ENERGYWIRE

Gulf producers form new alliance

http://www.eenews.net/energywire/stories/1060046181

Pamela King, E&E News reporter Wednesday, November 23, 2016

Four Gulf of Mexico operators this week launched a new coalition to support investment and innovation in offshore oil extraction.

The Gulf Energy Alliance was founded by Fieldwood Energy LLC, Talos Energy LLC, Arena Energy LP and Energy XXI Ltd. Squire Patton Boggs last week signed on to lobby for the group (*Greenwire*, Nov. 15).

"We actively support policies and regulations that foster opportunities to further support the U.S. as an independent and responsible energy producer," GEA wrote on its website. "We also are committed to work with stakeholders, regulators, and elected officials at all levels of government on ways to improve legacy and proposed regulations that threaten our nation's energy momentum and ongoing opportunities in the Gulf of Mexico."

GEA's founding members are joined by four alliance partners: the Louisiana Oil & Gas Association, Mississippi Energy Institute, LA1 Coalition and Louisiana Mid-Continent Oil & Gas Association.

"While we're poised for thoughtful and meaningful growth, our country's offshore energy industry faces a critical moment," Talos Energy CEO Tim Duncan said in a Monday statement. "Through ongoing education, our objective remains working collaboratively to ensure the Gulf of Mexico regulatory framework protects both the taxpayer and the environment while at the same time facilitating job growth in our industry that keeps Gulf Coast communities strong and the U.S. energy security and supply stable."

The alliance's first move is to oppose a Bureau of Ocean Energy Management regulation governing the way the oil and gas industry accounts for and provides costs for decommissioning Gulf infrastructure.

BOEM's rule not only lacks "a clear rationale and data for the purpose of the regulation, but also it ignores decades of work where regulators and industry have worked together to ensure safe and responsible development," GEA said.

The alliance has pledged to work with elected officials at all levels of government to edit regulations that inhibit growth in the Gulf of Mexico.

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Four Houston Independents Band Together to Promote GOM Oil, NatGas Exploration

By Carolyn Davis November 23, 2016

Four Houston-based Gulf of Mexico independent producers that have launched a coalition to support oil and natural gas extraction, initially plan to oppose federal regulations covering financial assurances on how offshore infrastructure is decommissioned.

Founding members of the Gulf Energy Alliance (GEA), all headquartered in the Houston area, are Fieldwood Energy LLC, Talos Energy LLC, Arena Energy LP and Energy XXI Ltd.

"While we're poised for thoughtful and meaningful growth, our country's offshore energy industry faces a critical moment," Talos CEO Tim Duncan said. "Through ongoing education, our objective remains working collaboratively to ensure the Gulf of Mexico regulatory framework protects both the taxpayer and the environment while at the same time facilitating job growth in our industry that keeps Gulf Coast communities strong and the U.S. energy security and supply stable."

GEA, also based in Houston, said its members "actively support policies and regulations that foster opportunities to further support the U.S. as an independent and responsible energy producer. We also are committed to work with stakeholders, regulators, and elected officials at all levels of government on ways to improve legacy and proposed regulations that threaten our nation's energy momentum and ongoing opportunities in the Gulf of Mexico."

Talos, formed in 2012 by Apollo Global Management and Riverstone Holdings LLC, operates in the shallow waters of the Outer Continental Shelf (OCS), deepwater and in South Louisiana. Fieldwood, a portfolio company of Riverstone, is the largest operator on the OCS. Arena, founded in 1999 and also an OCS player, has drilled more than 255 wells to date and owns 137 offshore platforms. Energy XXI, currently restructuring, is a shallow water player as well and operates nine of the largest fields on the OCS.

Alliance partners to GEA are the Natural Gas Supply Association, National Ocean Industries Association, Louisiana Mid-Continent Oil and Gas Association, Louisiana Oil & Gas Association, Mississippi Energy Institute, and the LA1 Coalition, which represents the critical Louisiana Highway 1 Corridor in southern Lafourche Parish.

The GEA has pledged to work with elected officials at all levels of government to revise regulations that inhibit growth in the GOM. Members' first action is to oppose the Bureau of Ocean Energy Management (BOEM) notice to lessees (NTL) and operators issued in July that would update offshore decommissioning processes.

