

House OKs speed-up of Arctic oil/gas permitting

WASHINGTON | Wed Jun 22, 2011 8:13pm EDT

WASHINGTON (Reuters) - The House of Representatives passed legislation on Wednesday that would speed up approvals for drilling in the Arctic by removing regulatory hurdles that have stymied development of the area's vast oil and gas resources.

The Republican-controlled House voted 253 to 166 in favor of the bill, which would require the Environmental Protection Agency to approve or deny applications to drill on the outer continental shelf within six months.

"Current impediments have delayed development of the Beaufort and Chukchi sea for over five years," the bill's sponsor, Republican congressman Cory Gardner, said in a speech on the House floor. "These are areas that have already been approved for drilling; the revenues for the leases have already been collected by the federal government," he said.

The bill, which faces a tougher road to passage in the Democrat-controlled Senate, would also eliminate the authority of EPA's Environmental Appeals Board to weigh in on the Arctic exploration permits. That appeals board scuttled Royal Dutch Shell's plans to drill in the Beaufort Sea this year, when it revoked a key air permit.

The board's decision was the latest in a series of setbacks Shell has encountered since it began picking up significant offshore Alaska leases in 2005. Shell has recently submitted two new exploration plans to begin drilling in the Beaufort and Chukchi seas in 2012 and 2013.

Lawmakers who supported the legislation say Shell's challenges in the Arctic show the need for reform. The bill is also part of a broader effort by Republicans to speed up the permitting process since last year's Gulf oil spill cast a pall over offshore energy exploration.

The White House came out against the House bill on Tuesday, saying it would curtail the authority of the EPA to ensure that oil production on the outer continental shelf "proceeds safely, responsibly, and with opportunities for efficient stakeholder input." Green groups also strongly opposed the legislation.

"This bill is nothing more than the latest battle in an all-out war on the Environmental Protection Agency, with America's Arctic Ocean and the people who have depended on its waters for thousands of years, as the casualties," said Leah Donahey of the Alaska Wilderness League.

Alaskan Senator Lisa Murkowski, the top Republican on the Senate Energy and Natural Resources Committee, is working to gain support for similar legislation in that chamber, however. "We have companies that have spent more than five years and billions of dollars attempting to conduct offshore exploration and production in Alaska, but have been unable to secure the necessary permits from EPA," Murkowski said in a statement about her bill.

"It's clear that this process is not just overly costly and time-consuming but simply does not work," she added. (Editing by Sofina Mirza-Reid and Steve Orlofsky) End

<http://www.reuters.com/article/2011/06/20/us-arctic-oil-idUSTRE75J6O620110620>

Arctic oil spill would challenge Coast Guard

WASHINGTON | Mon Jun 20, 2011 4:25pm EDT

WASHINGTON (Reuters) - A major offshore Arctic oil spill could severely challenge the Coast Guard, with no available infrastructure to base rescue and clean-up operations, the Coast Guard commandant said on Monday. "There is nothing up there to operate from at present and we're really starting from ground zero," said Adm. Robert Papp Jr. "Now's the time to be not just talking about it, but acting about it."

Several major oil companies, notably Royal Dutch Shell, have acquired leases to drill in the Beaufort and Chukchi seas off Alaska. Arctic waters are likely to be accessible to humans for longer periods as the planet heats up.

In May, the extent of Arctic ice was the third-smallest since satellites began collecting data in 1979, according to the U.S. National Snow and Ice Data Center.

Noting that the **Coast Guard** sent 3,000 people to work on the 2010 BP oil spill in the Gulf of Mexico, Papp told reporters at a government symposium on shrinking Arctic ice: "No way we could deploy several thousand people as we did in the Deepwater Horizon spill."

The Coast Guard has no helicopters based on Alaska's North Slope, and no U.S. agency has a helicopter there equipped to perform rescues at sea, he said. There are no facilities that could serve as temporary hangars for equipment, or any small boat facilities. Housing for any emergency workers amounts to a few dozen hotel rooms, he said.

LIQUID FUEL TURNS TO GEL

Even as the Arctic warms -- and it is warming faster than lower latitudes -- temperatures are still extremely cold, which means equipment built for operations in temperate zones need to be tested for fitness in the far north.

For example, the Coast Guard flew a basic military cargo plane, the C-130, in the Arctic and found that the craft's liquid fuel turned into a gel when temperatures dipped below a certain level unless heaters were applied to it, Papp said.

Only one U.S. icebreaker ship will be under way this year, he said. Another is being decommissioned and a third ship is being updated. Papp said China is building what will be the most powerful conventional icebreaker in the world.

He praised the signing last month of the Arctic Search and Rescue Agreement, where eight Arctic nations -- Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States -- agreed to cooperate on rescues above the Arctic Circle.

