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## INDEPENDENT PETROLEUM ASSOCIATION OF MOUNTAIN STATES

### FROM THE PRESIDENT

As one of the nation's largest natural gas and oil trade associations, representing more than 400 members in a region critical to U.S. natural gas supply, the Independent Petroleum Association of Mountain States has amplified its efforts to educate the public on the solutions that natural gas provides and the critical role that Western independent energy producers play in U.S. natural gas production.

IPAMS is reaching out to opinion- and policymakers, media, and the general public with a simple yet earth-shattering message: America's independent natural gas producers have the solution to our nation's economic, environmental and energy challenges. Since Western states contribute 27 percent of our nation's natural gas supply (while disturbing less than 0.7 percent of public lands), the Intermountain West is increasingly important to our nation's energy solutions.

Proven U.S. natural gas reserves are now estimated at 2,000 trillion cubic feet. This more than 100-year supply positions natural gas as a crucial component of our nation's energy portfolio for the foreseeable future. Natural gas, which has been billed as a "transition" or "bridge" fuel, now is being viewed by industry analysts as a foundation on which our nation will rely to generate electricity and to power transportation for many decades to come. It is becoming more and more evident that the "new age" of domestic natural gas has arrived.

IPAMS's staff and I have been making these very points to elected officials and media outlets across the West, and our message is starting to resonate. This is an exciting time in our nation's history because the United States is leading a global renaissance in natural gas development, employing new technologies and millions of U.S. workers to make an enormous domestic supply of clean energy available for many generations to come.

Unfortunately, few people compre-

hend how our supply picture has changed, and even fewer appreciate the solutions that natural gas can provide to our most pressing economic, environmental and energy challenges.

Educating the public on the story of natural gas has been my focus since be-



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coming IPAMS president in June 2009. In addition to constant contact with members of Congress and their staffs, federal regulators, and regional and national media, IPAMS has led a successful campaign to educate editorial boards at major newspapers across the West.

Although the industry still has a long way to go in telling its story, the message of the new age of domestic natural gas is catching on, as is evidenced by editorials, statements from public officials, and even legislation pending in Congress. (I encourage those who are discouraged by the seemingly endless onslaught of proposed taxes and government regulation to check how opinion leaders are "starting to catch on" by visiting IPAMS's Web site at [www.ipams.org](http://www.ipams.org).)

### Abundant New Supply

In my discussions with policy and opinion makers, I have attempted to tell the story of natural gas from a simple supply and demand perspective. Over the past decade, demand for natural gas remained steady while supplies began to decline. Domestic exploration, drilling and production companies responded by hiring more people, developing innovative technologies, and building a new generation of drilling rigs to find and produce new sources of domestic natural gas.

A confluence of higher prices, and advanced drilling and stimulation technologies such as hydraulic fracturing, allowed independent E&P companies to unlock vast new supplies of natural gas, mostly from shale and tight-sand reservoirs. A massive investment in capital, technology and people has produced a true treasure for Americans' energy future. In June, the Potential Gas Committee released a report showing estimates of American natural gas resources grew by 39 percent, to more than 2,000 Tcf.

It is significant to note that not until the last three years did experts and leaders in our own companies and industry

appreciate this remarkable change in America's supply of natural gas. As natural gas producers, our focus and energy had been concentrated on discovering those new sources of supply. In a way, we have been in a "if we build it, they will come" mentality. With our new knowledge of natural gas supply, that mentality is starting to change. Industry leaders now have the justification—and even the duty—to promote natural gas as a solution for our nation's transportation and electricity-generation sectors.

Coal has dominated America's power-generation infrastructure and consumption over the last 40 years, in part because of such legislation as the Fuel Use Act, which prohibited using natural gas in favor of coal to generate electricity. According to the U.S. Energy Information Administration, 44.7 percent of U.S. electric generation comes from coal, 22.3 percent comes from natural gas, 20.6 percent from nuclear, and 11.3 percent from other sources, including hydroelectric conventional sources.

Since conventional wisdom about natural gas supply no longer holds true, shouldn't we also change our thinking about how gas is used? U.S. natural gas supply is robust enough to shoulder a larger percentage of our nation's long-term electric generation needs while also helping our nation wean itself from foreign oil imports through increased use in the transportation sector. IPAMS continues to focus on the huge benefits of pursuing natural gas as a foundation for our country's energy needs.