The BOEM wants to improve procedures to determine an operator's ability to carry out lease obligations. The directive primarily would update facilities decommissioning procedures for OCS oil, gas or sulfur leases, and whether a lessee should pay additional financial assurance.

"This rule, which sidestepped a formal rulemaking process often employed by BOEM to ensure multi-stakeholder input, is a serious concern for alliance members," GEA said. "Not only does it lack a clear rationale and data for the purpose of the regulation, but also it ignores decades of work where regulators and industry have worked together to ensure safe and responsible development."

Recent bankruptcies by GOM operators, which would include Energy XXI, "prove the current system works," it said. "Despite concerns expressed by BOEM regarding the possibility of default by lease owners, the industry has, up to now, absorbed 100% of the plugging and abandonment (P&A) liability in these bankruptcies with zero cost to taxpayers."

Because of the "already challenging economics for independent producers" in the GOM, the NTL "will very likely trigger the purported risk prompting these changes by forcing independent operators to shut-in producing fields and default on P&A liability. The proposed changes will tie up capital that would otherwise be available for exploration, development, jobs, revenues to states and the federal government, and -- most ironically -- for actual P&A work."

BOEM's sister Bureau of Safety and Environmental Enforcement in August also proposed that entities holding rights-of-way report actual costs incurred when their pipes are decommissioned.

The updated NTLs followed a Government Accountability Office report issued in January recommending that the Department of Interior, which oversees BSEE and the BOEM, take steps to improve oversight of idled and terminated offshore infrastructure to better protect against decommissioning liabilities.

houmatoday.com
Terrebonne Parish, Louisiana

By Gifford Briggs, Guest Columnist
Friday December 2, 2016

The Louisiana economy needs a kick start, not a kick in the teeth. Unfortunately, the outgoing Obama Administration is making a last gasp effort to hit us where it hurts most—our energy sector.

It's no secret – lower commodity prices, out-of-control regulations, and other factors have challenged the oil and gas industry in recent years. Well over 10,000 of our high-paying energy jobs have been lost.1 We are all concerned, our state coffers are depleted, and we need solutions from Washington on a modern, pro-growth energy policy.

This is no time for bureaucratic rules that actually deter oil and gas companies from sparking growth and creating jobs. But the federal Bureau of Ocean Energy Management, under the direction of the Obama Administration, seems unfazed by these realities and has announced devastating new guidelines on financial assurance for operations in the Gulf of Mexico.

An arcane part of energy policy, financial assurance is required to obtain a federal lease for offshore drilling. Energy companies must put up bonds or other collateral to ensure that sufficient funds will be available to safely decommission a well once the oil and gas has been extracted. This is intended to protect taxpayers from footing the bill should an energy company go bankrupt or walk away from a lease before plugging a well.

Existing financial assurance guidelines have worked for decades, even in the toughest times. Making them more onerous will not improve on their 100% successful track record—but it will add extensive costs. Operators will be asked to put up larger bonds or set aside more capital funds. To the extent they can do so, they will be redirecting monies that could otherwise be spent on exploration, wages and hiring, and yes, well decommissioning itself.

There are reasons to doubt that smaller, independent operators will be able to comply. Independent companies not blessed with the deep pockets of major oil and gas companies will likely be unable to provide sufficient financial assurance. Leases will be lost and bankruptcies will ensue, sending the industry into a tailspin.

According to an independent study by energy experts at Opportune, the results will be dire. Over 10 years, production will fall by the equivalent of 367 million barrels of oil, and 87,000 fewer energy jobs will be available. The hit to U.S. GDP is estimated at $10 billion.

Here in Louisiana, our state budget situation will only worsen. The oil and gas industry paid nearly $1.5 billion in state taxes in fiscal year 2013 — over 14 percent of the total taxes and fees collected. Another $1.4 billion comes from taxing household earnings from Louisianans working in the industry.

Damage to the energy sector is immediately reflected in our state revenues. We're already facing a 2016 shortfall that could reach $300 million, on top of $315 million in arrears from last year. We cannot afford to lose more oil and gas contributions that help fund health care, higher education, and other essential services.