The United States also needs to ratify the Law of the Sea treaty, Papp said. He said other Arctic nations are using this pact to stake claims to swaths of the extended continental shelf in the Arctic, and that U.S. ratification would enable the United States to extend its sovereignty there as well. End

<http://www.reuters.com/article/2011/06/13/us-energy-summit-arctic-idUSTRE75C2K020110613>

Arctic oil drilling "entirely legitimate": UK

Credit: Reuters/Benjamin Beavan

LONDON | Mon Jun 13, 2011 10:00am EDT

LONDON (Reuters) - Britain strongly supported Arctic oil drilling, within the right safety regime, energy minister Charles Hendry said on Monday after Cairn Energy last week halted a Greenpeace protest off Greenland.

Governments around the world are cautiously backing deepwater drilling, a year after a BP oil spill at its Macondo well spewed more than 4 million barrels of crude into the Gulf of Mexico. "It's entirely legitimate that, given the ability to carry out this work safely, this should be part of the work of the industry," Hendry told Reuters Global Energy and Climate Summit when asked about Cairn's Greenland activities.

"I would urge any country around the world to look at the Norwegian, British approach in terms of robust regulation."

Norway has endorsed Arctic exploration, awarding licenses off the north. Britain has allowed probes in the rough, deep waters west of Shetland hoping to slow a decade-long slide in

production in shallow seas. Cairn is leading a charge into offshore Greenland which explorers believe could hold billions of barrels of oil. Exxon Mobil, Husky Energy and others have plans.

The company last week won a court injunction against Greenpeace aimed at preventing the environmental protest group from interfering with its drilling operations off Greenland. Protesters have tried twice this year to delay Cairn Energy's drilling by boarding a rig there.

Greenpeace complained that Cairn had no published emergency response against a spill. The company said Greenland authorities had required that its plans were not made public.

Companies in UK waters had to publish such plans, said a spokesman for the Department for Energy and Climate Change. "There's random checks, a constant process of monitoring and that's been tightened further since Macondo," added Hendry.

SHALE GAS

Hendry also invoked Britain's safety regime against concerns over shale gas, new discoveries of which have cut U.S. gas prices but also raised worries over groundwater contamination.

Hendry said Britain was not considering banning shale gas exploration following a drilling suspension in Lancashire, northwest England, where two tremors were measured near a Cuadrilla Resources exploration site in April and May. "We haven't felt a ban was necessary. Our view has been that the safety approach which we have in the UK is sufficiently robust and as long as it satisfies those issues it's a legitimate activity," Hendry said.

He added that he was certain the Cuadrilla site did not contaminate water supplies, a concern which has led other countries, such as France, to consider a ban. "I am very satisfied that it can't (contaminate water supplies). There are several thousand feet separating the water table and where the shale gas is," he said speaking about a visit to the site.

"We believe that unconventional gas does have a role to play and we're keen to see that taken forward subject to very stringent safety rules and regulations."

Cuadrilla's Lancashire site is the only area in Britain where shale gas exploration is being carried out.

Members of Parliament said last month that a shale gas ban was not necessary given insufficient evidence proving it has a negative impact on the environment. End

Exclusive: Exxon buys two Marcellus companies for \$1.7 billion

Credit: Reuters

By Michael Eрман and Anna Driver

NEW YORK/HOUSTON | Wed Jun 8, 2011 6:59pm EDT

NEW YORK/HOUSTON (Reuters) - Exxon Mobil Corp (XOM.N) said it bought privately held natural gas company Phillips Resources and related company TWP Inc for \$1.69 billion last week, picking up about 317,000 acres for exploration in the Marcellus shale basin.

The action highlights the importance Exxon is placing on natural gas assets after spending about \$30 billion last year to buy natural gas company XTO Energy, adding one of the leading developers of shale gas and a resource base of 45 trillion cubic feet of gas equivalent.

Exxon has shelled out billions to build up its exposure to so-called "unconventional resources", formations like oil and gas shales that require more advanced technology for extraction.

"We believe that the mergers will create significant value by leveraging regional synergies in upstream operations and acreage holdings between XTO Energy Inc and the Phillips Companies," said Alan Jeffers, an Exxon spokesman.

Exxon, already the largest producer of natural gas in the United States, said the two companies had proved reserves of 228 billion cubic feet equivalent of natural gas. The Phillips companies produce about 50 million net cubic feet per day of natural gas.

At a shareholders meeting last month, Exxon's Chief Executive Rex Tillerson said his company was "positioned to double our US unconventional production over the next decade with an inventory of approximately 50,000 drillable well locations."

Exxon has said it is taking a long-term view of natural gas markets, betting that power generation in developing countries like China and India will cause demand for the cleaner-burning fuel to surge in coming years. Natural gas prices have been burdened by heavy supplies and have not closed above \$5 per million British thermal units in New York trading in nearly a year, while crude oil has soared above \$100 per barrel.

Last year, Exxon paid around \$700 million to buy Ellora Energy, picking up that company's position in the Haynesville shale in Louisiana and Texas. Exxon's XTO unit will manage the assets. The company said its goal was to retain the companies' employees.

(Additional reporting by Matt Daily; Editing by Robert MacMillan and Tim Dobbyn)