



## NEWS BRIEFING

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DATE: FRIDAY, AUGUST 16, 2013 8:00 AM EDT

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## API IN THE NEWS

**API's Request That EPA Lower 2014 RFS Mandate Noted. (CALLER)** [Daily Caller](#) (8/14, Bastasch) continued coverage of the American Petroleum Institute and American Fuel & Petrochemical Manufacturers' request that the EPA lower its 2014 RFS mandate. The two groups filed a joint waiver with the EPA asking that it use its power to decrease the blending target by 3.35 billion gallons in 2014 so that refiners can avoid the "blend wall."

**Oil Group Pushing For Lower 2014 Biofuel Mandate. (WIAGCONXN)** The [Wisconsin Ag Connection](#) (8/16) reports that in a statement regarding the jointly-filed waiver request, American Petroleum Institute downstream director Bob Greco said, "The Renewable Fuel Standard is broken beyond repair, and we are calling on the EPA to use its waiver authority to provide a stopgap measure for this unworkable mandate." The article notes that this is the API's "first official waiver request" submitted on behalf of refiners, and notes prior Reuters coverage of this point. Previously, the API has petitioned Congress to address the RFS.

**Why E85 Is The Cheapest Gas At The Pump. (KCUR)** [KCUR-FM](#) Kansas City, MO (8/16) reports on E85 prices, noting they are lower than gasoline prices because oil companies "have to" sell more ethanol due to the RFS. This has left refiners "fuming." American Petroleum Institute downstream director Bob Greco said of the mandate, "It's an unrealistic mandate to blend more ethanol than can be used safely. It's not a problem with the ethanol itself. It's an issue with the mandate."

**API, AFPM Ask EPA To Partially Waive 2014 Ethanol Requirements. (OILGAS)** The [Oil and Gas Journal](#) (8/16) also noted the American Petrochemical & Fuel Manufacturers and American Petroleum Institute's request that the EPA "partially waive" its 2014 ethanol volume requirements as stated in the RFS. API downstream director Bob Greco warned, "Higher ethanol requirements could lead to a reduction in the domestic fuel supply, increased costs, and severe harm to the US economy." He and AFPM General Counsel Richard Moskowitz wrote in their Monday letter to EPA Administrator Gina McCarthy that "delaying the ethanol

blend wall until 2015 will not solve the underlying problem of accelerating RFS mandates, but EPA has clear authority to grant multiple waivers." Greco also reiterated the API's argument that the RFS "is outdated and needs to be repealed."

**BEAUPREZ: EPA's Renewable Fuel Folly. (WT)** In an op-ed in the [Washington Times](#) (8/15, Beauprez) former Rep. Bob Beauprez (R-CO) chastizes the EPA for its RFS mandate, calling it "one of the most convoluted and unworkable programs" Congress has ever created. He notes that he remembers that he voted for the RFS because "it was supposed to improve air quality," along with promoting the then-emerging US ethanol industry, and also "reduce dependence on foreign oil." Though he says he and others who passed the RFS had "good" intentions, the system is now broken. He notes that it has caused "skyrocketing" corn prices, hurt cattle and poultry farmers, caused refiners to "waste money on ethanol credits," and increased global food costs. He concludes by urging Congressional action on "this epic policy failure," and notes previous comments from American Petroleum Institute president and CEO Jack Gerard, who said "it's up to Congress to exercise leadership and move quickly to end this dangerous mandate before it hurts consumers, damages vehicles and harms our economy."

**API Says There's Room For Rail, Pipeline Crude Transport In US Oil Boom. (OMAHA)** The [Omaha World-Herald](#) (8/16) reports on the rise of US crude-by-rail transport, and the rail industry's concerns following the July train derailment in Quebec that its transport reputation might be tarnished. Still, railroads believe that their method of transport will remain popular with the oil industry as pipeline approvals are delayed. American Association of Railroads spokeswoman Holly Arthur said that both pipelines and railroads provide safe transportation for crude oil and will continue to be used. American Petroleum Institute marketing issues manager Prentiss Searles agreed, saying "there's room for both" due to rising US oil production. He noted that the industry has "to be able to move the Bakken formation in North Dakota and Permian Basin in Texas." He said ultimately, no matter how crude is transported, "There's a tremendous growth opportunity there. And the idea that we

could be energy independent based on the production in the US and Canada and Mexico, I think, is quite a unique opportunity for us. Rail is helping to make that happen.”

