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DOI offers initial OCS oil and gas figures as public meetings start

The US Outer Continental Shelf holds an estimated 66.6-115.13 billion bbl of crude oil and 362.4-565.87 trillion cubic feet of natural gas, the US Department of the Interior said as it began regional OCS meetings on Apr. 6. But the figures contain significant data gaps, it added.

The estimates of technically recoverable reserves were based on a regional assessment of the entire OCS which the US Minerals Management Service completed in 2006 as well as assessments of new areas identified for inclusion in the 2010-15 draft proposed five-year OCS leasing program. The range was from estimates of a 95% probability on the low end to a 5% probability at the high end.

The numbers should be considered general indicators and predictors of actual oil and gas potential in the areas, according to the report which MMS developed in response to a Feb. 10 order by US Interior Secretary Ken Salazar.

It noted that new areas in the Atlantic, Eastern Gulf of Mexico, Pacific and Alaska OCS have been identified for inclusion in the draft proposed five-year oil and gas program which Salazar delayed by adding six months to the public comment period and broadening its scope to include renewable and alternative energy sources. He also scheduled public meetings in each of the four OCS planning areas

during April to get new information.

"Although leasing has not occurred in these areas for about 25 years, previous exploration has occurred in portions of these areas and some contain active leases with producing oil and gas fields. Updated research and exploration regarding the likely location of energy resources and environmental impacts are necessary to fill in data gaps," the report said. It also described several important environmental and safety questions which will need to be addressed.

Hydrocarbon endowment

MMS undertook the 2006 OCS assessment under a provision of the 2005 Energy Policy Act. Under that assessment, mean estimates of the total OCS hydrocarbon endowment were 115.4 billion bbl of oil and 633.6 Tcf of gas, or a total of 228.2 billion bbl of oil equivalent (BOE). More than 18% has been produced already and another 11% is contained within various resource categories which represent near-term and mid-term production, it said.

"Notably, even after more than 50 years of exploration and development on the OCS, 70% of the mean BOE total endowment is represented by undiscovered resources. More than half of this potential exists in areas of the OCS outside of the Central and Western Gulf of Mexico," the report noted.

Of the estimated undiscovered technically recoverable resources on the OCS, the largest amounts are in the Gulf of Mexico (41.21-49.1 billion bbl of oil and 218.83-249.08 Tcf of gas) and offshore Alaska (8.66-55.14 billion bbl and 48.28-279.62 Tcf), according to the 2006 assessment.

For the 2010-15 draft proposed program, estimated economically recoverable resources under prices of \$60/bbl and \$6.41/Mcf totaled 52.16 billion bbl and 200.85 Tcf. The amounts rose to 64.85 billion bbl and 270.43 Tcf under prices of \$110.74/bbl and \$11.74/Mcf, and 70.79 billion bbl and 307.04 Tcf under prices of \$160/bbl and \$17.08/Mcf.

The report also examined potential contributions from wind, wave and tidal energy operations on the OCS. It said that the Atlantic OCS has the greatest renewable energy potential of the four planning areas, with offshore wind power likeliest to make a substantial contribution in the next 5-7 years.

Atlantic concentration

"Substantial wind resources exist offshore the Atlantic Coast, near high-energy demand centers. Strong wind resources also exist offshore California, Oregon, Washington and Hawaii, but it appears that the majority of this resources lies in deep waters where technology constraints are potentially significant," it said.

Alaska also has ocean areas with outstanding renewable energy resource potential, but they are not expected to be developed in the near term because of harsh weather conditions and their significant distance from high-energy demand centers, the report added.

It also identified several safety and environmental factors which potentially could restrict OCS energy development. It listed oil spills as a major concern but said that spill prevention efforts through required, extensive safety procedures and practices and engineering requirements such as downhole shutoff valves and blowout prevention devices apparently are effective.

Understanding sea floor habitats will be important in considering leasing decisions for renewable as well as traditional energy resource development, the report said. Some information already has been gathered, but there are significant data gaps for a number of areas, it indicated.