Louisianans recognized that the country was on the wrong track. The American people made it clear they want more growth, better jobs, and the security of a domestic energy strategy unconstrained by radical anti-drilling ideology. That means overturning the BOEM's unfair, job-killing financial assurance rule.

The good news is that a newly empowered Congress can right the wrong the regulators in Washington seem intent on committing. Our congressional delegation in Washington is poised to immediately craft and pass a legislative solution to modernize financial assurance guidelines without crippling America's domestic energy production. Our working families and communities are depending on it.

Gifford Briggs is acting President of the Louisiana Oil and Gas Association.

SunHerald

http://www.sunherald.com/opinion/editorials/article118268688.html - storylink=cpy

BY PATRICK SULLIVAN Sunday December 4, 2016

In the vast Blue Economy, the energy sector is a key cog of the Gulf Coast. Long-term growth in U.S. offshore energy means more opportunity for the diverse coastal economy. In addition to the direct economic benefits, everyone is benefiting from low fuel and electricity costs that are the result of the surge in U.S. oil and natural gas production in recent years. At the local level, we value this industry because of the high-income jobs it creates. From a macroeconomic perspective, experiences of the last decade clearly tell us energy policy should encourage greater energy supply.

However, it seems the energy sector has been a constant target of regulatory overreach under the current administration, with policies aimed at decreasing U.S. energy production. Now with a new administration right around the corner, you'd think the threat was over, but more battles remain.

Several recent actions taken by the Obama administration will deter energy investment and production. The Department of Interior's methane rule and prohibition of exploration in the Arctic are simply designed to thwart new energy production.

Closer to home, the federal Bureau of Ocean Energy Management has released little-known industry-crippling guidelines on financial assurance for oil and gas exploration in the Gulf of Mexico. Although touted as a taxpayer protection, this regulatory action is just another last-minute attack on the energy sector before today's administration leaves office.

Financial assurance is a good place to strike unnoticed. Few people know it refers to the cash, collateral or bonds put up by energy companies when securing a federal lease to drill. The legitimate aim of financial assurance is to guarantee there is adequate funding to plug a well when drilling operations are complete. That way, taxpayers don't get stuck with the bill. Despite severe swings in the energy markets, the existing rules have worked for decades.

The new requirements are so outrageous, the bond market cannot meet the demand. For operators, no bond means no lease, which means no revenues — and eventually no employees and no business. Decreasing production in the Gulf is exactly what they want and what they'll get.

Without intervention by Congress, these guidelines will go into effect with devastating results. In addition to the lost energy production, the estimated 87,000 fewer jobs is more concerning for Mississippians who are already struggling to find work. Oil and gas companies are reeling from plummeting prices. More damage and more lost jobs is the last thing needed.

The only barrier standing in BOEM's way is Congress. The American people have voted, and the status quo of over-regulation and anti-energy sentiment was rejected. People across this nation want jobs. They want growth and understand the need for more energy with reasonable regulation that makes sense. The new financial-assurance requirements fail all these tests.

Mississippi's leaders in Washington should rally their colleagues to redefine financial-assurance guidelines in a manner that will help today's Gulf energy industry. They will have the support of hard-working Mississippi families behind them.

Patrick Sullivan is the President of Mississippi Energy Institute.

MORNING CONSULT

Let's Hit the Reset Button on Regulating Offshore Oil & Gas

JOSH SHERMAN
FEBRUARY 24, 2017

https://morningconsult.com/opinions/lets-hit-reset-button-regulating-offshore-oil-gas/

In July 2016, through agency action and without congressional approval, the Bureau of Ocean Energy Management issued new regulations (NTL No. 2016-N01) requiring oil and gas lessees to post supplemental surety bonds to guarantee 100 percent of the future decommissioning costs for offshore properties in which they own a working interest.

The facts driving the government's actions then were that languishing crude prices have reduced the lessees' liquidity and the economic lives of their assets. The Obama administration's theory was that the offshore industry's capital must be diverted into surety bonds that will fund decommissioning costs in the event lessees file bankruptcy; all in the name of protecting the U.S. taxpayers, shielding them from any exposure to pick up the tab for abandoned structures and platforms.