## **API Touts Shale Jobs At Ohio Forum. (YOUNGBIZ)**

The [Youngstown \(OH\) Business Journal](#) (8/16, Nelson) continues coverage of the “Training Students for the Jobs of Today and Tomorrow” forum held in Youngstown, OH on Wednesday. The forum included Reps. Bill Johnson (R-OH) and Tim Ryan (D-OH) along with members of the oil and natural gas industry. American Petroleum Institute senior economic adviser Rayola Dougher said technology has brought “more energy than any of us imagined even five or six years ago.” She called the US energy boom “revolutionary,” saying it is larger “than splitting the atom has been in terms of bringing energy to the United States.” Meanwhile, Ohio Petroleum Council executive director Chris Ziegler said that in Ohio, oil and gas development of the Utica shale has led to 38,830 jobs thus far, a number expected to climb to 143,595 in 2020.

## **TOP NEWS**

### **Coverage, Analysis Of Mexico’s Proposed Energy Policy Continues.**

Rounding out a business week of heavy media coverage, on Thursday and into Friday, reports on additional details of Mexican president Enrique Pena Nieto’s proposed energy policy continued. Newspaper and newswire reports have moved from their initial reporting of broad details of the proposal and on to analysis pieces about Mexico’s energy sector, and to specific details of the proposal that might affect the timing of its passage.

**Mexican Government Drafting Bill To Reduce Tax Burden On Pemex. (BLOOM)** [Bloomberg News](#) (8/16, Cattan) reports that as part of overall energy reform plans, Mexico’s government will send Congress a bill in September that is designed to improve Pemex’s ability to invest in projects by reducing its taxes. Finance Minister Luis Videgaray said the measure will lower the company’s license and royalty fees. In order to partially make up for the lost revenue, Pemex will start paying income taxes for its drilling and exploration operations. In an article posted to the ministry website on Thursday, Videgaray said, “It’s time to give Pemex a new tax regime. A decision would be made whether the largest remaining resources are reinvested in the company or if a part is transferred to the Treasury as a dividend.”

**Minister: Mexico’s Pemex To Pay Income Tax On Exploration, Drilling. (REU)** [Reuters](#) (8/16) reports that according to Videgaray, the changes to Pemex’s taxes are designed to reinforce the idea “of treating Pemex like a company” rather than part of the government. He said that under the changes, Pemex would have a tax structure similar

to state-run oil companies in Colombia and Brazil, two nations that have achieved success in adapting their aging oil monopolies.

**Mexico Energy Reform Passage Needed Before S&P Upgrades Rating. (BLOOM)** [Bloomberg News](#) (8/16) also reports on the timing of energy reforms as a whole, noting that according to S&P ratings director Lisa Schineller, legislators would have to approve any energy overhauls before the agency would consider “a possible ratings change.” Schineller said that S&P doesn’t have a “set date” at which it plans to review Mexico’s rating and would need additional “clarification that will come with passage of a proposed energy bill before doing so.” In March S&P raised the nation’s outlook on its BBB rating from stable to positive, citing the potential of energy overhauls that might increase Mexico’s economic growth. Still, Schineller cautioned, “A positive outlook doesn’t mean there is going to be an upgrade.”

**Mexico Hopes Energy Reforms Will Spark Drilling Boom. (GLOBMAIL)** The [Toronto \(CAN\) Globe and Mail](#) (8/16) reports on the “underdeveloped gas industry” in Mexico, and how it might be affected by proposed reforms. Thus far, Pemex has only fracked four shale-gas wells, and has focused on oil instead. This despite the US EIA estimating that Mexico has the sixth-biggest shale gas reserves worldwide, with 545 trillion cubic feet. Still, the EIA has noted that Mexico’s geology is more complex than the US and Canada, making the natural gas trickier to recover. Mexico Institute at the Woodrow Wilson Center director Duncan Wood said that while Pemex is capable of drilling for crude, they are currently “ill-equipped” for the “nimble” efforts at exploration and development that shale gas drilling entails.