"In some cases, exploration seismic surveys for oil and gas production, followed by required site-specific high-resolution 'hazard' surveys could provide detailed information about the seabed with regard to drilling hazards as well as for evaluating benthic habitats. In other cases, additional detailed, high-resolution mapping may be necessary along with ground-truthing with sediment samples, remotely operated vehicles or even submersibles in order to verify community makeup to allow for mitigation and avoidance of habitats," it said.

Coastal impacts

The report also cited coastal impacts ranging from wetland losses associated with onshore energy infrastructure along the US Gulf Coast to heavily developed or protected Pacific Coast areas which reduce options for pipelines or utility corridors to support shore-based construction.

"While there are refineries and ports capable of supporting heavy industry, for the most part the Atlantic region lacks existing onshore infrastructure geared to supporting offshore activity. Additionally, a significant portion of the coast, except portions of South Carolina and Georgia, are either developed or are state or federally protected shorelines," it said.

Potential oil and gas impacts on fisheries range from damage caused by accidental oil spills to space-use conflicts, habitat alterations and seismic surveys, according to the report. "Key challenges for renewable energy development common to all OCS areas include offshore space-use conflicts, artificial reef effects, habitat alteration, noise from pile driving and effects from electromagnetic fields," it said.

In addition to seismic surveys which will be necessary to close gaps in OCS oil and gas resource evaluation, the report said that offshore renewable energy technologies are still developing and standardized protocols and technical design criteria are needed.

"The experience, knowledge and tools exist to ensure that offshore energy development is developed in a comprehensive and environmentally sound manner. By obtaining stakeholder input (locally and nationally), compiling existing information and acquiring new data where needed, conducting objective analyses using monitoring data to manage adaptively, and applying the necessary mitigations

and safeguards along the way, we can achieve our national energy, economic and environmental goals," it said.

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Two views of Cantwell's gas pipeline reform proposal

A proposal by US Sen. Maria Cantwell (D-Wash.) to amend a section of the Natural Gas Act so interstate gas pipelines would be subject to the same refund procedures as electricity suppliers has drawn differing reactions.

"Simply put, the current system is broken. It favors pipelines over consumers by allowing pipelines to keep overcharges rather than giving consumers their money back when their rates are shown to be excessive," the American Public Gas Association and 19 other groups said in an Apr. 6 letter to Senate Energy and Natural Resources Committee Chairman Jeff Bingaman.

The issue is much more complex, the Interstate Natural Gas Association of America said on Apr. 2. It goes to the core of the relationship between gas pipelines and federal regulators, the ability to raise private capital to expand systems, and the importance of such investments to US energy, environmental and economic goals, INGAA President Donald F. Santa Jr. said.

"The natural gas model of regulation embodied in the NGA is not broken . . . The current regulatory system for natural gas pipelines works well," he said in his own letter to Bingaman.

Key difference

APGA and the other groups said that the Federal Power Act gives the Federal Energy Regulatory Commission authority to order refunds from electricity suppliers from when the complaint was filed. They said that NGA Section 5 states that a gas pipeline rate reduction can occur only after FERC issues an order, which can be years later.

"It makes no sense to allow pipelines to continue to keep billions of dollars of consumers' money, especially in the current economic climate. Instead of going to the pipelines' shareholders, these dollars should be rightfully returned to consumers," they argued.

Santa pointed out that the refund authority which was added to the FPA in 1988, and amended in 2005, was a direct response to complaints about wholesale electricity prices which can increase dramatically and fluctuate due to market volatility.

'Largest portion'

Interstate gas pipeline rates reflect only the cost of transporting the gas, he said. "The largest portion of the consumer bill is the unregulated cost of the gas itself, which would be unaffected by the results of a complaint against an interstate pipeline," he said.

While overall gas pipeline transportation costs are low, delivery system bottlenecks can significantly affect prices and volatility, Santa continued. Interstate gas pipelines are, by their very nature, capital-intensive projects where investors depend on rate certainty to recover their financial commitments, he said.

