

1/13/2010

IPAA Sends Letter to Salazar Regarding “Duplicative and Unnecessary” Regulations

Staff Contact: Brendan Bradley

Today, the IPAA sent a letter to Interior Secretary Ken Salazar, urging him to reconsider moving forward with the “duplicative and unnecessary” onshore federal land regulations that he announced last week. IPAA President and CEO Barry Russell pointed to new regulations that “will further restrict access to vital oil and natural gas resources our nation needs and Americans deserve,” as IPAA has now called for a meeting with Salazar to address these critical issues at the “earliest possible convenience.”

To read the full text of the letter, please visit: <http://www.ipaa.org/news/docs/salazarjan2010.pdf>

To read IPAA’s press release, please visit: http://www.ipaa.org/news/press_releases/2010/2010-01-06_100.php

FERC Moves in New Direction on Enforcement Matters

Staff Contact: Susan Ginsberg

At its December open meeting, the Federal Energy Regulatory Commission (FERC) issued an order indicating that the Secretary of the Commission can issue a Staff’s Preliminary Notice of Violation on the direction of the Director of the Office of Enforcement. FERC states that this is being done to improve transparency in the enforcement process by notifying the industry of FERC’s concerns. However, this notice would identify the target of the investigation prior to the conclusion of the investigation, which could exonerate the target.

FERC believes that it is likely that by the time FERC has sent a preliminary findings letter to a target, the target either already has disclosed or will soon disclose the fact of the investigation in filings with the Securities and Exchange Commission (SEC). Therefore, FERC believes that this public Notice will not materially impact the timing of any public identification of the target. Moreover, FERC believes that the majority of investigations are terminated before a preliminary findings of violation letter is issued. Thus, in FERC’s experience, once an investigation reaches the stage where a preliminary findings letter is sent to the target, there is a greater likelihood that the case will lead to a public settlement or a public show cause order. Thus, in FERC’s view, the Notice of Preliminary Violations will, in most cases, merely

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accelerate public disclosure rather than lead to public disclosure of cases that would otherwise forever remain confidential.

FERC appears to be addressing concerns put forth by IPAA and other industry associations calling for greater transparency. However, it is not clear how this new order will be implemented. It also is not entirely clear when the Notice will issue and whether SEC-type disclosure will already have been made by the time the Notice issues or whether the Notice will be the first public indication that the target is under investigation, thus perhaps prompting SEC disclosure earlier than otherwise required. As a first step, representatives of IPAA and other trade associations are meeting with Norman Bay, the new head of enforcement. We will discuss this order with him, express our concerns and listen to his response. We will then consider next steps -- possibly to include a joint trade association filing to seek clarification on the issues raised above as well as others that arise in the course of our discussions.

Hundreds of Houston-Area Petroleum Academy Students Participate in First PetroChallenge

Staff Contact: Doris Richardson

On Sunday, January 10th, the first US Petro Challenge was held in Houston with hundreds of Houston-area students participating. The event was sponsored by IPAA, the Houston Producers Forum, El Paso Corporation, Petroleum Equipment Suppliers Association and the University of Houston College of Technology.

The event was a huge success, as more than 300 students from Westside High School, Milby High School and Lamar High school competed for awards in the field of oil and natural gas exploration by studying seismic surveys, bidding for licenses, farming out shares of licenses to other teams, competing to get rigs, contracting service providers, and choosing where to drill wells.

Make Plans to Attend IPAA's Upcoming Meetings/Events



America's Oil & Gas Producers

Washington Report

**Only 1 Weeks Left
to Register for
IPAA's OGIS Florida!**

**January 19-20, 2010
The Westin Diplomat Resort & Spa
Hollywood, Florida**

The Independent Petroleum Association of America (IPAA) invites you to experience its 6th Annual Oil & Gas Investment Symposium Florida (OGIS Florida). This exclusive conference provides the ideal opportunity to meet with senior management teams from leading public oil and gas companies to hear their strategic plans for the near and long-term future.

The value of attending this conference and meeting face-to-face with key industry leaders is truly immeasurable. We ask that you invest your time in OGIS Florida to hear from these tested industry leaders and emerging entrepreneurs.

IPAA offers three easy ways to register — **online:**

<https://members.ipaa.org/LogIn/login.aspx?ReturnUrl=%2fConference%2fRegistrationProcessOverview.aspx%3fid%3d85&id=85>, through fax, or mail. To register by fax or mail, download the faxable registration form and follow the remittance instructions. IPAA is confident you will find this symposium beneficial to your overall investment goals so register today!

Questions?

Registration/General Information
[Jennifer Upchurch](#) (800) 433-2851

Program and Sponsorship
[Tina Hamlin](#) (202) 857-4768

**Reminder
to Register for
2010 Winter NAPE®**

**February 10-12, 2010
George R. Brown Convention Center
Houston, Texas**

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We hope that you are planning to attend 2010 Winter NAPE® – the world's largest prospect and property expo. Please find the following information for NAPE® registration and information. As an attendee you can pre-register by January 29th and get the advance registration price of \$295 for the Expo and \$125 for the E&P Forum. For registration questions, please call (972) 993-9090. For housing questions please call (888) 347-6458.