**75 Years Later, Is Mexico Ready For Energy Reform? (BLOOM)** In the “World View” column in [Bloomberg News](#) (8/15) Raul Gallegos writes about the “genius” of President Pena Nieto’s proposed reform, saying it straddles the line between tapping into national “pride” in its oil industry while also justifying the “reopening” of that industry to private investment. However, he cautions that the “fine print” of the legislation might “alienate the very investors” the government hopes to lure. He expresses hope that the ruling party, the PRI, along with its allies take reforms seriously enough to offer returns that are attractive to foreign oil companies and can “justify the constitutional overhaul.”

**Mexican Energy Reform: Politics And Predictions. (CFSISUS)** In a [Center For Strategic And International Studies](#) (8/15) “Critical Questions” article, Carl Meacham says President Enrique Peña Nieto’s call for reforming the Mexican energy sector highlights the recognition among the three major parties – Peña Nieto’s PRI, the right wing PAN, and the leftwing PRD – that the state oil and gas monopoly, Pemex, faces declining profitability and ultimately Mexico will become a net petroleum importer. The parties each offered reform

legislation, but the likely outcome is probably going to most closely resemble Peña Nieto's proposal, likely requiring an alliance with the PAN. However, a PRI-PAN "deal on energy reform would carry certain political consequences, likely among them the end of" a productive consensus agreement among the three parties for economic reform legislation.

## ENERGY PRICES

### Closing prices

Crude Oil	\$107.33	▲ 0.48
Natural Gas	\$3.42	▲ 0.08

## FRONT PAGE NEWS

### Headlines From Today's Front Pages.

#### WALL STREET JOURNAL:

[Egyptians Brace For More Bloodshed](#)  
[US Treads Lightly As Egypt Crisis Deepens](#)  
[Blue Chips Shed 225 Points](#)  
[How Mexico Ended Political Gridlock](#)

#### NEW YORK TIMES:

[His Options Few, Obama Rebukes Egypt's Leaders](#)  
[Islamists Debate Their Next Move In Tense Cairo](#)  
[A City Borrows So Its Schools Open On Time](#)  
[Easy Credit Dries Up, Choking Growth In China](#)  
[New Call In Baseball: Previous Play Is Under Review, In New York](#)  
[With Burst Of Energy, Thompson Tries To Escape His Opponents' Shadow](#)

#### WASHINGTON POST:

[In A Divided Country, The Dead Remain Unburied](#)  
[Egypt Authorizes Live Fire Against Protesters](#)  
[Audit: NSA Repeatedly Broke Privacy Rules](#)  
[Court: Ability To Police US Spying Program Limited](#)  
[Rodeo Act Put Racial Divisions On Display](#)

## ENERGY POLICY

**Moniz Reaffirms Support For Loan Programs In ThinkProgress Interview.** The "E2 Wire" blog of [The Hill](#) (8/16, Geman) reports Energy Secretary Ernest Moniz was not simply "speaking off the cuff" earlier this week "when he struck a defiant tone on loan programs that Republicans have strongly attacked." In an interview published Thursday with ThinkProgress, Moniz said, "I will remain very insistent in the department that our posture on the loan program is not defensive, and in fact what I didn't mention on the panel earlier, is that as part of the climate action plan, we

announced another eight billion dollar loan program on fossil fuel greenhouse gas reduction. As far as we are concerned we are still in business." In the interview Moniz also said "that while the collapse of the taxpayer-backed solar panel maker Solyndra will remain a 'talking point,' the companies that have failed are just a small part" of the DOE's overall loan portfolio.

**White House Has Begun Installing Solar Panels.** [The Hill](#) (8/16, Geman) reports in its "E2 Wire" blog that the White House has begun to fulfill its promise in late 2010 "to put up solar panels." According to a White House official, "The White House has begun installing American-made solar panels on the first family's residence as a part of an energy retrofit that will improve the overall energy efficiency of the building." The Hill notes that the panels "are part of broader energy-related changes to the first family's residence."

## COMPANY NEWS

**BHP Billiton Faces Possible Enforcement Action After DOJ, SEC Probe.** [Reuters](#) (8/16) reports that BHP Billiton announced early Friday that US authorities may be taking "enforcement action" against them following a four-year investigation. The SEC and DOJ began the investigation in 2009, mainly due to exploration activities and to its sponsorship of the Beijing Olympic Games. In a statement BHP said, "As a part of the US process, the SEC and DOJ have recently notified the group of the issues they consider could form the basis of enforcement actions and discussions are continuing." The company added that it wasn't able to comment on potential outcomes of the investigation. Reuters notes that US Foreign Corrupt Practices Act penalties "can vary widely."

