

# Eyes On Texas And Washington

## A publication of the Texas Alliance of Energy Producers March 14, 2011

### **Texas Supreme Court Affirms RRC Definition Of “Public Interest”**

The Texas Supreme Court overturned on March 11 a decision by the court of appeals and said that the lower court erred when it ruled that the Railroad Commission should take into consideration truck traffic when issuing injection well permits.

The Texas Alliance of Energy Producers supported the RRC’s position and its definition of “public interest” in granting injection well permits. The Texas Citizens for Safe Future and Clean Water opposed the injection well that was permitted in Wise County by Pioneer Exploration, Ltd.

Texas Citizens challenged Pioneer’s request for the injection well on the grounds that it was a threat to area residents who use the roads, and thus would not serve the “public interest.” The RRC granted Pioneer the injection well permit based on the fact that it did not have authority to regulate traffic on public roads, and the request for a permit met all of the requirements established in the Injection Well Act.

The Supreme Court agreed with the RRC that it does not have authority over traffic, and it should not be a consideration in determining “public interest.”

### **Congress Looks At Oil And Gas Federal Tax Issues**

*EDITOR’S NOTE: The following report came from the Domestic Energy Producers Alliance, which is conducting meetings in Washington on March 14-16.*

In an effort to recapture control over the budget debate, Sen. **Chuck Schumer**, D-N.Y., said on Wednesday that cuts in mandatory spending and wringing more revenue from the tax code should be part of any bipartisan deal for funding the remainder of the fiscal year.

“Blame in the current breakdown in budget negotiations rests with our failure to think big,” said Schumer, who heads the Senate Democrats’ policy and communications operations. “A bipartisan deal

will not be found in the domestic discretionary cuts alone. We must broaden the playing field. A solution will only come from putting other types of cuts as well as revenue enhancements on the table.”

Schumer cited as models the 1990 and 1993 budget agreements, which were about evenly divided between cuts in discretionary spending, cuts in mandatory programs and tax increases.

But if Schumer wanted to put Republicans on the defensive, GOP leaders were having none of it. They simply stepped up their complaints about a lack of leadership, grumbling that the lead White House negotiator -- Vice President Joe Biden -- isn't even in the country.

"Where's the president?" asked House Majority Leader **Eric Cantor**, R-Va. "Where are the Democrats in the Senate? We've not seen one proposal on the table from them."

The jockeying came just before the Senate was expected to vote Wednesday afternoon on rival GOP and Democratic bills to fund the government through the end of this fiscal year. The GOP proposal would cut \$57 billion from current spending, while the Democratic alternative would cut \$4.7 billion. Both options are expected to fail, but the votes could clear the way for negotiations on a compromise.

Ahead of the votes, several senators announced plans to oppose both plans. Sen. **Rand Paul**, R-Ky., indicated he would oppose the House GOP bill because it does not address entitlement spending. **Sens. Ben Nelson**, D-Neb., and **Claire McCaskill**, D-Mo., joined Sen. **Joe Manchin**, D-W.Va., in announcing they would oppose both proposals. "Both bills are dead and both deserve to be dead," Nelson said. "One cuts too little. The other cuts too much. Neither one is serious."

The government is currently operating on a stopgap funding measure that runs through March 18. Another short-term extension may be needed if an agreement for the remainder of fiscal 2011 cannot be reached by then, but Senate Democratic leaders have signaled opposition to another extension in an effort to keep the pressure on.

Schumer acknowledged that more discretionary cuts will likely be needed and pointed to possible cuts to the defense budget, such as reducing the number of contractors. He said that the move, recommended by Defense Secretary Robert Gates, would save \$2 billion a year for at least three years.

An example of mandatory spending that Schumer said could be cut is "outdated and ineffective agriculture subsidies." He also called for reining in costs in Medicare and Medicaid without reducing benefits, such as savings from changing the way drugs are purchased.

The tax code should also be on the table, he said, including subsidies for oil and gas exploration. "We could save \$40 billion in 10 years by closing eight separate tax loopholes ... including the manufacturing tax deduction."

Schumer railed against the GOP plan, which cuts funding for education, clean-energy investments, technology research and infrastructure, saying that the proposal amounts to "just eating our seed corn." He characterized the bill as being designed to satisfy a "very small, very ideological" segment of the

Republican party -- a reference to the 87 GOP House freshmen who pushed their leaders to propose even deeper cuts than planned.

Schumer also endorsed -- or at least saluted -- the "Gang of Six," senators from both parties who are pushing for a long-term deficit-reduction plan along the lines proposed by the cochairmen of President Obama's deficit commission. Their plan called for reducing deficits by \$4 trillion over 10 years through a broad mix of spending cuts, entitlement changes, and tax increases.