"A growing number of energy experts advocate using the NGA as a model for reforming the FPA to facilitate expansion of the electric transmission grid. It is easy to understand why," he added. According to FERC, approximately 1,000 miles of high-voltage electric transmission have been built in the US since 2000, compared to more than 10,800 miles of gas transmission pipeline, Santa said.

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Cause of 2008's crude oil price surge remains elusive, EIA conference told

Nine months after crude oil prices reached record levels, experts agreed at the US Energy Information Administration's 2009 annual conference on Apr. 7 that speculators shouldn't be blamed. They also could not say definitively what pushed prices upward during 2008's first half.

The US Commodity Futures Trading Commission's large trade reporting system gives it a powerful tool to determine what's moving markets, according to Jeffrey Harris, the CFTC's chief economist. An effort is continuing to determine why crude price surged and then plunged in 2008, he continued.

"The answers haven't been palatable to politicians or to us. We haven't been able to point at one particular type of trader and hold them responsible for running oil prices up to \$140/bbl last summer. We have not been able to find the smoking gun," Harris said.

The CFTC is the single government agency which identifies hedge funds in commodity markets, but it has found that index fund traders could not be found as easily, he said. "Index funds can come to the market through commodity pools or banks. Many come through swap dealers," he said.

Examinations of reported trades on regulated exchanges showed that the average index fund decreased its crude oil commodity position as prices rose, suggesting that adjustments were designed to maintain the positions as percentages of total commitments, Harris said. "We've since updated our reports with numbers for September and the end of 2008 and haven't found a widespread abandonment of the market," he said.

Incomplete data

But Robert F. McCullough Jr., managing partner at McCullough Research in Portland, Ore., said that the CFTC's investigation is not complete because it doesn't include unregulated over-the-counter trades. "We have no data. We don't survey spot oil transactions as we do for other commodities. This is Congress's fault," he said.

He agreed that it was politically convenient to blame speculators when crude oil prices climbed amid growing inventories. But he said that underlying fundamentals including supply and demand could not provide a reason for soaring prices either. "We were flat out of interesting events. Almost every answer the pundits gave us was wrong," he said.

McCullough said that the CFTC uses outmoded classifications that do not reflect the current makeup of commodities markets, and concentrates on the largest traders using regulated exchanges. Harris said that the commission actually has begun to receive fairly good data from over-the-counter markets, especially about index funds, to supplement its own findings.

Other panelists warned against trying to assign blame too quickly for soaring and plunging crude oil prices last year. "We have it in our heads that speculation is fraud. It's not," said Adam E. Sieminski, Deutsche Bank's chief energy economist.

Several factors could have set the stage for crude oil prices to soar in early 2008, he continued. Emerging market economies had an average annual growth in gross domestic product of 7% from 2000 to 2005. Crude oil prices did not rise enough to justify heavy exploration, reducing the Organization of Petroleum Exporting Countries' spare production capacity considerably. Refining capacity also didn't grow, and the value of the US dollar declined, he said.

Then there's stupidity

Finally, said Sieminski, "stupidity can drive decisions. That's the best explanation for somebody buying a crude oil contract at \$147/bbl and expect the price to go up. Governments can't regulate against this."

The conventional wisdom that heavy commodities trading causes volatile prices is driven more by intuition than facts or systematic analysis, according to Dr. Robert J. Weiner, an international business professor at George Washington University. "Over a time period where trading increased significantly, aggregate statistics did not show a corresponding increase in volatility," he said.

Weiner said that traders adopting a herd mentality, where they made decisions by copying other market participants instead of examining fundamental influences, is a likelier force. "If lots of people try to get into our out of a position at the same time, volatility can result," he said.

Investigations have not found evidence of parallel trading among commercial market participants or financial speculators, although there were some apparent cases of what Weiner termed "flocking."

He said that scarcity of data and lack of market transparency serve traders and the public poorly. "We need to examine fundamentals to understand why oil markets change," he said.