**Gulf Keystone Seen As Takeover Target As Kurdistan Nears Oil Boom.** [FuelFix](#) (8/16) reports that Gulf Keystone Petroleum has been pursuing "billions of barrels of crude" in Kurdistan for the past six years, despite the anger of shareholders, "byzantine politics" in the region, and a former business partner's lawsuit. Now, his company is being described as "a takeover target" as larger oil companies seek Kurdistan's untapped fields. The nation is said to be on the cusp of an "oil boom." Koziel said that offers might come soon because a new pipeline in the region set to export oil to Turkey by the end of 2013 could boost the company's value by 40%. Additionally, a ruling is expected very soon in the case of the former business partner, who wants 30% of the company's main assets. Once the case is resolved, the company may be able to focus more on performance, analysts say.

## ACCESS

### **Permian Basin Gaining In Oil & Gas Activity.**

The [Midland \(TX\) Reporter-Telegram](#) (8/16, McEwen) reports that the Permian Basin appears to be gaining momentum in terms of gas and oil activity. According to Karr Ingham, an Amarillo economist, the basin's petroleum index "rose again in June, coming in 4.9 percent above June 2012 levels." The basin has "a rising rig count and recovery in the natural gas sector."

### **North Dakota Oil Production Rises With Natural Gas Flares Remaining Steady.**

The [Bismarck \(ND\) Tribune](#) (8/16, Smith) reports that North Dakota summer oil production is up but less than anticipated. The North Dakota Department of Mineral Resources had expected an increase of 20,000 barrels per day, but that figure is closer to 10,000. The number of active wells hit 9,000 in the state for the first time. Meanwhile, there was a "one percent decline in the amount of natural gas being flared at well sites" with figures going from 29 percent to 28 percent.

## HYDRAULIC FRACTURING

### **Marcellus Shale Gas Production Up 50 Percent This Year.**

Citing a study by Bentek, a Colorado company that assesses energy trends, the [AP](#) (8/16, Begos) reports that natural gas production from Marcellus Shale "is rising even faster this year than energy experts had predicted." In fact, 2013 levels of Marcellus Shale production in Pennsylvania and West Virginia are "up about 50 percent compared with last year." Marcellus gas is said to be displacing Gulf of Mexico production. [NPR](#) (8/15, Colaneri), the [Christian Science Monitor](#) (8/15, Begos), and the [Canton \(OH\) Repository](#) (8/16) carry the AP report on Bentek's findings.

### **California Coastal Commission To Investigate Offshore Fracking.**

The [Santa Cruz \(CA\) Sentinel](#) (8/16, Hoppin) reports that the California Coastal Commission on Thursday vowed to investigate the impact of fracking. The decision comes after reports emerged that oil companies have engaged in fracking off the coast. Charles Lester, the executive director of the Coastal Commission said it is a serious priority to "protect the marine environment," and the Commission will look into matters "very carefully."

The [AP](#) (8/15) says the Commission "promised to look into the extent" of fracking and "any potential risks." The first step will be to ask oil companies if they plan to use "fracking and require them to submit an environmental review. It will

determine further action after completing its fact-finding mission."

### **Environmentalists Seek Stronger California Fracking Bill.**

The [San Francisco Chronicle](#) (8/16, Baker) reports that California's state senate bill, SB4, which calls for guidelines on the fracking industry, is coming under the scrutiny of environmentalists. Many groups, such as MoveOn.org and Credo are pushing state Sen. Fran Pavley, the sponsor of the bill, to call for an "outright" ban on fracking. They fear the bill as currently drafted "would give politicians an excuse to let fracking continue." Since Pavley's base is environmentalists, the Chronicle calls it a "strange" turn for the Los Angeles County Democrat.

### **ND Official Says New BLM Fracking Rules Could Slow Production.**

The [Forum of Fargo-Moorhead \(ND\)](#) (8/15, Dalrymple) reports that according to Lynn Helms, director of the North Dakota Department of Mineral Resources, "proposed Bureau of Land Management rules" governing hydraulic fracturing "would slow the process of getting permits and add unnecessary expenses." According to Helms, the new rules would have the most appreciable effect on the Fort Berthold Reservation, which produces 25 percent of the state's oil and with the new rules, "it could take more than one year to get a permit to drill and complete a federal well."

