

Compact Comments

August 2005



THE WAITING GAME IS OVER, ENERGY POLICY BECOMES REALITY

President Bush signed recently the Energy Policy Act of 2005, the first bipartisan, comprehensive national energy policy passed by the U.S. Congress in more than a decade.

The long overdue policy includes a tax package that provides incentives for conservation, efficiency and domestic production.

The IOGCC, under the leadership of Alaska Gov. Frank Murkowski, has served as the leading champion for a reality-based, comprehensive energy policy with included measures to enhance the conservation and efficient recovery of America's oil and natural gas resources.

While not all provisions in the final bill are endorsed by IOGCC, the organization is hopeful that the legislation signals a renewed focus on homegrown energy, and will continue to work toward reducing the nation's dependence on unstable sources of energy.

"A reality-based policy will recognize that the largest natural gas and oil supplier to the United States is the United States," said Murkowski, IOGCC chairman.

Included in the bill are measures to streamline oil and gas development on existing federal lease sites to bring the fuels to consumers sooner. Murkowski noted that a reality-based policy will also take to heart the national need for access to federal lands for the development of natural gas and oil resources using technologies proven to be environmentally compatible.

Following the debate in conference, Congress also passed a provision excluding fluids used for hydraulic fracturing from the definition of underground injection, with the exception of diesel fuel. The IOGCC has taken a lead on the issue in recent years, conducting surveys and passing resolutions favoring a simple legislative solution.

Murkowski recently urged Congress to accept hydraulic fracturing language, noting that under the supervision of state regulators hydraulic fracturing has proven to be a safe and



The U.S. Capitol Building was busy at July's end as Congress debated the long-awaited energy bill, which was passed before the congressional summer recess. Log on to <http://thomas.loc.gov> and search for H.R. 6 to view the full act.

environmentally-friendly technology.

"With strict, top-of-the-line state policies already in place, IOGCC member states stand ready to deliver these much-needed resources to consumers, with the utmost respect for our environment," said Christine Hansen, IOGCC executive director.

The bill also includes a number of consumer provisions, including tax breaks on energy-efficient appliances, cars and homes. If a household uses 50 percent less energy than the typical home of relative size, the homeowner can receive up to \$2,000 in tax deductions.

Similarly, consumers can receive a tax credit on the amount they spend to upgrade thermostats, caulk leaks and other energy conserving activities. In addition, a household is expected to save one percent of its energy bill as daylight-savings time has been extended.

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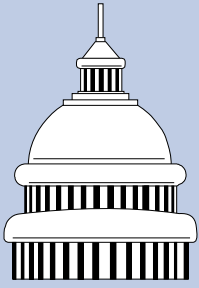
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ON THE HILL

By Kevin Bliss

The IOGCC would like to thank all who worked diligently with the Commission contacting members of U.S. Congress to pass the Energy Act of 2005.

Congressional Energy Staff Profile

As Senior Legislative Assistant to Congressman Michael C. Burgess, Stacey DeFino handles the congressman's Energy and Air Quality Subcommittee work, as well as tax, interior/environment, trade and financial services issues. The IOGCC has worked with DeFino on getting authorizing legislation into the energy bill, requiring the Secretary of Energy to conduct a low-volume gas reservoir study, an issue of particular importance to the IOGCC and the state of Texas.

A native of Houston, DeFino has a B.A. in Political Science from the University of Texas. Prior to working for Congressman Burgess, she served as a legislative correspondent for Sen. Phil Gramm of Texas.

DeFino is the vice president of the local University of Texas alumni association - the DC Texas Exes - and is also a member of the Junior League of Washington.

A CLOSER LOOK: IOGCC GUIDES HYDRAULIC FRACTURING LANGUAGE

Following debate in conference, Congress passed a provision within the Energy Policy Act of 2005 excluding fluids other than diesel fuel used for hydraulic fracturing from the definition of underground injection.

The IOGCC has taken a lead on the issue in recent years, conducting surveys and passing resolutions favoring a simple legislative solution.

Alaska Gov. Frank Murkowski, IOGCC chairman, emphasized in a recent letter to U.S. House and Senate Conferees that under the supervision of state regulators hydraulic fracturing has proved to be an extremely safe and environmentally benign technology.

The letter urged conferees to accept language pertaining to hydraulic fracturing contained in the House version of the act, to provide a simple definitional fix to the problem created by the 11th Circuit opinion in the LEAF case, and to also allow states to continue successfully regulating the process.