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DOI's OCS public comment process limited, House Republicans charge

Ranking minority members of two US House committees expressed concern on Apr. 7 that the US Department of the Interior is limiting public comments as it considers a comprehensive five-year US Outer Continental Shelf leasing plan.

"The system currently in place fails to meet a simple standard of inclusion to promote and facilitate an open exchange of public opinion," Doc Hastings (R-Wash.), of the Natural Resources Committee, and Darrell E. Issa (R-Calif.), of the Oversight and Investigations Committee, said in a letter to US Interior Secretary Ken Salazar.

Persons wishing to submit comments must either mail or hand-deliver them to DOI headquarters in Washington, or "attempt to navigate the sprawling online database known as Regulations.gov, where users must first successfully input 'docket IDs,' 'legacy numbers' and an 'RIN' before they have any chance of advancing to the main comment submission page," the two House members said.

They called the new policy "an unconstructive change" from the previous system. "The department's public comment process was especially user-friendly under the Bush administration, which enable Americans to easily submit their comments through simple e-mail address. The department should immediately reinstate the user-friendly e-mail public comment system," they said.

A DOI spokesman said on Apr. 8 that the Bush administration made the decision to use the automated Regulations.gov system

to receive and process comments on the draft proposed five-year OCS program. US Minerals Management Service staff members recommended replacing an earlier system, Public Connect, with Regulations.gov because the updated version has automated functions which sort, tally and post public comments, he said in an e-mail message.

Hastings and Issa said they were also troubled to learn that DOI's webcast of its Apr. 6 OCS public meeting in New Jersey ended at noon, nearly eight hours before the meeting's actual conclusion. "Since many Americans took their personal time to participate in this public comment session until eight o'clock in the evening, we cannot understand why the department would end the webcast at the time you departed and before the majority of the public finally had their chance to stand up, speak and be heard," they told Salazar.

The DOI spokesman said that significantly higher costs for a full-day webcast during the current economic downturn led to the decision to put only the first three hours online live. Transcripts of the entire proceedings will be available later online at www.doi.gov/ocs and www.mms.gov, he said.

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'This industry can help lay the bridge to a more secure energy future'

US Sen. Mary L. Landrieu (D-La.), addressing US Interior Secretary Ken Salazar in her testimony at the US Department of the Interior's Apr. 8 hearing in New Orleans about a draft proposed five-year Outer Continental Shelf leasing plan:

"First, let me begin by saying that I and many people here share your vision for energy security for our country. We would like to reach for energy independence, but we are certain we can achieve energy security.

"That begins, in our view, by supporting the domestic oil and gas industry. This industry has changed and developed rapidly and significantly, in terms of becoming more environmentally sensitive.

"I was in Rep. Charles Boustany and Rep. Charlie Melancon's districts yesterday in South Louisiana touring some of our front-line oil and gas independent companies to relate to you that it looks more like the space industry than the old-fashioned rigs and derricks. The breadth and depth of this technology that allows to us find these resources 10,000 feet below sea level, and to find it safely and securely, to deliver to American homes and businesses is truly breathtaking.

"I come today to urge you to look very hard at the proposed tax increases that would diminish the muscle and power of this industry that has served this country so well for so long. It helped to win the Second World War. We helped to fuel the Industrial Revolution. This oil and gas industry, with the right environmental safeguards and regulations, can help lay the bridge to a more secure energy future.

"One of the things I wanted to stress this morning, and it is very important for our delegations to continue to say this, is that there are large differences between large, integrated oil and gas corporations and the thousands of small, independent exploration production companies.

"Exxon, Chevron, Shell and other large corporations that we're familiar with raise their capital through public offerings, spreading risks among many shareholders. But our thousands of independent companies that are in all of our districts through Texas, Mississippi, Alabama and Louisiana invest large sums of personal money, taking on personal risk. As a result, it is clear that a corporation's capacity to acquire large amounts of capital is much greater, and the personal risks are lower than for our independents.

