



Nick Snow, Editor Telephone (703) 533-1552 E-Mail nicks@pennwell.com

In this week's issue - May 8, 2009

Capital Commentary

[Expanding Iran sanctions to foreign refined product suppliers \(May 8, 2009\)](#)

Update

[Obama keeps new oil and gas taxes in his final 2010 federal budget \(May 8, 2009\)](#)

[Saudi Aramco to stick with investment program, output rate, CEO says \(May 8, 2009\)](#)

[EPA proposes new renewable fuels rules as part of Obama biofuels push \(May 8, 2009\)](#)

[House members revive bill to expand OCS activity with new wrinkle \(May 8, 2009\)](#)

Duly Noted

['Increased access to OCS gas will provide a badly-needed boost' \(May 8, 2009\)](#)

On the Horizon

[Senate panel plans hearing on refined products reserve \(May 8, 2009\)](#)

Other Headlines

[Independent producers launch Project BRIEF as public education effort \(May 8, 2009\)](#)

[Former DOI IG chosen as assistant secretary for land and minerals \(May 8, 2009\)](#)

[EPA fines four Oklahoma producers for violating spill control rules \(May 8, 2009\)](#)

[NGSA seeks minor adjustment in FERC gas pipeline flow posting rules \(May 8, 2009\)](#)

[MMS signs cooperative agreement with Norwegian Petroleum Directorate \(May 8, 2009\)](#)

[Other Stories](#) | [Past Weeks](#)

 [Print this issue](#)

Expanding Iran sanctions to foreign refined product suppliers

US trade sanctions have applied to Iran since 1996. One goal of denying that country's national oil company access to American goods, services and technology has been to punish its government for allegedly trying to gain nuclear weapons.

Several members of Congress now want the US to be ready to turn up the heat. They've introduced bills in the House and Senate which would bar foreign suppliers of refined products to Iran from effectively doing business in the United States.

HR 2194, which Rep. Howard L. Berman (D-Calif.) introduced on Apr. 30, also would apply to any non-US firm which finances, brokers, underwrites or provides ships to help Iran import refined products. It also would apply to any foreign entity which provides goods and services for Iran's refining industry.

The country's limited refining capacity makes it necessary for it to import 25% of the petroleum products it consumes, according to Berman, who chairs the House Foreign Affairs Committee. Without these imports, much of the country's national economy would grind to a halt, he maintained.

Won't move immediately

Berman said he doesn't plan to start his bill, which has six Democratic and Republican cosponsors, on its way through the legislative process soon because he fully supports the Obama administration's strategy of direct diplomatic strategy with Iran.

"However, should engagement with Iran not yield the desired results in a reasonable period of time, we will have no choice but to press forward with additional sanctions, such as those contained in this bill, that could truly cripple the Iranian economy," he continued.

Berman introduced his bill one day after Sen. Evan Bayh (D-Ind.) introduced a similar measure on the other side of the US Capitol. Bayh said that his bill, S. 908, was designed to give US President Barack H. Obama another diplomatic tool to keep Iran from getting nuclear weapons.

"This bill gives the president the express authority to target the regime's Achilles heel," said Minority Whip Jon Kyl (R-Ariz.), one of S. 908's 24 Democratic and Republican cosponsors.

'Give them a choice'

"We know who these companies are (Shell, Vito, BP, and Reliance) and we need to give them a choice: You can do business with Iran's \$250 billion economy or our \$13 trillion economy, but not both," he continued.

Mark Dubowitz, executive director of the Foundation for Defense of Democracies in Washington, said on May 1 that the bills sent a strong message that Iran's nuclear weapons program won't be tolerated.

"Like Chairman Berman, we all hope the regime will see the light and that this legislation will not be needed. Congress recognizes that diplomacy is more likely to succeed if Iran's leaders understand that they will face dire consequences if they press ahead with their illegal nuclear program," he said.

But the bills probably are more symbolic than substantive since two of the multi-national companies Kyl mentioned, BP and Shell, have US subsidiaries with a significant part of this country's refining capacity.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

Obama keeps new oil and gas taxes in his final 2010 federal budget

US President Barack H. Obama released his final fiscal 2010 federal budget on May 7. It included \$31.5 billion of new oil and gas taxes over nine years which were part of the original request he submitted to Congress in February.

