

Energy Insider Interview Series

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1. IPAA has long advocated for smart and responsible oil and gas development and remained at the forefront of the discussions shaping policy and regulations affecting the industry. What's your take on the first six months of the Trump Administration and what's that meant for our nation's independent producers?

The Trump administration has shown its support and dedication to America's energy sector, enhancing our role as a leading producer in the global market. The primary effect of the Obama administration was over-regulation, taking regulations that historically were implemented at the state level and moving them to the federal level and making them more expansive. That shift was costly, but industry is moving forward and hopes this new administration continues to implement common sense policies to keep independent producers in business for the benefit of all Americans who use energy to power our everyday lives.

The decision of the Interior Department to open a public comment period for a new Five-Year National Offshore Oil and Gas Leasing Program on the Outer Continental Shelf (OCS), for instance, is an example of forward-thinking momentum for the industry. Announced during the White House's Energy Week in June, the decision was seen as a boost of confidence for the future that this administration recognizes the benefits to be gained from safe, responsible development of America's abundant natural resources. Now, the question becomes how the administration will approach issues like tax reform – an important issue for the entire economy, but one that must be approached with care to ensure small businesses like independent producers aren't

harmful in the process. This means ensuring capital recovery is not lost in the larger debate of lower corporate rates.

2. The oil and gas industry is made up of some pretty dedicated and innovative men and women. How has that dedication and innovation been applied to managing emissions and air quality?

The industry is dedicated to ensuring air quality throughout its operations. After all, the same men and women who work in this industry often live in the communities where development is taking place. We all care about keeping the environment safe for our families and communities. What we saw in the previous administration, however, was industry meeting limits and reducing emissions, yet regulations that risked duplicating what was already occurring on the ground. Just a few months ago, for instance, EPA released its final Greenhouse Gas Inventory for the year, finding that methane emissions from both natural gas and petroleum systems have declined significantly from 1990. These emissions also decreased from 2014 to 2015 – at a time when natural gas production hit record highs. This is great for our environment, the safety of operations, and the ability to preserve product at the wellhead.

There is also often blame placed on energy operations for emission issues that are actually the source of other activity, notably agriculture development. In 2017, the National Oceanic and Atmospheric Administration's (NOAA) website clarified this point, stating, "NOAA observations, analysis, and field research campaigns suggest the increase (in global methane emissions) is being driven by natural and agricultural

emissions, not fossil fuels.” This context is important when we look at regulations that support our environment and economic development, as opposed to misplaced blame or overburdening industry from operating.

- 3. Recently, the Senate approved two Federal Energy Regulatory Commission nominees allowing the agency to regain a quorum. This was something IPAA and other industry groups pushed for. Now that FERC can have its first quorum in over six months, what are your hopes for what the agency can accomplish?**

FERC’s lack of quorum, up until recently, was placing energy infrastructure permitting and approvals on an indefinite hold and creating an unexpected barrier to improving the permitting process for infrastructure projects. Our hope moving forward is that many of these important projects can get the go ahead they deserve, creating opportunities for our workforce and much needed infrastructure for energy production and supply.

- 4. In early July, the Trump Administration announced that it would allow for faster permitting of gas drilling on public lands. What does this mean for independent producers?**

Public lands make up a large portion of our oil and natural gas development in this country. In New Mexico, Utah, and Colorado alone, oil and natural gas development of federal lands accounts for \$1.56 billion in annual revenue. This should be a win-win for industry and our nation’s economic standing, but production on public lands has continued to decline in recent years while production on private lands has skyrocketed in large part because of the inefficient leasing process that underpins development of our public lands. In fact, according to a report from the American Petroleum Institute, “If production on federal lands had grown at the same rate as overall U.S. production, from 2009 through 2015, total royalties would have been 31 percent higher, with an additional \$20 billion in royalties collected by the federal government.” Our hope is this new order restores certainty and efficiency to the federal permitting process, encouraging important development on our public lands.

- 5. I think the general public would be surprised to learn that 90 percent of the wells in the United States are developed by independent producers--companies that average about 12 full-time employees, while assisting dozens of support companies. Yet many seem to equate oil and gas with large companies. What makes the industry so diverse and attractive to entrepreneurs?**

U.S. energy is huge – it drives our lives, fuels our cars, heats our homes, and even improves our quality of life. America’s oil and natural gas industry powers all other industries. But at its core, it is an industry driven by thousands of businesses of all shapes and sizes, from large international independents to small, family-owned businesses with a handful of employees. America’s oil and natural gas industry was founded by wildcatters, innovative entrepreneurs with big dreams looking for the next opportunity often in their own backyard. That type of energy and drive is still at the core of our industry.

- 6. Commodity prices remain an area of interest for many. How are producers managing the current price environment?**

This is a cyclical business, always has been and always will be, and different companies have fared differently under the lower commodity market for an array of reasons. But it is important to remember the small businesses behind our nation’s energy. As mentioned earlier, the average independent producer has 12 full-time and 2 part-time employees, making these small businesses often at the core of their community. But being smaller operators comes with its challenges, notably meeting the high capital-intensive costs of developing energy. That is why the treatment of these companies in the tax code in particular is so critical. This is a cyclical business, but our country must ensure we have the right tax code in place to enable these types of businesses to afford and continue to invest in future production.

- 7. It’s amazing that not that long ago the United States was preparing to import liquified natural gas and today we’re exporting, with about half a dozen export terminal projects in development. What are the prospects for the future of the U.S. as an exporter of natural gas?**

Increased natural gas development here at home has placed our nation on the path to be a net exporter this year. As the Executive Director of the International Energy Agency stated back in June, “The U.S. shale revolution shows no sign of running out of steam and its effects are now amplified by a second revolution of rising LNG supplies.” This is a great thing not only for our economy, but our environment and our position on the global stage. Supplying clean-burning natural gas for the globe is a win-win, and our hope at IPAA is that the infrastructure needed to support these exports continues to be developed at a rapid pace.