The Gang of Six has been led by Sens. **Mark Warner**, D-Va., and **Saxby Chambliss**, R-Ga. It also includes Senate Majority Whip **Dick Durbin**, D-Ill., and Sen. **Tom Coburn**, R-Okla.

"There is great potential for long-term deficit reduction in the gang of six negotiations," Schumer said. "But make no mistake about it: Its prospects depend greatly on what happens in the next two weeks on this year's budget. The two are related."

## IPAA Holds Callup To Washington

Nearly 70 IPAA members from across the country gathered in Washington D.C. last week for IPAA's annual Call-Up to Capitol Hill. Vastly increasing our reach from last year's successful efforts, the 2011 IPAA Call-Up resulted in meetings with more than 130 congressional offices over a period of just two days. This included meetings with 32 freshmen members of the House, 34 members of the House Natural Gas Caucus and seven full House committee chairmen. One of the primary messages IPAA members brought to Washington was to educate lawmakers about the dangerous national energy and economic consequences involved with the renewed call for dramatic industry tax hikes as proposed in President Obama's budget.

"People who come out of the real world and who can tell the real stories about how it [tax legislation] really impacts their business' are better able to convey the value of tax incentives or consequences of regulations....It's that color that often makes a difference with members of Congress," said Bruce Vincent, IPAA chairman and president of Swift Energy Co. in the *Houston Chronicle's* coverage of the event.

IPAA leadership and members met with an impressive list of congressional leadership during the week's meetings, receiving a warm response from nearly all offices, both Democrat and Republican. IPAA leadership took meetings at the Capitol with House Majority Leader **John Boehner** (R-OH), Senate Minority Leader **Mitch McConnell** (R-KY), Assistant Democratic Leader **James Clyburn** (D-SC) and House Ways and Means Committee Chairman **Dave Camp** (R-MI).

During the meetings, in addition to discussion of the tax proposals, IPAA members also spoke out against imposing new federal regulations on drilling techniques, such as hydraulic fracturing, and the regulatory challenges posed by the Environmental Protection Agency and the Department of Interior. Some IPAA members also touched on the importance of the commodity market structure and how

crucial the Commodity Futures Trading Commission rulemaking on the Dodd-Frank bill is to continue to allow independents the ability to finance their production and enable the work that drills 90 percent of the nation's wells. Other IPAA members talked about the importance of streamlining the permit process at the Bureau of Ocean Energy Management, Regulation and Enforcement to help get oil and gas employees back to work in the deepwater Gulf of Mexico.

Leading off the week's events, IPAA Chairman **Bruce Vincent** met with energy reporters from *Politico* and *Platts* on Monday to discuss the annual D.C. Call-Up and outlined the critical issues facing America's oil and natural gas producers that would be discussed with Congressional leaders. These issues included energy taxes, hydraulic fracturing, regulatory challenges, commodity markets and offshore policy. Vincent and IPAA Vice President of Government Relations Lee Fuller were also featured in the [Houston Chronicle](#).

Bruce appeared on E&E TV's "OnPoint" with Monica Trauzzi. He rebutted a couple of *New York Times* articles that ran the previous weekend and reported false information on hydraulic fracturing and wastewater discharge during oil and natural gas production, specifically in the Marcellus Shale in Pennsylvania. He also discussed the significance of natural gas and explained how this great American resource can create new jobs and generate revenue. He also stressed why it is so important to increase domestic oil supply to help strengthen national security and improve the balance of trade.

## Senator Inhofe Takes On EPA

Democrats continue to push for nearly \$50 billion in oil and gas taxes at a time when Middle East strife brings rising energy costs to renewed focus, said U.S. Sen. **Jim Inhofe**, R-Oklahoma. President Barack Obama's administration is using Environmental Protection Agency regulations to accomplish what it couldn't with failure to pass cap-and-trade legislation, Inhofe said over the weekend.

Inhofe is senior member of the Senate Environment and Public Works Committee. This committee has jurisdiction over the EPA and its regulations, he said.

Cap and trade is an environmental policy to lower emissions causing pollution, according to EPA scientists. Obama has placed cap and trade as key to his environmental agenda of reducing climate change. The government caps the limit of certain emissions that cause air pollution to reduce what many scientists say contributes to global warming.

"As you know I was the bad guy for eight years until people realized that frankly I was right and they were wrong," Inhofe told The Edmond Sun. "We won the fight. They don't have enough votes to get even close to passing a cap-and-trade."

Inhofe and Congressman **Fred Upton**, R-Mich., have proposed legislation to remove EPA's jurisdiction to regulate greenhouse gases. Restricting all greenhouse gases in the United States would not reduce the

CO2 greenhouse gases worldwide, he said.

“What it would do is to chase our jobs to other countries like China, India and Mexico where they don’t have any restrictions on emissions,” Inhofe said.

