

Compact Comments



November 2005

MARGINAL WELLS IMPORTANT TO NATIONAL ECONOMY, SECURITY

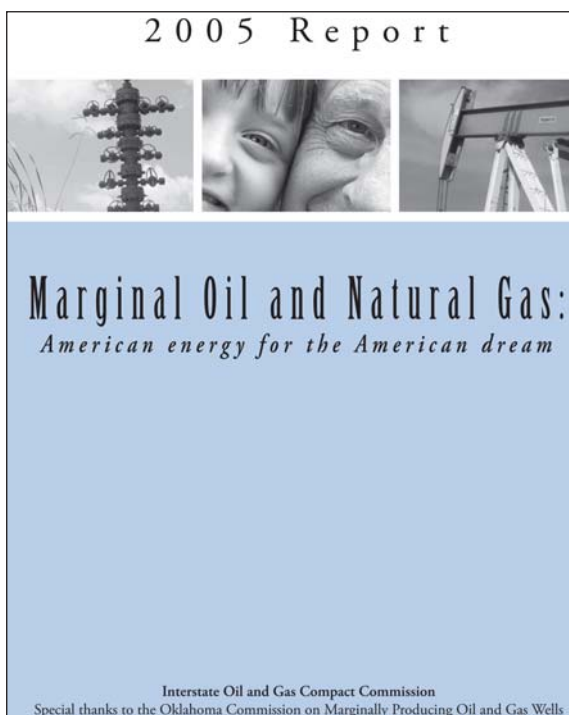
Marginal wells continue to play an important role providing for the nation's energy, economic and national security, according to the IOGCC's 2005 report "Marginal Oil and Natural Gas: American Energy for the American Dream."

The report, produced annually by the Commission for more than 60 years, documents marginal well production that accounts for about 16 percent of oil and 8 percent of natural gas produced onshore in the United States.

Marginal oil wells produced more than 310 million barrels of oil in 2004 while marginal gas wells produced more than 1.5 Tcf of natural gas, up more than 4 percent from last year's reporting period.

The IOGCC report outlines also the economic benefits brought about by these wells such as: revenue, jobs and economic output. According to the report, if all marginal wells were abandoned in 2004, the United States would have lost more than \$20 billion in revenue, 200,213 jobs and \$40.7 billion in economic output.

"Marginal wells are a stable source of much-needed American energy," said Christine Hansen, IOGCC executive director. "Taken individually, these wells produce very little oil and natural gas, but collectively, they provide significant resources needed to create jobs in our economy and lessen our dependence on



The IOGCC's annual marginal well report has been documenting marginal oil and natural gas production since 1941.

foreign resources, making oil and gas affordable for consumers."

The full report may be obtained by contacting the IOGCC at 405-525-3556. An electronic version is available online at www.iogcc.state.ok.us.

STAR PROGRAM HONORS IOGCC FOR SUPPORT

The U.S. Environmental Protection Agency Natural Gas STAR program recently honored the IOGCC with a certificate of appreciation at its 12th Annual Implementation Workshop in Houston, TX.

The IOGCC became an endorsing organization of the program earlier this year.

"The IOGCC was founded in 1935 to promote conservation of our precious petroleum resources," the IOGCC program endorsement stated. "Your program is in the finest tradition of those basic conservation principles adopted by the governors of the founding states and

endorsed by Congress in 1935. In addition to partnering with the Environmental Protection Agency, the IOGCC would be pleased to assist you in promoting and furthering understanding of the Natural Gas Star Program, especially in state oil, gas and environmental agencies."

IOGCC recently recognized Devon Energy with the 2005 Chairman's Stewardship Award in the major company category for their efforts and impressive results achieved under the Natural Gas STAR program.

IOGCC Executive Director Christine Hansen received the award on behalf of the states.

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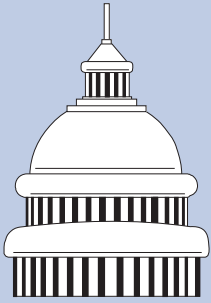
IOGCC OFFICERS

Chairman
Gov. Dave Freudenthal

Vice Chairman
Don Likwartz

Second Vice Chairman
Victor Carrillo

Executive Director
Christine Hansen



ON THE HILL

The Hill is bustling and there have been several updates in D.C. since last month's column.