Collections would begin in fiscal 2011. The White House projects that through 2019, revenue would total \$13.3 billion from denying oil and gas companies the tax deduction available to other US manufacturers, \$8.3 billion from repealing the percentage depletion allowance, and \$5.3 billion from placing an excise tax on new Gulf of Mexico production.

Another \$3.3 billion would come from repealing expensing of intangible drilling costs, \$1.2 billion from increasing independent producers' geophysical and geological amortization period to seven from five years, \$62 million from repealing the tertiary injectants deduction, and \$49 million from repealing the passive loss exception for interests in oil and gas properties.

It also repeals the enhanced oil recovery credit and marginal oil and gas well tax credit. OMB did not list revenues from either of these actions, probably because of price thresholds.

The budget also reinstates superfund taxes, which the White House Office of Management and Budget projects would raise \$6.7 billion from 2011 through 2019. It establishes fees on non-producing federal leases (the so-called "use it or lose

it" concept) and reinstates permit fees which the 2005 Energy Policy Act prohibited at the US Department of the Interior. OMB projects \$574 million of revenue in the 2011-19 period from the first action and \$171 million from the second.

A lobbyist said that only the tax on new Gulf of Mexico production remains in play. "Everything else looks final," he told *OGJ Washington Pulse*.

'Punishes gas production'

The new taxes and other provisions in the budget will make it more difficult to develop domestic energy, Independent Petroleum Association of America President Barry Russell said. "This budget does not recognize that in order to decrease our reliance on foreign oil, we need to increase our own American supplies of natural gas and oil. It also punishes American gas production, which could play a lead role in climate change discussions as our abundant, affordable clean-burning energy source," he maintained.

"From repealing existing tax provisions that encourage American production to new excise taxes on offshore production to new user fees that will go to pay for an already complex and costly permit process, this budget takes our natural resources and puts them further out of reach," Russell said.

Natural Gas Supply Association President R. Skip Horvath said that Obama's budget was bad news for American consumers and worse news for American jobs. "People don't appreciate how big the gas industry is in this country. Four million Americans depend on domestic gas for their livelihoods, both those who work directly in the industry as well as those in second jobs, such as steel and concrete, and retailing," he said.

He said that it was too soon to say definitively how many jobs would be lost, "but just a 10% decrease in direct natural gas jobs could wipe out the beneficial effects of a doubling of wind and solar jobs.

'Basic misunderstanding'

"Tax policies directly impact the decisions that are made regarding drilling, especially for smaller companies. More importantly, over 80% of the gas in the US is actually produced in this country. We are troubled that this administration has such a basic misunderstanding of how domestic gas markets will be impacted," said Horvath.

Marc Smith, executive director of the Independent Petroleum Association of Mountain States in Denver, found the White House's assertion in its budget that the oil and gas industry has tax loopholes absurd.

"The president's budget repeals the expensing of intangible drilling costs (IDCs), which are costs similar to those that all other manufacturing and production industries can expense. Without IDCs, the domestic gas industry would further contract and capital which otherwise would be reinvested in American energy would be reduced by 30-50%," he said on May 7.

"These tax increases will render many natural gas projects in the Rocky Mountain region uneconomic at today's prices, and will have the perverse effect of destroying thousands of green jobs that already exist in the natural gas industry," Smith warned.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

Saudi Aramco to stick with investment program, output rate, CEO says

Saudi Arabia's national oil company is feeling the impact of lower prices, but does not plan to change its spending plans or production levels, its chief executive said on May 6.

"We were expecting to produce around 10 million bbl a day at this time and now are producing about 8 million b/d. We're not seeing any imminent increase in production because we're not seeing any imminent increase in demand. But we continue to invest along the petroleum value chain because we expect high demand to return," Khalid A. al-Falih said.

"We're somewhat concerned because other oil producing countries aren't continuing to invest at the same time because prices are low. At the same time, however, lower prices encourage economic recovery," he said during an appearance at

the Center for Strategic and International Studies.