"In addition, small independent companies employ a tremendous number of people. Independents produce 82 percent of domestic gas and 68 percent of U.S. oil. They virtually reinvest 100 percent of their money right here in America. So as we search for security and independence, and President [Barack H.] Obama looks to create jobs in America, let's start with supporting our nation's oil and gas industry."

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OCS oil and gas support Louisiana jobs, federal officials told

154,000 high-paying manufacturing jobs in Louisiana depend on access to oil and gas on the US Outer Continental Shelf, federal officials were told at the second of four public hearings on Apr. 8.

Louisiana industries use oil and gas not only as energy but also as feedstocks for a wide variety of petrochemicals, Virginia Sawyer, vice president of the Louisiana Association of Business and Industry, testified at the US Department of the Interior's hearing on a draft proposed five-year OCS plan in New Orleans.

While Louisiana accounts for 13% of the total energy exported from oil and gas producing states, industries use almost 77% of the natural gas consumed in the state, she said.

"Almost 58% of petroleum produced in Louisiana is consumed by the state's industrial sector, which employs 154,000

Louisianans who have an average annual wage of \$52,000. This average manufacturing wage is 40% higher than Louisiana's statewide average wage," said Sawyer, who also testified on behalf of the National Association of Manufacturers.

The potential for generating electricity from renewable and alternative sources does not mean federal policy should focus on it at the expense of oil and gas, she continued.

"While tens of thousands of jobs may be created by the development of alternative energy sources, hundreds of thousands of jobs in Louisiana and along the Gulf Coast will be negatively affected if OCS oil and gas production is not aggressively continued. Orderly development of energy should be as fuel-neutral as possible," Sawyer said.

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Role seen for integrations as national oil firms grow more dominant

National oil companies will become increasingly dominant, but will need to work with investor-owned integrated firms, panelists said during the US Energy Information Administration's 2009 annual conference on Apr. 7.

"Even though national oil companies' resource bases continue to grow, they have different priorities. We don't expect integrated oil companies to go away, but we do see them supplying the talent necessary to produce from increasingly difficult formations," said David Knapp, senior editor of global oil markets at the Energy Intelligence Group.

Growth of national oil companies will make it harder to predict supply trends because of their different priorities, observed Eduardo Gonzalez-Pier, executive advisor to the director general of Petroleos Mexicanos (Pemex), Mexico's national oil company.

"As fields grow mature and become more difficult to produce, national oil companies will have to work more closely with service companies and integrated oil companies. That poses a particular challenge in Mexico because of its view of oil as a national resource," he said.

While national oil companies unsuccessfully tried to work with service companies before returning to integrated oil companies as partners, integrations also are finding that strong national oil companies are their most effective partners, according to Fared Mohamedi, a partner at PFC Energy.

He predicted that the Organization of Petroleum Exporting Countries may struggle to keep up with world demand. "For us, demand destruction has shifted the day of reckoning by about two years," he said.

Panelists agreed that national oil companies which have adopted more straight-forward business models are doing better than those which have had to follow political agendas. They said that Brazil is doing better than Venezuela and Bolivia, and that Malaysia's Petronas has successfully adopted an industrial approach which is helping it prosper while meeting national goals.

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Salazar makes renewable energy specialist deputy assistant lands secretary

US Interior Secretary Ken Salazar named Ned Farquhar, a senior advisor on energy and the environment to New Mexico Gov. Bill Richardson from 2003 to 2006, deputy US Interior secretary for land and minerals management on Apr. 7.

Farquhar most recently was senior advocate for Mountain West energy and climate with the Natural Resources Defense Council in Albuquerque. Since 2006, he has developed strategies for the Western Regional Climate Initiative, which incorporates seven US states and four Canadian provinces and supports renewable energy development throughout the West.

While working as Richardson's advisor, Farquhar worked with cabinet members to develop legislation, executive orders and communications on climate change, renewable energy, energy efficiency, land management and energy development. He represented the governor at the Western Governors' Association, designing and implementing Richardson's clean and diversified energy program for the WGA.