However, it doesn't take Sherlock Holmes to realize that the previous administration twisted the facts to suit its theory, instead of theories to suit the facts. Existing regulations require previous owners of properties to foot the decommissioning bill of bankrupt lessees. Through many pricing cycles and bankruptcies over the past 80 years, the U.S. taxpayer has never once paid to decommission an offshore oil and gas property.

An independent study conducted by Opportune LLP estimates that this existing NTL will cost U.S. taxpayers approximately $14.6 billion, compared to a maximum benefit of $0.8 billion, through lost royalties, jobs and Gross Domestic Product resulting from foregone investments in offshore drilling. Opportune's study indicates that the NTL will result in less production of approximately 367 million barrels of oil equivalent and approximately 87,000 fewer jobs over a 10-year time horizon. Of course in this event, the Gulf region and its surrounding states, home to countless offshore operators and their vast employee bases, is likely to experience a slowdown.

Sound extreme? Consider the Obama administration's coal industry playbook.

Although decommissioning regulations and bonding requirements already existed in the coal industry, coal companies were pushed to the brink of extinction by regulations to eliminate self-insurance and increase supplemental bonding. In June of last year, the Coal Cleanup Taxpayer Protection Act was introduced to eliminate coal companies' abilities to self-insure future mine reclamation costs. Since the time President Obama was elected in 2008, the coal industry lost over 80,000 jobs and over 45 coal companies have filed for bankruptcy protection.

Economist Adam Smith said, “It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country.”

On the contrary, the BOEM NTL was aimed at restricting capital for the sole purpose of eliminating our country’s offshore oil and gas industry. Absent repeal of the NTL or new leadership of BOEM under the Trump administration allowing offshore lessees to form a sinking trust to self-fund decommissioning obligations through future royalties, new forms of capital must become active.

In the end, the twilight era of a departing administration was certainly not the appropriate period to draft, propose, and implement sweeping regulations upon an industry without any evidence of harm to the purported protected class – in this instance, the U.S. taxpayer. Should the taxpayer indeed be at risk, regulators and industry stakeholders should collaborate to promulgate safeguards to afford protections for taxpayers while still assuring continued growth for this critical industry in the region.

As the Opportune study has demonstrated, the costs far outweigh the benefits of this proposed regulation, and we believe the Trump administration and the 115th Congress should take a far closer look.

Josh Sherman is a partner and industry expert with the Complex Financial Reporting group at Opportune LLP, a leading international energy consulting firm specializing in assisting clients across the energy industry, including upstream, midstream, downstream, power and gas, commodities trading and oilfield services.

WASHINGTON Examiner

http://www.washingtonexaminer.com/realizing-our-offshore-economic-opportunity/article/2619810

Realizing America's Offshore Economic Opportunity

By: Randall Luthi | 10 Apr 2017

It's early days for the Trump administration, but we already know a few things. Our new president favors swift action to meet his campaign promises. He's also shown himself to be a no-holds-barred cost-cutter.

These two prongs create a dilemma. Mr. Trump pinned his reputation on job creation, but given recent events he will now lack expected healthcare savings to reinvest in stimulus in a budget-neutral manner. Fortunately, significant opportunity exists to unshackle offshore drilling and simultaneously unleash hiring activity and boost federal revenues. Some moves will require only the stroke of a pen.

At stake are over 100,000 energy jobs, many offering six-figure salaries to hard-working, high-skilled Americans with or without a college degree. These would be in the oil and gas sector, the second largest contributor to U.S. revenues. Industry growth could also dramatically increase taxes, royalties, and rents from offshore production to help fund other pressing government priorities.

That this potential is untapped today is the consequence of the previous administration abnegating its stewardship of our national energy independence. Obama's anti-fossil fuel onslaught spanned 145 new regulations and executive actions designed to delay and derail domestic exploration.

The effects were unsurprisingly harmful. In just one year from 2008 to 2009, acres open to offshore drilling fell from 8 million to 3 million. By 2010, the Gulf of Mexico went from contributing 30 percent of U.S. energy to just 20 percent. Only a doubling of output on private and state-owned onshore lands over the decade ending in 2015 kept America in a relatively safe zone for domestic supply. A new policy direction is urgently needed.