Saudi Aramco's CEO noted that the company will put in place another 12 million b/d of oil production capacity in a few more weeks when it completes its Khurais oilfield program. Its goal is to raise proven reserves within Saudi Arabia from 700 billion bbl to 900 billion bbl and its average recovery rate from 50% to 70%. The additional production will be both light and heavy crudes, including one onshore-offshore field which it expects to produce 900,000 b/d when it comes on-stream, he said.

'World looks to us'

"When there is underinvestment in other producing countries, the world looks to us. There are plenty of resources outside of the Kingdom and we believe they should be produced. We're technically capable of producing much more, but the government will need to decide if we need to go much above 12 million b/d. We think the optimum would be to stretch our resources out for as long as we can," Falih said.

Saudi Aramco's investments include developing an "intelligent" field to maximize recovery; futuristic devices such as "res-bots," tiny robots inserted into reservoirs to continuously report conditions; carbon capture and storage, and pre-refining crude desulfurization, he continued. "All of these efforts will reduce environmental impacts while building on our experience with proven technologies and practices in a worldwide market," he said.

With current low prices discouraging investments already, Falih warned that governments talking too much about incentives for research and developing alternatives would only increase uncertainty in capital markets. He said that a more pragmatic approach would be to improve proven fuel sources, complemented by growing R&D on alternatives.

"I think it would very risky to bet the farm on unproven new energy technologies. Continuing to use conventional energy resources does not mean continuing to do business as we have, however. Environmental issues must be addressed, starting with carbon," he said.

Unrealistic targets

He said that he expects refining to change as biofuels are developed. "We don't believe some biofuel targets are realistic, but some gasoline crack spreads have been affected. We believe new refining configurations will emphasize distillates. We also expect bunker fuels and heavier products to be phased out gradually. Over time, the industry will adjust," Falih said.

He said that he believes it would be more appropriate for US policymakers to talk less about energy independence and more about energy security. "We believe the United States can increase its energy security by increasing its energy interdependence. That may seem like a contradiction, but the US already has diverse sources. I also believe it's appropriate for the US to start developing alternative technologies now, but it needs to be prudent because conventional fuels still will be needed to meet growing demand," he said.

"Within the foreseeable future, we're not adjusting our investments based on any discussions in Washington. Other producing countries might, such as Canada with its oil sands. The United States will also need to consider producing more of its domestic resources, although some of them are in parts of the country where oil is viewed as evil. That issue should be addressed because all of us here know that oil is not evil," Falih continued.

He suggested that additional government regulation of financial markets may be necessary after crude oil prices spiked in 2008. "We're in the minority on what happened, at least publicly. We felt the market was well-supplied. At the same time, we were on the phone literally begging our customers to take more barrels to reduce pressure on prices. We continue to believe that speculators drove the increase a perception that supplies were tight. We found this odd since we had so much spare inventories and production capacity," he said.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

EPA proposes new renewable fuels rules as part of Obama biofuels push

The US Environmental Protection Agency issued proposed new renewable fuels regulations for 2010 and beyond on May 5 as part of a broader Obama administration initiative.

US President Barack H. Obama also issued a directive forming a biofuels inter-agency working group to be chaired by Agriculture Secretary Tom Vilsack, Energy Secretary Steven Chu, and Environmental Protection Agency Administrator Lisa P. Jackson. The president also announced that another \$786.5 million from the recently enacted federal recovery and reinvestment act will be available for biofuels research and development and for biofuel refineries.

The new renewable fuels regulations were outlined in a proposed rulemaking notice on the Renewable Fuel Standard. They outline EPA's strategy for increasing the supply of renewable fuels as mandated by the 2007 Energy Independence and Security Act. EPA would establish four renewable fuels categories (cellulosic biofuels, biomass-based diesel, advanced biofuels, and total renewable fuel).

The proposal would require 36 billion gal of renewable fuels be produced annually, 16 billion gal of which would have to be cellulosic biofuels and 1 billion gal of which would have to be biomass-based diesel. At the most, 15 billion gal of the renewable fuel mandate could be met by corn-based ethanol and other conventional biofuels.

