



## Study: US oil, gas industry supported 10.3 million jobs in 2015

The US oil and gas industry's total employment impact to the national economy in 2015, combining operational and capital investment impacts, amounted to 10.3 million full-time and part-time jobs and accounted for 5.6% of total US employment, according to a study commissioned by the American Petroleum Institute and conducted by PwC LLP.

The jobs total included a 500,000 increase between 2011-15, encompassing both the shale boom and the onset of a downturn in oil and gas prices that began in the summer of 2014.

Despite a down year, the industry's total impact on US GDP in 2015 was \$1.3 trillion, accounting for 7.6% of the national total.

At the national level, each direct job in the oil and gas industry supported an additional 2.7 jobs elsewhere in the US economy in 2015, the study indicates.

Counting direct, indirect, and induced impacts, the industry's total impact on labor income, including proprietors' income, was \$714 billion, or 6.7% of national labor income in 2015.

The total number of jobs directly or indirectly attributable to industry operations—not counting any capital in-

vestment impacts—ranged from a low of 11,800 in the District of Columbia to nearly 2 million in Texas in 2015.

The top 15 states in terms of the percentage of jobs directly or indirectly attributable to industry operations in 2015 were Oklahoma (16.6%), Wyoming (14.4%), North Dakota (13.3%), Texas (12.2%), Louisiana (11%), Alaska (9.7%), New Mexico (8.3%), West Virginia (7.8%), Kansas (6.8%), Colorado (6.5%), Nebraska (6.3%), Montana (6%), Mississippi (5.3%), Arkansas (4.8%), and Pennsylvania (4.3%).

According data from the US Bureau of Labor Statistics, the average wage paid by the oil and gas industry, excluding retail station jobs, in 2016 was \$101,181, nearly 90% more than the national average.



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State	Jobs supported	Value added to state's economy	State	Jobs supported	Value added to state's economy
Alabama	86,400	\$8.8b	Montana	39,500	\$4.8b
Alaska	45,300	\$15.7b	Nebraska	81,200	\$9.2b
Arizona	95,300	\$8b	Nevada	44,900	\$4b
Arkansas	76,000	\$8.1b	New Hampshire	24,100	\$2.2b
California	730,600	\$119.6b	New Jersey	142,200	\$20.9b
Colorado	232,900	\$31.3b	New Mexico	90,100	\$12.8b
Connecticut	54,500	\$7.2b	New York	258,500	\$35.7b
Delaware	15,700	\$2.3b	North Carolina	141,500	\$13.4b
D.C.	11,800	\$2.1b	North Dakota	78,700	\$11.7b
Florida	266,800	\$22b	Ohio	262,800	\$37.9b
Georgia	142,700	\$13.6b	Oklahoma	379,100	\$51.7b
Hawaii	19,100	\$2.3b	Oregon	57,500	\$5.3b
Idaho	26,300	\$1.8b	Pennsylvania	322,600	\$44.4b
Illinois	234,600	\$33.3b	Rhode Island	15,200	\$1.8b
Indiana	120,400	\$14.8b	South Carolina	67,600	\$5.2b
Iowa	83,200	\$6.9b	South Dakota	22,500	\$1.6b
Kansas	128,700	\$12.1b	Tennessee	106,600	\$10.5b
Kentucky	80,200	\$7.8b	Texas	1,985,200	\$326.3b
Louisiana	291,200	\$50.7b	Utah	66,800	\$7.4b
Maine	29,200	\$2.2b	Vermont	13,900	\$991.7m
Maryland	72,500	\$7.8b	Virginia	125,500	\$11.9b
Massachusetts	102,600	\$12.5b	Washington	98,500	\$12.8b
Michigan	159,100	\$14.5b	West Virginia	70,900	\$8b
Minnesota	117,400	\$14.2b	Wisconsin	98,200	\$8.3b
Mississippi	81,600	\$7.8b	Wyoming	57,500	\$8.9b
Missouri	117,500	\$10.4b			

From American Petroleum Institute via PwC LLP's "Impacts of the Natural Gas and Oil Industry on the US Economy in 2015"

## Business Groups Punch Back Against Energy Tax Legislation

Pennsylvania business groups are warning a state Senate-passed proposal to increase energy taxes will hurt the industry's competitive standing, cause higher bills for consumers and scare off investment.