"The ability of producers to hydraulically fracture their wells is critically important to this country's ability to maximize the amount of natural gas and oil we produce domestically to supply our critical domestic needs," Murkowski wrote.

STAR POWER: IOGCC ENDORSES NATURAL GAS STAR PROGRAM

In a continued effort to protect the environment and maximize the nation's natural gas resources, IOGCC signed on recently as an endorser of the U.S. Environmental Protection Agency's Natural Gas STAR Program.

The Natural Gas STAR program, a voluntary partnership between government and industry, encourages companies across the natural gas and oil industries to adopt cost-effective technologies and practices that reduce methane emissions and improve operational efficiency.

The IOGCC will advance the program as an effective tool to more than 30 governors and state regulators, already effectively monitoring the industry's activities.

"The choice to endorse the program was a no-brainer," said Christine Hansen, IOGCC executive director. "The Gas STAR program and the IOGCC are similar in that both value efficiency and innovation, and seek creative solutions to wisely maximize oil and natural gas in harmony with our environment," she said. Hansen noted also that the program presents a unique opportunity for IOGCC member states to reach out to independent producers who may not have access to resources offered by the Gas STAR program.

Continued on Page 3

Did you know

The United States is the largest producer of natural gas in the world, producing an average of 23,941 billion cubic feet per year in 2002.

Source: Energy Information Administration, May 2005 International Energy Annual 2003, "World Natural Gas Production, 2002"

CARRILLO RAISES CONCERNS TO CONGRESSIONAL TASK FORCE



IOGCC Official Representative Victor Carrillo testified recently on behalf of the IOGCC before the congressional Task Force on Improving NEPA.

IOGCC Official Representative Victor Carrillo, chairman of the Railroad Commission of Texas, testified recently on the impacts of the National Environmental Policy Act on oil and natural gas production at a Congressional NEPA task force hearing in Nacogdoches, TX.

The act, which has not been reviewed since 1995, requires federal agencies to conduct environmental reviews to consider the potential impacts of their proposed actions on the environment. The Task Force on Improving NEPA, a bipartisan group of U.S. House Resources Committee members, is currently examining the act in a series of hearings across the country.

Speaking on behalf of the IOGCC and the state of Texas, Carrillo emphasized that responsible oil and natural gas exploration and development can co-exist with environmental protection. However, harsh federal laws and regulations threaten future exploration, production and refining capacity, he noted.

Carrillo raised concerns about the U.S. Environmental Protection Agency's rulemaking that could require oil and gas operators with activities affecting one or more acres to acquire a stormwater permit. According to a U.S. Department of Energy study, the regulation could cost the country up to 3.9 billion barrels of domestic oil production and 45 trillion cubic feet of gas production over the next 20 years. The testimony also highlighted other issues affected by the act such as hydraulic fracturing. Efforts within U.S. Congress aim to broadly regulate the process that enhances oil and natural gas recovery and has been effectively overseen by states for more than 50 years.

Carrillo also discussed unnecessary environmental requirements that currently slow the exploration process on public lands, noting that although environmental laws and regulations are essential, they must not exceed their original intent.

"Let me emphasize the need for flexible regulatory oversight and management tools as opposed to rigid, Draconian measures that simply add cost and delay, and ultimately limit domestic energy production at the very time that we need to be more, not less, energy self sufficient," said Carrillo.

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STAR POWER

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Since the program began in 1993, Natural Gas STAR partners have eliminated 338 billion cubic feet of methane emissions through the implementation of the program's core Best Management Practices, as well as other activities identified by partner companies. This is the equivalent of removing more than 30 million cars from the road for one year, or planting more than 41 million acres of trees.

DOMESTIC OIL, GAS PERMITS APPEAR TO APPROACH RECORD LEVELS

A recent survey by the IOGCC indicates regulators in several states are handling record numbers of applications to drill for natural gas and crude oil. Of 24 states surveyed, 19 showed well permits were up from the same period of year ago. Nationally, permits in surveyed states totaled 23,093 year to date, easily surpassing the 22,024 issued over the same period last year. The combined permit total is up 4.7 percent from the year to date total from last year.

Most permits are for natural gas wells. The U.S. supplies 85 percent of the natural gas consumed in this country, with most of the remaining demand met by imports from Canada.

These numbers are supported by the findings of IHS Energy, which shows onshore drilling permits in April were up more than 31 percent when compared with the same month a year ago.

In most cases, state oil and gas regulatory agencies are responsible for issuing drilling permits and ensuring for compliance with strict regulatory requirements designed to protect public safety, the environment and the rights of the owners of mineral interests and landowners.