Comparable reductions

For the first time, some renewable fuels would have to achieve greenhouse gas reductions comparable to the gasoline and diesel fuel they displace. Refiners would have to meet the requirements to receive credit toward meeting the new standards, according to EPA. It said that thresholds for new categories would be 20% less GHG emissions for renewable fuels produced from new facilities, 50% less for biomass and advanced biofuels, and 60% less for cellulosic biofuels.

The proposed regulations also would address the greenhouse gas lifecycle issue for the first time. If adopted, EPA would solicit peer review analysis of methods to measure various fuels and feedstock combinations' GHG impacts, including indirect emissions from land use changes, before implementation.

Lifecycle emissions include emissions from growing, harvesting, and transporting the biomass and from producing and transporting the fuel, according to the US Department of Energy's Energy Efficiency and Renewable Energy Office.

"With land use changes included, EPA proposed to allow only the five most sustainable process pathways for producing ethanol from corn starch to qualify as renewable fuels, while ethanol produced from sugar in a biomass-fueled facility can qualify as an advanced biofuel. Likewise, biodiesel from virgin plant oils qualifies as a renewable fuel, while biodiesel can qualify as an advanced biofuel," EERE said in a May 6 newsletter posted at its website.

EPA will accept public comments on the proposed regulations, which it expects to put into effect on Jan. 1, 2010, for 60 days following their publication in the *Federal Register*. Several groups and individuals responded immediately.

'Questions unresolved'

National Petrochemical and Refiners Association President Charles T. Drevna said that while the trade group plans to comment more specifically, "the questions of commercial viability, product liability, and the lack of adequate scientific review with regard to mandated increase quantities of ethanol remain unresolved.

"We hope more light will be shed on these problems during the comment period, and trust that EPA will seriously and transparently consider the concerns raised by fuel, public health, environmental and engine manufacturing interests as it proceeds toward finalizing guidelines for RFS implementation," he continued.

Renewable Fuels Association President Bob Dineen said that the fuel ethanol trade association welcomes debate on indirect GHG impacts. "The science of market-mandated, secondary impacts is very young and needs more reliance on verifiable data and less reliance on unproven assumptions. Done correctly, such an analysis will demonstrate a significant carbon benefit is achieved through the use of ethanol from all sources," he said.

Steffen Mueller, principal research economist at the University of Illinois at Chicago's Energy Resources Center, said that he was encouraged by EPA's announcement that its treatment of indirect land use would be subject to scientific review. "Based on the limited body of science that exists, our land use studies, and our most recent work on satellite imaging used to assess land use impact, it is clear that additional time is required before indirect land use rules can be applied with any certainty," he said.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

House members revive bill to expand OCS activity with new wrinkle

US House members who tried to legislatively repeal offshore drilling bans in previous sessions introduced a bill on May 4 to restore a five-year Outer Continental Shelf plan which US Interior Secretary Ken Salazar has delayed.

Rep. Tim Murphy (R-Pa.) sponsored the bill, HR 2227, with Neil Abercrombie (D-Ha.), Shelley Moore Capito (R-W.Va.), Jim Costa (D-Calif.), Joe Wilson (R-SC), Timothy J. Walz (D-Minn.) and Lee Terry (R-Neb.) as cosponsors. It was immediately referred to the Natural Resources Committee.

Salazar announced on Feb. 10 that he would delay implementation for six months of a five-year OCS plan for 2010-15 which his predecessor, Dirk A. Kempthorne, launched the previous summer in response to record retail gasoline prices.

The current secretary said that he wanted the plan to include alternative and renewable energy sources. He ordered the US Geological Survey and US Minerals Management Service to prepare an evaluation of US offshore conventional and alternative resource potential, and held four public meetings to receive additional comments.

HR 2227's proposed offshore leasing provisions also provide jurisdiction for state royalty payments over a wider area by extending coastal states' boundaries to a uniform 12 miles from three miles. It would repeal the 125-mile moratorium on oil and gas production in the eastern Gulf of Mexico, establish an expedited inventory of offshore energy resources, and mandate procedures to expedite judicial reviews of oil and gas leases.