The U.S. House Resources Committee passed its budget reconciliation plan, which includes opening the northern coastal plain of the Arctic National Wildlife Refuge (ANWR) to energy production and granting more control of offshore energy production to coastal states. The committee estimates its package will generate a minimum of \$2.4 billion for the federal government, while also creating new jobs and growing the economy.

The package also includes provisions that give federal financial assistance to petroleum and mining schools in the United States to increase the enrollment of individuals studying engineering, geology and geophysics.

The U.S. Senate Energy and Natural Resources Committee passed their budget reconciliation plan in mid-October, which also included implementing an environmentally-sensitive oil and gas leasing program in ANWR. That plan was passed by the Budget Committee in late October and Energy and Natural Resources Committee Chairman Pete Domenici has stated hopes that the bill will be passed on the Senate floor in early November.

As discussed last month, it is still unclear what action the Senate Energy and Natural Resources Committee will take regarding offshore energy production. Domenici has told reporters he is preparing legislation similar to the House Resources Committee's that allows states to opt-out of offshore oil and gas leasing bans; however, he doesn't expect to accomplish his goal this year.

The Senate Environment and Public Works Committee's Gas PRICE Act (S.1772) reached a standstill recently with a 9-9 vote, stalling its progress to the Senate Floor. The legislation was intended mainly to boost refinery capacity in the United States, but also contained a provision that would appropriate money for grants under the U.S. Environmental Protection Agency Natural Gas STAR program. Under the provision the IOGCC, in conjunction with the U.S. EPA, would conduct a series of technical workshops providing information relating to methane emission reduction techniques to officials in oil and gas producing states.

The House passed the Gasoline for America's Security Act of 2005 and referred it to the Senate Committee on Energy and Natural Resources. The legislation addresses the problems of refinery capacity and gasoline transportation in the United States and would coordinate permitting requirements and other regulations affecting refineries at all levels.

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GROUP DISCUSSES STATE TECHNOLOGY POSSIBILITIES

A small group of state information technology directors assembled recently to share ideas and assess technology needs in oil and natural gas producing states.

In the future the group, initiated by the IOGCC and facilitated by a technology consultant from the University of Oklahoma, will focus initially on technology project planning and management.

The group also will discuss technology program cost justification.

Although still in its infancy, the brainstorming group will continue to explore broad possibilities, while sharing information and final results with all states.

RESOLUTIONS: FREUDENTHAL TAKES ACTION

The IOGCC is spreading the word about its five resolutions passed at the Annual Meeting in Jackson Hole, WY.

Wyoming Gov. Dave Freudenthal, IOGCC chairman and host of the meeting in Jackson Hole, sent letters along with the resolutions to President George Bush, Secretary of Energy Samuel Bodman and various oil and gas associations.

"With increasing domestic natural gas and gasoline prices, I believe the attention of Congress will focus on energy policy," Gov. Freudenthal wrote in his letter to President Bush. "The states want to work with you to be part of that solution."

Freudenthal also noted the Commission's desire to expand dialogue on energy issues, particularly manpower concerns.

This year's five resolutions are available on the IOGCC Web site, www.iogcc.state.ok.us.

IOGCC REPRESENTED AT OIL AND GAS TRADE SHOW

The IOGCC recently took part in the annual Marginal Well Commission Oil and Gas Trade Expo at the Oklahoma State Fairgrounds.

IOGCC staff talked with industry and government employees from across the nation about the work of the IOGCC and its member states and distributed the latest research publications.

The Marginal Well Commission is an Oklahoma state agency, funded by the oil and natural gas industry, that works to protect and promote the state's production of crude oil and natural gas.

The trade show featured booths manned by oil and gas companies, associations and regulatory agencies.

For more information about the Marginal Well Commission or its annual expo, visit www.marginalwells.com.

HANSEN CALLS FOR SUPPORT IN MANPOWER INITIATIVE

IOGCC Executive Director Christine Hansen urged petroleum geologists to be a part of the solution to the growing manpower problem in the oil and natural gas industries at the recent Rocky Mountain American Association of Petroleum Geologists Annual Meeting in Jackson Hole, WY.

Hansen discussed the Commission's role in combating the shortages, including the 2004 publication "Petroleum Pros," a product of the Blue Ribbon Task Force led by former IOGCC Chairman, North Dakota Gov. John Hoeven. The publication outlined the need for specific steps taken by state and federal governments as well as industry, and called for coordination of all efforts.

