



**IPAMS**  
**Independent**  
**Petroleum**  
**Association**  
**of**  
**Mountain**  
**States**

410 Seventeenth Street ♦ Suite 700 ♦ Denver, Colorado 80202 ♦ 303/623-0987 ♦ FAX: 303/893-0709 ♦ [www.ipams.org](http://www.ipams.org)

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Dear Members of Congress:

The Independent Petroleum Association of Mountain States (IPAMS), on behalf of more than 400 member companies and their 150,000 employees in the Intermountain West, appreciates your diligent efforts to tackle some of the most pressing problems of our time. We believe we can help, and we respectfully ask you to consider an expanded role for American natural gas in solving our nation's energy, economic and environmental challenges. Clean, abundant U.S. natural gas produced by American workers can provide immediate solutions to our challenges without the need for new expensive subsidies.

American natural gas producers have dramatically increased production of natural gas in recent years. More importantly, sustained industry investment over the last decade allowed significant technological breakthroughs in drilling and well stimulation technology that will help put America on a path to energy security.

America now has a 100 year supply of natural gas, ushering it into an elite group of the world's most gas-rich nations, joining the ranks of Russia, Iran, Qatar, Saudi Arabia and the United Arab Emirates in terms of natural gas reserves. By and large, this has been achieved not by large, vertically-integrated companies, but by the independent producers (most of whom are small businesses), who drill 90% of U.S. wells and produce 82% of domestic natural gas.

Since more than 25% of America's natural gas supply and production is located in the Intermountain West, this region will become even more important as you and President Obama make our nation less dependent on foreign sources of energy and reduce greenhouse gas emissions. Equally important, we would like to call your attention to fiscal and regulatory policies that would artificially restrict production and the beneficial use of natural gas.

A clean energy future is now possible using existing natural gas technologies to expand electricity production, enable greater use of renewable energy and prevent power disruptions, fuel large truck fleets, power factories and heat homes with affordable energy. However, a number of new policy proposals being considered in Washington would be counterproductive to this end. Policies that raise taxes, restrict access to capital, add new layers of bureaucratic red tape and regulation, and unnecessarily restrict access to federal lands, will hinder independents' ability to meet America's increasing demand for natural gas.

Just last week, John Podesta, co-chair of the Obama transition team, called recent natural gas discoveries a "global warming game changer" and said that "...gas -- newly available because of American know-how -- can replace old coal-burning power plants." Natural gas provides a meaningful solution to greenhouse gas emissions now, without huge costs to taxpayers. Natural gas emits about half the CO<sub>2</sub> of coal, and yet natural gas fired power plants are currently utilized only about 26% of the time. Unlike expensive government mandates, natural gas-fueled energy is ready today-- the installed capacity has already been paid for, is connected to the grid, and can be used now to reduce carbon emissions. By simply increasing utilization to 50%, we could immediately reduce carbon emissions by 296 million metric tons annually. For perspective, the American Clean Energy & Security Act (ACES) recently passed by the House is projected to reduce carbon emissions by 425 million metric tons annually, but not until 2025.

In spite of the fact that natural gas is clean and abundant, ACES essentially ignores natural gas altogether, and actually puts it at a disadvantage to other fuels. Under ACES, emissions allowances would be distributed inequitably, imposing greater costs on both consumers and producers of natural gas. In addition, although projections show an increase in natural gas demand with cap-and-trade, ACES would make it more expensive to produce natural gas in the United States, and result in more imports of natural gas to meet demand. This simply doesn't make sense, when today America is 98% secure in natural gas.

Equally troubling are proposals in Congress to add even more layers of bureaucracy to the development of America's natural resources, including legislation that would require the federal government to further regulate hydraulic fracturing ("fracking"), the very technique that has allowed industry grow new supplies of domestic natural gas. Fracking is a safe and a vital procedure that has been managed by state regulators for over sixty years without a single case of contamination to drinking water.

Independents already struggle with the complexity and cost of the world's most comprehensive regulatory system, and bureaucratic procedures required to develop energy on Western federal lands are even more extensive than elsewhere, often requiring years of additional up-front studies. Adding yet another layer of red-tape will make the development of energy more difficult and expensive, adversely affect American families as they struggle to make ends meet, and slow our economic recovery.

Finally, singling out our industry for punitive tax proposals and pushing legislation that constrains the ability of producers to legitimately use over-the-counter (OTC) derivative markets to manage price volatility risk is counter to our national energy goals. If enacted, the tax increases in President Obama's FY 2010 budget would result in less American production of natural gas. The White House has attempted to sell these proposals as an elimination of "subsidies", but like every other business in America, the natural gas and oil industry is allowed to expense legitimate business costs. Costs for drilling and completion services, ground-clearing work, fuel, hauling and miscellaneous supplies are currently deductible, and amount to 65-80% of the expense of drilling a well. An IPAMS' analysis shows that independent producers' cash flow will be reduced by as much as 60% if these punitive tax proposals are enacted. That means less capital available to be put back into drilling more wells, developing American energy, creating jobs, and generating revenue for federal, state and local governments.

So what is it that natural gas producers want? Simply for Congress to recognize the benefits of using clean, abundant natural gas for solving our nation's energy challenges. We don't need special favors, but we do ask for a level playing-field where natural gas can compete against other clean fuels to provide low-cost energy. IPAMS could support legislation that:

- Allows natural gas to be a cornerstone solution for reducing GHG emissions and enabling intermittent renewable energy sources
- Ensures that American producers of natural gas are not put at a disadvantage compared to foreign producers that are unencumbered by cap-and-trade provisions
- Eliminates the inequitable allocation of carbon allowances (the current system disadvantages natural gas compared to coal and other sources of energy)
- Provides credit for the almost 50% reduction in carbon emissions that can be achieved by using more natural gas
- Ensures timely access to American natural gas resources
- Prevents additional undue regulatory burdens such as federal regulation of hydraulic fracturing
- Prevents the use of unrelated environmental laws like the Endangered Species Act to regulate GHG emissions

At his acceptance speech during the Democratic National Convention here in Denver, then-Senator Obama said "As President, I will tap our natural gas reserves..." IPAMS strongly believes that this course of action is the greatest single act the President and Congress can take towards solving our nation's energy, economic, and environmental challenges. We stand ready to help and only ask that as our representatives in Washington, you allow us to do as the President has asked and tap the vast amounts of clean, abundant, affordable and American natural gas that lie beneath the lands of the Intermountain West.

Sincerely,



Marc W. Smith  
Executive Director  
Independent Petroleum Association of Mountain States (IPAMS)