Other provisions

The bill also would prohibit surface occupancy within 10 miles of the shoreline and permanent surface occupancy within 20 miles. It would open offshore resources 20 miles and further out, and mandate mitigation of offshore facilities on coastal vistas. It would mandate federal agency coordination with adjacent states on construction of pipelines to move oil and gas from the OCS. The Interior secretary also would have to coordinate leasing with the US Defense secretary and refer any unresolved issues to the president for an immediate decision.

It also contains provisions to share OCS oil and gas revenues, including 30% to states directly affected by activity, 20% to pay for alternative energy and conservation tax incentives, 10% for clean coal technology development, 10% for environmental restoration, 10% for the general federal treasury, 8% for conservation programs, 5% for carbon-free technology including nuclear power, 5% for water programs, and 2% for low-income home energy assistance.

Its second title would modify the Strategic Petroleum Reserve to reflect current refining capabilities by exchanging 70 million bbl, or 10% of its content, and dedicating the projected \$400 million of proceeds to existing conservation, assistance, and energy research and development programs.

The bill's third title would extend alternative and renewable energy tax credits to 2019, while its fourth would encourage development of electricity-powered motor vehicles.

Murphy, the bill's sponsor, said that he and Abercrombie met regularly with other cosponsors over several weeks to develop a comprehensive energy bill. "This legislation will be paid for: Developing our own resource will bring an estimated \$2.2-3.7trillion in federal revenue," he said on May 5.

'Begin the path'

"With this bill, we truly begin the path toward a clean energy future by investing in clean energy, creating US jobs immediately and long into the future, and cleaning the environment, all without raising taxes," he continued.

Wilson said the bill was particularly important to South Carolina because it contains provisions to expand and develop nuclear power. Additionally, a sizable portion of the royalties and revenues garnered from offshore oil and natural gas exploration will be returned to the coastal states; and the tourism and hospitality industry that is so vital to our coastal communities will not be adversely affected because all off-shore activity will take place far beyond the line of sight," he said.

"Once again this group has demonstrated that bipartisan, or non-partisan, consensus on energy doesn't have to be out of reach. The American people have asked for common-sense, bipartisan solutions, and with this bill that's exactly what they

will get," said Capito.

American Petroleum Institute President Jack N. Gerard reacted favorably to the bill's introduction, calling it a step in the right direction.

"This bipartisan bill recognizes the importance of increased access to offshore oil and natural gas resources not only to our nation's economy, in terms of generating federal, state and local revenues and new well-paying jobs, but also to America's energy security," he said.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

'Increased access to OCS gas will provide a badly-needed boost'

Keith McCoy, vice president for energy and resources policy at the National Association of Manufacturers, on May 6 after US Reps. Tim Murphy (R-Pa.), Neil Abercrombie (D-Oh.) and other Democratic and Republican House members introduced legislation to accelerate oil and gas activity on the Outer Continental Shelf:

"This critical bill will not only expand development of the OCS, but also provide a revenue sharing scheme that will help fund carbon capture and sequestration projects and nuclear loan guarantees. This country can address its fiscal and energy challenges by expanding access to a diverse array of domestic energy sources. We must take every opportunity to tap America's own abundant energy resources to reduce our dependence on foreign oil and create jobs.

"Increased access to OCS natural gas will provide a badly-needed boost to manufacturing that is struggling in the weak economy. For many key manufacturing industries, such as plastics and chemicals, gas is both a feedstock and a source of energy. Expanded access to gas on the OCS will spur job creation and must be a key part of any viable energy policy.

"Reps. Murphy and Abercrombie and their colleagues on both sides of the aisle have demonstrated their commitment to increasing domestic energy supplies and lower America's energy bill with their latest proposal. They recognize the contribution that development of 420 trillion cubic feet of gas on the OCS, which is enough to heat 100 million American homes for five years, will make toward energy independence and economic growth."

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

Senate panel plans hearing on refined products reserve

May 12: The US Senate Energy and Natural Resources Committee will hold a hearing on S. 267, which would create a refined oil products reserve of at least 30 million bbl of transportation fuels such as gasoline and diesel as part of the Strategic Petroleum Reserve. The bill, which the committee's chairman, Jeff Bingaman (D-NM), introduced on May 5, also would give the US Energy secretary authority to order an SPR drawdown, a decision that currently rests with the president. The hearing will be held at 2:30 p.m. in Room 366 of the Dirksen Senate Office Building.