"Ned's extensive natural resource policy experience and expertise with renewable energy production and transmission make him well-qualified to help us create energy-related jobs here in America, protect our national security and confront the danger of climate change," Salazar said.

As deputy assistant secretary at the US Department of the Interior, Farquhar will assist the assistant secretary for land and minerals management in establishing policies and providing oversight to the US Bureau of Land Management, Minerals Management Service and Office of Surface Mining Reclamation and Enforcement. His appointment does not require congressional confirmation.

Before joining Richardson's staff, Farquhar was program officer for western lands at the David and Lucile Packard Foundation in Los Altos, Calif. He holds a master's degree in geography from Cambridge University in England and a bachelor of arts

degree from Middlebury College in Vermont.

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US sues BP Exploration Alaska over 2006 North Slope crude oil spills

The United States sued BP Exploration Alaska Inc. for allegedly violating federal clean air and water laws, the US Departments of Justice and Transportation and Environmental Protection Agency said on Mar. 31.

The civil complaint, which DOJ filed in federal court in Anchorage, alleges that the company it illegally discharged more than 200,000 gallons of crude oil onto Alaska's North Slope during the spring and summer of 2006.

It said that the BP America Inc. subsidiary failed to prepare and implement spill prevention, countermeasure and control plans in accordance with good engineering practices, and did not implement spill prevention measures pursuant to the federal Clean Water Act.

The complaint also said that BP Exploration Alaska violated the Clean Air Act by improperly removing asbestos-containing materials from its pipelines and failed to comply in a timely manner with a corrective action order which DOT's Pipeline and Hazardous Materials Safety Administration issued pursuant to federal pipeline safety laws. PHMSA's order required the company to conduct certain testing, inspection, maintenance and repair activities, DOJ said.

It said that the suit asks the court to order BP Exploration Alaska to take all appropriate actions to prevent spills in the future, including systematically inspecting its pipelines and associated facilities for corrosion. DOJ said that the government also is seeking civil penalties up to the maximum amount authorized by law.

The action follows BP Exploration Alaska's guilty plea on Nov. 29, 2007, to one count of criminal negligent discharge of oil into US waters in violation of the Clean Water Act, DOJ said.

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Colorado firm uses heater cable for underground shale oil recovery

A technology as simple as an advanced heater cable may hold the key to tapping vast US oil shale resources without mining, the US Department of Energy's Fossil Energy Office said on Mar. 31.

Composite Technology Development Inc., a Lafayette, Colo., engineering and technology development company, successfully demonstrated the application of a ceramic-composite insulated cable for oil shale recovery deep underground, DOE said. The small business innovation research project through the Fossil Energy Office's oil and gas program employed 25 professionals and resulted in two patent applications, it added.

"With DOE's support over two phases of this project, CTD has demonstrated a way to tap into the western oil shale resources. With two-thirds of the world's supply of oil shale in the United States, technologies such as this can go a long way toward bolstering the development of our domestic energy resources, creating jobs and supporting energy security," said Victor K. Der, acting assistant US energy secretary for fossil energy.

DOE said that CTD researchers tested its cable for 5,000 continuous hours at temperatures from 760 to 850 degrees Celsius. During the tests, the cable overcame many limitations of existing cables including conductor instability, moisture-induced degradation and operating temperatures too limited to recover shale oil underground. The project was managed by DOE's National Energy Technology Laboratory.

CTD's successful test of its heater cable holds promise for in-situ heating of the shale oil to a depth of 5,000 feet, separating the kerogen without having to mine the rock, DOE said. If future underground tests of the cable succeed, operators should be able to extract a petroleum-like liquid that is fluid enough to be pumped to the surface, it said.

The process could cut shale oil recovery costs in half and address environmental impacts by eliminating mining and part of the large-scale processing associated with current oil shale technology, according to DOE.

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Senate rejects bid to expand federal OCS revenue sharing beyond Gulf

The US Senate rejected an effort on Apr. 2 to extend federal Outer Continental Shelf revenue sharing beyond the US Gulf Coast to other coastal states and communities by 61 to 36 votes.