Part of the problem lies within educational institutions, the lack of students and funding for petroleum-specific programs, the task force concluded.

"Economic pressure and demands for cost savings placed on state university systems have forced scrutiny of high cost programs, often leading to the closure of petroleum and mining programs despite the obvious need for their continued existence," Hansen said.

Solutions outlined included efforts by the IOGCC to encourage industry funding of scholarships and internships along with legislation introduced by U.S. House Resources Committee Chairman Richard Pombo that would repeal the Mining and Mineral Resource Institutes Act of 1984 and make it a national policy to preserve and foster the human capital necessary for national energy and minerals security.

"Young people need to understand the great contribution they can make to national security and to the growing of the U.S. economy through these important professions," Hansen said.

ON THE HILL

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Congressional Energy Staff Profile

John Drake serves as a legislative assistant to Rep. Jim Costa. Costa represents California's 20th Congressional District. A participant in this year's IOGCC Staffers to States program, Drake is the Costa's liaison to the House Resources Committee and is responsible for water, energy, environment, land use, mining, national parks and Native American issues. In addition, he is responsible for issues involving transportation, foreign affairs, defense, veteran's affairs and financial services. Drake also manages all of Costa's appropriations requests for the district and the state of California.

Drake is a native Californian and is a graduate of the University of California, Santa Cruz where he received a B.A. in Philosophy. He has also completed graduate work at The George Washington University.

A swimmer, bicyclist and runner, Drake is training to compete in a triathlon.

IOGCC UPDATES PERF ON PRODUCED WATER PROJECT

IOGCC Federal Projects Director Mark Carl will update participants of the Petroleum Environmental Research Forum's fall meeting on the progress made by the Commission's Produced Water Management research project.

Funded by the U.S. Department of Energy's National Energy Technology Laboratory, the project was developed to identify existing and emerging practices used to manage produced water from onshore oil and gas operations, to improve efficiencies and reduce costs, and to develop a geographic information system watershed analysis tool.

Currently 40 of 50 scheduled field reconnaissance visits have been completed to research water management practices in different states.

Carl will discuss the project schedule, including a final produced water treatment report that is scheduled to be released in December. It will describe, summarize and analyze various produced water treatment systems developed by oil and gas producers, research organizations, water treatment service companies and universities.

For more information on the project, contact Mark Carl at 405-525-3556, ext. 119.

NATIONAL PUBLICATION RECOGNIZES STATES' MANPOWER INITIATIVES

Results from the IOGCC Blue Ribbon Task Force that focused on the growing manpower problem in the oil and natural gas industry were featured recently in the October issue of the national publication *Natural Gas and Electricity*.

The article "State Level Program Effective in Dealing with Energy-Worker Shortage" gave an in-depth assessment of the problem and discussed the proactive solutions developed by the task force led by Gov. John Hoeven of North Dakota, a former IOGCC chairman.

A segment of the article was devoted to the states' involvement in combating the shortages, focusing on North Dakota's successful program that filled nearly 80 percent of the state's oil field job openings in less than three months.

For more information on the Petroleum Professionals Blue Ribbon Task Force or North Dakota's successful state initiative, contact the IOGCC at 405-525-3556.

BRIEFLY IOGCC APPOINTMENTS AND OTHER NEWS

- Steven C. Agee, IOGCC associate representative to Oklahoma, was elected as the new chairman of the Oklahoma Energy Resources Board. Agee has an extensive background in the oil and natural gas industry, including serving as treasurer and executive committee member of the Oklahoma Independent Petroleum Association and on various Oklahoma Corporation Commission committees.
- Interior Secretary Gale A. Norton named Minerals Management Service director Rejane “Johnnie” Burton to serve as acting assistant secretary of the Interior for Land and Minerals Management. Burton is currently the IOGCC associate representative for the U.S. Department of the Interior.
- Elizabeth A. Jones was named chairman recently of the Railroad Commission of Texas. Jones was elected three times to the Texas House of Representatives before her appointment in 2005 by Gov. Rick Perry to the Railroad Commission.
- William W. Talley II died recently in Dallas, TX. Among his many accomplishments, Talley was a long time member of the IOGCC and previously served as co-chairman of the Oklahoma Governor’s Advisory Council on Energy.

Calendar of Events

Midyear Issues Summit

May 21-23, 2006
Sheraton Billings Hotel
Billings, Montana

Annual Meeting

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



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