The groups said the proposal will hit some large industrial users very hard.

The bill would bring in about \$100 million annually from a new severance tax on Marcellus Shale natural gas drilling. It also calls for about \$400 million from a gross receipts tax on natural gas, electric and telecommunications bills. Democratic Gov. Tom Wolf supports the plan to plug a \$2.2 billion revenue gap. Wolf's spokesman says if lawmakers don't act to fully fund spending that's already been approved, the state will teeter on the verge of bankruptcy and schools and local municipalities will be harmed.

## BP Sees Oil Prices Below \$55 a Barrel in 2018

BP expects global oil prices to hold within a range of \$45-\$55 a barrel next year as U.S. shale production grows, the British company's chief financial officer said.

After a slow start to the year, global oil demand recovered in the second quarter of 2017 and was expected to grow by 1.4 to 1.5 million barrels per day, Brian Gilvary told Reuters. "Global demand is looking pretty strong, and prices will firm around the levels seen today," he said.

Oil prices averaged around \$48 a barrel in the first half of 2017, according to BP, and are cur-

rently just below \$53 a barrel. Global demand was at around 95 million bpd in 2016. Brent crude oil prices were expected to remain broadly unchanged in 2018 and average at around \$45-\$55 a barrel as U.S. shale production is able to expand at these levels, effectively capping prices.

"We can now see where the price elasticity is. As the price comes up to \$52-\$53 a barrel we start to see some uptick in activity, as it drops to \$45, we start to see that curtailing."

Earlier BP reported a drop in second quarter profits after an exploration write-off in Angola.

SSDA-AT Federal Legislation Forum  
Saturday, October 28, 2017  
Las Vegas Convention Center  
Las Vegas, NV

- I. Ongoing Federal Legislative/Regulatory Efforts
  - a. Tire Registration/ Recall Recovery
  - b. LIFO Repeal
  - c. Infrastructure Funding
  - d. Estate Tax
  - e. Obamacare
  - f. NHTSA Consumer Education
  - g. WOTC/Extenders/Tax Reform
  - h. OSHA Workplace Safety
  - i. Marketplace Fairness Act
  - j. FLSA Proposals on Comp Time and Overtime
  - k. Use Strong Enforcement of the Magnuson-Moss Warranty Act
  - l. Recognizing the Protection of Motorsports Act of 2017 (RPM Act)
  
- II. Federal Lobby Day

SSDA-AT Association Management  
Sunday, October 29, 2017  
Las Vegas Convention Center  
Las Vegas, NV

- I. Association Management
  - a. Budget
  - b. Board of Directors
  - c. Meetings/Conventions
  - d. Publications
  - e. Bylaws
  - f. Legal Counsel
  - g. Lobbying
  - h. Membership
  
- II. Non-Dues Income
  - a. Insurance
  - b. Training
  - c. Membership
    - i. Recruitment
    - ii. Retention
  - d. Publications
    - i. Newsletters, magazines, directories
  - e. Membership Programs
    - i. Electric, legal, retirement, etc.
  - f. Conventions and Trade Shows
  - g. Buying Groups
  
- III. Executive Director
  - a. Contracts/salary
  - b. Relationship to Board
  - c. Relationship to Staff
  
- IV. Open Discussion

State Legislation Forum  
Monday, October 30, 2017  
Bally's Hotel Las Vegas, NV  
(SSDA-AT and Tire State Executives)

I. State Legislative Review (States invited- to be updated)

1. Alabama
2. Arkansas
3. California
4. Connecticut
5. Florida
6. Indiana
7. Georgia
8. Kentucky
9. Louisiana
10. Maine
11. Massachusetts
12. Minnesota
13. Nebraska
14. New Hampshire
15. New York
16. North Dakota
17. Ohio
18. Oklahoma
19. Oregon
20. Pennsylvania
21. Rhode Island
22. South Carolina
23. South Dakota
24. Tennessee
25. Texas
26. Vermont
27. Virginia
28. Washington
29. Wisconsin
30. Canadian Province

II. Federal Overview

- Roy Littlefield IV, TIA Director of Government Affairs
- a. Federal Lobby Day

III. Legal

- Peter Gunst, TIA & SSDA-AT Counsel

IV. Open Forum

## Oil falls but gasoline jumps as Harvey hits U.S. refiners

U.S. crude oil futures fell more than 3 percent on Monday but gasoline prices surged to two-year highs as Tropical Storm Harvey kept hammering the U.S. Gulf Coast, knocking out several refineries which backed up crude supplies and disrupted fuel production.