President Trump has signaled a more rational approach to fossil fuels, committing to reverse overly stringent power plant restrictions and approving pipeline construction. Regarding offshore drilling, however, the administration has only put a toe in the deep waters of change.

The recent auction of 73 million acres in the Gulf of Mexico was welcomed but represented a modest difference from Obama-era plans. Similarly, appointing energy realists Secretary of State Rex Tillerson, EPA Administrator Scott Pruitt, and Secretary of Interior Ryan Zinke was an inspired decision, but filling remaining positions has been slow.

Staffing is only a first step on the path toward a top-to-bottom regulatory review — a project that can deliver transformational impact without adding a dollar to the federal budget.

For example, in 2016 the Bureau of Ocean Energy Management (BOEM) pushed through a Notice to Lessees (NTL), which imposed new financial assurance obligations on oil and gas companies operating in the Gulf of Mexico. This regulation dramatically overhauled the existing framework for financial assurance that had been in practice for decades and had ushered in an era of responsible development while protecting our taxpayers from decommissioning obligations.

The purported goal of the change was to ensure that there are sufficient funds available to plug and abandon wells and decommission infrastructure once an offshore oil and gas facility reaches the end of its economic life. But there was no crisis in well decommissioning to compel the action. The NTL is one of the most egregious cases of hijacking arcane bureaucratic authority to debilitate an industry. According to industry experts, overturning the BOEM decision is worth over 360 million barrels in annual oil production, $10 billion in GDP, and 85,000 jobs. And this is just one regulatory action in need of immediate reevaluation.

A convincing nod in favor of energy production can have immense impact. Already ExxonMobil is creating more than 45,000 American jobs in Texas and Louisiana from Gulf investments. Imagine the employment impact if other companies could follow suit.

All it will take to spark a hiring spree is smart deregulation that balances human and environmental safety with American energy independence. Perhaps most importantly, increases in homegrown production will enable the U.S. to disentangle from foreign engagements and perhaps increase our national security.

Jobs, revenues, and more security, these are the results of an oil and gas resurgence, which the Trump administration should be proud to spearhead and own.

Randall Luthi is President of the National Ocean Industries Association (NOIA).

THE ADVOCATE

http://www.theadvocate.com/baton_rouge/opinion/letters/article_8a7f7b3a-2b95-11e7-8889-eb5f3d54712d.html

Time for Trump to lead energy turnaround

BY Jane Arnette May 1, 2017

Louisiana's oil and gas industry has been facing a perfect storm of threats. In these early days of the Trump administration, there are signs that the tempest may be blowing out. But for the sake of workers across Louisiana — the hundreds of thousands in the energy sector and the many more in industries supporting it—our new President should take forceful action to spark growth in the Gulf of Mexico.

A triple-header of challenges makes bold moves an immediate necessity. Louisiana has been fighting low oil prices for years coupled with eight years of damaging federal overreach that has weakened oil and gas opportunities.

The bayou area is hurting. We have the second highest unemployment rate in the nation. And new hiring is trailing other states, even as a $20 billion ExxonMobil investment promises tens of thousands of jobs.

We cannot lay these problems at Mr. Trump's feet. They precede him, and many are beyond his purview to repair. But we can ask that his administration use his powers to help re-level the playing field for industry and deliver on the hope his leadership stirred.

From the sheer inspiration of his election, we're seeing heightened bidding for oil and gas leases, expanding oil rig volumes, and other positive signs. To take advantage of an improving outlook, we now need concrete changes that will loosen government reins on energy and unleash industry to expand.

A great place to start is overturning a last-minute Obama-era assault by the Bureau of Ocean Energy Management. In late 2016, a crafty "Notice to Lessees" increased financial assurance requirements on Gulf operators in a manner perfectly designed to sabotage their growth.

It was an abuse of what had for decades been a common sense policy. To qualify for a lease, companies were required to set aside capital or purchase bonds to guarantee that funds would be available to decommission a well once the oil and gas was extracted. The rule was highly effective in protecting taxpayer dollars in the case of energy company bankruptcy.