Please refer to the following helpful links for exhibitors and attendees:

Exhibitors (prospect companies, capital providers, service companies and vendors):

http://napeexpo.com/index.php?option=com_content&view=article&id=87

Attendees (individuals and groups): <http://www.wynjade.com/nape10/>

Schedule of Events:

http://napeexpo.com/index.php?option=com_content&view=article&id=47&Itemid=72

Hotels and Travel: http://napeexpo.com/index.php?option=com_content&view=article&id=79

E&P Forum: http://napeexpo.com/index.php?option=com_content&view=article&id=91&Itemid=72

Please note that this year's E&P Forum, hosted by IHS, has been expanded to include BOTH international and domestic prospects. IHS will provide a morning workshop entitled "Explorers on the Prowl – What's Hot and What's Not." In the afternoon all exhibitors are invited to present a brief overview of the opportunities they will display in their booths and attendees will have the opportunity to choose between international and domestic tracks. The cost is \$125 per person. You must register to attend the NAPE® Expo in order to register for the E&P Forum.

The deadline for scheduling your session is Friday, January 29, but time slots (12 minutes for presentation and Q&A) will be filled on a first-come, first-served basis and you will need to sign up by January 15 to be included in the event program. The goal is to highlight the major features and benefits of your opportunities and encourage the audience to visit your Expo booth to learn more.

The speaker forms (Speaker and Release Forms) can be found here:

<http://napeexpo.com/images/stories/docs/forum%20presentation%20document.pdf> and should be sent to Chelsea Petty at cpetty@napeexpo.com, or faxed to 972-993-9191.

For additional information, please contact Fred Lawrence at 202-857-4766 or flawrence@ipaa.org.



America's Oil & Gas Producers

Washington Report

Date Set for IPAA Member Washington Call-Up

Staff Contact: Cortney Hazen

IPAA has set the date for this year's Washington Call-Up for its members, March 2 - 3, 2010. The Call-Up will be held in conjunction with the IPAA Board Meeting and gives independent producers a valuable opportunity to have their voices heard on Capitol Hill.

As part of the Call-Up, IPAA invites you to attend a Congressional reception hosted jointly by IPAA and the Independent Petroleum Association of Mountain States (IPAMS) on Tuesday, March 2, 2010 from 5:30 – 7:00 pm in the Capitol Visitor Center Atrium.

IPAA would like to work in conjunction with the state and regional oil and natural gas trade associations during the Call-Up to amplify our industry's voice in Washington.

Further details regarding the IPAA Washington Call-Up will follow in the coming weeks. Please let us know if you plan on joining us in Washington by contacting the IPAA government relations staff, 202-857-4722.

Call-Up Details

Date: March 2-3, 2010

Congressional Reception on March 2

Location: Washington, DC

Questions: Contact the IPAA Government Relations Department: (202) 857-4722

See you in Washington!

Passive Loss Exception for Working Interests – Information Needed

Staff Contact: Ryan Ullman

The Obama Administration has proposed to repeal the passive loss exception for working interests in oil and natural gas properties. IPAA is opposing this repeal. In presenting arguments to Congress,

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members ask about the importance of the issue to operators in their states. IPAA would like to develop a list of companies that value the provision and their states of operation.

In this tax provision, Congress permitted taxpayers to deduct losses from oil and natural gas investments if the investments are made in the form of a working interest. That is, it is an interest that carries with it the obligation to share in the costs to develop the resources on the property. To qualify, the taxpayer must hold the working interest through an entity that does not limit liability with respect to the interest. Thus, a taxpayer who holds a working interest in this prescribed fashion and puts up capital to fund the drilling of oil and natural gas wells is entitled to deduct their share of tax losses resulting from the drilling expenditures. If the passive loss exception is repealed, working interest owners who are not the actual operator of a property- e.g., all other investors - would have to treat the property as a passive investment.

Please contact Ryan Ullman, rullman@ipaa.org, to provide information.

General Liability, Workers Comp, Commercial Auto, Umbrella Liability

Staff Contact: Therese McCafferty

General Agency Services, Inc. (GAS) has designed an insurance program for independent producers, operators, and service contractors that's underwritten by professionals specializing in the oil and gas industry. It allows you to keep your existing agent, if you wish. **IPAA fully endorses this program and encourages membership participation.**

Coverages are written through an A+ XV A.M. Best Rated carrier (ACE USA) and offer **General Liability, Workers Compensation, Commercial Auto, and Umbrella Liability.**

Target Classes:

- Drilling contractors
- Equipment rental
- Independent producers
- Non-operators (working interest)
- Pipeline contractors
- Pipeline operators
- Roustabouts
- Supply or equipment dealers
- Well-service and work-over contractors
- Wireline services

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We welcome the opportunity to notify General Agency Services that you're interested in hearing from them. Simply send an e-mail to Therese McCafferty tmccafferty@ipaa.org and type "Insurance Information Request" in the subject field. Include your type of business, state(s) of operation, and name of agent.

Rig Count

Staff Contact: Fred Lawrence

	<u>1/8/09</u>	<u>12/31/09</u>	<u>Year Ago</u>
Land	1167	1139	1508
Inland Waters	11	11	11
Offshore	42	39	70
U.S. Total	1220	1189	1589
Gulf of Mexico	41	38	65
Oil	427	418	341
Gas	781	759	1239
Miscellaneous	12	12	9

Source: Baker Hughes