Massive floods caused by the storm forced refineries in the area to close. In turn, U.S. crude futures fell as the refinery shutdowns could reduce demand for American crude.

“The reduced inputs to those Gulf refineries will result in an increase in crude inventories,” said Tony Headrick, energy market analyst at CHS Hedging, “That outweighs the outages in crude oil production from the storm.”

U.S. West Texas Intermediate (WTI) crude futures CLc1 were down \$1.48 or 3.1 percent to 46.39 at 1:31 p.m. EDT (1731 GMT) Brent crude futures LCOc1 were down 70 cents or 1.3 percent at \$51.71 per barrel.

The WTI discount versus Brent CL-LCO1=R expanded to as much as \$5.48 per barrel, its widest in two years.

Prompt U.S. gasoline differentials in the Gulf Coast hit a five-year high.

Spot prices for U.S. gasoline futures RBc1 surged 7 percent to a peak of \$1.7799 per gallon, the highest since late July 2015, before easing to \$1.7078 by 1:33 p.m. EDT (1733 GMT), up 2.5 percent.

Harvey, the most powerful hurricane to hit Texas in more than 50 years, killed at least two people, caused large-scale flooding and forced closure of Houston port and several refineries.

The International Energy Agency in Paris said it was monitoring



## Oil falls but gasoline jumps as Harvey hits U.S. refiners

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the storm are ready to respond to major oil supply disruptions.

Texas is home to 5.6 million bpd of refining capacity, and Louisiana has 3.3 million bpd. Estimates say the storm has taken more than 2 million bpd of refining capacity offline.

Sources said the Motiva Port Arthur refinery in Texas, the largest U.S. refinery, was considering a shutdown.

U.S. traders were seeking oil product cargoes from North Asia, several refining and shipping sources told Reuters, with transatlantic fuel exports from Europe expected to surge.

“Global refining margins are going to stay very strong,” said Olivier Jakob, managing director of Petromatrix.

“If (U.S.) refineries shut down for more than a week, Asia will need to run at a higher level, because there’s no spare capacity in Europe.”

Mexico’s Pemex said supply of fuel was guaranteed in light of Harvey.

About 22 percent, or 379,000 bpd, of Gulf pro-

duction was idled due to the storm as of Sunday afternoon, the U.S. Bureau of Safety and Environmental Enforcement said.

There might also be around 300,000 bpd of onshore U.S. production shut in, trading sources said.

In Libya pipeline blockades by militia brigades have slashed the OPEC state's output by nearly 400,000 bpd.

The market was also waiting for data on U.S. crude and refined product inventories. Analysts polled by Reuters forecast



## Harvey's Lessons for America's Stretched Energy Infrastructure

For more than 40 years, the U.S. has worried about the security of its oil supply. Hurricane Harvey is another reminder that the infrastructure that processes and delivers oil is in many ways more important.

After the Arab oil embargo, the U.S. began filling its Strategic Petroleum Reserve, which holds enough oil to offset 94 days of imports, according to the Energy Department. Yet it is a case of the generals fighting the last war.

The U.S. imports about 25% less oil than it did a decade ago and exports over a million barrels a day, up from virtually nothing.

Harvey's hitting the Gulf Coast of Texas highlighted another potentially significant change. The U.S. relies on fewer facilities, run closer to their physical limits, to turn that crude into fuel and get it to consumers.

The U.S. has 141 operable oil refineries today, which is 79 fewer than 30 years ago. Those refineries have nearly 30% more capacity and are used much more heavily, about 90% on average over the past 12 months.

The heaviest concentration is along the Gulf Coast where the industry has deep roots and has been allowed to expand. Harvey has temporarily knocked out about 15% of U.S. refining capacity.