The vote on the proposed amendment to the fiscal 2010 budget, which the Senate subsequently passed by 55 to 43 votes, indicated that senators weren't yet ready to adopt the revenue-sharing formula for future federal OCS oil and gas activity

outside the Gulf of Mexico.

"I have always found the thought of taking revenue from the OCS, which is owned by all Americans and which is not part of a state, and dedicated the revenue to just a handful of states to be unfair. To make additional OCS revenue sharing budget-neutral, we would have to either raise taxes on all American or cut worthwhile programs. That makes this proposal even more unpalatable to me and my colleagues," Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) said following the amendment's defeat.

Sen. Mary L. Landrieu (D-La.), who sponsored the amendment with Sen. Mark Begich (D-Alas.), said that it was important that OCS revenue was shared equitably and fairly not only with the US Treasury but also with states and local governments which provide operating bases for offshore oil and gas development.

She said that the amendment would set aside 50% of future OCS revenue in the manner established for Texas, Louisiana, Mississippi and Alabama under the 2006 Gulf of Mexico Energy Security Act. The law mandated that some of the money would go to the Land and Water Conservation Fund and to energy research as well as to state and local governments directly feeling OCS development impacts.

"This amendment does not say where we are going to drill. It does not authorize drilling. It says when those decisions are made that the revenue should be shared with state and local governments appropriately, to enter into strong, reliable and mutually beneficial partnerships for increased drilling domestically," Landrieu said.

But Senate Finance Committee Chairman Max Baucus (D-Mont.) said that the proposal would have significant consequences for all states. "A very small number, a handful, will get a windfall. All of the rest of the states will have money raised from mineral leasing royalties not go to them at all," he said. The proposed amendment also would set the stage for a \$110 billion tax increase because it was a revenue-neutral provision requiring an offset for money paid to coastal states, he continued.

Senate Budget Committee Chairman Kent Conrad (D-ND) suggested that Landrieu probably would propose the idea again. "Or thing I have learned about the senator from Louisiana: She is persistent with a capital 'P.' If I wanted someone to represent me here in this capitol to get a result, I would pick her because never have I seen someone more indefatigable in defense of their state, and I mean that with the highest praise," he said.

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DOE-funded research finds way to differentiate groundwater, CBM-produced water

Federally funded research has found a way to distinguish groundwater from produced water associated with coalbed methane the US Department of Energy's Fossil Energy Office said on Mar. 26.

It said that in a recently completed study underwritten by the office's oil and gas program, University of Wyoming researchers used the isotopic carbon-13 to carbon-12 ratio to address environmental issues associated with CBM-produced water.

The research resulted in a patent application for this unique use of the ratio, DOE said. It said that another benefit of the project, which its National Energy Technology Laboratory managed for DOE's fossil energy office, was the creation of 27 jobs over the project's more than two years of operation.

Co-mingling of groundwater and CBM-produced water has placed environmental limits on recovering gas and limit the nation's ability to make full use of its domestic energy resources, according to Victor K. Der, DOE's acting assistant secretary for fossil energy. "The University of Wyoming's success provides a technical opportunity to drill new wells in Wyoming and Montana while monitoring the quality and quantity of water at the well sites and protecting freshwater resources," he said.

DOE said that dealing with co-produced water has been a difficult issue for researchers seeking the best way to recover gas in Wyoming's Powder River Basin. The issue is significant because the number of CBM wells there increased more than 50% from 18,077 in December 2004 to 27,280 in November 2008, it said.

It said that to produce gas from CBM wells, producers first must pump out some of the water that is naturally contained in the gas-bearing coal seams. The large volume of these waters presents a major challenge and has led researchers to examine the potential impacts and beneficial uses, it indicated.

UW researchers used stable isotopic tracers, along with available water quality data to look at three separate issues in the Powder River Basin, according to DOE. It said that they monitored the infiltration and dispersion of CBM-produced water into shallower sub-surface areas, and then determined locations where coal seams are isolated from adjacent aquifers and producer water was limited to coal. Researchers then evaluated the information provided by isotopic analyses of carbon, oxygen and hydrogen in the produced water, it said.