### **Ostrander Examines Questions On Fracking.**

In an article for [The Nation](#) (8/16), Madeline Ostrander questions whether fracking is a "necessary evil." Noting that EPA Administrator Gina McCarthy said in a speech this week that natural gas is "important" to "support a robust clean energy market at home," Ostrander looks into the questions that remain. She says skepticism remains because of three reasons. One is that "fracking may not decrease our reliance on coal globally. It just sends the coal somewhere else." Also, "fracking threatens water resources in an increasingly water-scarce world." Finally, it's "not clear whether natural gas is actually as clean as it claims to be."

## UPSTREAM

### **Evacuations Begin At Some Gulf Of Mexico Oil, Gas Platforms As Potential Cyclone Threatens.**

[Reuters](#) (8/16) reports that workers at some Gulf of Mexico offshore facilities were evacuated Thursday ahead of a low-pressure system that appeared likely to become a cyclone. The US National Hurricane Center forecast the storm, located in the northwestern Caribbean Sea, has about a 50% chance of turning into a cyclone within 48 hours. Pemex said it was monitoring the storm but not planning evacuations. However,

Marathon Oil and BP were evacuating nonessential workers from area platforms.

## **NATURAL GAS**

**Natural Gas Falls On Higher Inventory Forecasts.** [Dow Jones Newswires](#) (8/16, Philbin) reports that natural gas futures dropped Thursday as traders expected inventory data showing gas stockpile increases spurred by cooler temperatures. Prices for September delivery declined by \$0.028 (0.9%) to \$3.314 million British thermal units on the NYMEX, and an EIA report is expected to show a 71 billion cubic feet gas increase, a number above last year's increase of 20 bcf and an average gain of 42 bcf for the same week over five years.

**Dow Chemical CEO Sees Negative Side To Natural Gas Exports.** The [New York Times](#) (8/16, Krauss, Schwartz, Subscription Publication) reports that Dow Chemical's chief executive Andrew Liveris is leading a campaign opposing increased natural gas exports. While Liveris sees natural gas exports "as a threat to a manufacturing renaissance in the United States, not to mention his own company's bottom line, "others say the exports "would provide far more benefits to the country than drawbacks." The Times notes that while the positive economic consequences of exporting natural gas "are increasingly visible," Liveris warns that the "windfall is at risk if the government permits natural gas exports to increase quickly." He argues that the Federal government "needs to plan an energy policy that carefully balances the interests of the oil and gas companies that want to freely export natural gas with those of industries like Dow Chemical that fear that an export boom could outpace domestic gas supplies and bring higher energy prices."

**MarkWest Building More Natural Gas Processing Infrastructure As Shale Boom Continues.** In continuing coverage, the [Steubenville \(OH\) Herald Star](#) (8/15, Junkins) reports on MarkWest Energy constructing additional natural gas processing infrastructure in Ohio and West Virginia due to "evidence the Marcellus and Utica shale boom continues to grow." The piece mentions that "so plentiful are the methane, propane, butane, ethane and other hydrocarbons in eastern Ohio and northern West Virginia that MarkWest joins Williams Partners, Dominion Resources, Caiman Energy and M3 Midstream as processors who have so far invested more than \$9 billion to turn the materials into marketable forms."

The [Weirton \(WV\) Daily Times](#) (8/16) also runs the story, while the [Warren \(OH\) Tribune-Chronicle](#) (8/15) carries a shorter version.

**Pennsylvania Roundtable Releases Shale Gas Recommendations.** In its "Energy Inc." blog, the [Pittsburgh Business Times](#) (8/16, Spencer, Subscription Publication) says that "members of the Shale Gas Roundtable have unveiled a report full of recommendations" for the region to "responsibly develop its shale gas resources." After being convened by the University of Pittsburgh some two years ago, the 26-member roundtable released a 139-page report that "outlines eight core recommendations plus four targeted areas of attention." Among the suggestions is the creation of an "Unconventional Oil and Gas Research Fund that would draw on diverse funding streams and pay for research." Also, the report calls for Pennsylvania state environmental authorities to have "enough staff to perform regulatory functions and public reporting of oil and gas activities."

