



# OIL DAILY

Today's complete oil and gas news briefing

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## Cheap Gas Playing Important Role in US Economic Recovery

Cheap, secure natural gas supplies could ultimately prove to be the "bailout" that will put the US economy firmly on the path to recovery, according to Will Franklin, managing director of Lime Rock Partners, a private equity firm specializing in energy.

Franklin said a cheap, secure, abundant supply of natural gas is presenting the US with a long-term, competitive advantage in the petrochemical, manufacturing and fertilizer industries -- and is also starting to make inroads as a low-cost transportation fuel (OD Mar.13'12)

"Energy is the future of this country," Franklin told a breakfast forum hosted by the law firm BoyarMiller in Houston on Thursday. "We are the bailout."

He said around 9.2 million Americans are employed by the oil and gas industry which also makes a substantial contribution to the US gross domestic product.

Tim Hargrove, managing director of Gulf-Star Group, noted that cheap and abundant gas and natural gas liquids have prompted several companies to announce expansions of their petrochemical facilities. Among them are Dow, Motiva, Shell and Valero.

"This is the best place in the world right now to produce petrochemicals," Hargrove said.

However, Franklin and other panelists noted that the oil and gas industry is currently grappling with an uncertain regulatory environment. In particular they expressed concerns that new federal restrictions or administrative burdens relating to hydraulic fracturing or "fracking" could put a damper on the thriving US exploration and production sector (OD Mar.19'12).

David Pursell, managing director of energy investment firm Tudor Pickering Holt, expressed frustration at the federal government's seeming inability to formulate what he called a "sensible energy policy."

Pursell said it's difficult to tell exactly where either party -- Republican or Democrat -- stands on energy issues, but that high oil prices in the midst of an election year are forcing a discussion.

He said policy-makers need to step aside and let the market sort things out.

Regarding the public anxiety surrounding fracking, Pursell said the practice is safe and there is not a single documented case that links fracking to groundwater contamination.

Halliburton Senior Technology Manager Stephen Ingram echoed Pursell's comments, adding that fracking takes place thousands of feet below the water table and that fracking fluids are comprised of around 99% water.

The remaining 1% contains fairly benign chemicals that are found in common household products, he said (OD Jul.15'10).

Fracking plays an integral role in extracting gas from unconventional formations -- like shale, tight gas and coalbed methane plays which Ingram said collectively account for 53% of US gas production today.

"Hydraulic fracturing brings affordable energy to the market," he said.

While there have been several documented instances of surface contamination at well sites because of spills, equipment failure and human error, these did not result directly from the fracturing of rock thousands of feet below the surface (OD Jun.8'10).

Ingram said no industry is perfect, but that the oil and gas industry needs to be extra-careful.

"We have a major perception issue in the public forum," Ingram said. "There's a lot of misinformation out there" (OD Jan.16'12).

Ⓕ **Rachael Seeley, Houston**