Rather than modernize the requirements to suit the 21st century, however, the Obama administration chose to simply raise them to untenable levels—so high that the bond industry cannot meet the increased demand. The change has essentially sidelined independent energy companies. Even for multinationals, the capital requirements are taking funds that could otherwise be spent on exploration, hiring, and even well safety and plugging measures.

The total cost of this measure is estimated to be 87,000 jobs and a $10 billion hit to U.S. GDP. Most pressing for our region, the ripple effect is hampering Louisiana's ability to enjoy the economic rebound many neighboring states are experiencing.

If good things come to those who wait, there is no doubt Louisiana is due. We've been waiting eight long years for economic relief and jobs. Now it's time for a turnaround led by energy, industry, and President Trump.

Jane Arnette is the Director of the South Central Industrial Association.

THE TEXAS TRIBUNE

President Trump's Offshore Executive Order is an Important First Step

Nikki Martin | June 27, 2017
https://www.tribtalk.org/2017/06/27/president-trumps-offshore-executive-order-is-an-important-first-step/

The Obama administration is gone, but many of its last-minute regulatory changes remain. Rushed through and foisted on a public preoccupied with selecting their future leader, it is entirely appropriate that the Trump administration recently announced important regulatory reviews of these changes as part of its Implementing an America-First Offshore Energy Strategy executive order.

Among the most important regulations the executive order will review is an obscure Notice to Lessees from the Bureau of Ocean Energy Management (BOEM). An under-the-radar move, it raised the financial assurance requirements on energy companies operating in the Gulf of Mexico. Should it stand, this innocuous-sounding policy measure will sweep the legs out from under independent drilling operators. That would be disastrous for a Texas economy already fighting significant headwinds.

Talk about a direct affront. Texas pulled the U.S. economy out of the Great Recession, adding one of every seven new American jobs between 2010 and 2014. But Obama's harsh anti-petroleum mindset led his administration to kick this gift horse hard, with executive and agency actions entirely adverse to pro-growth policies our communities need right now. The Lone Star State is feeling the damage. Since 2014, Texas has lost over 90,000 oil, gas, and mining jobs.

It's no wonder so many Texans rallied around Donald Trump. As a candidate, Trump recognized that oil and gas is overregulated — and as president, he has shown his intention to put America back to work. He realizes this will require a strong energy industry. Rolling back the BOEM notice offers an early opportunity to remove the yoke from oil and gas companies and to bolster our nation's growth.

Applied properly, financial assurance is a common-sense requirement. To qualify for a lease, energy companies currently must put up bonds or other collateral to ensure there will be funds to decommission a well once the oil and gas have been extracted. This ensures that bankruptcy or malfeasance can't endanger the environment or force taxpayers to foot the bill to plug a well.

The previous financial assurance guidelines were highly effective for decades, even as the industry stared down falling prices and some failed enterprises. Nonetheless, the BOEM made the unilateral decision to require larger bonds or more capital set-asides without a clear rationale.

There are several problems with this. First, higher financial assurance requirements siphon off funds that could be spent on energy exploration, job creation and investment in environmental safety, including well decommissioning itself.

More concerning is the fact that most small operators will be simply unable to comply. Unlike large multinationals, independent energy companies generally lack sufficient capital assets for collateral, so they depend on bonds. But experts suggest the bond market cannot absorb the exponential increase in demand stemming from the BOEM's guidelines.

If ending the day of independent oil and gas operations is the intention, there are few more effective ways to achieve it. Without access to bonds, independent companies cannot get or keep leases to drill. Without leases, they cannot stay in business and their employees will be pounding the pavement looking for jobs.

A study by Opportune LLC outlines the national impacts: production falling by the equivalent of 367 million barrels of oil, a $10 billion hit to GDP, and 85,000 fewer jobs. That's too high a price to pay. Given the role of Gulf energy in our economy, Texas will bear a disproportionate share of the pain.

There is an alternative. President Trump and Congress are poised to take action to reverse the crippling changes to financial assurance guidelines and the myriad of other rushed anti-oil and gas administrative actions forced in the 11th hour by the departing Obama administration. Domestic energy production is central to the economy, to job creation and national security. All were cited as top priorities for a Trump administration, so we are pleased these new leaders in Washington feel the urgency of action.

Nikki Martin is the President of the International Association of Geophysical Contractors.