**Colorado Delays Drilling Industry's Environmental Rules.** The [AP](#) (8/16, Wyatt) reports that the Colorado Air Quality Control Commission has extended the time frame for rules designed for oil and gas drillers. With an original time frame of November, the commission decided without explanation to extend negotiations until February. The delay is said to be "a good sign that the industry is working with environmental activists to craft new regulations."

## **OIL SANDS**

**Montana County Commissioner, Oil Man "Baffled" By Keystone Opposition.** [Bloomberg News](#) (8/16, Efstathiou) reports that as opposition to the Keystone XL project grows from Maine to California, Phillips County, MT Commissioner Richard Dunbar is left wondering "why distant towns oppose" the pipeline, which would enter the US in his county. In an interview, he said the opposition "just baffles me. Why would they have an interest in something that doesn't go through their county or state?" Dunbar, also the president of the Montana Association of Oil and Gas and Coal Counties, said Keystone will bring "significant economic benefits." He also believes that "oil sands are going to be developed whether this project gets approved or not." Therefore, he has concluded that "there's no rationale" to the opposition's arguments against the project.

**Berkshire Hathaway Purchases \$500 Million Stake In Suncor.** The [Lincoln \(NE\) Journal Star](#) (8/16) reports that according to a Federal filing, Berkshire Hathaway has purchased a new \$500 million stake in Suncor Energy, the Canadian company heavily invested in the tar sands

industry. As of June 30, Berkshire Hathaway owned 17.8 million Suncor shares. Anti-tar sands activists on Thursday criticized the investment. Still, CNN coverage quoting “unidentified” industry analysts suggested that despite the political nature of oil sands, Buffett likely purchased the stock “because it’s a good old-fashioned value and is well-run.”

**Exxon Official Says Company May Retire Pegasus Pipeline.** The [AP](#) (8/16) reports that during an interview with the Arkansas Democrat-Gazette, ExxonMobil Pipeline Co. vice president Karen Tyrone said the company may retire the Pegasus pipeline that ruptured earlier this year, spilling 210,000 gallons of crude in Mayflower, AR. Regardless of whether or not the pipeline is retired, Tyrone emphasized that it would remain closed until Exxon was “sure it is safe to operate.”

## FUELS

**Ethanol-Gasoline Spread Shrinks On Corn Future Rally.** [Bloomberg News](#) (8/16, Harvey) reports that the ethanol-gasoline spread narrowed 2.59 cents on Thursday “as the biofuel followed corn higher after the government reported an increase in the number of acres farmers weren’t able to plant.” The September ethanol future “gained 3.1 cents to \$2.237 a gallon,” while the September gasoline contract “rose 0.51 cent, or 0.2 percent, to \$2.9881 a gallon.”

**USA Today Calls For Repeal Of Ethanol Mandate.** An editorial in [USA Today](#) (8/15) calls for the repeal of the ethanol mandate, arguing that the mandate is “bad policy” and that “the energy independence goals that the ethanol mandate was supposed to meet in 2022, have already been met – surpassed in fact – by developments that would have been unimaginable a few years ago.”

**RFS Called One Of The Most Successful Energy Policies Ever.** In an accompanying op-ed for [USA Today](#) (8/15) Bob Dinneen, president and CEO of the Renewable Fuels Association, the trade association of the American ethanol industry, argues against weakening the Renewable Fuel Standard, calling it “one of the most successful energy policies ever” and citing decreases in US dependence on imported oil and greenhouse gas emissions as well as cost savings to motorists.

## GREENHOUSE GASES

**Legal Advocacy Group Wants Change To “Social Cost” Of Carbon Calculation.** The “Regwatch” blog of [The Hill](#) (8/16, Hattem) reports that the

Department of Energy has been asked by a legal advocacy group “to change its rule that set forth a new measure for calculating the monetary costs of carbon pollution.” The Landmark Legal Foundation is asking the DOE “to reconsider its June rule on efficiency standards for microwave ovens, because tucked inside that regulation was an increase to the ‘social cost’ of carbon.” According to a notice from the DOE, “the legal group wants a revision because the carbon cost ‘should have been subject to a prior opportunity for public comment.’”