Moving the refined product to customers also falls disproportionately on a few pieces of infrastructure. The Colonial Pipeline carries over 2.5 million barrels a day, or about half the refined product consumed along the

entire East Coast. Last year saw severe disruptions to gasoline supply in the Southeast due to construction accidents along one of its sections.

Natural gas, America's main heating and power-generation fuel, is prone to disruption too. In the aftermath of hurricanes Rita and Katrina, it was discovered that storm surges had damaged key treatment plants along the Gulf Coast.

Prices hit an all-time high a few months later, in December 2005, and supplies weren't back to normal until six months after the storm.

There is good news, too. Greater trade in oil, motor fuels and natural gas means that the market can respond more quickly to disruptions. European and Asian refiners already are scrambling to take advantage of Northeastern U.S. gasoline price spikes.

Meanwhile, vulnerable offshore facilities produce a much smaller share of American oil and natural gas than a decade ago, as a result of the fracking revolution.

Yet these are all happy side effects of market and geological developments, not by design.

The profit motive mostly means that, in the interest of efficiency, more energy passes through fewer, busier pieces of infrastructure. Building more redundancy into the system might be costly, but failing to do so will seem foolish if a truly epic catastrophe leaves America with empty tanks and in the dark.

## Biggest U.S. Fuel Pipeline Fills Up as East Coast Tanks Drain

Colonial Pipeline is back to business as usual -- with more demand to move fuels to the East Coast from Houston than it has space for.

After running below capacity about 45 days starting in July, the largest gasoline pipeline in the U.S. has restarted its practice of rationing space. The company froze shippers' ability to nominate more fuels this month to maintain the line's five-day cycle shipping frequency, spokeswoman Malesia Dunn said by email.

To be a big player in the U.S. gasoline market, it's essential to have a gateway to the high-demand center surrounding New York City. Some traders supply that hub with foreign imports, but 1.3 million barrels a day move north on the Colonial Pipeline from the refining hub near Houston.

The arbitrage, or selling opportunity for European gasoline exports to New York, fell to the lowest level since January 2016, according to PVM Oil Associates Ltd data. Upcoming imports from Europe will also be stifled as the region's largest refinery shut unexpectedly. Royal Dutch Shell Plc will attempt to restart one of two crude units at the Pernis refinery.

"Inventories of gasoline have been drawing down across the East Coast and now it makes sense to take more barrels through Colonial's pipeline," said Andy Lipow, president of Lipow Oil Associates in Houston.

There were big profits available to Colonial shippers in the early 2010s when New York gasoline prices were normally 10 to 30 cents a gallon higher than the Gulf Coast. But only the committed shippers were getting a piece of the action. It was like an overcrowded subway train -- outsiders were so desperate to ride that they'd pay the regulars for their seat. As more shippers began selling their space on the pipeline, a "line space" spot market emerged.

The market's fundamentals have since changed and Gulf Coast gasoline no longer carries a wide discount to New York as exports boom. Demand to ship on the line fell below capacity in July for the first time in six years.

"We've seen the economics of shipping on Colonial have been challenged for quite some time now, and it really is tied to the exports," Gary Simmons, Valero Energy Corp.'s senior vice president of supply and international operations said July 27 on a second-quarter earnings call.

That fundamental shift also pushed the line space that traded near 30 cents a gallon in late 2014 into negative territory for most of this year, Argus Media Ltd. data show.

"If you own the space, then essentially you're short the Gulf," said Robert Campbell, head of oil products research for Energy Aspects Ltd. That's "been a horrific trade the last two years."

## It's Been a Bad Month for Some of America's Most-Loved Oil Plays

The good news for U.S. producers: the chief executive officer of Europe's second-biggest oil and gas company thinks American shale assets are "quite expensive" following a recovery in the price of crude. The bad news: they're growing more affordable.

Assets tied to shale producers, particularly those in America's most-coveted oil field, have fallen this August thanks to concerns about oversupply that have emerged as the firms announced second-quarter results.

The anxiety is evident across stocks, bonds and in the words and actions of major energy players who now say they're eschewing the once-popular sector.