DOE said that the research indicated that the concentration of dissolved inorganic carbon and the isotopic carbon-13 to carbon-12 ratio are effective tracers in distinguishing groundwater from produced water.

It said that the discovery holds promise that different concentrations of dissolved inorganic carbon and isotopic ratios can be

used to monitor the infiltration of produced water into streams and groundwater over a long period. The method also can be used to reduce the amount of produced water, it added.

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DOJ charges six former valve company officials with bribery conspiracy

The US Department of Justice charged six former executives of a Southern California valve manufacturer in connection with a conspiracy to bribe foreign government officials to secure contracts, DOJ officials said on Apr. 8.

They said that the contracts resulted in \$46.5 million of profits for the company, which was not identified beyond being based in Orange County, Calif. The indictment said that the six defendants, including the company's former chief executive, its former worldwide sales director and former worldwide customer service director and three regional sales directors, were involved in the alleged bribery conspiracy from 1998 through 2007.

It said that payments were made to officials of China Petroleum Materials and Equipment Corp., PetroChina, China National Offshore Oil Corp., the Malaysian national oil company Petronas, and National Petroleum Construction Co., which is based in the United Arab Emirates, as well as to several electricity and nuclear power firms in violation of the Foreign Corrupt Practices Act.

Named in the indictment were former chief executive Stuart Carson, former worldwide sales director Paul Cosgrove, former worldwide customer service director David Edmonds, and former regional sales directors Hong (Rose) Carson (China and Taiwan), Han Yong Kim (Korea) and Flavio Ricotti (Europe, Africa and the Middle East).

The six defendants and others allegedly caused the valve company to make 236 corrupt payments in more than 30 countries from 2003 through 2007, according to the indictment. Two other former officials of the valve company previously pleaded guilty in related cases, DOJ said.

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Ample domestic gas supplies pose challenge, panelists say at EIA conference

US natural gas supplies are sufficiently ample that prices should continue in the \$4-6/Mcf range for the near term, market observers said during the US Energy Information Administration's 2009 annual conference on Apr. 7.

"Any perception that domestic supplies could run short is wrong, especially with the growth of hydraulic fracturing. Instead, we're in a much more difficult period of determining how and when this impressive national asset can be developed. The industry must develop a simple, incisive message," said Rick Smead, a director at Navigant Consulting Inc.

Demand for gas to generate electricity could grow if the Obama administration exerts pressure through the US Environmental Protection Agency to close older coal-fired power plants in an effort to reduce carbon emissions, other panelists suggested.

"There's a lot of schizophrenia driving natural gas. There's a push for renewables that may create some demand. There also are several pro-gas people in the administration, and still others who would like to regulate hydraulic fracturing under the Clean Water Act," said Christine Tezak, an independent consultant who formerly was with the Stanford Companies.

"It could not be more serendipitous for the Obama administration to have prices around \$4 because it makes it easier to switch if pressure builds to shut some coal-fired generation down," she added.

Demand for gas to provide backup supplies to intermittent power sources such as wind and solar also could grow, according to Brian Jefferies, executive director of the Wyoming Pipeline Authority. He suggested that states with extensive oil and gas production experience could compete aggressively to develop policies to encourage gas production from shales.

"There is a lot more gas supply than demand. From 2005 to 2008, we added more deliverability than all the oil we import from Saudi Arabia," said James Simpson, vice president of analytics and managing director at Bentek Energy LLC.

In the Haynesville shale play, technology is making gas which was budgeted at \$7/Mcf producible at \$4, he added. "Now, for the first time, the industry can ramp up and down in fairly small increments," he said.

Other panelists suggested that additional liquefied natural gas could reach US markets despite low prices because of falling demand in Europe and Asia. But they were skeptical that economics would justify building a gas pipeline from Alaska's North Slope to the Lower 48 states any time soon, although some said demand for gas within the state could lead to construction of pipelines there.

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