## OIL PATCH

**Eagle Ford Area Trying To Curtail “Ghost Towns.”** The [KZTV Corpus Christi \(TX\)](#) (8/16) website reports on its website that the Eagle Ford Shale Community Development Program met with Duval County officials to talk about avoiding the continued creation of “ghost towns” in the area. There are currently 250 such dissipated areas, and the program wants to avoid some two dozen more “after the oil and gas are gone in South Texas.”

## DOWNSTREAM

**Oil Movements: OPEC To Cut Exports On Refinery Maintenance.** [Bloomberg News](#) (8/16, Smith) reports that according to Oil Movements, OPEC will decrease its shipments for the four weeks ending August 31 as US and European refineries undergo “seasonal maintenance.” Exports will be reduced by about 190,000 bpd to 23.7 million bpd. Oil Movements founder Roy Mason explained, “Exports are simply dropping through the rest of the summer, the direction is right” for a typical August.

**Oil By Rail Demand Spurs BNSF To Boost Budget To Record \$4.3 Billion.** [Platts](#) (8/16, Spencer) reports that one of the biggest rail operators in the US, BNSF, has boosted its budget by \$200 million for the year to a record \$4.3 billion. The extra cost comes in anticipation of growing demand for oil by rail transport. During comments at the North American Prospect Expo Summer Business Conference on Wednesday in Houston, BNSF CEO Matthew Rose said, “Shipments of petroleum products via rail have been on the rise since 2009, in some cases doubling.” He said that BNSF is transporting about 600,000 bpd of crude, and this should grow to 800,000 bpd by the end of 2013. The company is serving 17 points of origin in US shale plays, and is planning to add another 10.

## PIPELINES

**Magellan Purchases Houston-Area Shell Crude Pipeline.** [Reuters](#) (8/16) reports that according to Magellan Midstream Partners, it has acquired a 150,000 bpd “bi-directional crude oil pipeline” from Shell Pipeline. The line extends from Houston’s Genoa Junction to the East Houston terminal, which Magellan owns. The 16-inch diameter West Columbia line will give Magellan an extra route for crude, particularly from the emerging Eagle Ford oil shale.

## ENERGY MARKETS

**Oil Up Past \$107 As Turmoil Rocks Middle East.** The [AP](#) (8/16, Fahey) reports that the price of US benchmark oil rose 48 cents on Thursday to \$107.33 per barrel, “inflated by turmoil and increasing violence in the Middle East, but ample global oil supplies are helping to keep the rise in check.” However, the higher crude prices are “not expected to significantly boost U.S. gasoline prices because gasoline supplies are plentiful.”

## ELECTRIC VEHICLES / HYBRIDS

**EPA To Cut Ford C-Max’s Mileage Estimates.** The [AP](#) (8/16, Krisher, Durbin) reports that the EPA said Thursday that it will cut the combined city-highway mileage estimate for Ford’s C-Max gas-electric hybrid “by nearly 9 percent to 43 mpg, from 47.” Ford will change vehicle window stickers to reflect the change and “said that it will compensate drivers for the difference,” by giving C-Max buyers “a \$550 check” and those who leased the vehicle “\$325.” The AP notes that Ford “did nothing wrong” and that the “problem stemmed from agency guidelines that allow automakers to test one vehicle, then use its mileage estimates for other car models that have the same engines, transmissions and weight classifications.”

The [Wall Street Journal](#) (8/16, Ramsey) also reports on the change, noting that Ford said Thursday that it is facing lawsuits from consumers over the C-Max’s mileage.

## SPILLS

**Law Firm Asks Judge To Lift Hold On BP Oil Spill Claims.** The [AP](#) (8/16, Kunzelman) reports that a New Orleans attorney has asked a Federal judge “to lift a hold on processing BP oil spill claims for hundreds of its clients while former FBI Director Louis Freeh investigates allegations of misconduct by an attorney who referred a client to the firm.” According to a court filing by Andry Lerner LLC,

there is “no evidence that Lionel Sutton III was paid any money to influence the firm’s claims while he worked as a staff attorney for claims administrator Patrick Juneau’s office.” Freeh is investigating “allegations that Sutton received a portion of settlement proceeds for claims he referred to Andry Lerner before joining Juneau’s staff.”

**Attorney Compares BP’s Tactics To British Invasion Of New Orleans In 1814.** [Reuters](#) (8/16, Callus) covers comments made by New Orleans-based attorney Joe Rice, who last year negotiated settlements with BP for over 100,000 claimants. Rice said that BP’s new hard-line tactics to cap financial liability costs from the spill “will backfire.” Rice compared the situation to the “1814 attack on New Orleans by the British,” saying BP seems to view “us as a colony that they own and can exploit. It’s outrageous.”