Total SA CEO Patrick Pouyanne is not alone in the comments he made earlier this week after announcing a North Sea oil acquisition. BHP Billiton Ltd. followed up by saying the time was right to look at unloading its U.S. shale properties, a plan which would put almost a million acres of oil and natural gas fields on the market.

"This decision will resonate in all other quarters of the shale industry," Fabio Scacciavillani, chief economist at the Oman Investment Fund, said in a Bloomberg TV interview. "It certainly will resonate on Wall Street, which has just been providing a lot of financial resources for these dependent shale oil and shale gas companies."

The worries are most evident in the stock prices of some major Permian-players. The worries are most evident in the stock prices of some major Permian-players. Shares of Pioneer Natural Resources Co., Range Resources Corp., Newfield Exploration Co., and EOG Resources Inc. tumbled this month as investors appeared to lose faith in what was once America's most prolific basin. The stock of pipeline-owner DCP Midstream LP followed a similar path after its CEO warned of a glut in supply.

"We love the Permian," CEO Wouter van Kempen said on a call with analysts. "But we've seen a similar playbook in the past in many, many areas around the country including not too long ago the Eagle Ford where the industry is now sitting on a lot of excess processing capacity."

Meanwhile, debt sold by energy firms with weaker balance sheets has underperformed slightly this month, with risk premiums on the Bloomberg Barclays index of high-yield energy ticking up by 42 basis points versus a 36-basis-point rise in the broader high-yield index.

The "shale industry has certainly some sweet spots as they call them but it has also a lot of places where extraction is not economically viable," said Scacciavillani. "That, as we go ahead, will put a certain strain on the shalers and we're going to see retrenchment in production."

## Court Rules New York Had Power to Deny Key Pipeline Permit

In a decision held up as an affirmation of the right of states to reject major oil and gas infrastructure, a federal court ruled Friday that New York acted properly when it blocked plans for a 124-mile natural gas pipeline from Pennsylvania's shale fields.

The U.S. Court of Appeals rejected the Constitution Pipeline company's argument that the state Department of Environmental Conservation was "arbitrary and capricious" in denying a water quality permit last year. The ruling said federal law entitled the department to conduct its own review of the pipeline's likely impact on water bodies.

"We hope this sends a loud message that New York will not rubber stamp any project that fails to protect public health and our environment," said commissioner Basil Seggos.

The Federal Energy Regulatory Commission approved the pipeline intended to carry cheap, natural gas from Pennsylvania to eastern New York in 2014, conditioned on state permits. Pennsylvania approved all permits needed in its section of the project, and tree-clearing began in preparation for construction.

But New York regulators stopped the project in its tracks when they determined it failed to meet standards to protect streams, wetlands and other water resources.

The pipeline company, Tulsa, Oklahoma-based Williams Cos., said it remains committed to the project.

New Yorkers for Affordable Energy, a coalition of labor and business groups, urged DEC to work with the Constitution team to resolve water quality issues and move the project forward. "New York must not throw up road blocks to building the infrastructure necessary to ensure all of our state's energy consumers are able to access our nation's abundant natural gas resources," the coalition said.

Environmental groups said the ruling confirms the authority of states to protect their water bodies from threats posed by pipelines crossing critical watersheds.

"This is not just a victory for the people impacted along the pipeline route, but gives hope across the country for people facing the onslaught of oil and gas infrastructure," said Wes Gillingham, associate director of Catskill Mountainkeeper.



## Government Affairs Report

SSDA-AT had a busy month attending coalition meeting, getting together with other associations, attending fundraisers, and lobbying in Washington.

There has been a lot of excitement to say the least on Capitol Hill. With so many quick developments and so much coverage of the various issues, we thought it would be helpful to provide our own breakdown of what has happened thus far and what we expect to see going forward.

The failure of the Senate to advance a repeal/replace bill means that leadership is now in a situation where they really need to choose between health care and tax reform. Speaker of the House Paul Ryan (R-WI) has made it clear that, while he would encourage the Senate to continue its efforts on health care, he will now be moving his chamber on to tax reform, and the White House announced that the President hopes to have a tax reform package pass the House in October and the Senate in November.

