

FALL CONFERENCE

Fall Conference speakers focus on federal issues

Federal issues have taken a front seat during discussions on the future of the oil and gas industry, and the featured speakers at the OIPA's Fall Conference offered their opinions on the hot topics on Capitol Hill.

Hydraulic fracturing

Bob Moran, Halliburton's vice president of governmental affairs is no stranger to hydraulic fracturing. After all, his company pioneered the practice back in 1949.

So when he explains why there has been a recent backlash against the time-tested oilfield practice, the reason is simple: the industry never explained it.

"We weren't telling our story," Moran said. "We need to make sure our industry's voice is there."

Part of doing that is publicly sharing studies on the impact of hydraulic fracturing on the environment, several of which have been completed with three more industry studies due this month.

Mike Paque, executive director of the Oklahoma City-based Groundwater Protection Council, said 27 states were surveyed in a study of state rules designed to protect water, and those states represent 99 percent of all oil and gas production in the United States.

Paque said all 27 states have standards in place for the oil and natural gas industry that, if followed properly, would prevent groundwater contamination from any fluids used in the drilling and completion processes.

"National environmental groups claim hydraulic fracturing is unregulated," Paque said. "We said au contraire, hydraulic fracturing is regulated. You may not find a statute or regulation that specifically says hydraulic fracturing, but it is regulated."

Climate change

As a former staff leader in the U.S. Senate's Environment and Public Works

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Speakers ...

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Committee when it was headed by Oklahoma's Jim Inhofe, Andrew Wheeler has seen the good and the bad of energy-related legislation.

Now the senior vice president of B&D Consulting, Wheeler says the cap-and-trade bill passed by the House in September definitely falls in the bad category.

If approved, he said, the bill would eliminate up to 30,000 Oklahoma jobs by 2030 and Oklahoma's gross state product could fall by \$4.9 billion in that same time.

The good news, Wheeler said, is that Congress is focused on health care, and climate change legislation will be pushed to the back burner while that debate



Ward Petroleum's Rick Tozzi makes a point during the Fall Conference general sessions.

rages. And although the Senate has unveiled it's version of climate change legislation, the chances of getting the 60 votes necessary to pass either version of the bill is doubtful.

While Wheeler is cautiously confident climate change legislation will be successfully opposed, Advanced Resources International's Mike Godec is less than optimistic.

"The train has left the station," Godec said. "Legislation will happen. The question is, how do we get the best deal?"

A lack of congressional action on climate change could be disastrous for the oil and

natural gas industry, Godec said, because the EPA would move to regulate CO2 emissions with emitters viewed as public nuisances.

Instead, he said, oil and natural gas producers should take a page from the coal industry's playbook and "figure out how we can get the best deal."

Coal's organized attack and the promotion of clean coal technology paved the way for 35 percent of the free allowances for CO2 emitters to go to that industry in initial climate change legislation introduced in the U.S. House.



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NOTICE: Sale of Oil and Gas Leases

Restricted Indian and Tribal Lands
 Dept. of the Interior - Bureau of Indian Affairs

Sealed bids will be accepted for consideration until 2 p.m. Tuesday, November 17, 2009, and opened at that time at the Bureau of Indian Affairs, Eastern Oklahoma Regional Office, Muskogee, Oklahoma, for the leasing of the 130 tribal, individual trust, and restricted Indian lands located in the following counties of Oklahoma:

Atoka, Bryan, Carter, Choctaw, Coal, Creek, Garvin, Grady, Hughes, Jefferson, Johnston, Latimer, LeFlore, Love, Marshall, McClain, McCurtain, McIntosh, Okfuskee, Okmulgee, Pittsburg, Pontotoc, Pushmataha and Sequoyah.

The sale of leases will be conducted under regulations promulgated by the Secretary of the Interior; 25 CFR 213, (Section 2 of the Act of May 27, 1908, 35 Stat. 312) as to individually-owned land and 25 CFR 211 (Act of May 11, 1938, 52 Stat. 347) as to the tribal land. Tracts are being offered to the highest responsible bidder for a bonus consideration in addition to stipulated royalties. The Secretary of the Interior reserves the right to reject any bid when such is in the best interest of the Indians. Contact the Bureau of Indian Affairs, Eastern Oklahoma Regional Office, P.O. Box 8002, Muskogee, Oklahoma 74402, at (918) 781-4632, for an official copy of the notice or to be added to the mailing list.

“Current climate change bills do not recognize oil and gas,” Godec said. “Natural gas wasn’t there beating its own drum.”

Taxes

“Mike” is not a happy guy.

The fictional oil and gas producer used as an example by Fall Conference speaker Liz Brown is facing a substantial revenue loss if President Obama’s proposed repeal of tax incentives for independent producers is approved.

Brown, an attorney at Oklahoma City’s Phillip Murrah law firm, said the two most significant tax incentives being scrutinized are incentives for intangible drilling costs and percentage depletion.

With those incentives gone, “Mike’s” first-year tax deduction on a well that grosses \$2 million with \$500,000 in intangible drilling costs would decrease from \$800,000 to \$50,000, with cost depletion substituting for percentage depletion.

In the course of 10 years, the producer’s tax deduction would drop from \$3.3 million to just \$500,000.

“The effect of the administration’s proposal will be a reduction in exploration for oil and gas,” Brown said. “It will cut jobs. It will stall oil and gas businesses. And it will slow our country’s economic recovery.”

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