## INTERNATIONAL

**Iran Detains Indian Oil Tanker.** The Iranian navy detained an Indian oil tanker carrying Iraqi oil en route to India, according to the [Wall Street Journal](#) (8/16, Mukherji), which cites Indian shipping sources. The owner of Shipping Corp. of India Ltd., MT Desh Shanti, rejected Iran’s claims that the oil tanker was polluting waters in the Persian Gulf.

**Quebec Adds Canadian Pacific To List Of Companies To Share Derailment Cleanup Costs.** In the latest coverage of the July 6 train derailment in Lac-Mégantic, Quebec, [Reuters](#) (8/15) reports that officials are asking Canadian Pacific Railway to share in the clean-up costs. Although the railroad wasn’t operating the train involved in the July derailment that spilled about 1.48 million gallons of oil, it had been hired to transport tanker cars filled with oil by train operator Montreal, Maine & Atlantic. This comes after Tuesday’s announcement by Canadian officials that MMA would be shut down next week due to lack of enough insurance coverage to pay for spill cleanup costs.

**Libya’s Deputy Oil Minister Says Main Oil Facilities Still Suffering As Protests Drag On.** [Reuters](#) (8/16, Payne) reports that although exports of refined products have resumed from Libya’s largest refinery, Ras Lanuf, most of the crude terminals, including Es Sider, are still blocked by protesters. On Thursday, Libya’s deputy oil minister Omar Shakmak said, “The situation has not improved and we are going back to square one concerning Es Sider.”

**As Egyptian Unrest Grows, Oil Companies Report Little Disruption.** [Reuters](#) (8/16) reports that as unrest spreads across Egypt, foreign companies have begun halting production at factories in and around Cairo or



closing their offices. The oil and natural gas sector appears to be largely unharmed, however. Royal Dutch Shell closed its offices there for the next several days and put restrictions on business travel. Meanwhile, BP said its oil production remains unaffected. Sources said that shipping from the Suez Canal is also operating normally.

### **Indonesians Said To Be “Shocked” By Arrest Of Top Oil Regulator.**

In continuing coverage of the arrest of Indonesia’s top oil and gas regulator, Rudi Rubiandini, [Time](#) (8/15) reports that the nation “has been stunned and saddened” by the development. Indonesians, living in a nation “plagued with graft,” had largely believed Rubiandini to be “a clean and upstanding figure.” He was “a respected academic and technocrat” who earlier promised to fight energy sector corruption. In comments after his arrest, Rubiandini told reporters, “I didn’t commit an act of corruption. But [what I did] seems to be categorized as [accepting a] gratuity.”

### **Nicaragua To Begin Oil Exploration In Formerly-Disputed Caribbean Sea Waters.**

The [AP](#) (8/16) reports that on Thursday, Nicaraguan Energy and Mines Minister Emilio Rappaccioli said the nation will begin exploration for oil in a Caribbean Sea seabed that it was granted last year in an international court dispute with Colombia. Rappaccioli said that exploration in the area would begin this weekend.

### **Gazprom Reports 35% Dip In Net Profit In The First Half Of Year.**

The [Moscow Times](#) (8/16) reports that Gazprom on Thursday reported that its net profit declined by 35% during the first half of 2013, to 250 billion rubles. Sales revenue declined 0.7% to 1.4 trillion rubles, while production costs climbed 14% to 936 billion rubles. According to analysts, fluctuations in currency, taxes on mineral extraction, and a 40% decline in gas supplies to Ukraine are responsible for the profit decline.

### **Britain Divided Over Fracking.**

The [New York Times](#) (8/16, Cowell, Subscription Publication) reports that Britain is divided over fracking with Prime Minister David Cameron trying to fend off environmental concerns. Cameron’s move to “emulate” American success with fracking is “evoking a resistance to technological advance.” Cameron is facing “delicate politics” in trying to persuade the country’s southeast “to accept his argument” that the benefits outweigh what he has called “very minor changes to the landscape.” There is even “a collision of faith and economics” with some drawing theological arguments into the debate. Cameron has said that the UK needs fracking to remain competitive.

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