Even before the failed repeal/replace vote, attentions had begun to turn towards tax reform. A week ago, the White House and Congressional Republican leadership issued a joint statement setting forth the key principles that they have agreed upon for tax reform. The big news from this release is that they have agreed not to pursue the introduction of a border adjust-

ment tax (BAT). This is a big shift in position, particularly for Speaker Ryan who, over the last year, despite push back from inside his own party and from a number of very big businesses and interest groups, had remained a proponent of the BAT.

As we work on tax reform and other issues, SSDA-AT took part in a call for the White House Conference on Small Business (WHCSB) under the Trump Administration. The White House Conference on Small Business (WHCSB) which has not taken place in over two decades and we are continuing to put the Conference in place. That is far too long to go without giving voice and a forum to America's small businesses which account for 99 percent of U.S. private sector employers and 64 percent of net new private sector jobs. We have taken part in several of these calls throughout the year.

Last month, SSDA-AT met with the Family Business coalition to discuss support for death tax repeal and lowering taxes on family businesses has unanimous support with Republicans in the House, including leadership, the 170+ member RSC, and Freedom Caucus. George Callas, Senior Tax Counsel for Speaker Ryan provided a tax reform update. We will continue our strong lobbying efforts on the Estate Tax.

## Government Affairs Report

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SSDA-AT answered Senate Finance Committee Chairman Orrin Hatch's call for input on tax reform from stakeholders and tax professional by submitting comments to the Committee. The Comments, among other things, (i) urged Congress to pursue greater parity in the tax rates for pass-through entities and C corporations while avoiding providing an opening for complex rules and systems, (ii) advocated for the preservation of the business interest deduction, (iii) stated support for immediate expensing, (iv) encouraged Congress to maintain the step-up in basis while repealing the estate tax and (v) pushed for the preservation of the deductions for health insurance premiums and retirement plan contributions.

Recently, we met with members of SEMA's government affairs department to discuss the legislative initiatives for each association. SEMA has 8 members in their government affairs office in Washington and have spent this year focusing their efforts on the RPM Act. SSDA-AT continues to work with SEMA on this bill. We will look to combine our legislative efforts with a joint SSDA-AT, TIA-SEMA reception at the end of the day on our federal lobby day in May of 2018.

SSDA-AT participated in a legislative roundtable with SEMA and member groups who are working towards passing

the RPM Act, we continue to add co-sponsors and are now looking for legislative action. We now have 128 co-sponsors in the House and 38 in the Senate. We see a window of opportunity with the current Congress and President to make the RPM Act law.

Most recently, we met with USTMA (formally RMA) to discuss state legislation. USTMA was able to pass their unsafe tire legislation in New Jersey which will take effect on July 1, 2018 but failed in other states including New York, Ohio, Florida, and Texas. They will look to reintroduce legislation in a few states to be determined next year. We have tried to remain transparent with USTMA on state legislation and we have looked for ways to work together. We have encouraged and asked USTMA for even more communication moving forward.

SSDA-AT will remain active in Washington for the remainder of the year and we look forward to participating in hearings and submitting comments on various issues impacting the industry.



## BP Finds Prolific Shale Gas Source in New Mexico



BP believes it has found a fertile new source of shale gas in New Mexico, on land it bought from a U.S. shale driller two years ago.

The British oil major said Monday one of its natural gas wells in the Mancos Shale reached the region's highest production rate in 14 years, pumping 12.9 million cubic feet of gas a day in an initial 30-day period.

By comparison, horizontal gas wells in the Eagle Ford Shale in South Texas produce some 8 to 12 million cubic feet of gas a day, according to energy research firm Wood Mackenzie.

"It exceeded their expectations," said Linda Htein, senior research manager of Wood Mac's upstream research team. "But it's still early days."

Dave Lawler, head of BP's shale gas unit, said the discovery means the Mancos Shale – part of the San Juan Basin, which stretches across New Mexico and Colorado – could become one of the nation's top shale plays.

"This result supports our strategic view that significant resource potential exists in the San Juan Basin, and gives us confidence to pursue additional development of the Mancos Shale," Lawler said.

But it's going to take more than one prolific well to convince the U.S. oil industry the Mancos Shale is the next hotspot for shale gas.

