

Hydraulic Fracturing Under Attack

June 5, 2009

Dear IPAA Members and Colleagues:

American oil and natural gas producers are under attack on many fronts – from proposed new taxes to possible new environmental regulations. This week, the criticism has focused on one of our most critical practices that provides America with much-needed energy – hydraulic fracturing.



EnergyInDepth.org: a state of the art online resource center to combat new environmental regulations, especially with regard to hydraulic fracturing.

For months, IPAA's government relations and communications teams have been working around-the-clock on a new industry-wide campaign – known as "Energy In Depth" (www.energyindepth.org) – to combat new environmental regulations, especially with regard to hydraulic fracturing. And, we're seeing some outstanding results. IPAA Vice President of Government Relations Lee Fuller and Vice President of Public Affairs Jeff Eshelman are working on the "Energy In Depth" campaign that has garnered the attention of national news outlets, including *The Wall Street Journal*, *The New York Times*, *The Washington Post*, Reuters, the Associated Press, National Public Radio and more. The cooperating regional and state associations have been an integral part of this national campaign and they are working closely with their news media and policymakers using coordinated messages.

The "Energy In Depth" project results from the realization that American production opponents are spending millions of dollars throughout the country. This project is a major initiative to respond to those attacks. It reaches into the new communications tools that are becoming the pathway of choice in national political campaigns. It connects IPAA at the federal level to state associations and member companies across the nation. But, it is costly.

The "Energy In Depth" project would not be possible without the early financial commitments of: El Paso Corporation, XTO Energy, Occidental Petroleum, BP, Anadarko, Marathon, EnCana, Chevron, Talisman, Shell, API, IPAA, Halliburton, Schlumberger and the Ohio Oil and Gas Association. Many of our cooperating associations have also been working hard on this campaign and I'd like to thank them as well. But we can also use more help. Please let me know if you could make a contribution to this effort.

We have built a great foundation, but the battle is just beginning.

Yesterday, the House Committee on Natural Resources, Energy and Minerals Subcommittee conducted a hearing on the potential of shale gas. However, the focus of the hearing rapidly turned to hydraulic fracturing issues. Witnesses at the hearing were: Mr. Douglas Duncan, associate coordinator, Energy Resources Program, United States Geological Survey; Mr. Scott Kell, president, Ground Water Protection Council; Mr. Mike John, vice president of corporate development and government relations, Eastern Division, Chesapeake Energy Corporation; Mr. Lynn Helms, director, Oil and Gas Division, North Dakota Industrial Commission; Mr. Albert F. Appleton, infrastructure and environmental consultant, former director of the New York City Water and Sewer System.

Mr. Duncan and Mr. John focused on the potential energy benefits from shale gas. Mr. Kell and Mr. Helms presented strong arguments on state regulatory management of oil and natural gas development and how ground water is protected. The Ground Water Protection Council (GWPC) provided two studies that were part of the basis for the hearing. The first of these was: *Modern Shale Gas Development in the United States: A Primer*. The second was: *State Oil and Natural Gas Regulations Designed to Protect Water Resources*. Mr. Appleton attacked hydraulic fracturing.

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Several production state members strongly supported the state based regulatory structure and emphasized the importance of shale gas development in their states. These included: Dan Boren (D-OK), Doug Lamborn (R-CO), Louie Gohmert (R-TX), John Fleming (R-LA) and Cynthia Lummis (R-WY).

The statements and questioning of opposition members (principally Maurice Hinchey (D-NY), Diana DeGette (D-CO) and John Sarbanes (D-MD)) provided some insight into the next round of their tactics.

First, they showed a consistent mischaracterization of the structure of the Safe Drinking Water Act (SDWA). They would regularly refer to oil and natural gas drilling as the only industry exempted from the Act.

Second, they would characterize their prospective legislation as requiring reporting under the SDWA rather than regulation. (This legislation may be introduced as early as next week.)

Third, Hinchey attacked the credibility of the GWPC because it has received some industry funding, alleging it affected GWPC's objectivity. Notably, the state regulation study was funded by the federal Department Of Energy.

Fourth, they would react to the environmental witness' statement that suggested there was a lack of understanding of the long term risks of hydraulic fracturing – implying that too little was known. This perception was buttressed by suggestions that no public research had been done to determine whether there were long term implications for the environment and water quality from aggressive well development. The environmental witness (Mr. Appleton) liked to reference the problems of acid mine drainage in Pennsylvania.

Fifth, they regularly raised toxic chemical use issues. Their characterizations would suggest that the fracturing fluids were a toxic soup rather than one percent or less of chemicals. At one point the Chesapeake witness (Mr. John) was asked to read through the list of chemical additives and the members would frown at each chemical name. They would then turn to issues of chemical disclosure. The state regulators repeatedly explained that they got the information they needed from the producers and fracturing contractors. Ultimately, despite the two submissions to the record listing the various chemicals used in fracturing, Hinchey and Sarbanes turned to the question of public disclosure.

Sixth, Chairman Jim Costa (D-CA) raised the idea that there needed to be some type of best practices standard – something that all states needed to meet. Mr. Kell and Mr. Helms described the various processes that states have available to them to share information. For example, Mr. Kell referenced the STRONGER program. Costa surfaced the idea of a state forum that he would help initiate to exchange ideas. Interstate Oil and Gas Compact Commission staff and GWPC staff will likely follow up with Costa to try to get a manageable plan underway.

IPAA will respond to these allegations with facts. Testimony will be developed to rebut the many inaccurate statements in the hearing. It will be submitted to the hearing record and sent to the subcommittee members. Industry will also prepare for the introduction of a DeGette-Hinchey bill on hydraulic fracturing and the possible legislative routes it may take.

Your support on these efforts is extremely appreciated. I will keep you updated on our progress, but please don't hesitate to let me know if you have questions or comments.

Sincerely,



Barry Russell
IPAA President and CEO