Why it matters: When he introduced his bill, Bingaman noted that when the SPR originally was set up in the 1970s, the United States was vulnerable to oil supply disruptions because its crude oil imports were growing. The country had ample refining capacity and did not import large volumes of gasoline, diesel or other oil products so SPR managers decided to stockpile only crude.

Recently, severe weather, more than foreign disruptions, have pinched US oil supplies. In the wake of Hurricanes Katrina and Rita in 2006, the nation had plenty of crude in the SPR, but parts of the country ran short of refined products because the storms knocked out Gulf Coast refineries.

"While we are more dependent on imported crude oil than ever before, we also import more refined petroleum products. When U.S. refinery operations are disrupted, imported products from other countries are required to fill the gap. This legislation would provide a needed cushion while damaged infrastructure is repaired," Bingaman said.

Similar proposals have been greeted with skepticism in the past because stored refined products can decompose more

quickly than crude oil. The United States established a northeastern heating oil reserve several years ago, which might provide an indication of how one for other oil products might work.

The provision moving the SPR drawdown authority to the Energy secretary from the president "would allow SPR policy decisions to be made closer to the oil markets that the SPR serves," according to the bill's fact sheet. That's a nice way of saying they might be less political.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

Independent producers launch Project BRIEF as public education effort

Enacting new federal regulations, especially related to hydraulic fracturing, could have disastrous economic consequences and increase US dependence on foreign oil, a coalition of US independent producers warned.

That was the conclusion of a new research initiative, Project BRIEF (for Bringing Real Information on Energy Forward), which the Independent Petroleum Association of America and several regional independent producers' associations launched on May 6.

Specifically, it found that potential new regulations being considered in Washington could force half of the country's oil wells and a third of its natural gas wells to close; cost the federal government \$4 billion and state governments \$785 million in revenue, and slash domestic oil production by 183,000 bbl a day and gas production by 245 billion cubic feet annually.

Proposals include requiring oil and gas producers to report to the federal Toxic Release Inventory, requiring wells using hydraulic fracturing to comply with underground injection control requirements, require that all wastes associated with development and production comply with "cradle-to-grave" hazardous waste provisions of the Resources Conservation and Recovery Act, and requiring storm water permits for all E&P operations.

The project has been in the works since last summer, OGJ has learned. Its studies describe the history and progress of effective state regulation of energy development, the federal government's proper role, and economic consequences of proposed changes.

Lee O. Fuller, IPAA's vice president of government relations, said that Project BRIEF's research is unprecedented and its findings are stark.

"Implementing new federal regulations that threaten domestic energy production and increase costs, without creating any additional environmental benefits, is the wrong policy course for the country and could cost thousands of hard-working Americans their jobs. That's the bottom line in the BRIEF reports, and the reason we've launched this public education initiative," he said.

The coalition of independents launched a new website, www.EnergyInDepth.org, to highlight Project BRIEF's findings and educate the public. Features include a virtual well site tour, interactive state-by-state map, and the worldwide web's most comprehensive energy library, the group said.

"Energy is the lifeblood of our economy and the fuel that sustains and creates good jobs here at home. The men and women who work for America's roughly 5,000 small and independent oil and gas producers are using 21st century technology to develop supplies safely, efficiently and effectively, as their long record of achievement illustrates," said Fuller.

"Policymakers and the American public need to get unvarnished facts and see firsthand the environmentally-sensible technology we have at our command today to produce energy safely. They'll get both, and more, with Energy in Depth," he said.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

Former DOI IG chosen as assistant secretary for land and minerals

US President Barack H. Obama plans to nominate Wilma A. Lewis, a former inspector general at the US Department of the Interior, as assistant Interior secretary for land and minerals management.

Lewis, who also was US attorney for the District of Columbia from 1998 to 2001, was IG at DOI from 1995 to 1998, where she managed a staff of 300 in 12 offices and conducted investigations and audits. More recently, she was managing associate general counsel at Freddie Mac from October 2007 to December 2008 and a partner in a private law firm, Crowell & Mooring from June 2001 to September 2007.