### Addressing Challenges

Even though natural gas is the obvious solution to so many of our public policy challenges, producers are facing an onslaught of egregious legislation that could seriously hinder industry's ability to supply our nation with the natural gas it needs. Natural gas producers in the West are threatened by increased taxes, redundant layers of regulations, and land management policies that make it extremely difficult and costly to develop energy on public lands. Among the challenges are:

- The president's proposed \$80 billion tax increase on industry over the next 10 years through repealing the expensing of intangible drilling costs, percentage depletion, the passive loss exception for working interests, tax credit for enhanced oil recovery projects, Section 199 manufacturers tax deduction, credit for production from marginal wells, and the deduction for tertiary injectants;

- Climate change legislation that

puts clean natural gas-generated electricity at a disadvantage to other fuels;

- Legislation that would add additional layers of regulation to the time-tested and essential process of hydraulic fracturing, threatening nearly 3 million American jobs and resulting in decreased natural gas production and increased costs for consumers; and

- Legislation that threatens access to the vast amounts of natural gas that lie beneath the lands of the Intermountain West by imposing benchmarks for “diligent development,” creating a new federal bureaucracy, increasing fees, eliminating live lease auctions and noncompetitive leasing, and repealing categorical exclusions

IPAMS’s Government and Public Affairs Committee, chaired by Tim Hopkins of Black Hills Corporation, works closely with IPAMS members and professional staff, including Executive Director Marc Smith, Director of Government Affairs Kathleen Sgamma, and Director of Public Affairs Jon Bargas. In 2010, IPAMS will focus its efforts on educating policymakers and the media not only on the important solutions that natural gas provides, but also on the adverse consequences that bad public policy can have on the small, independent companies that produce 82 percent of our nation’s natural gas and drill 90 percent of its natural gas wells.

### **Set Record Straight**

IPAMS’s role is to be the first line of defense for its members—making them aware of potential obstacles, acting as an advocate, and helping them navigate the bureaucratic maze. The important research and modeling IPAMS provides bring credible science to policy and give

regulators the cover they need to make difficult decisions. Our legal interventions allow us to stand up for industry when government may have neither the courage nor the inclination to do so.

Perhaps our most powerful tool in defeating harmful government policies is our relationship with the media. IPAMS continues to make real progress in setting the record straight and tackling the long-standing misperceptions about industry that are especially evident in the Rocky Mountain region. Our communications strategy corrects misinformation about independents and highlights the often overlooked benefits they provide, such as clean and affordable domestic energy, tax and royalty revenue, and job creation.

In recent years, IPAMS has put even more focus on improving industry’s image with stakeholders, the media and the public. An aggressive earned-media campaign and outreach to key journalists across the country have made IPAMS a “go-to” source for local, regional and national media. As a result, members have seen and heard their points of view represented in news stories like never before.

Reporters and editors from newspapers, radio, television and the Internet rely on IPAMS for accurate facts and reasoned commentary on all issues surrounding energy development in the West—from environmental impacts and financial issues; to taxation, transportation and markets; and legal, legislative and regulatory affairs.

In the first three quarters of 2009, IPAMS was contacted nearly 300 times by reporters filing stories related to Western energy development. IPAMS staff and board members have been quoted ex-

tensively in local, regional, and national media outlets, including the *Wall Street Journal*, *New York Times*, *Los Angeles Times*, *Financial Times* (London), *CBS Evening News*, *Fox News*, *CNN*, and *National Public Radio*.

### **The Natural Gas Solution**

For me, the case for natural gas is straightforward: From a macro perspective, the priorities of our energy policy should start with quality of life, economic growth, national defense, and environmental impact. All energy sources have trade-offs, but clearly the time is right for natural gas.

Given its abundant, 100-year-plus supply of natural gas, the United States is the Saudi Arabia of natural gas. Natural gas is unique in its versatility and ability to power our economy, heat our homes, generate electricity, and fuel our transportation. At a time when our economy faces historic strains, natural gas is a real solution, providing job growth, real economic stimulus, and important revenue. Together, we contribute nearly 3 million jobs and \$385 billion to the U.S. economy, while lessening our dependence on foreign sources of energy.

As a nonpartisan association, IPAMS continues to emphasize that these are not Democratic or Republican issues—these are American issues. We have a tremendous opportunity to work together to lead America into the 21st century with a market-based solution to our environmental, energy, and economic challenges: clean-burning natural gas. IPAMS looks forward to working with other trade groups and our friends in the public policy arena to advance this message and continue being part of America’s energy solution. □