EPA wants more ozone regulations that Inhofe said would threaten Oklahoma County and 14 others with being out of attainment, he said. Being out of attainment threatens industry, he said.

“There’s no reason for them to have a new restriction on ozone because they’re using the old science from 2006,” Inhofe said. “... They’re trying to stop hydraulic fracturing.”

The EPA estimates that shale gas will make up more than 20 percent of the U.S. gas supply by 2020 due to economic and energy policy developments. But the EPA’s Science Advisory Board cited the expansion of hydraulic fracturing that has brought more concerns about its impact on drinking water resources and public health. Hydraulic fracturing uses water pressure to force gas out, Inhofe said.

“There has not been one documented case of ground water contamination because of that,” Inhofe said. “But their motive is to shut down getting gas in the United States.”

Inhofe said the U.S. could be energy independent on Canada, Mexico and itself if politicians would let the country develop its own resources. Hydraulic fracturing is a technology that has been in use since 1948, he said.

A recent Congressional Research Service report estimates that the U.S. has 167 billion barrels of recoverable oil, which is nearly eight times the amount most often cited by Democrats, Inhofe said.

The CRS report shows the combined volume of recoverable natural gas, oil and coal in the U.S. is greater than those of Saudi Arabia, China and Canada combined, Inhofe said.

“This doesn’t even count America’s immense oil shale and methane hydrates deposits,” Inhofe added.

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**You’re invited to attend the**

## **2011 Alliance Expo & Annual Meeting**

**April 26 & 27, 2011   Wichita Falls, Texas**

## April 26, 2011

- 7:00 am **Sandbaggers' Scramble Golf Tournament** – Wichita Falls Country Club morning round  
Registration opens. Free range balls, coffee and donuts.
- 7:30 am **Sandbaggers' Scramble Morning Round Shotgun Start**
- 9:00 am **Alliance Expo Set-Up** – MPEC Clymer Exhibit Hall  
Exhibitors must have booths set-up by 4:00 pm so exhibit hall can be cleaned & ready to open at 5:30 pm
- 11:00 am **Golfers' Lunch** at both golf courses  
Afternoon round golfers will eat lunch before their round begins at the course they will play (WF Country Club or the Champions Course at Weeks Park). Morning round golfers will eat lunch after their round is complete. The driving range will be open at both courses.
- Noon **Sandbaggers' Scramble Golf Tournament** – WF Country Club & Champions Course at Weeks Park  
afternoon round Registration opens.
- 1:00 pm **Sandbaggers' Scramble Afternoon Round Shotgun Start at both golf courses**  
Play is limited to 120 golfers per round so that golfers can get back to the Country & Western BBQ by 7:30 pm
- 5:30 pm **Alliance Expo, Equipment Showcase & Oil Patch Reception** – Opens to the public in the  
MPEC Clymer Exhibit Hall & front parking lot of convention center  
More than 350 exhibitors will be offering the latest technology, equipment & services for the Oil Patch. Cocktails and food will be served inside the Exhibit Hall. Great opportunity to meet the exhibitors.  
Cost: Free and open to the public
- 7:30-8 pm **Country & Western BBQ** – Buffet Line Opens in the MPEC Yeager Coliseum  
The Mavericks, a social organization in Wichita Falls, will cook the best BBQ ribs, beans, & cole slaw. Approximately 1,500 attended in 2010

## April 27, 2011

- 7:30 am **Membership Breakfast & Opening Session** – MPEC Yeager Coliseum  
Breakfast buffet line opens at 7:30 and program begins at 8:00 a.m.
- 9:00 am **Alliance Expo & Equipment Showcase** – Opens to the public in the Clymer Exhibit Hall & front parking lot of convention center  
More than 350 exhibitors will be offering the latest technology, equipment & services for the Oil Patch. Free & open to the public
- 9:30 am **Technical Seminars** – MPEC Seminar Room  
Free & open to the public. Details to follow.
- Noon **Membership Luncheon** - MPEC Yeager Coliseum
- 2:00 pm **Alliance Board of Directors Meeting**
- 4:00 pm **Alliance Expo & Equipment Showcase Closes / Exhibitor Tear Down**

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## **TCEQ Sets Meetings On Air Emissions Regulation**

The Texas Commission on Environmental Quality will hold a series of oil and gas stakeholder meeting across Texas in preparation of the air emissions rulemaking. The hearings will be:

- 9 – noon March 21, Texas A&M University-Corpus Christi
- 9 – noon March 24, San Antonio TCEQ Regional Office, 14250 Judson Road
- 9:30-12:30 p.m. – Amarillo Public Library, 2<sup>nd</sup> floor
- 9 – noon March 31, University of Texas Permian Basin.

To register call Blake Stewart 512-239-6931.