“State programs are very efficient,” said Christine Hansen, IOGCC executive director. “They are designed to meet local needs, so they are far more flexible than a one-size-fits-all regulatory structure.”

States are doing an excellent job keeping up with growing demands resulting from a high level of oil and gas exploration and production activity, Hansen pointed out. In addition to drilling permits, states have various filings for oil field work throughout the life of a well. Regulatory programs can cover everything from initial permission to conduct seismic evaluations to the final plugging of a well and dozens of activities in between.

State inspectors are dealing effectively with the increased need for their presence in the field in their role of monitoring compliance with regulations, Hansen said. She noted that some legislatures have increased funding for their regulatory agency in recognition of the increased work load.

“States have many decades’ experience in regulating the petroleum exploration and production industry,” Hansen noted. “Our regulatory structure is the world leader in protecting the environment while ensuring the resources can be fully produced. The public can be assured that states are well equipped to carry on during these very busy times.”

State revenue and taxing agencies have also geared up for the increased production with states collecting well head taxes nearly double the rate of 2003. “Our member states rely on this important source of revenue through direct taxes, and also rely on the economic development that results,” Hansen said.

BRIEFLY IOGCC APPOINTMENTS AND OTHER NEWS

- Kentucky Department of Natural Resources named Paul Ehret director of the Division of Mine Permits. Ehret, a former IOGCC official representative for Indiana, previously served on the Commission’s Resolutions and Finance committees.
- Michael Decker, former deputy general counsel for the Oklahoma Corporation Commission’s Oil and Gas Conservation Division, has been named director of the OCC’s Office of Administrative Proceedings. Decker chairs the IOGCC Council of State Oil and Gas Attorneys and serves on IOGCC’s Legal and Regulatory Affairs committee.

CSNG SEMINAR A SUCCESS



Middle school science teachers Patty and Jim Cozont (left) learn about water testing from Zac Phillips of Halliburton at a CDX Pumping well.

Energy Education Partnership, Inc., a subsidiary of the IOGCC, hosted recently a coal seam natural gas environmental education seminar in West Virginia. The colloquium, aimed at high school and middle school science teachers provided them with a better understanding of the environmental impact of the oil and natural gas industry’s development of CSNG in West Virginia through a series of field trips and lectures.

Teachers experienced four different well site tours pertaining to each stage of the CSNG drilling process. The tour began at a CSNG drill site in the building process and ended at a completed and producing well site. Each site featured lectures instructing teachers on how each site functioned, field demonstrations and a question and answer session.

The seminar also included lectures from Lee Avery, petroleum geologist and manager of the Oil and Gas Program for the West Virginia Geological and Economic Survey, and James Martin, chief of the Office of Oil and Gas for the West Virginia Department of Environmental Protection.

The project was an all day event for the 15 participants. Having completed the course, participants are now able to better discuss the information learned with their students.

Energy Bill Highlights

- Cost:** \$12.3 billion over a 10 year period*
- Hydraulic Fracturing:** Excludes the process from the definition of underground injection, except in cases where diesel fuel is injected
- Stormwater Provision:** Defines well site construction as an “Exploration and Production” related activity
- Orphaned, Abandoned Wells:** Authorizes a \$5 to \$20 million program for IOGCC to supplement state plugging funds, appropriation necessary
- Daylight Savings Time:** Extends daylight savings time by one month, beginning in 2007*

*Source Associated Press

IOGCC ANNUAL MEETING

“TECHNOLOGY: REVOLUTIONIZING ENERGY AND REGULATION”
JACKSON HOLE, WY, SEPT. 17 - 20, 2005

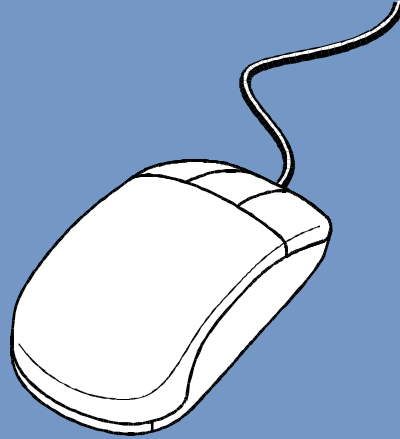
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Calendar of Events

Annual Meeting

Sept. 17-20, 2005
The Snow King Hotel
Jackson Hole, Wyoming

Midyear Issues Summit

May 1-3, 2006
Grand Hotel
Point Clear, Alabama

Annual Meeting

Oct. 15-17, 2006
Omni Hotel
Austin, Texas



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