakers don't appear to be all that interested in learning anything from it."

IPAA Vice President of Federal Resources and Political Affairs Dan Naatz, told reporters this week that unlimited liability isn't realistic because independent oil and gas producers without other integrated operations couldn't get the required insurance. In an interview with PBS' Nightly Business Report, Naatz said: "It's going to impact the economy and jobs in the Gulf. We've seen that already with the

moratorium. And second of all, it will drive those producers out of the Gulf. Either they'll go to other parts of the world to produce or simply shut down."

President Obama has now endorsed both the latest House and Senate energy packages, as responses to the Gulf oil spill and also as an intended way of creating "clean-energy jobs." He said he was not giving up on climate change legislation.

There are still enough differences between the two packages that a conference committee would be required if both chambers pass their bills. Congress will likely run out of time to settle any differences before the August recess.

IPAA will keep its membership informed in the days ahead as Congress works through the new proposals.

In Memoriam - Jim Hanna

Staff Contact: Brendan Bradley

Jim Hanna, founder of Hanna Oil and Gas Company, passed away Monday, July 19, 2010. He was 76 years old.

Mr. Hanna was a past AAPL President and longtime supporter of IPAA, AAPL and FSAPL. He is remembered for his tremendous contributions to our industry and as a pillar of the Fort Smith community. As a longtime Hanna employee stated, "Everyone Jim met was his friend."

The Hanna family would like to thank everyone for their support and well wishes

Minutes from the IPAA Midyear International Committee Meeting Now Available

Staff Contact: Fred Lawrence

Please contact Fred Lawrence at 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).

EPA Hydraulic Fracturing Study Meetings Continue

Staff Contact: Jeff Eshelman

The Environmental Protection Agency has concluded three 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. And more than 300 people attended the EPA meeting in Denver, where pro-energy voices outnumbered anti-energy activists by 2-1, according to reports. 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 meeting details are listed below.

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

<u>DATE</u>	<u>LOCATION</u>	<u>TIME</u>
August 12, 2010	Binghamton University, Anderson Center for the Performing Arts Osterhout Concert Theater Binghamton, NY 13902	8:00 am – 12:00 pm * 1:00 – 5:00 pm * 6:00 – 10:00 pm *

*local time

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; or (4) send written comments to EPA at the following address: Jill Dean, 1200 Pennsylvania Ave. NW, Mailcode 4606M, Washington, DC 20460.

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

IPAA Wildcatter Fund Candidate Profile - John Shimkus

Staff Contact: Brent Golleher

Rep. John Shimkus is the seven-term U.S. Representative from the 19th District of Illinois. Born and raised in Collinsville, Illinois, Shimkus holds a B.S. from West Point Military Academy and a M.B.A. from Southern Illinois University. Prior to his time in Congress, Shimkus served in the U.S. Army and was a teacher at Metro-East Lutheran High School. His political career includes a stint as Madison County treasurer. He has been in Congress since 1996.

As Ranking Member of the House Energy and Commerce Subcommittee on Energy and the Environment, Shimkus has been a champion for the domestic oil and natural gas industry and a vocal opponent of climate change legislation. He has been a consistent voice for the independent producer and has earned a 100 percent voting record by the IPAA Wildcatter Fund for his efforts in the 111th Congress.

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 for more information.

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.

Rig Count

Staff Contact: Fred Lawrence

	<u>7/23/10</u>	<u>7/16/10</u>	<u>Year Ago</u>
Land	1557	1546	899
Inland Waters	14	13	7
Offshore	14	12	37
U.S. Total	1585	1571	943
Gulf of Mexico	14	12	36
Oil	591	580	257



America's Oil & Gas Producers

Washington Report

Gas	982	979	675
Miscellaneous	12	12	11

Source: Baker Hughes

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