Interior Secretary Ken Salazar applauded Obama's selection when the president announced it on May 1. The secretary said that Lewis was well qualified because of her "extensive legal, law enforcement, and management experience; high ethical standards, and personal integrity."

DOI said that while Lewis was the department's IG, she initiated a fraud awareness program focused on educating DOI employees to recognize and report suspected fraudulent activity. She also launched several investigations, including one of alleged underpayment of royalties on federal leases.

Before becoming IG, she was an associate solicitor at DOI in charge of the division handling equal opportunity compliance, administrative law, personnel, torts, contracts, and ethics matters, according to DOI from 1993 to 1995. She graduated from Harvard Law School in 1981 and earned a bachelor's degree in political science from Swarthmore College in 1978.

As assistant secretary for lands and minerals management, she would oversee the US Bureau of Land Management and the US Minerals Management, the two DOI agencies most directly involved in federal oil and gas resource activities, as well as the Office of Surface Mining Reclamation and Enforcement.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

EPA fines four Oklahoma producers for violating spill control rules

The US Environmental Protection Agency fined four Oklahoma oil producers for violating federal spill prevention, control and countermeasure (SPCC) regulations.

Federal inspections in December and January of the four producers' oil production facilities found numerous violations, EPA's Dallas office said on May 5. For example, inspections and tests required under the Clean Water Act's SPCC regulations did not follow written procedures, and the producers did not schedule and conduct spill prevention briefings periodically, it said.

The inspections also revealed employees at the facilities did not have training in areas including operation and maintenance of equipment to prevent discharges; discharge procedure protocols; general facility operations; and applicable pollution control laws, rules and regulations, EPA said.

It said that the producers and their fines were Lewis Oil Properties of Ratliff City, \$1,800; Ronnie Gaskins Oil & Gas of Lawton, \$900; N&N Oil Co. of Duncan, \$750; and Red Earth Oil and Gas Inc. of Oklahoma City, \$700.

The producers certified that all identified deficiencies have been corrected as part of an expedited settlement agreement, EPA said.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

NGSA seeks minor adjustment in FERC gas pipeline flow posting rules

Calling it a small, but important, adjustment, the Natural Gas Supply Association asked the Federal Energy Regulatory Commission to slightly change gas pipeline flow posting requirements.

In an Apr. 30 filing, NGSA asked FERC to consider adopting a "sole-feed" exclusion. This would exempt major non-interstate gas pipelines from reporting if the pipeline has no, or very small volume end-users with total receipts of less than

15,000 million BTUs daily, or if the pipeline feeds into another major pipeline, the trade association said.

Taking this step would reduce the burden and cost of compliance for small-volume pipelines while continuing to provide clear information to regulators and the public, it added.

It said that FERC issued an order, No. 720, in November which requires certain non-interstate and interstate gas pipelines to post design capacity and daily scheduled gas flow information. The rule also imposed posting requirements on interstate gas pipelines which provide no-notice service.

Jenny Fordham, NGS's energy markets and government affairs director, said that the association believes FERC got the new reporting process "about 98% right" when it changed the pipeline reporting requirements last year.

"Our 'sole-feed' proposal would further simplify the process and capture the same data, just a few miles further downstream. A sole-feed exclusion is consistent with the commission's desire to establish rules that will increase transparency without additional cost," she said.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)

MMS signs cooperative agreement with Norwegian Petroleum Directorate

The US Minerals Management Service signed a memorandum of understanding with the Norwegian Petroleum Directorate, MMS announced on May 6.

The agreement's objectives are to establish and build relationships; promote cooperative resource management activities in exploration and production; promote the sharing of scientific and technical information, exploration and production strategies, and technical solutions; and conduct cooperative research studies, MMS and OPD officials said.

MMS Acting Director Walter D. Cruickshank and NPD Director General Bente Nyland signed the MOU. They said that the agreement will adhere to applicable US and Norwegian laws.

It complements an existing MOU between MMS and Norway's Petroleum Safety Authority, Cruickshank noted.

Contact Nick Snow at nicks@pennwell.com

[back to top](#)