"The next test now will be showing some repeatability," Htein said. "Will they be able to repeat these results in another five wells? They think there's potential for scalability here."

In late 2015, BP had snagged 33,000 acres in the San Juan Basin from Devon Energy, a year after announcing plans to form a self-contained U.S. shale segment that was first headquartered in Houston. BP plans to open a new headquarters for the unit in Denver next year.

BP said its gas well in the Mancos Shale was drilled sideways 10,000 feet in a U.S. government-owned region called the Northeast Blanco Unit, in San Juan and Rio Arriba counties. The company had originally estimated it could drill some 1,600 wells with 5,000-foot lateral sections across the San Juan Basin.

## Letter to the Editor



### AMERICAN PETROLEUM INSTITUTE

Dear SSDA-AT,

Americans have been experiencing the advantages of the U.S. energy revolution every time they fill up their tanks or pay their heating and electric bills. But the economic benefits of natural gas and oil production begin well before the end products reach consumers. It takes a vast, multi-industry supply chain to produce and deliver American energy, and that means jobs.

From exploration and production, to pipeline construction, refineries, and businesses that provide service and supplies for all those activities and more, the economic impact of the oil and natural gas industry reaches all 50 states.

We worked with respected consulting firm PwC to analyze that impact, including direct, indirect and induced effects. The results, based on 2015 data, are staggering.

As of 2015, the U.S. natural gas and oil industry:

- Supports 10.3 million or 5.3 percent of U.S. jobs -- up from 9.8 million jobs in 2011
- Adds \$1.3 trillion to the U.S. economy
- Supports an additional 2.7 jobs in the U.S. economy for every direct job in the oil and natural gas industry
- Generates more than \$714 billion or 6.7 percent of total U.S. labor income

States don't have to be major energy producers to reap the benefits of U.S. energy. Oil and natural gas are ubiquitous throughout the economy as a source of electricity, fuel and manufacturing feedstock for everyday products, from life-saving medical devices to cosmetics at the drug store, from plastics in our toys and cell phones to 3-D printers. By having helped reduce power and materials costs for manufacturers, abundant oil and natural gas have spurred economic activity across a range of job sectors in every state.

The report confirms that the oil and natural gas industry is a major engine of economic growth, and the right policies can keep that engine running strong.

By unlocking more areas to safe oil and natural gas exploration, building the infrastructure needed to transport energy to homes and businesses, and implementing smart tax and regulatory policies, policymakers can deliver the economic progress the American people seek.

Sincerely,

Sincerely,

A handwritten signature in black ink that reads "Jack".

**Jack Gerard**  
President and CEO  
API



## Marathon Oil Spending Less, Pumping More

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The CEO of Marathon Oil Corp. says the company plans to produce more oil even as it trims spending in the second half of the year. The Houston oil producer had based its investment plans on \$55 a barrel oil. Crude prices have languished below \$50 a barrel in recent months, so it plans to cut spending 10 percent to about \$2.2 billion.

But recent drilling efficiency gains in places like North Dakota and Oklahoma will allow it to sell oil from 20 percent more wells in the second half of the year, Marathon CEO Lee Tillman told investors.

"We took steps to correct some of the inefficiencies we observed in the very steep activity increase," he said. "We learned a lot in the first half of the year." The oil company posted a \$139 million loss in the second quarter, a slight improvement from the same period last year, when it lost \$170 million.

## About 22 percent of U.S. Gulf oil output offline due to Harvey

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About 22 percent of U.S. Gulf of Mexico oil production is offline due to Tropical Storm Harvey, the U.S. Department of the Interior's Bureau of Safety and Environmental Enforcement (BSEE) said on Sunday.

Output levels rose slightly from Saturday, when roughly 25 percent of Gulf oil output was offline.

The amount of production offline on Sunday was roughly 378,633 barrels of oil per day out of the roughly 1.75 million bpd pumped from the Gulf.

About 26 percent of Gulf natural gas production is offline, or about 828 million cubic feet (23.4 million cubic meters) per day, BSEE said.

Roughly 105 platforms have been evacuated in the Gulf so far as a result of Harvey, about 14.3 percent of those in the region. Half of the drilling rigs in the Gulf remain evacuated, BSEE said.



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